

THE ASSESSMENT OF THE PROSPECTS OF SMEs IN SUSTAINED GROWTH

(Paper ID: CFP/1696/2020)

1st Constance Mumba

cbmumba@gmail.com

Dept. Business Studies

School of business/Humanities

Information and Communication University

Lusaka Zambia

2nd Marvin Kabubi

marvinkabubi@ymail.com

Dept. Business Studies

School of business/Humanities

Information and Communication University

Lusaka Zambia

ABSTRACT-*Sustainable development has become an important subject of discussion in recent years, especially after it was raised in the UN report on sustainability, published in 2012. Thus, the connection between sustainable development and entrepreneurship has received a lot of attention in scientific circles, resulting in a number of publications on the matter. Small and medium enterprises (SMEs) play a vital role in all economies around the world, they are responsible for creating of jobs, alleviating of poverty, contributing to innovation and to the gross domestic product of a country. SMEs in Zambia employs about 50 percent of the working class, similar to countries like Indonesia, Tanzania and Kenya. The government of the Republic of Zambia realizes the importance of developing the private sector through the promotion of small and medium enterprises (SMEs) in the country. It is also realized that this may not be well achieved without adequate support of these SMEs. However, many of these businesses face challenges and often fail within a short period of time. The success of small businesses is not only having products and a market to sell them to but also effective marketing of these products to the targeted market. It is therefore imperative for a country to make relevant and business-friendly legislation that would enable SMEs growth in the country. This paper sought to find out the prospects of Small and Medium Enterprises (SMEs) as a veritable tool in sustained economic growth. Specifically, the research reveals that the growth of SMEs in Zambia is hampered by several interrelated factors, which include business environmental factors that are beyond the SMEs' control and internal factors of the SMEs. The external factors include the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprise entrepreneurial characteristics, management capacities, marketing skills, and technological capacities and the objectives of the study includes; to examine the characteristics of SMEs in Lusaka; To examine the availability of external financing to SMEs in the area of study; To determine the management capacities of SMEs in*

their pursuit for growth; To assess the Legal and regulatory factors that have an effect on SMEs. In order to achieve these objectives, a survey method was used to gather data by sampling 80 SMEs in Kanyama constituency in Lusaka, namely hairdressers, marketers, car dealers, shop owners, private school owners, and farmers. This research adopted a descriptive research design; the researcher used a questionnaire as the primary data collection instrument and the information collected from the questionnaires was coded and presented using computer software called Microsoft word to tabulate information.

The results of the study found that most businesses are small with features of sole proprietors and in some cases employing a few people and the incomes generated are primarily for looking after their homes. When business enterprises are established, the entrepreneurs are faced with a choice of whether to remain informal or register with Patents and Companies Registration Office (PACRO). Survey results show very low levels of formality due to regulatory and administrative barriers, fees and financial requirements, corruption and criminality and many other financial challenges. Further evidence revealed that educational levels of most of the entrepreneurs had an effect on their growth. Lack of better education for most of these SMEs has resulted into poor leadership, mismanagement of resources, lack of initiative, incompetence and missed opportunities to further develop their assets, such as skills and experience.

Hence this paper recommends that Government should as matter of urgency assist prospective entrepreneurs to have access to finance and necessary information relating to business opportunities, modern technology, raw materials and many others, which enable them to reduce their operating cost and be more efficient to meet the market competitions.

I. CHAPTER ONE: INTRODUCTION

Over the last decade, research into enterprise development has grown because of the massive failure of a number of industrial and economic reforms which has stimulated a great response from the private sectors, hence the need to supplement liberalization measures with pro-active policies to attain the desired goal (Bhattacharya, 2002).

As early as 1970s Zambia 's strategic growth was fixed on parastatal –led large scale companies in all sectors of the economy. Nonetheless, these companies were performing poorly and this induced the government to adopt a free market economic policy in 1991.

In spite of the change in economic policy, the economy continued to decline resulting in drastic increases in unemployment and poverty levels. This caused the government to, apart from liberalizing the economy, explore structural realignment of the economy as a possible remedy to back-stopping and even reversing the decline in the economy, employment and living conditions. Through the Small Enterprise Development (SED) Act of 1996 and later on the Poverty Reduction Strategy Paper (PRSP), the SMEs sector was identified as such instrument on which basis a number of policy actions were developed.

As early as 1981, the government formally recognized the importance of the SMEs sector and its contributions to the urban and rural economy. With the same token, the government recognized the challenges that the sector was facing and through the Small Industries Development Organization (SIDO) Act of 1981 made an attempt to enhance the contribution of the sector to the national economy by addressing the inherent sector challenges.

Further attempt for policy support to the sector was made in the Fourth National Development Plan (1988 to 1993) which set the objectives of Identifying and promoting SMEs that have the potential for output expansion and employment

generation in a manner that structurally integrates such activities to complement the large-scale enterprises' sector, upgrading production, managerial, organizational and marketing capabilities of entrepreneurs particularly among the youth; Identify training schemes for youth engaged in SMEs that have the potential for production expansion, income and employment generation, Provide the necessary infrastructure for the operation of SMEs, Promote, where possible, accessible credit facilities for SMEs that have the potential for growth in output, incomes and employment; and, Improve and expand production of the SMEs, particularly that of subsistence farmers and self-employed workers, in order to increase their levels of incomes.

The plan outlined five strategies to achieve the above-stated objectives. These were: Provision of collective services, infrastructure, and specialized tools and equipment for the common use of related activities that have been identified as having relatively higher potential for increasing efficiency and productivity and for generating higher incomes and employment; establish innovative institutionalized credit facilities that are appropriately tailored to meeting the needs of SMEs engaged in potentially productive and dynamic activities, especially with respect to the purchase of input requirements; promote the use of appropriate technology and of available local resources; encourage the formation of small cooperative unions or mutual assistance organizations for the bulk purchase of inputs, the sale and distribution of output, and the joint use of tools and equipment for which considerations of cost or efficiency demand a larger scale of production or more intensive utilization; and, promote the upgrading of skills through formalized training schemes in terms of extension advisory services.

During the implementation of the Plan, the emphasis was placed on collective enterprise rather than individual ownership. Private enterprises were

not encouraged. The resources that the Government allocated to the small enterprises sector were reported to be inadequate and the role of public institutions such as the Small Industries Development Organization (SIDO), the Development Bank of Zambia and the Village Industries Services (VIS), which were the primary source of small enterprises support was not defined, except in the broadest terms. Moreover, these organizations faced serious financial and organizational constraints even at that time. After 1991, the environment became more business friendly, particularly towards small enterprises. This is demonstrated by the establishment of the Industrial, Commercial and Trade Policy in December 1994 with pronouncements that: Government considers the development of small-scale enterprises as an important component of its Industrial, and Commercial policy. Its aim is to devise a strategy, with the participation of the private sector, to encourage the growth of small-scale enterprises.

Statement of the Problem

Zambia is one of the poorest countries in the world with 60 percent of the population living below the poverty line. In recent years, Zambia's economy has been growing rapidly due to the expansion of the copper mining industry and agriculture diversification. However, widespread poverty, mainly caused by fast population growth and systemic youth unemployment, remains Zambia's main economic challenges. The government of Zambia has undertaken various measures and programmes to establish and sustain the SMEs in order to contribute towards country's economic development. 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.

Despite the said government efforts, most of the entrepreneurs are operating in a downward spiral

with most of them closing down their businesses and getting back to their old ways of doing business (Zambia Development Act, 2006). Most SMEs in Zambia die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity. Many factors have been identified contributing to this premature death of SMEs. Key among them are external factors which includes insufficient or lack of access to capital, lack of proper infrastructure, lack of market information and connection, labour shortages, poor management, policy inconsistencies, multiple taxation, harsh regulatory requirements and trade groups. The internal problems of SMEs in Zambia include: inadequate working capital, stiff competition from larger companies, difficulties in sourcing raw materials, low capacity utilization, lack of management strategies, poor educational background of most SMEs, and huge financial problems. It also important to note that SMEs in Kanyama township are not immune from the aforementioned challenges in their day to day operations hence it became necessary to embark on a study that investigates the issues, challenges and prospects of small and medium scale enterprises in the area of study.

Objectives of the study

General Objective

This research was aimed at assessing the prospects of SMEs in sustained economic growth.

Specific Objectives

The study was guided by the following objectives:
To examine the characteristics of SMEs in Lusaka.
To examine the availability of external financing to SMEs in the area of study.
To determine the management capacities of SMEs in their pursuit for growth.
To assess the Legal and regulatory factors that have an effect on SMEs.

Specific Research Question

What characteristics do the SMEs in Kanyama Township have?

Does SMEs have access to external financing?

What management capacities do the SMEs have in their pursuit for growth?

Do legal and regulatory factors exist in support of SMEs?

Significance of the Study

The study will expose entrepreneurial opportunities to unemployed youths. It will also provide awareness among SMEs on the strength and weakness which hinders their business growth. The study will also add to the already existing knowledge on the subject, will provide information for future researchers on this subject and will give the Government of the Republic of Zambia an impetus to more support and assistance to entrepreneurial activities and improve on economic growth.

Limitations of the study

Some of the limitations of this study was due to delayed response from some respondents. Another limitation was non-availability of statistics and other government agencies were of little help to the researcher with reveals to sourcing reasonable data. The researcher was faced with time constraints.

