



**UNIVERSITY
OF
LUSAKA**

SCHOOL OF BUSINESS MANAGEMENT AND ECONOMICS

**INVESTIGATING THE FACTORS INFLUENCING THE GROWTH OF SMALL AND
MEDIUM ENTERPRISES IN LUSAKA: A CASE OF KABWATA**

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**A research dissertation submitted to the University of Lusaka in partial fulfillment of the
requirements of a Degree in Bachelor of Business administration**

DISSERTATION DECLARATION AND CLEARANCE

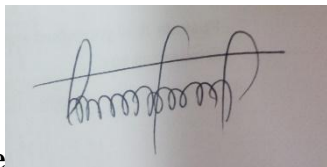
I, Herbert Malufu certify that this research is my original work, which has been produced under the guidance of my university appointed supervisor. I further declare that it is in compliance with the requirements for the Bachelor of Science in Public Health degree as set by the University of Lusaka. I also attest to the fact that neither a part nor a whole of it has been subject to any submission to any other academic institution for the award of any program. All cited references have been acknowledged.

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I, Sikawala Musonda having guided, read this dissertation and approved it for submission, confirm that I am satisfied that this is the original work of the student under whose name it is presented. I further attest that the work has been completed satisfactorily and is ready for presentation to the examiners.



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DEDICATION

This study is dedicated to my lovely mom for the support and motivation she gave me throughout my studies and not forgetting my dad whose principles, values, encouragement and counsel have taken me to this level of my education. Thank you, mom, sincerely for your love and support throughout my academic journey.

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ABSTRACT

Introduction: It is generally accepted that SMEs are becoming increasingly important in terms of employment, wealth creation, and the development of innovation. However many problems encounter SMEs and as a result, many firms perform dismally and fail to grow. In addition it is generally known and accepted that there is a high failure rate of SMEs within the first two years. Given this high failure rate, it becomes vital to research the factors required to enable the SMEs to survive and indeed progress to the growth phase of the organizational life cycle.

Main objective: The study sought to establish the factors affecting the growth of small and micro enterprises (SMEs) in Kabwata Lusaka.

Methodology: The study employed a descriptive case study design to achieve the objectives. The target population under study was the 30 SMEs owners in Kabwata market. The study used a structured interview guide to collect the required data. And data was analyzed thematically. The data collected was coded, quantified and analyzed quantitatively and qualitatively.

Results: participants reported access to finance and lack of managerial skills experience as the key socio-economic factors affecting the growth of businesses in Lusaka. The other key factors that were found to affect SMEs are: access to business information, access to corruption, business location and government policy and regulations.

Conclusion; the study concluded that access to finance and availability of managerial skills and experience are the key socio-economic factors affecting the growth of businesses in Lusaka district. These two have the potential of leading to improved business performance. The other key factors that were found to affect growth of micro and small enterprises in Lusaka district are: access to business information, government policy and regulations, corruption inflation rate, networking and collaboration.

CHAPTER ONE

BACKGROUND OF THE STUDY

This chapter presents the background, statement of the problem, general and specific objectives, research, significance of the study, limitations of the study, scope of the study, theoretical framework, operational definition, organization of the thesis and the summary chapter.

1.0 INTRODUCTION

Small and medium-sized businesses (SMEs) are extremely important to most economies, especially those in emerging nations. SMEs make up the majority of enterprises globally and play a significant role in employment creation and the expansion of the global economy. They account for more than 50% of all jobs globally and about 90% of all businesses. In rising economies, the share of formal SMEs in GDP can reach 40%. When informal SMEs are taken into account, these numbers dramatically increase. SMEs rely on internal funds or cash from friends and family to launch and initially run their businesses because they are less likely to be able to get bank loans than large companies. Over 18 percent of the labor force is employed in the industry, and women make up 47 percent of that workforce (Parker, 1996).

