

**The Role of Small to Medium Micro Enterprises in
Community Development:
A Case of Phindol Enterprises Limited of Siavonga
District of Zambia
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Author Names: David Kaluba¹
Information and Communications University
School of Humanities, Lusaka, Zambia

Abstract

There are many Small to Medium Enterprises (SMEs) in the world today and there has been a great encouragement or emphasis on seeing that SMEs grow to become economical players. The contributions that these SMEs make are quite enormous despite perhaps very little if anything is known about the impact these have made in both communities and individuals.

This study has analysed both global and local literature in order to explore the roles SMEs play on community development. The literature review showed that SMEs make various contributions to communities which include but not limited to employment, infrastructure development, and social as well as economic.

The researcher conducted a case study on Phindol Enterprises Limited (PEL) in order to ascertain the role that SMEs play in Community Development which ultimately leads to Economic development. The research showed a number of contributions and challenges that SMEs both make and face in different individual lives as well as the communities in which they operate.

Through the use of a qualitative approach to research inquiry, a business project was examined for this purpose in Siavonga District. The study results showed the contributions and challenges of SMEs. The researcher used content analysis method in order to come up with the results and the conclusions. SMEs make contributions such as employment creation, contribution to the GDP, infrastructure development, food security, facelift of communities as well as social related development. The research also showed different kinds of challenges that are faced by SMEs. The challenges include things such as capital, taxes, lack of mentorship, lack of business security and business skills.

This study can possibly help other researchers in continuing to find meaningful and practical solutions that can make SMEs become major players in the life of communities as well as the economical development of individuals and the nation at large.

Key words: *Community, Individuals, SMEs, Challenges, Contributions, Employment, Incomes.*

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) play a very important economic and social role, both through their importance in the economy and in job creation, a role which is greatly appreciated in these times of crisis and rising unemployment (Oualalou 2012). SMEs are a growing economic force that is necessary for the development of many countries and in particular the developing countries. The role and contribution of the SMEs to economic, social and community development is likely to be more than maybe what is known at the moment. Perhaps little or not much has been established on how much SMEs are contributing to communities in which they operate as well as the nation at large.

According to Caner (2013), SMEs official or unregistered (shadow economy) have become significant sources in providing employment as well as value added. One can highlight the long-term economic effects of SMEs as:

- As pre-capital income increases contribution of SMEs to GDP and employment increases.
- As per capital income increases contribution of the unregistered economy decreases.
- Registered and unregistered SMEs together contribute about 60%-70% to GDP on average.
- However, as GDP increases share of the unregistered economy decreases.

From the afore information, one can confidently say the SMEs play an important role in uplifting the living standards of the people as well as the communities in which they operate

1.1. THE ROLE OF SMALL TO MEDIUM ENTERPRISES IN OTHER COUNTRIES

1.1.1. The Mediterranean Case

In the Mediterranean in particular, the development of SMEs can help to face many challenges linked with economic development, inequalities, very high unemployment, demographic developments and the need for structural change (Oualalou 2012). It was noted that SMEs offer many job opportunities to lower the unemployment rate, address the demographic challenges, increase competition and productivity, and stimulate the growth of income both overall and per capita.

1.1.2. The Nigerian Case

Opafunso and Adepoju (2014), state that Small and Medium Scale Enterprises (SMEs) has proved to be a major intervention in resolving the problems of poverty and unemployment in most developing countries. Their findings revealed that there is a positive and significant relationship between SMEs and poverty reduction, employment generation and improvement in standard of living of people in Ekiti State.

From the study of Opafunso and Adepoju (2014), it was strongly affirmed that small and medium scale enterprises have increased in number and it has a positive impact on poverty reduction in the state. In the same vein, the study showed that small and medium scale enterprises in Ekiti State have helped tremendously in areas of employment generation and that government through its poverty alleviation programmes have helped to developing the sector in Ekiti State. Also, small and medium scale enterprises have contributed numerously to economic development of Ekiti State between 2006 and 2013 (Opafunso and Adepoju (2014). Frequent changes, conflicting government monetary policies, misappropriation of funds and wrong allocation of credit facilities are some of the noted challenges of SMMEs in the study.