II. CHAPTER TWO: LITERATURE REVIEW

Introduction

Literature review was discussed according to themes based on the study objectives. beyond the SMEs' control.

External Factors

Researchers have used different approaches to explain the factors affecting the growth of SMEs. Some of them have considered environmental and external factors to have a big impact on the performance and growth of small firm's (Lumpkin, 1996). We can summarize the external factors affecting the growth of SMEs as follows:

1.1 Legal and Regulatory Framework

According to (Lumpkin, 1996) the growth of SMEs is affected by its business climate. Clement et al., (2004) noted that an unfavorable business climate has negative affect on small firm growth. Brown (2007) identified competition as one of the major hindrances to the growth of small firm. Davidsson (1989) noted that an unfavorable tax system, complicated rules and regulations can heavily hamper small firms' growth. (Krasniqi, 2007) showed that corruption is a major source of the rise in unfair competition. He further emphasized that the cost of complying with regulations and increased tax rates increases small firms' expenses while limiting their growth. Likewise, (St-Jean, (2008) noted that unfair competition from the informal sector, cumbersome regulations, and tax rates are the main obstacles on small business growth.

Entrepreneurship can only be successful and sustainable if the right environment exists for entrepreneurship development and business growth. These pillars of enabling environment exist when policies, institutions, and programmes are in place at the national, community and institutional levels.

Human Resources Capacities

Human resources capacities form one of the most significant factors for the development of small firms. According to Hewitt and Wield (1992), firms with a skilled and well-educated workforce are probably to be more efficient. As noted by (Lee, 2001), human resource capacities form one of the most significant areas for the success of SMEs. Chandler and McEvoy (2000), indicate that human resource capacities have a positive effect on the growth of small firms, which increase employee skills and motivation, and eventually result in improving the productivity and long-term sustainability of small firms.

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 other 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.

Entrepreneurship education refers to the structured formal conveyance of entrepreneurial competencies, which in turn refers to the concepts, skills and mental awareness used by individuals during the process of starting and developing their growth-oriented ventures. Entrepreneurship education gives the confidence to operate in a business environment. Skills development is not merely the training of people. It involves understanding the dynamics and types of skills necessary for the person to make an impact on the labour market. 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 programs.

Characteristics of Entrepreneurs

Entrepreneur characteristics have been extensively studied, with mixed results on his impact on small firm growth. Several studies convincingly confirmed that some characteristics have positive and significant relationships with small firm growth while other studies find insignificant relationships (Sidika, 2012).

Zambia as a country would look for ways of improving the SMEs market since it is evident from these studies, that they can be a good source of jobs creation, taxes for the government among other benefits.

The use of common definitions for SMEs was aimed at strengthening government efforts to create effective policies and support programmes for specific targets; making it easier to provide technical and financial assistance to SMEs, and allowing for the identification of SMEs in the various categories and levels.

Managerial Capacities

According to (Olawale, et al., 2010) management capacities are sets of knowledge, skills, and competencies that can make the small firm more efficient. Singh et al. (2008) emphasize that management skills are necessary for SMEs to survive and achieve growth. (Aylin, 2013) state that management skills are a crucial factor for the growth of SMEs and that the lack of management skills is a barrier to growth and is one of the factors that can lead to failure. (Pasanen, 2007) suggests that the growth pattern of small firms is associated with their managerial capacities. (Bhide, 1996) notes that a shortage of core competence and a skilled top management team is one of the main challenges faced by SMEs. In running effective SMEs, efficient and effective managerial skills are required. Many SMEs lack the basic skills, techniques and aptitude to successfully operate a

business. The managerial skills and talents necessary for planning, organizing, directing and controlling both the human and material resources are essential components of effectively running a business outfit. The study of Ololube and Uzorka (2008) showed that SMEs are unable to employ and maintain highly skilled workers because of their small sizes and the limited capital available. Skilled personnel like accountants and managers that are meant to be employed by SMEs are not engaged partly due of financial problems. This has resulted in poor accounting and financial management practices experienced by SMEs in Zambia. According to scholars, scarcity of management capacity (or poor management) is the most important limiting factor (Dollinger, 2008).

Managerial skills and business knowledge are an indication of how well an entrepreneur can perform important tasks and activities related to the functions of a business. There are two demands on managerial capacity: to run the firm at its current size and to expand and grow. When it comes to expansion, current managers would recruit new managers to increase the growth potential of the venture. However, these new managers needed to be trained and integrated into the firm's current activities, which would take time away from existing managers. While incorporating these new managers, the firm's growth could be slowed. Poor implementation of internal controls designed and instituted by management such as separation of the functions of authorizing transactions, recording transactions, and maintaining custody of certain types of assets posed a challenge to growth. As a result of this failure to implement and follow proper control procedures, a significant portion of the company's most liquid assets could be susceptible to being stolen by employees of the company and concealed from management. Consequently, this is a challenge to the growth of many entrepreneurs as they would have to mobilize lost resources again (Godfrey, et al., 2011). The characteristics of

management know-how of an entrepreneur are considered as important factors in the process of firm growth. Management know-how was the possible outcome of many factors like having experience of paid-employment in a similar business, or of having previous management experience being the owner of some other business. (Papadaki, et al., 2000) pointed out that individuals from families owning a business were more inclined to start and 'grow' entrepreneurial ventures by developing knowledge of how to run businesses. The study suggested that belonging to an entrepreneurial family augmented the probability of survival. Other literature stated that related experience contributed positively to enhancing self-confidence among entrepreneurs and lead them to venture success (Delmar.f, et al., 2006). This was because it was obvious that such entrepreneurs would use past experiences to help them in both managing new venture and take advantage of an already established network of customers, employees, investors and suppliers playing a crucial role for the success of a new business.

There are a number of other challenges that SMEs face i.e. lack of a proper environment that has business information readily available, little formal education possessed by some entrepreneurs, poor security in some states to guarantee secure business environment (Arizona, 2009) etc. have made it difficult for SMEs operations in Zambia. These challenges may not be peculiar to Zambia alone as these could be some of the challenges also in countries like Nigeria, South Africa, and Zimbabwe among others. The findings from this study give a clear indication of the SMEs sub-sector standing in Zambia and strategies to smoothen the operations of the sub-sector players for the benefit of the country.

Marketing Skills

Marketing skills has been considered as one of the most effective factors to firm survival and growth. According to Van Scheers (2012) the lack of marketing skills has a negative impact on the

success of small businesses. Pandya, V. (2012) noted that marketing limitations of an SME resemble other limited resources such as financial and human resources. Marketing skills has been considered as one of the most effective factors to firm survival and growth. According to (Van Scheers, 2011) the lack of marketing skills has a negative impact on the success of small businesses. (Pandya, 2012) noted that marketing limitations of an SME resemble other limited resources such as financial and human resources. (Association, 2014) defines marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchange offerings that have value for customers, clients, partners, and society at large. Traditional marketing tools can be described according to (Taherdoost, et al., 2014) as business cards, magazines, newspapers, posters, commercials on television as well as brochures and billboard. In essence traditional marketing includes all promotional efforts except digital marketing tools. Another important factor contributing to success or failure of SMEs is marketing skills. There is extensive evidence to prove that marketing plays a significant role in the success of SMEs. Marketing is also one of the biggest challenges SMEs face in their business operations. SMEs in Zambia are weak in terms of market research and have inadequate marketing skills because most Zambian SMEs are owned and managed by one person. Such entrepreneurs take care of all the managerial functions of the enterprise and lack the time and funds to invest in research to establish their target market or identify customer trends.

Many small and medium enterprises (SMEs) fail to action even the simplest marketing initiatives effectively, often to the detriment of the business' success. David Morobe, regional GM at Business/Partners, says that many SMEs do not pay as much attention to marketing functions as other elements within a business, as the perception is that their business is too small and does not have the

financial backing or marketing. According to Collinson and Shaw (2001), entrepreneurship can look to marketing as the key function within the firm, which can encompass innovation and creativity. Since the mid-1980s a steady stream of research has examined the marketing/entrepreneurship interface in small and medium-sized enterprises (SMEs) and much of that work has concentrated on issues surrounding the implementation of marketing in entrepreneurial companies (Hill & Wright, 2000). The term Entrepreneurial Marketing (EM) has come to describe the marketing activities of small and new ventures (Kraus et al., 2010). He further stressed the importance of branding which can negatively impact a business, regardless of how much work is going into other areas of the business. "Having a poor or unknown brand identity in the modern-day market will not only potentially lead to losses amongst current customers, but also deter potential customers from approaching the business." Establishing a strong brand does not necessarily require a large marketing budget, but rather a clear plan, with clear brand-building objectives. A brand is a way of defining your business identity to yourself, your team and external audiences. It is essentially the sum total of the experiences that your customers and potential customers have with your business - which range from how the business answers the phone, to managing customer queries and the language used. As businesses begin to wind down for the year and prepare for the year ahead, business owners should be reviewing how they are currently engaging with their stake holders and set clear guidelines for their business going.