One of the chains of distribution channels that is crucial in the supply of products and services to final consumers is retail. (Risch, 1991) claims that the French term retailer, which contains the prefix re and the verb tailer, which means "to cut again," is where the word "retail" originates. A firm that organizes its marketing efforts with the goal of pleasing the ultimate consumer based on the organization of selling products and services as a means of distribution is referred to as a retailer by (Gilbert, 2003). The last chain of the distribution channel among them is the retail industry. Retailers are one of the marketing channel's middlemen. A retailer is a corporate entity whose primary activity is selling goods directly to end users for non-commercial purposes. They may also act as agents from time to time. The store engages in a variety of marketing operations, including purchasing, selling, grading, risk trading, and gathering data on customer preferences. Retailers are defined as dealers or traders who sell things in tiny amounts, or more pedantically, as those who repeat or relate, by (Sullivan and Dennis, 2002). The retail industry has been meanwhile constantly a growing industry globally and locally in the past ten years the retail industry has experienced new technology, customer behaviors, and expectations driving the business, the

shopping experience has significantly changed how retail functions. Today's consumers approach shopping quite differently than they did over ten years ago.

For instance, the expansion of ecommerce has presented both huge possibilities and risks to merchants. To some extent, internet channels have replaced traditional high street stores as the place where we explore and make purchases. As a result, our perception of the brands we deal with has changed.

Zambia's large-scale retailing industry has changed since the nation's economy was liberalized in the early 1990s. State-owned businesses, including Mwaiseni, National Home Stores, the Zambia Consumer and Buying Corporation (ZCBC), and a handful of conventional small-scale family-owned businesses, predominated the Zambian retail industry from 1968 to 1991 (mulenga, 2020). State-owned companies (SOEs) had practically disintegrated by the time the United National Independence Party (UNIP) came to power, with bare shelves the norm. The South African grocery companies Shoprite, Pick'n'Pay, Spar, Food Lovers, and Game Stores now control the large-scale market in Zambia. Choppies, a newcomer with locations in Lusaka, Ndola, Mufulira, Chililabombwe, and Kalumbila, is originally from Botswana.

. The Economic Recovery Programme (ERP) was introduced by the Zambian government on December 16, 2020. Its goal was to bring together a number of multispectral policies and 2interventions that were necessary to revive and improve the economy in order to meet the country's priorities.

The ERP will concentrate on addressing the weaknesses seen in recent years and building on lessons learned in order to foster meaningful benefits at both macro and micro levels under the theme restoring growth and safeguarding livelihoods through macroeconomic stability, economic diversification, and debt sustainability.

GDP from retailing services in Zambia increased from 5886.60 ZMW Million in the second quarter of 2022 to 7721.60 ZMW Million in the third quarter of 2022 representing an increase of 1835 ZMW Million (Central Statistical Office, 2023).

Small and medium enterprises are known to be micro entrepreneurial businesses because SME's can consist of one to nine employees and most small business owners are solo-pruneurs because they work alone (Caitlin, 2002).

This study aims to examine the causes of increase in the number of small and medium enterprises, specifically the retail sector. This study seeks to discover the significance of the small and medium enterprises (SME's) and how they affect the day to day life of people of Kabwata. In today's world SME's have become a highly subjected topic that is regularly visited by business minded individuals involved with financial unpredictability.

1.1 BACKGROUND

Zambia is former British colony who won its independence in 1964. And since independence this history has impacted the growth of small and medium enterprise in the nation. Today World Bank classifies Zambia as a low income country from a lower middle income status in 2021, due to the deterioration of Gross National Income (GNI) per capita estimates recoded in 2021(Ministry of Finance, 2022). This chapter discusses urban entrepreneurship in Sub-Saharan Africa (SSA) in general and Zambia in particular. The last portion offers an empirical demonstration of the variables impacting entrepreneurs' choice of site in Kitwe, one of the metropolitan centers. The following are the takeaways from this chapter: historical occurrences in the four main urban areas in Zambia have developed distinct types of entrepreneurial activities; secondly, the institutional environment in cities shapes entrepreneurial activities today; thirdly, in addition to institutional factors, entrepreneurs make deliberate, personal decisions for setting up businesses in specific urban locations, primarily motivated by attitudes toward avoiding taxes, perceived levels of institutional corruption, size of the informal business community (Choongo etal, 2020). Angola, Botswana, Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe are the eight nations that the Republic of Zambia shares borders with. Zambia is a landlocked nation in Southern and Central Africa The country is rich in mineral resources, wildlife, huge open spaces, and water bodies. It is also home to one of the seven natural wonders of the world and a UNESCO World Heritage Site, the Victoria Falls, also known to locals as Mosi-oa-Tunya, which translates to "the smoke that thunders" (Mumba, 2022).