1.1.3. The South African Case

According to Groepe (2015), estimates of the contribution of the small, medium and micro enterprises (SMMEs) to the economy vary. It has been quoted for instance that the contribution of the SMMEs to the Growth Domestic Product (GDP) is estimated at 52 to 57 percent. The SMMEs are known to bring innovation and entrepreneurship to the economy. Significant changes in relative prices signal great entrepreneurial opportunities. An example is the sharp reduction in the relative prices of the information technology as well as communication, goods and services, the huge opportunities which they created, and the impressive way in which entrepreneurs – worldwide – have responded to these opportunities (Groepe 2015).

1.1.3. The Zambian Case

According to Amroukl *et al* (2013:24), the dairy project in Zambia showed that strengthening market participation of smallholder milk producers could be achieved through the diffusion of innovative livestock feeding technologies and the conservation of protein-rich feed stock with a focus on the dry seasons (May-June).

There are other four case studies that showed improved access to privately held assets and technology along with knowledge of new production and post-harvesting skills, helped raise overall productivity and access to markets. This gave an impact on the general income coming to the beneficiaries of the project and a facelift to the community.

1.2. STATEMENT OF THE PROBLEM

This study sought to look at the role of SMEs in the communities in which they operate particularly in lifting the living standards of people as well as other socio-economic roles. There are many SMEs operating in different communities of our country whose role and impact in the communities and individuals in which they operate does not seem to be tangible. According to the Central Statistics Office Living Conditions Monitoring Survey (2015) key findings showed that poverty in Zambia still remains predominantly a rural phenomenon with poverty levels at 76.6 percent compared to 23.4 percent in urban areas. At national level, 53.8 percent of the population found in male headed households was poor compared to 56.7 percent found in female headed households.

SMEs are meant to play a bigger role in our communities which includes the upliftment of the living standards of the people. However, as shown by statistics of the Living Conditions Monitoring Survey (2015), the majority of people and communities especially in Rural Zambia are still living in poverty. According to Oualalou (2012), in the Mediterranean in particular, the development of SMEs can help to face many challenges linked with economic development, inequalities, very high unemployment, demographic developments and the need for structural change. In particular, SME development offers many job opportunities which can help to lower the unemployment rate and address the demographic challenges posed by growing populations. This is the problem the researcher sought to investigate and in the course of doing so establish some of the challenges that affect SMEs from growing.

2. METHODOLOGY

The study employed a qualitative method. A business company called Phindol Enterprises Limited in Siavonga District of the Southern Province of Zambia was chosen for this study. The participants and key informants were purposively chosen and data was collected using interviews that allowed for flexibility. Data was analysed using content analysis

3. RESULTS

3.0. THE CONTRIBUTIONS OF SMALL TO MEDIUM ENTERPRISES

Phindol Enterprises Limited exists as a private business entity that is involved in the production and offering of fresh aquaculture products to the Zambian market. The mission of the enterprise is “offering quality varieties of freshwater products”.

The project involves development of a fully integrated cage culture fish farm and fish processing operational activities. Based at Matinangala, the project has both on-shore and off-shore activities taking place. The on-shore activities involve the breeding of the species whereas the off-shore activities involve processing and packaging of the products in readiness for the market.

The project has been running for three years so far and a lot of significant progress has been made. The researcher learnt that the project employs thirty-four (34) people from the local community and is in the process of expanding its current offices and operations.

The main activity of the project is aquaculture and in particular fish farming. The farm currently has nine (9) cages for fish and they are in the process of adding an extra three. PEL produces Tilapia fish or Bream (*Oreochromis niloticus*) in floating cages on Lake Kariba.

The enterprise was relevant to the research as it provided the researcher with opportunity to collect data through multiple means of interviews and observations.

3.1. TO ESTABLISH THE PURPOSE OF SMALL TO MEDIUM ENTERPRISES.

In the light of this objective, the enterprise is purely a business venture existing to provide quality freshwater products to the Zambian market. The products are mainly farmed at the production plant. The enterprise has nine (9) floating cages on Lake Kariba which they plan

to increase to twelve with a view to harvest ten (10) to thirty (30) tonnes of fresh fish every month.

3.2. TO IDENTIFY THE CONTRIBUTIONS OF SMALL TO MEDIUM ENTERPRISES ON INCOMES, JOBS AND LIVING STANDARDS.

The enterprise is contributing greatly to the well being of individuals in terms of income, jobs and improving the living standards. The impact of this project on the individuals is supported by the fact that it has assimilated thirty-four individuals from the communities who have become employees.