Technological Capacities

(Drucker, et al., 1985) noted that new technologies improve efficiency, enable greater production, and are a source of profit for SMEs. According to (Morse, 2007) Morse et al. (2007), technological capabilities benefit SMEs in several ways: they enhance SME efficiency, reduce costs, and broaden

market share, both locally and globally. As noted by (Lee, 2001), a small business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. Romijn (2001), and Yusuf et al. (2003) point out that low technological capabilities hinder and discourage SMEs from fully reaching their potential. As noted by Wendel Clark (2012), countries with high levels of technological growth tend to have high levels of entrepreneurial growth. From the above literature review, we conclude that the growth of SMEs is dependent on a range of internal and external factors. However, there is no clear understanding or specific theory as to whether an SMEs will sustain, grow, succeed, or fail. Scholars have put forward a number of factors concerning the important elements of the growing firm, such as Storey's (1994) identification of three necessary factors for growth: the entrepreneur, the firm, and strategy. However, there appears to be no unified pattern. Rather, the evidence points towards a complex set of interrelated factors that affect small business growth. Small and Medium Enterprises (SME) often stay away from investing in technology due to the fear of high investments, and thus something that can give them a competitive advantage turns into the last priority. Despite the growth of internet usage and online marketing in recent years (Internet World Stats, 2014; Sledzik, 2014) it appears that many small and medium enterprises (SMEs) are still opting to utilize traditional marketing tools (Outer Brand, 2015; Sledzik, 2014). To become and remain competitive, SMEs need to move away from being passive receivers of technology. In the past, technology was thought of as a package that could be acquired in the marketplace. Now it is understood that even using it effectively requires some tacit knowledge. Therefore, technology is not simply a package that an SME can purchase off the shelf in order to become productive, its effective harnessing involves a cumulative process of

learning. To merely acquire and use technology, SMEs do not need to be particularly innovative. To master new technologies, however, they need to have in place a system that is receptive to innovation. In some countries, SMEs are extremely active in R&D and in developing new and innovative products. For example, many of the recent Internet based technologies would never have emerged without the highly innovative, flexible small enterprises that pioneered these technologies.

Entrepreneurial Challenges in the pursuit for growth

Basically, a firm's growth is limited to its resources. Resources could determine the industry the firm would enter, its growth processes and subsequently the levels of profit it could attain. For example, insufficient or lack of access to capital, lack of proper infrastructure, lack of market information and connection, labour shortages and poor management posed a challenge to entrepreneurs in their pursuit for growth (McConenell. K.J, et al., 2011). These are detailed below;

Financial issues: All business ventures regardless of size require finances from inception and throughout their life cycles. (Barringer, et al., 2006) outline the importance of getting financing or funds when setting up a business venture. They argue that the need to raise money catches some entrepreneurs off guard. Many entrepreneurs start their firms with the intention of funding all their needs internally. Commonly though, entrepreneurs discover that operating without investment capital or borrowed money is more difficult than they anticipated. They further argued that because of this, it is important for entrepreneurs to understand the role of investment capital in survival and subsequent success of a new firm (Barringer, et al., 2006). The amount invested could greatly influence the size of the undertaking, which in turn could determine the very survival of an enterprise if other factors were held constant.

Lack of Infrastructural Facilities: It is a universal belief that certain basics aid the development of the mind and body and assist productivity in any environment. For a business organisation, some of these facilities could be identified as appropriate or good business premises, access to information and communication technology and other tools of trade. A case where these were lacking growth will be adversely affected.

(Safdar.K, et al., 2011) carried out a research on the role played by technological infrastructure in entrepreneurial growth. Their findings revealed that small entrepreneurs could carry out a large number of technological innovations based on their unique know how as well as access to technological infrastructure. However, the research findings revealed that most small entrepreneurs lacked the current ability and their future potential to access (and utilize) firm-specific technology to resolve technical problems and to expand the technical functioning of its production processes along with its finished products. Because of their smallness these enterprises could end up using cheap technology which was usually not top of the range. This could result into high costs of production and un-competitiveness and subsequently failure to grow. Most entrepreneurs do not know how to operate computers or continuously upgrade their equipment or system (Dabson, 2001);Malecki 2001).The infrastructure for doing business in Nigeria is bad in form of bad buildings, poor roads, erratic power supply among others all make cost of doing business to be high and if the right SMEs policies are not made by the government, then it may not fully benefit from the essence of having SMEs play a vital role in the social economic development of a country.

Lack of Market Connection and Information: Generally, entrepreneurs face stiff competition among themselves and as such any business could require marketing strategies for it to survive or grow (Kotler, et al., 2004).

Labour Shortages: Literature concerning determinants of firm growth considers human capital as one of the most important factors effecting small business growth. Many studies have pointed to lack of appropriate skills as the most significant constraint faced by small business in their pursuit for growth. At the formation stage a small owner is able to run a business but as it intends to grow, more and specialized labour demand would arise. These demands were in form of operational requirements like production, sales and finance, among others. According to scholars, at the firm level, the experience, skill and knowledge of the total employees contribute more prominently to growth as compared to the entrepreneur alone (Wicklud, et al., 2007).

Lack of Management Skills: Management contributed to the success or failure of the firm. According to scholars, scarcity of management capacity (or poor management) is the most important limiting factor (Dollinger, 2008). There are two demands on managerial capacity: to run the firm at its current size, and to expand and grow. When it comes to expansion, current managers would recruit new managers to increase the growth potential of the venture. However, these new managers needed to be trained and integrated into the firm's current activities, which would take time away from existing managers. While incorporating these new managers, the firm's growth could be slowed. Poor implementation of internal controls designed and instituted by management such as separation of the functions of authorizing transactions, recording transactions, and maintaining custody of certain types of assets posed a challenge to growth.

Lack of Innovation: According to Naylor (1999), innovation is key to SMEs strategy and a central factor for its competitive growth and development. Innovation is a process that creates knowledge, which is collected, shared and integrated. In other words, it takes the form of new technology or new

product or services. Thus, innovation is related to change that can be integrated or incremental. Commonly, innovation can be considered as implementation of exploration and process that shapes outcomes and products.

Political and Religious: The present political dispensation in Zambia since independence does not allow for favourable and conducive environment for SMEs to operate. Delays in the passing of national budgets both in the states and federal levels are a major example. Party wrangling and disagreements takes months and years to settle. Unfavourable policies, laws and delays in the implementation of the national budgets stall proper planning of SMEs in Zambia.

III. CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Overview

This chapter outlines the methodology used in the study. The chapter is organized under the following sections: research design, population sample and sampling procedure, instruments for data collection, the procedure for data collection, data analysis and ethical considerations taken in the process of collecting data.

3.1 Research Design

According to (Kombo, et al., 2006) “A research design can be thought of as the structure of research.” In this case, a research design is a plan that guides the researcher in collecting, analyzing and interpreting data. The research design according to (De Vos, 1998) “is a general plan, blueprint and structure of the investigation which the researcher uses to obtain evidence to answer the research questions.” As also stated by (Brink, et al., 1998) (1983:89; Huysamen in De Vos, et al. (1998:123-124), “it guides the manner in which the study is to be conducted and creates a framework for the research. This study employed a descriptive survey design so as to explain and describe the phenomenon comprehensively as it was. The descriptive survey is a non-experimental research

method that can be used when the researcher wants to gather data that may be directly observed. (Cresswell, 1994).

The study used a mixed method approach due to its nature. The mixed method approach combined both the qualitative and quantitative research paradigms. The uses of two methodologies were adopted in order to enhance research findings by providing a well-rounded understanding of the impact of SMEs on economic development. The quantitative approach was selected because it ensures validity, reliability and objectivity to a study, the qualitative approach ensures the achievement of a holistic view of the phenomenon by exploring meanings, feelings, experiences and perceptions (Merriam, 2002). The mixed methods approach allowed the researcher to, not only ensure the validity of the findings but also collect rich information from different perspectives. In using the mixed methods approach, the concurrent mixed design was adopted in which both data of qualitative and quantitative nature were collected at the same time.

Although both methodologies were used in the study, a qualitative approach was used more than the quantitative approach in this study. (Cresswell, 1994) cited in Kakua (2014) that when a mixed approach is used, usually one strand is given more prominence than the other. The Qualitative approach used more than the other because the aim of this study was to gain a deeper understanding of the perception and attitudes of SMEs towards entrepreneurship. Qualitative methods were also used more because it allowed the researcher to freely interact with the participants and listened to their voices in a manner that led to a clearer understanding of business people’s attitudes towards entrepreneurship.

3.2 Target Population

According to (MacMillan, et al., 2001) a study population can be described as a set of cases, objects or events of interest to the researcher; from

which he or she wants to draw a sample. (Ng'andu, 2013) states that, "A population refers to the target group under investigation or a well-defined collection of individuals or objects known to have similar characteristics." In research, a target population is a population that the researcher is interested in studying (Patton, 1990). Therefore, the target population of this study comprised potential and full-time business men/women of Kanyama Township.

3.3 Sample Size and Sampling Procedure

3.3.1 Sample Size

According to White (2003), a sample is a subset or group of subjects selected from the larger population and whose characteristics can be generalized to the entire population. (Biklen, et al., 1982) stated that in any research, a small group may be chosen to represent the population to which the results would be generalized. The sample, therefore, needs to be as representative of the population as possible. The sample for this study consisted of 80 participants which composed of ten (10) shop owners, ten (10) small scale farmers, ten (10) car dealers, twenty (20) marketers, ten (10) private school owners, ten (10) restaurants owners and ten (10) hairdressers who were purposively sampled.

3.3.2 Sampling Procedure

According to (Kasonde, 2013) sampling technique is a research plan that explains how the participants for the study are selected from the population. It is also a process that helps the researcher select participants, places or things to study.

Purposive sampling is a procedure where the researcher picks on the people who have the characteristics of what he/she wants to find out. Purposive sampling is based on the assumption that the researcher wishes to discover, understand, and gain insight, and therefore must select a sample from which the most can be learnt (Merriam, 2002). Purposive sampling was used in the selection of eighty (80) people from different sectors of the

economy from Kanyama area because they were the correct people to give precise information on entrepreneurial activities. On the other hand, random sampling is a non-probability sampling procedure where the researcher picks the participants randomly.

3.4 Data collection methods and procedures

3.4.1 Data collection instruments

Research instruments are pieces of information that may be written, oral, pictorial or symbolic in nature (Kombo, et al., 2006). These instruments are also referred to as tools for data collection. A researcher carefully prepares them in order to solicit the required information. This study used three main research tools: questionnaires, face to face interview schedule and focus group discussions guide. The study largely used questionnaires, interviews and focus group discussions. The reason for using both methods was to triangulate. Triangulation, in this case, refers to the ascertaining of the collected information by ensuring that the information collected qualitatively tallies with the information collected quantitatively, therefore having richer information from the collected data set.

Questionnaires: Questionnaires are a set of questions carefully and thoughtfully prepared by the researcher to solicit for information from the participants (Kombo, et al., 2006). They provide an opportunity for participants to think through the questionnaires and answer the questions without coercion. Depending on the audience or the subjects, questionnaires may have both open-ended and closed-ended questions. (Cohen, et al., 2000) stated that open-ended questions are those questions which seek the opinion of the participant by allowing him or her to freely express oneself. On the other hand, closed-ended questions seek the opinion of the participants by guiding them on what to choose. In this study, questionnaires were administered to the participants. Questionnaires were used to collect quantitative data. The inclusion

of open-ended questions was meant to elicit detailed responses.

Interview schedules: Interviews are a qualitative research tool. They demand close interaction between the researcher and the participant. Face to face interviews provides an opportunity for a researcher to discuss with participants. (Cohen, et al., 2006) indicated that during face to face interviews, a researcher asks participants questions. As the participant provides answers, the researcher can make follow up questions in order to clarify a point. Furthermore, the researcher makes observations in order to determine whether the participant is telling the truth or not.

In this study, businessmen/women were interviewed at different times. The idea behind face to face interviews was to reveal many other issues that may not initially be captured in the questionnaires.

Focus Group Discussions guide: The other tool used in this study was a focus group discussion guide. (Burke, et al., 2004) explained that focus group discussions are important in research because the researcher interacts with the participants. He or she asks the discussants questions. The participants, as a group, are free to argue and share their independent views about the subject matter. The researcher can also clarify a number of other issues during the discussion. Focus group discussions provide an interactive event that stimulates participants which helps the researcher to obtain highly detailed and specific group data that meet the research objectives that cannot be acquired by questionnaires.

In this study, focus group discussions were held with some of the entrepreneurs.

3.5 Ethical Considerations

As indicated by (Raudonis, 1992) researchers have a clear responsibility to ensure that they recognize and protect the rights and general wellbeing of participants regardless of the nature of the research. To that effect, the study adhered to the following

ethical issues; the study assured all participants confidentiality thereby instilling confidence and trust. For example, it was made very clear that whatever the responses they would remain confidential by not including names of any participant in the study. The researcher further used questions that did not cause psychological harm to the participant's emotions. For example, the researcher further got consent from all participants and assured them that they were free to discontinue the study during data collection. Thus, the study considered participants' right to participation, confidentiality and anonymity, privacy and self-confidence.

IV. CHAPTER FOUR: FINDINGS AND RESULTS

Small scale entrepreneurs were subjected to interviews, questionnaires and focused group discussions in order to get an understanding of the aforementioned areas.

Entrepreneur Characteristics

Owning a business isn't for everyone. The stress and hard work that come with it makes many people unwilling to dive in. It takes a special kind of person to be an entrepreneur - to come up with an idea and put that idea into action. But not all ideas work out. To be an entrepreneur, one needs to have the right personality and the right attitude. To understand the roles played by entrepreneurs in economic growth, we first need to appreciate the relation between entrepreneurship and economic growth, by understanding the link between the two. Entrepreneurship drives the production of goods and services; hence it is the enterprises run by the entrepreneurs that produce goods and services that amount to Gross Domestic Product (GDP) and therefore, contribute to economic growth. The two cannot be separated. It is believed that if entrepreneurs are successful, their innovations may improve the people's standard of life.

1.0 Demographic Profile of Participants

From Figure 1 below the participants gave the following responses regarding their gender and ages and the results shows that the majority were male comprising 42 participants (53%) and the minority where female comprising 38 participants (47%). From the results, it is evident that more men are engaged in small scale business enterprise because of lack of employment opportunities and that men must feed the families back home or they risk engulfed in the cycle of poverty. However, studies also suggest that 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)

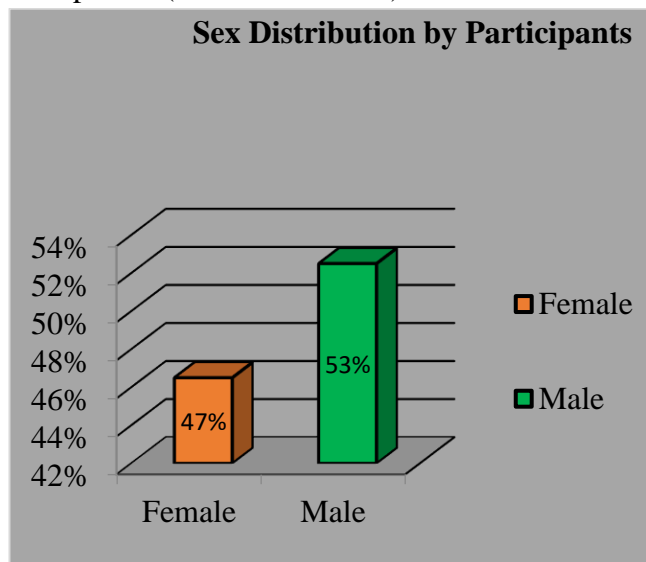


Figure 1: Demographic profile of respondents

Motivation to do Business

When the participants were asked in an open-ended question to state about their enthusiasm, interest or commitment that made them engages into a specific type of business, the results are shown Figure 2 which indicates that most of the entrepreneurs entered into business activity due to either family pressure, inheritance or because they had no other option. The majority of these SMEs experienced

critical shortages of start-up capital as only 11.5% of them had access to loans from financial institutions. This shows a huge hindrance to the growth of SMEs sector whose establishments require considerable financial resources to commence a business activity. Stagnation in qualitative growth among microenterprises against significant growth trends was as much a result of non-availability of such loans to this category.

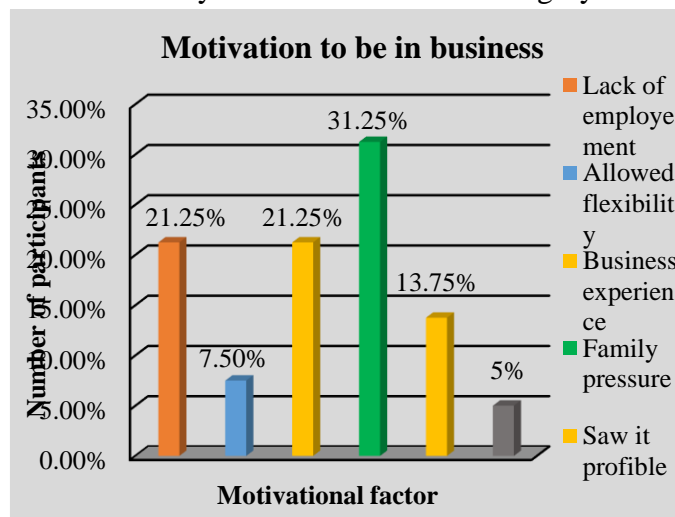


Figure 2: Motivation behind the Business

Business Experience

The participants were asked how long they have been in business and the results as shown in the pie chart below (Figure 3) shows that though most of the entrepreneurs had been operating for over one and half year, their level of development was still not very high as only half of them had ventured into some other businesses or products other than the initial ones. According to the findings, the first five years are the utmost importance in a business life cycle, since more than half of the business fails during this period of operation. Several businesses could have survived had they identified the first signs of serious problems and eliminated them. These are called start-up humps. It was found that several problems are experienced during the development and expansion of the small business, such as establishment problems during the first year or two, problems to consolidate during the next

stage, for example, delegation of authority and responsibility, and problems in the expansion stage, such as competition with larger businesses. Various reasons called hindrances are offered as to why small enterprises fail.

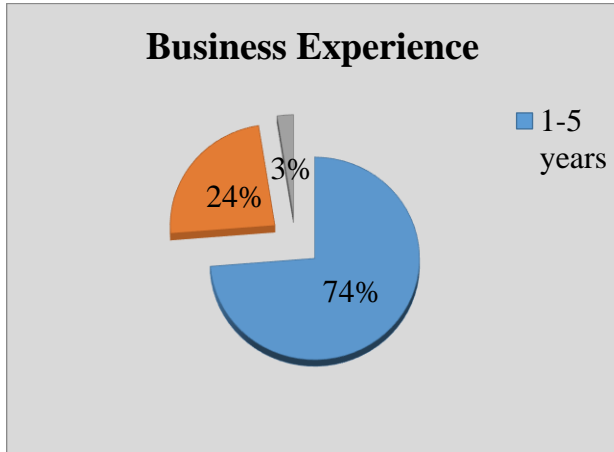


Figure 3: Business Experience in years
Level of Education

With regard to levels of education, the study revealed that 38.75% of the participants have no qualifications at all which are the dominance, followed by primary level education which constitutes 30%, then secondary level and the least are the tertiary education.