The response from the beneficiaries of this project shows the positive impact that the project has made in individuals and the community. The benefits that individuals have gotten from the project are jobs, incomes and an improvement of the living standards.

3.3. TO EXAMINE THE CONTRIBUTIONS OF SMALL TO MEDIUM ENTERPRISES ON THE COMMUNITY

In relation to the community, it can be noted that the project is in the process of building their new offices which is a great contribution to the infrastructure development in the community (see PEL 2 below). As a response from the proprietor, the project has also an indirect impact in the community through the assimilation of individuals who are now the employees of this enterprise. Some of the individuals are bread winners in their families whereas others have been able to move their lives from being dependents.

The domino effect is what this project has been able to contribute directly and indirectly to the community. The project has been able to assimilate a good number of community members who are benefiting in terms of employment, incomes and they are changing the living standards of their households. The project has contributed to the community by reducing the number of unemployed citizens.

3.4. TO DETERMINE THE CHALLENGES OF THE SMALL TO MEDIUM ENTERPRISES IN CHANGING THE LIVING STANDARDS OF INDIVIDUALS AND COMMUNITIES.

Projects of business nature are enormous and require a lot of things to succeed and change the living standards of people. The researcher learnt that there are other projects that have failed to progress up to the harvest season mainly due to theft of the stock. A project sponsored or supported through the funding of Citizens Economic Empowerment Corporation (CEEC) is one that was cited to the researcher as having suffered such a challenge. There are many other aquaculture SME projects which have failed to change the living standards of the people as well as project owners due to stock theft. Stock theft remains a major challenge facing both small and large enterprises in aquaculture projects.

It should also be noted as a response that the other cause of the failure of SME projects in changing the living standards of the people is the lack of knowledge both on the project proprietors and the project custodians which are the employees. The need to invest in the acquisition of knowledge to run the project is important. Acquiring knowledge through experiments is one of the major costs to the project. Knowledge needs to be acquired through the engagement of experts and that will require an extra tonne of financial resources. The researcher learnt that small to medium projects may not have the necessary financial resources to engage the experts. Luckily for Phindol Enterprises Limited, the big projects such as Yalelo and Lake Harvest have been generous to share some expert knowledge.

It should be noted therefore in this response that it is possible that some SMMEs have not been able to change the living standards of people due to lack of relationships that can help them get some consultancy services for free. The business enterprise is a competitive field hence it is possible that knowledge cannot easily be shared. The researcher was informed that due to the non-competitive position of PEL which does not pose as a threat to the major aquaculture projects, they have been able to receive mentorship that has helped them to grow to the level where they are.

The other reason cited for the failure of the projects to change the living standards of the people is that most funded projects such as the ones under the CEEC, the proprietors of such

projects have found themselves in situations where they have to run the projects without funds to support their personal upkeep hence, they have to share the little finance available for administration between personal upkeep and running the project.

The respondent in this case the proprietor of PEL suggested that for SMMEs to change the living standards of the individuals and community at large, there are quite a number of incentives that should be given especially to the local investors.

SMMEs can change the living standards of people and invest in the community if they are given incentives such as tax-free incentives for the first few years of their operations. This will enable them to settle in the business as well as determine the profit margins of their projects.

SMMEs need to invest in knowledge and assets if the living standards of people will be changed significantly. Though, doing something to uplift the lives of people this could change significantly if the issues of knowledge and incentives can be given attention.

The provision of security is a relevant request. Different stakeholders need to come on board to curb the practice. It is noted as a major setback in the running of SMMEs such as PEL as some project owners interviewed whose projects have closed have attributed it to stock theft.

4. DISCUSSIONS

OBSERVATION OF THE CONTRIBUTIONS OF PEL ON INDIVIDUALS AND THE COMMUNITY

The researcher observed the PEL project as a non-participant and the observations noted during the process are manifold. The impact of the project on community and individuals can be summed up as follows;

4.1. JOBS

The most visible contribution of SMMEs on the individuals is the creation or provision of jobs. The researcher learnt that the project had employed thirty-four people. Employment is a major need and in a small town like Siavonga with very few industries, the situation can be extremely pathetic. Observing from the responses of the beneficiaries, one of the things the

individuals have received are jobs. It was also worth noting that there are still many more individuals who are looking to the project to provide them some form of employment. Though the project cannot employ everyone, it is noted in this research that the contribution the project has made is a positive one by assimilating some of the skills from the community. In employing the community members, it is safe to note that the project has an indirect and positive impact on the community.