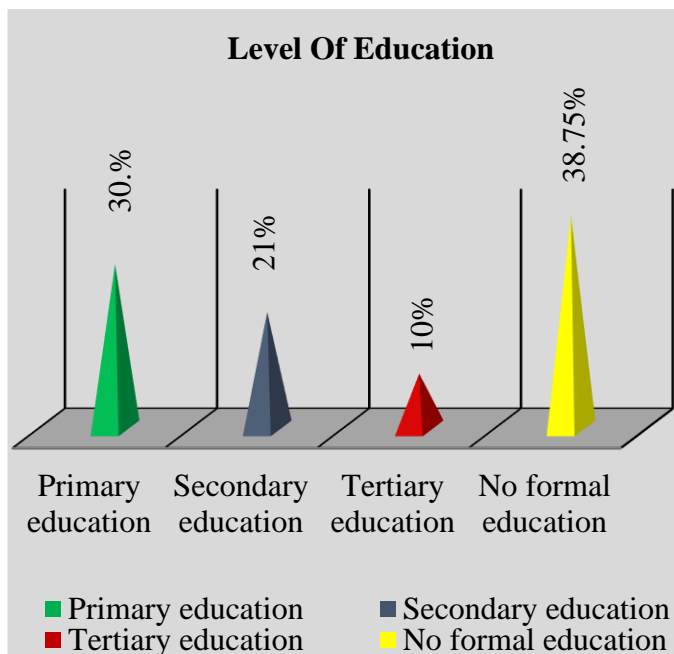


Figure 4: Level of education

Treating the variable as continuous, and keeping in mind that higher values correspond with higher levels of agreement with a statement, one can see that education plays a very significant role in addressing issues surrounding the performance of any business regardless of the amount of investment. It is regarded as a key constituent of the human capital needed for business success and it provides the basis for intellectual development needed by entrepreneurs with confidence to deal with clients. The level of education of entrepreneurs plays a crucial role in how they relate with customers, preparation of business plans as well as in managing operations and records. Entrepreneurial skills centre around attitudes (soft skills), such as persistence, networking and self-confidence, and on the one hand, enabling skills (hard skills), includes basic start-up knowledge, business planning, financial literacy and managerial skills.

Access to external financing

Despite their vital role in building a competitive private sector and contributing significantly to employment growth, SMEs are facing more challenges in accessing financial resources.

Source of Capital

The issue of the source of funds to many SMEs in Kanyama is still difficult due to many reasons. Figure 5 below shows that 67.5% of enterprises prefer to use their own sources of fund to finance their business activities. This is followed by 32% of participants who said that they are being supported by their relatives, sons and daughters on starting a business. The other groups are those that obtain capital from banks (11.25%), and 0.0125% from employment benefits.

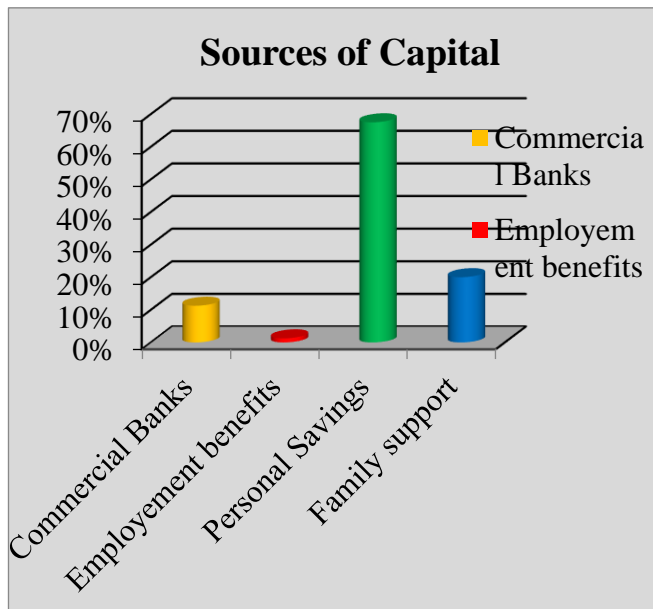


Figure 5: Sources of Entrepreneurial Capital

From the findings, it can be noticed that most SMEs do not access their capital from the lending institutions and this explains why the sector, especially that of micro enterprises has failed to record noticeable growth qualitatively. The findings show that commercial banks provide different types of loans to SMEs owners such as bank overdraft and letter of credit facilities. Also, the banks correspond with other government agencies in contributing to SMEs on economic development by proving the special type of loan known as SMEs smart loan.

Importance of Digital Marketing (such as your website, online advertising, social media, and many others) to businesses

Fixed capital by way of tools, equipment and machinery such as website, online advertising, social media, and many others to businesses constitute another aspect of production factor. In this case, embedded technology is a critical aspect. Nonetheless the sector did not record any growth in the value of fixed capital assets during the period under review.

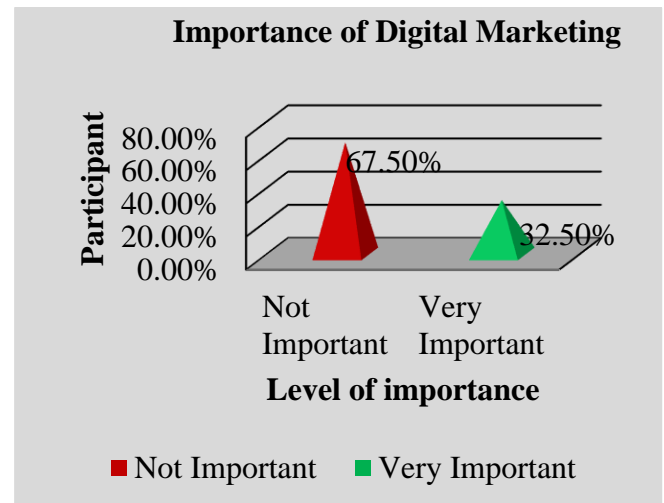


Figure 6: Importance of digital marketing

It was found that a substantial majority of entrepreneurs do use some form of digital marketing- but there's an interesting all-or-nothing divide in the degree to which they use it.

67.5% of respondents say they aren't doing anything at all to market their business online; 32.5% find digital marketing to be either highly important or indispensable to their success.

However, no SME had an advanced automated or semi-automated (computerized) or the state-of-the-art technology at the time of the field study. These results suggest that once you get serious about digital marketing, you're likely to see returns-as long as you're able to track whether your campaigns are effective. Given the success they're already having with referrals and word-of-mouth marketing, today's entrepreneurs likely have enormous potential for growth if they can be leveraged and scale these time-tested acquisition methods through avenues such as social media, online reviews, and online referral programs. The number of Zambian enterprises who are digitally-engaging their customers be it through social media, online advertising or email marketing, are the ones being successful.

Management capacities

The respondents were asked whether enterprise-based related issues such as managerial skills and business knowledge affected their business and what influential factors such as crime, economic factors, finance, labour and rent have on their business success. The results from the survey included managerial skill, effect of education and achievement plans for future growth.

4.8 Managerial skills

Managerial skills and business knowledge are an indication of how well an entrepreneur can perform important tasks and activities related to the functions of a business. The participants were asked in the questionnaire which managerial skills they lack to successfully run a business. They indicated the following managerial skills, namely: managing personal stress, managing time, performance appraisal, motivating employees, managing conflict, solving problems, marketing, bookkeeping, record keeping, writing business plan and pricing.

Figure 7 presents the outcome of the survey findings. i. Thirty seven percent of the respondents had problems establishing prices of products and services; ii. Thirty one percent do not have the knowledge to record business transactions; iii. Thirty one percent could not write a performance appraisal; iv. Twenty nine percent experienced marketing problems; v. Twenty six percent had difficulty managing conflict in the workplace; vi. Eighteen percent had problems with time management; Sixteen percent experienced problems solving problems; viii. Twenty one percent could not manage personal stress; ix. Twenty percent experienced problems with bookkeeping; x. Ten percent had problems motivating people; and Four percent could not write a business plan.

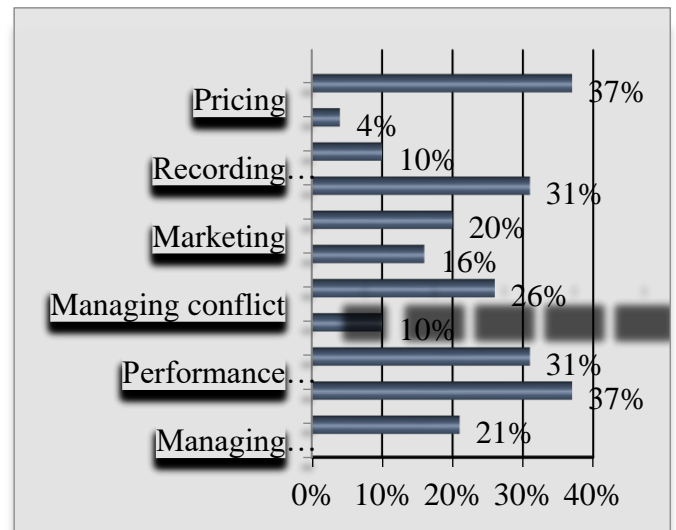


Figure 7: Managerial Skills

4.8 Effect of Education

The respondents were asked whether they believed that a positive relationship exists between lack of education of small business owners and business failure. As indicated in Figure 8 below, 9.75% of these small-scale entrepreneurs believed that a positive relationship exists between lack of education and business failure as opposed to 18.75% who said they are negatively affected by lack of education. The underlining factor could be that lack of better education for these entrepreneurs has resulted into poor leadership, mismanagement of resources, lack of initiative, incompetence and missed opportunities to further develop their assets, such as skills and experience, which has resulted in the stagnation of their business and the other 30% didn't see any impact at all.

4.9 Achievement Plans for Future Growth

Half of today's entrepreneurs still rely on their customers, not their marketing to grow.

To determine how entrepreneurs can grow tomorrow, I began by investigating how they grow today. My first question to the panel was: how do you get the majority of your new customers? And the responses were as shown in the figure below.

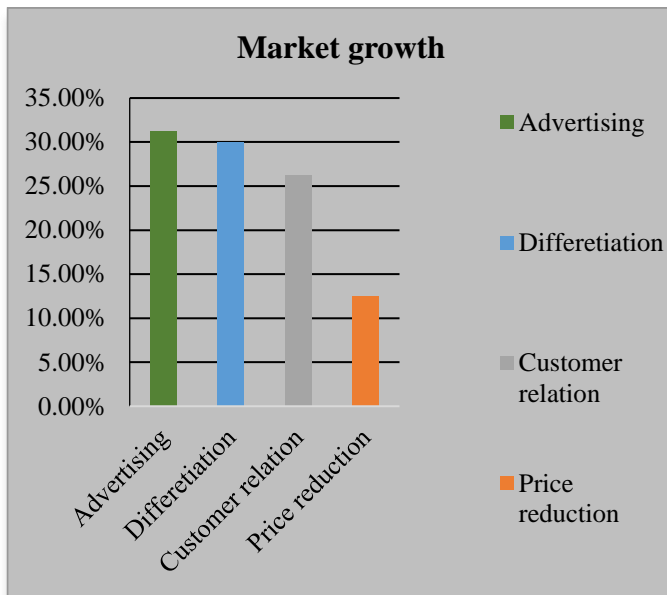


Figure 8: Achievement plans for future growth

Of the 80 participants, 25 (31.25%) said they grow their market through advertising, 24 (30%) said through product differentiation, 21 (26.25%) said it was through customer relation and 10 (12.5%) of the participants said it was through price reduction. Even in our digitally driven age, it's hard to beat the power of an organic person to person recommendations. Referrals and word of mouth remain the bread and butter of half of the Zambian business owners. But while no other single customer acquisition channel comes close to matching the power of word of mouth! For my participants, most aren't ignoring digital marketing entirely. Marketing is one of the most important tasks for SMEs in Zambia and marketing skills consist of marketing activities, sales, increasing market share to introducing particular new products or building relationships with customers. Inadequate marketing skills of owners create marketing problems in the small business sector. Marketing of an SME determines in the long term whether the business will succeed or go under. The assumption is if the potential customers are not aware of your products or services no one will do business with you.

Key Insight: Digital marketing and automation are still secret weapons for SMEs who know how to use them.

4.10 Legal and Regulatory factors

The majority of SMEs in Zambia accounting over 90 percent operate in the informal sector and this seriously affects the economy in for example missing revenues in taxes and it was also difficult to determine their contribution effectively to gross domestic product (GDP), and jobs creation. Furthermore it was discovered that the SMEs sector has failed to record noticeable growth qualitatively as the studies suggest that only a few MSMEs 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 PACRO. Among the reasons for the low levels of formality include regulatory and administrative barriers, fees and financial requirements, corruption and criminality. This is not health as planning for enterprises by the government become a challenge.

1.1 Type of Business by registration body

When business enterprises are established, the entrepreneurs are faced with a choice of whether to remain informal or register with Patents and Companies Registration Office (PACRO). Survey results as shown in figure 10 shows very low levels of formality as only 12.5% percent of MSMEs were registered with PACRO, 37.5% have managed to register with the local council and the majority which is 52.5% isn't registered at all. This could explain why only a few MSMEs 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 PACRO.

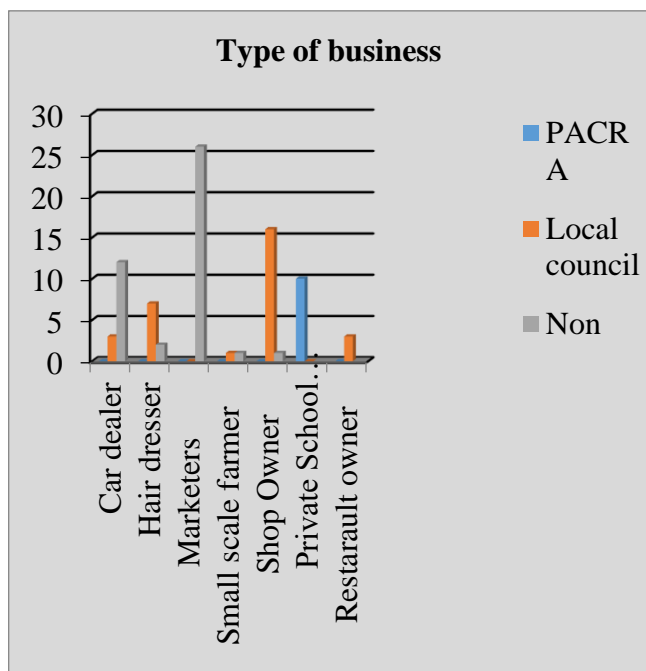


Figure 9: Types of business by the registration body

Barriers to Business's Growth

Today's entrepreneurs see room for growth in cutting business costs, finding more time and getting more customers. When small businesses aren't growing fast, where do their owners pin the blame? The researcher asked participants to choose from several of the most common entrepreneurial challenges but the responses were somewhat more eclectic than the researcher anticipated as shown in Figure 11. Among the participants, the minority didn't see business costs, lack of enough funds, customer acquisition or retention, or marketing as a major barrier. As for the rest, lack of resources topped the list, followed by business costs and getting enough new customers.

Interestingly enough, today's entrepreneurs do not necessarily think of customer acquisition as a marketing problem: only 11.25% chose to figure out how to market successfully as their primary challenge, compared to those who chose to get enough new customers. Shifting the way, they approach the problem and devoting serious attention to their marketing, is one way this larger group of entrepreneurs might break down the

customer-acquisition barrier. Those who are also strapped for cash and time will be especially well served by affordable marketing automation tools.

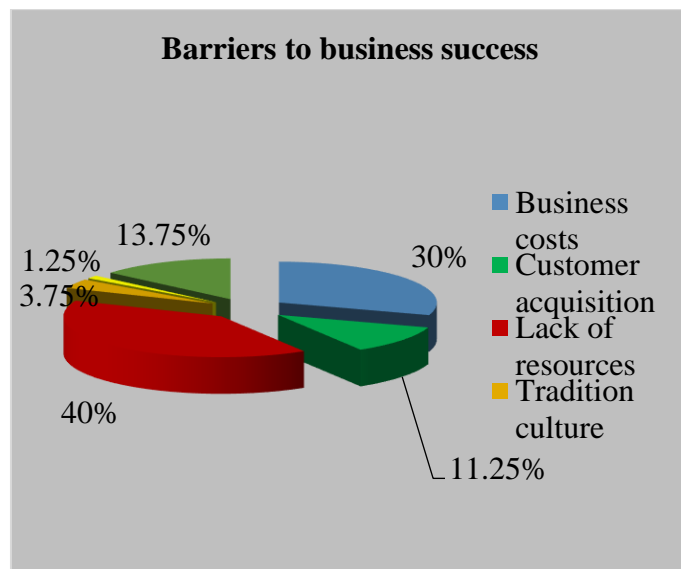


Figure 10: Barriers to business growth

V. CHAPTER FIVE: DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.0 Overview

Chapter five discusses the findings of the study, the purpose of which was to assess the prospects of SMEs in sustained economic growth in Kanyama Township.

A sample size of 80 participants was used to collect both quantitative and qualitative data from respondents.

5.1 Discussions

SMEs sector in Zambia has all sorts of business enterprises who deal in traditional manufacturing industrial sectors, who produce for domestic consumption and the surplus for sale. Most businesses are small with features of sole proprietors and in some cases employing a few people and the incomes generated are primarily for looking after their homes. The majority of SMEs in Zambia accounting over 90 percent operate in the informal sector and this seriously affects the economy in for example missing revenues in taxes

and it was also difficult to determine their contribution effectively to gross domestic product (GDP), and jobs creation. The study of SMEs provides some insight into the stage of development, at which they are, and the results are against considerably low levels of entrepreneurship among the owners of SMEs as only 20 percent engaged in business arising out of opportunity identification and these commanded the highest levels of innovation and profitability. It is clear from the study that the majority of the participants entered into business activity due to either family pressure, inheritance or because they had no other option.