4.2. INCOMES

The researcher also observed that there were no volunteer workers at the SME. This means that the individuals working at the sites have added to their income. The respondents have indicated that the project has given them an income and others have indicated it as an addition income.

4.3. LIVING STANDARDS

It is difficult to measure the degree of the improvement of the living standards in the absence of a baseline and by simply looking at the asset or status of a household. However, the absence of assets can be a sign that the living standards are not changing. The acquisition of assets can also be a sign that the income or job received from the project is contributing significantly to the improvement of the living standards of the people. It is noted in other responses that the project had made a bridge between the lives they had before employment and the life after employment. Through the acquisition of household assets such as Home theatres, Television sets, radios, electronic gadgets, the researcher is satisfied to state that there has been a significant improvement on the living standards of people.

4.4. COMMUNITY DEVELOPMENT

The researcher observed that the significance of this SME to the community is multifaceted. In the first instance, the PEL project impact on the community is the assimilation of individuals from the community through employment. Each of these individuals is connected to a number of community members and hence the project is supporting many community members through the employment of one individual. As an observation by the proprietor, the employed individuals are members of the community who are also getting and paying for

services in the community through the incomes they get from the project. It is significant that the employees in the project are contributing to other community members' by paying for rentals, schools fees and other services such as transport.

The project on the other hand is contributing to the food security of the community and the nation at large. The Savanna Final EIA Report (2014: ii), records that "The demand for fish in Zambia has prompted the company to further expand their fish farming investment. Estimates from the Department of Fisheries (DoF) indicate that 125,000 tonnes of fish are required per annum. Current production levels (including capture fisheries) amount to approximately 80,000 tones, leaving a deficit of 45,000 tonnes of fish. The country's huge fish supply deficit is being compounded by the declining fish capture due to many factors such as including over fishing and climate change effects. It has therefore been observed that there is a very high demand for fish in the country and hence the need to support the growth of the fisheries sector, in particular the promotion of aquaculture industry." The contribution to the community is important as seen by the failure to meet demand for fish at nation level.

There is also a growing demand for ice blocks in the community by some traders who use them for the preservation of fresh fish and Kapenta. The PEL project is on a small scale assisting to meet the demand.

It should be noted that bigger projects such as Savanna are impacting the community in more significant and visible ways. Some of the community impact include but not limited to; encouraging and supporting out-grower schemes to help small scale agriculture and fish farmers, Guar beans production, supporting locals with nursery schools for children, provision of a vehicle to be used as an ambulance to transport patients to Siavonga District Hospital in case of an emergence and being involved in other community projects such as traditional cultures or ceremonies (Savanna Report 2014:70).

5. CONCLUSION

The Contributions and Challenges of SMMEs in Shaping Individuals and Communities of Siavonga District was backed by the conceptual framework of community, individuals, Challenges, Employment and incomes.

The SMMEs usually carry a business-related purpose to the individuals and communities with a view to improve their living standards. The business projects are purely business though they bring a lot of relief on the individuals and communities through the provision of jobs and products.

The second question which seeks to know the impact of SMMEs on incomes, jobs and living standards can be answered by stating that SMMEs certainly have an impact on the three aspects of income, jobs and the living standards. The indication received from the respondents is clear that the business has brought jobs, incomes and to some extent improved their living standards. Of course, in the absence of a baseline it is difficult to state to what degree this change has happened.

The third question demanded an answer as to examine the contributions of small to medium enterprises on the community. This can be answered by stating that SMMEs bring different impacts on the community. Some of these impacts are direct whereas others are indirect.

The last question sought to determine the challenges of the small to medium enterprises in changing the living standards of individuals and communities. The challenges noted that have a great impact on SMMEs include theft and in the case, study means stock theft, lack of tax incentives from the government on SMMEs, the lack of mentorship and thereby knowledge.

Small and Medium Scale Enterprise (SME) has proved to be a major tool adopted by the developed nations to attain socio- economic development (Opafunso and Adepoju 2014).

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PEL 1. This picture shows some of the cages used to farm fish at Phindol Enterprises Limited



PEL 2. This picture shows the new offices of PEL under construction with some utility vehicles

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