The current situation in Zambia is that most youths prefer working for somebody to taking the risk to start their own business. The histories of their societies have nurtured them to see themselves as employees and are not confident in their ability to start and run a business; nor do they recognize good start-up opportunities. The high school and tertiary educated were the least entrepreneurial owing to the perception of education as a tool to formal employment. As a result, sufficient capabilities were lacking in financial analysis and management, human resources management, production management, and innovations which could explain the low productivity and hence income as tertiary educated entrepreneurs were able to generate 7 times more profit than the basic educated ones. This is also in line with poor record-keeping practices and how to use, analyse and interpret the information does not only lead to cash-flow crisis, but also to financial risks within the business. The other common reason for small business failure is that the owner does not understand cash flow management. Profit is often mistaken for cash flow. Moreover, they provide entrepreneurs with the confidence to deal with clients. In other words, individuals with the highest academic attainment are likely to be insufficiently challenged by many

of the mundane tasks associated with business ownership.

According to the study, educated entrepreneurs could discharge their entrepreneurial activities effectively as they could take and manage risks more easily. Further, a higher proportion of men exhibited a higher entrepreneurial level than women business owners because of lack of employment opportunities and that men must feed the families back home or they risk engulfed in the cycle of poverty. That women entrepreneurs experience more difficulties than men in starting and expanding their businesses, particularly due to cultural norms and social attitudes.

5.2 Conclusion

This paper has made an attempt to evaluate the prospects of SMEs in sustained economic growth. The main object of the study was to assess the future prospects of SMEs growth in Zambia and it was established that the future prospects of SMEs are bright as long as the government continues to make efforts to achieve the policy objectives under the MSME Development policy. This should be coupled with other measures that seek to counter the various challenges that small business enterprises face especially those in the informal sector. The first chapter gave an introduction and general outline of the research. It was observed in the chapter that the growth of SMEs had been impeded by the informality of the majority of enterprises in the country. Furthermore, it was also discovered that the SMEs sector has failed to record noticeable growth qualitatively as the studies suggest that only a few MSMEs 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 PACRO. Among the reasons for the low levels of formality include regulatory and administrative barriers, fees and financial requirements, corruption and criminality. This is not health as planning for enterprises by the government become a challenge.

This paper also revealed that though most of the entrepreneurs had been operating for over one and half years, their level of development was still not very high as only half of them had ventured into some other businesses or products other than the initial ones. According to the findings, the first five years are the utmost importance in a business life cycle, since more than half of the business fails during this period of operation. Several businesses could have survived had they identified the first signs of serious problems and eliminated them. These are called start-up humps. It was found that several problems are experienced during the development and expansion of the small business, such as establishment problems during the first year or two, problems to consolidate during the next stage, for example, delegation of authority and responsibility, and problems in the expansion stage, such as competition with larger businesses. Various reasons called hindrances are offered as to why small enterprises fail.

It was also observed that as much as many entrepreneurs strive to perform better, they experience some challenges which hinder growth due to inadequate capital, lack of information, business costs and some lack appropriate skills. Furthermore, as businesses were being run by either themselves or family members, this could be that these businesses were not being commercially run as most entrepreneurs and family members would not be professionally competent to run them. All African businessmen, however, as their business grows to any size, tend to meet a ceiling where their desire to maintain direct supervision over every aspect of their businesses, their failure to delegate any significant responsibilities to subordinates and their reluctance to form partnerships or cooperative with fellow African, effectively limit their further expansion. They also come under increasing personal stress, and as often happens, they diversify into other business activities (partly in order to spread their risks but also because they instinctively

feel that it will be easier to keep strict personal control over two to three small businesses rather than one larger one), this only worsens their predicament. It is very clear that apart from their managerial inexperience, entrepreneurs have to establish their own external business relationship with their suppliers, customers, commercial banks, and even with one another.

Due to the limited available data on SMEs in Zambia, it has made it hard to estimate accurately the total size of the private sector in the country as data from the Central Statistics Office (CSO) is not explicit on the actual contribution of SMEs to the economic development of the country.

5.3 Recommendations

Having discussed the prospects of SMEs in sustained growth, the researcher now recommends the following measures should be put in place to spur the growth of SMEs in Zambia.

Creating a culture of entrepreneurship

Bilateral cooperation should be undertaken between the Zambian authorities and SME owners for the purpose of promoting and developing an entrepreneurial culture by supporting cooperation between schools and SMEs, such as increasing the number of student internships in SMEs and encouraging the establishment of business incubators within universities. 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 for policy dialogue, to express the constraints they feel and their ideas of how government should 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. Therefore, SMEs owners should form associations, cooperatives, self-help groups, etc., allowing them, for example, to pull their resources for bulk buying

of inputs at lower prices and new markets, to improve communication technology. Through this, SMEs can exploit the opportunities in international markets when they have better access to market information and by promoting the interaction between market chain participants and developing a joint concept for value addition. The government through the Ministry of Commerce and industry should also create local or national award programs that honour local entrepreneurs and call on business leaders to serve on relevant commissions or panels.

Providing finance solutions to staggering SMEs

The SME sector experience critical shortages of start-up capital as only 11.5 percent of the microscale and small-scale enterprises, respectively, had access to loans from financial institutions. Operational stability and expansion in business require 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 MSMEs being small, such financial assistance was more readily available as the results show that some of the micro enterprises accessed loans at one point while medium-sized enterprises had much higher access. Stagnation in qualitative growth among microenterprises against significant growth trends in population among the SMEs was as much a result of non-availability of such loans to this category. 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. The process of acquiring these loans is cumbersome and those without security may stand no chance. This does not give borrowing appetite and thus, such a trend would keep the sector underdeveloped. The government should improve SMEs' access to financing by deepening the reforms of the banking system. These measures should include a reform of interest rates, collateral

requirements, and the credit registration system as Zambian entrepreneurs continuously complain about high interest rates and the high collateral requirement for loans. The government should also provide finance solutions to staggering SMEs by encouraging financial institutions to be revisiting their Loan regulations regularly. Financial institutions should also design innovative, simple, affordable, and flexible credit facilities for SMEs. The group-based credit scheme in which individuals in each group serve as the social collateral rather than material collateral should be encouraged because of its propensity to reduce default in debt repayment as well as promote constructive relationship amongst financial institutions and SMEs.

Improving the capacity of small enterprise to comply with the tax system

When business enterprises are established, the entrepreneurs are faced with a choice of whether to remain informal or register with Patents and Companies Registration Office (PACRO). Survey results show very low levels of formality as only 12.5 percent of MSMEs were registered with PACRO. Over 90 percent of SMEs operate in the informal sector and this makes it difficult for the government to support the sub-sector efficiently. So, SMEs contribution to the country's development is not very clear. The government should for instance introduce free registration with patents and companies' registration agency (PACRA), tax holidays, tax exemptions for SMEs employing at least 3-5 employees etc. Such initiatives can become affordable by the SMEs sub sector players. More effort should be undertaken to reform the tax system. A favorable tax system as well as streamlined regulatory procedures will encourage an increased number of SMEs operating in the non-official sector to enter the formal economy. Government should also introduce relevant and business-friendly legislation programs that compels SMEs to register.

SMEs have to improve their operating efficiency and capabilities

Most micro small and medium enterprises (MSMEs) are characterized by the use of low-level technology and are oriented towards local and less affluent market segments as per the findings. With the advancements in technology over the years, the marketing communication tools that can be used to communicate with consumers has increased. SMEs now have the option of making use of traditional marketing communication tools (pamphlets, posters, local newspapers and business cards) or technology-enabled marketing tools (social media such as Facebook and Twitter, mobile media and websites, blogs and e-mail) to communicate with their customers and to promote their businesses. With more options available, SMEs can identify the most cost-effective method of communicating with their customers that will produce the most efficient and cost-effective results. While a number of marketers believe that the use of traditional marketing is ineffective, it is also recommended that SME owners incorporate online marketing to complement their traditional marketing activities. Online marketing and social media marketing can be used as complementary, rather than a replacement to traditional marketing tools, it is therefore recommended that SMEs be trained in the use of both traditional and online marketing tools so as to extend the life of the SME.

SMEs need to invest in skills development and infrastructure to be able to benefit from electronic business international.

Education and Training (Improvement of Apprenticeship)

It was discovered that more than half of the SMEs had no formal education (since primary level education is not enough), and thus are faced with managerial, marketing and financial challenges. It was discovered that most entrepreneurs do not grow as would be expected (from the number of years of existence) because their owners do not have a

balance of adequate education and relevant experience. The underlining factor could be that lack of better education for these entrepreneurs has resulted into poor leadership, mismanagement of resources, lack of initiative, incompetence and missed opportunities to further develop their assets, such as skills and experience. Therefore, frequent entrepreneurial training programmes should be organized for SMEs. SMEs owners should also offer more training for their personnel. In addition, they have to invest more in R&D activities and technology and know-how agreements with foreign firms to improve their technological capacities. Also, it is imperative that the apprenticeship system is upgraded to a substantial level which offers a foundation for those who pass out of such training formats. Trainers should therefore be encouraged to integrate management and marketing education into their training activities.

Creating a more conducive business environment to do business

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. The majority of SMEs operate in the informal sector and as a result this has denied government the much-needed revenue from the small business for social and economic development. Therefore, there is need for the government to review the income tax laws and policy framework so as to create a balance between equitable contribution of private to the national treasury and SMEs formalization. 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.

Review of MSMEs policy

Zambia SMEs policy of 2006 should be reviewed and updated regularly so as to meet and satisfy the need of SMEs in current situations since there are high economic and technological changes around the world. The Agency's contribution should 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.

Access to Open and Integrated Market

The local and national government, and all stakeholders should put things in place for the SMEs to have access to integrated and open markets by giving entrepreneurs market information showing the options and choices for interacting with a wide range of different buyers and selling outlets, in order to maximize their returns, encouraging access by giving SMEs intensified and improved market linkages. To achieve this, SMEs owners should form associations, cooperatives, self-help groups, etc., allowing them, for example, to pull their resources for bulk buying of inputs at lower prices and new markets, to improve communication technology. Through this, SMEs can exploit the opportunities in international markets when they have better access to market information and by promoting the interaction between market chain participants and developing a joint concept for value addition.

ACKNOWLEDGEMENT

I would like to thank the Almighty God for the good health, strength and wisdom during this research and for my future success in my career. I would also like to express my deepest thanks to my Supervisors Mr. Marvin Kabubi and Mr. Kaela Kamweneshe (IJMDR-Editor), for their timely advice throughout the research process. Great thanks again go to Zambia Research Development Centre (ZRDC) & Information and Communications University (ICU) Zambia for giving me this Sponsorship and opportunity to study and develop new knowledge and skills. Finally, I would like to thank all other people who have given me ideas to complete this study. May the God Almighty bless you all.

VI. REFERENCES.

- [1] Aylin A, Garango, P., Cocca, P. & Bititchi, U The development of SME managerial practice for effective performance [Report]. - 2013.
- [2] Barringer B R and Ireland R D Entrepreneurship Successfully launching New Ventures [Book]. - New Jersey : Pearson Education, 2006.
- [3] Bhide A The questions every entrepreneur must answer. Harvard Business Review, 74, 120–130. [Journal]. - 1996.
- [4] Biklen A.J. and Bogden E C Qualitative Research For Education: An Introduction To Theory And Methods. [Book]. - Boston : Allyn and Bacon, Inc., 1982.
- [5] Bos A A business guide to managing differences [Report]. - London : Butterworth-Heinemann, 2002.
- [6] Brink P. J and Wood J M Basic steps in planning nursing research: from question to proposal. 2nd edition, [Book]. - California : Wadsworth., 1998.
- [7] Burke J. and Christenson J. Education Research: Quantitative, Qualitative and Mixed Approaches. London: Pearson [Book Section]. - 2004.
- [8] Cohen L. and Manion L Research Methods in Education. 4th ed. [Book]. - London: Routledge : [s.n.], 2000.
- [9] Cohen L., & . and Manion , L Research Methods in Education. [Book]. - London: Routledge: : Taylor & Francis group., 2006.
- [10] Cresswell J W Research Design: Qualitative and Quantitative Approach. [Book]. - New Dehi : Sage Publications, Inc, 1994.
- [11] Dabson B Supporting rural entrepreneurship, exploring policy options for a new rural America. Proceedings of a conference sponsored by Federal Reserve Bank of Kansas city [Conference]. - 2001. - pp. 35-48.
- [12] De Vos Research at Grassroots: a primer for the caring profession [Book Section]. - Pretoria : Van Schaik Publishers, 1998.
- [13] Delmar.f and Shane S Does experience matter? The effect of founding team experience on the survival and sales of newly founded ventures.) [Journal]. - [s.l.] : Strategic organization 4(3, 2006. - pp. 215-247.
- [14] Dollinger M J Entrepreneurship strategies and resources 4th Ed. New York : March publication [Book]. - New Yoke : March, 2008. - 4th.
- [15] Drucker and Feter F . Innovation and Entrepreneurship [Book]. - New York : Harper Business, 1985.
- [16] Godfrey E, Neureuther B and Swicegood P The consistency factor: [Journal] // A close look at Ethics in Accounting Education. Journal of Ethics and Entrepreneurship.. - 2011. - 4 : Vol. 1. - p. 77.
- [17] Government of the Republic of Zambia A prosperous middle-income nation by 2030 Lusaka. [Report]. - Lusaka : Version 2030, 2006.
- [18] Government Of The Republics Of Zambia Sixth national development plan; Sustained economic growth and poverty reduction. Ministry of finance and national planning [Online]. - 2011-2015. - <http://www.undp.org.zm/joomla/attachments/119-SND>.
- [19] Hong Batra Geeta and Tan SME Technical Efficiency and Its Correlates: Cross-National Evidence and Policy [Journal]. - 2003.
- [20] ILO Global Employment Trends 2014: Risk of a Jobless Recovery? [Report]. - 2014 : Geneva, 2014.
- [21] Kasonde N'gandu S Writing a Research Proposal in Educational Research. [Report]. - Lusaka : UNZA Press, 2013.
- [22] Kombo D K and Tromp D L, A Proposal and Thesis Writing: An Introduction. [Journal] // Paulines Publications. - Nairobi : [s.n.], 2006. - p. 24.
- [23] Kotler P and Armstrong G Principles of Marketing [Book]. - India : Prentice-Hall of India Private Ltd, 2004. - 10th.
- [24] Krasniqi B. A Barriers to entrepreneurship and SME growth in transition [Journal]. - Kosova : [s.n.], 2007.
- [25] Kuzilwa J.A. The role of credit for small business success: A case study of the National entrepreneurship Development Fund in Tanzania [Report]. - Tarzania. : Mzumbe University, 2005.
- [26] Lee J. Education for technology readiness: Prospects for developing countries”, Journal of Human Development, [Journal]. - 2001.
- [27] Lumpkin T. and Dess, G Clarifying the entrepreneurial orientation construct and linking it to performance. [Report]. - 1996.

- [28] MacMillan J H and Schumacher S Research in Education [Book]. - New Yoke : LongMan, 2001. - 5th.
- [29] McConenell. K.J Farland, C and common B C supporting entrepreneurship and small businesses. [Report]. - [s.l.] : National League of cities:center for research and innovation., 2011.
- [30] McMillan J H Education Researcher Fudamental for the Consumer [Book]. - Boston : Pearson, 2011. - 6.
- [31] Merriam S. B Qualitative Research in Practice [Book]. - New York : John Wiley and Sons., 2002.
- [32] Merriam S. B. Qualitative Research in Practice [Book]. - New York : John Wiley and Sons, 2002.
- [33] Morse E.A., Fowler, S.W., and Lawrence, T.B. "The impact of virtual embedness on new venture survival: [Journal]. - 2007.
- [34] Mumba E Entrepreneurship concepts and practices: Zambian perspective, ZEPH. [Report]. - Lusaka,Zambia : [s.n.], 2012.
- [35] Ng'andu S. K. Writing a research proposal in educational research [Book Section]. - Lusaka : The University of Zambia, 2013.
- [36] Olawale F and Garwe, D. obstacles to the growth of new SMEs in South Africa: a principal component analysis approach [Online]. - 2010.
- [37] Pandya V. Comparative analysis of development of SMEs in developed and developing countries. [Journal]. - 2012.
- [38] Papadaki [et al.] A Longitudinal Analysis of young entrepreneurs in Canada,CCSBE 21, [Conference] // Annual conference. - Canada : [s.n.], 2000.
- [39] Pasanen M. SME growth strategies: organic or non-organic?. J. Enterprising Culture, 15(317). DOI: [Journal]. - 2007.
- [40] Raudonis B.M. Ethical considerations in qualitative research with hospice patients. Qualitative Health Research, 2(2) [Book Section]. - 1992.
- [41] Reiss, Jeffrey L and Crukshank Low Risk,High Reward:Starting and Growing your Business with minimum Risk [Book]. - New York : The Free Press, 2000.
- [42] Safdar.K and Saddieqi W Determinats of firm wth:an empirical examination of SMEs [Journal] // Interdisciplinary journal of contemporary research in Business3(1). - Gujuranwala, Gujarat and Sialkot Districts. : [s.n.], 2011. - pp. 1389-1409.
- [43] Shane S. A and Venkataraman S The promise of entrepreneurship as a field of research, Academy of the Management Review, 25 (1) [Book Section]. - 2000.
- [44] Sidika I. Conceptual framework of factors affecting SME development: Mediating factors on the relationship of [Report]. - 2012.
- [45] St-Jean E., Julien, P., and Jos'ee, A. Factors associated with growth changes in gazelles. [Journal]. - (2008. - Vol. Journal of Enterprising.
- [46] Taherdoost H. and Jalaliyoon N Marketing vs E-marketing, International Journal of Academic research in management [Journal]. - 2014.
- [47] Van Scheers L SMEs' marketing skills challenges in South Africa. [Journal]. - 2011. - Vols. African Journal of Business Management, 5(13),.
- [48] Wennekers A.R.M. and Thurik A R Linkingentrepreneurshipandeconomicgrowth.Smal l Business Economics [Book Section]. - 1999.
- [49] Wicklud J, Patzelt H and Sherpherd D Buiding an integrative model of small business growth. [Journal] // Small business Economics. - 2007.
- [50] World bank2007 Tanzania gender and economic growth assessment, Working paper; and Foreign Investment Advisory Service, 2005, Gender and growth assessment for Uganda: A gender perspective on legal and administrative barriers to investment. [Journal].
- [51] Zambia Development Act [Report]. - Lusaka : Government printers., 2006.