Zambia faces a number of socioeconomic and environmental challenges, including poverty, inadequate infrastructure development and basic healthcare services, environmental degradation and deforestation, gender inequality, unemployment, and a sizable informal economy made up of businesses that do not fully abide by government laws and regulations, despite having an abundant wealth of natural resources and a young, rapidly expanding workforce (Shamboko,2020)

Entrepreneurship in Zambia is considered as the backbone of the economy and plays a vital role in the inclusive growth of the country's economic and social development (Mulenga, 2020). The Zambian government has already implemented a number of policies and programs to support the expansion and improvement of unregistered micro and small businesses and the nation's entrepreneurial ecosystem

In truth, there would be techniques that have previously been acknowledged, like the provision of infrastructure, specialized tools, and equipment for use in tandem with related operations. Having a considerably greater potential to increase productivity and efficiency in order to generate more income and jobs. The development of sophisticated structured credit arrangements that are especially designed to meet the needs of small and medium-sized businesses involved in possibly fruitful and active operations, especially with relation to acquiring input needs, encouraging appropriate technology use, and utilizing locally available resources. As the strategy was being implemented, the improvement of skill upgrading through recognized training programs in terms of extended advisory services. Instead of individual ownership, social businesses were emphasized. Private enterprises were not allowed. The Zambian government was reportedly allocating insufficient resources to the small business sector, and the main organizations supporting small businesses, such as the Small Industries Development Organization (SIDO), the Development Bank of Zambia, and the Village Industries and Services (VIS), had their roles only loosely defined. However, these groups dealt with significant financial and organizational constraints even at the time. Following 1991, the environment grew more welcoming to business, especially small businesses. The establishment of the industrial, commercial, and trade policy in December 1994 with announcements that

The MSMEs sector has seen an increase in activity since the implementation of structural economic reforms and the country's transition to a liberalized economy in 1991. The existence of a sizable MSMEs sector, of which over 90% are unregistered, has significant effects on how the economy operates. Yet, there is little documented information about the commercial operations of the MSME sector and its contribution to the advancement of the nation and economic expansion. The Central Statistical Office's (CSO) figures do not break down national production in proportion to enterprise size, making it difficult to estimate the size of the entire private sector in Zambia.

The establishment of small enterprises is seen by the Zambian government as an essential component of its industrial and commercial policy. Its objective is to create a plan with the help of the private sector to encourage the growth of small enterprises. The government will pressure local governments to evaluate their infrastructure, services, and licensing regulations in order to encourage small enterprises. To encourage the rapid rise of this industry, the government will provide incentives and registration. The government will fight against decentralizing business registration in order for the sector to function properly.

1.2 Street vending

One of the most obvious aspects of the informal sector is street vending, which is prevalent in both industrialized and developing nations. Many authors have characterized it in a wide variety of ways. However the place of trade is a recurring subject in definitions. It may involve trading without a permit, trading outside of explicitly specified trade areas, not paying municipal or federal taxes, or using your own shelter just for trading (Lyons, M. and S. Snoxell 2005: 1304).

Street vendors were identified as self-employed workers who in the informal economy are either stationary or mobile, and are providing goods and services to the public without a legal permit or having a permanent structure where to run their business from (Bhowmik 2005:2256).

It is well recognized that street vendors contribute significantly to the urban economy by giving the general people access to goods, jobs, and revenue. They offer a variety of products, including used clothing, fresh produce, food items, plastic products, and various home items. Needs produced in small-scale or home-based businesses. Because the items they sell are typically more affordable and less expensive than those found in formal retail stores, the urban poor prefer to purchase clothing and accessories from street vendors in many nations (Saha 2009: 231).

Street vendors can be categorized as entrepreneurs who are primarily focused on survival rather than growth. According to Berner et (2008),” Survival entrepreneurs do not establish their businesses out of choice but rather because they are unable to get wage work; they aim to boost security and vary their activities rather than specializing for this reason, smoothing consumption rather than maximizing profits, and they include profits in their household income.

Because Kabwata street vendors do not perceive the advantages of operating in the market, they continue to oppose government infrastructure. However, this comes at the expense of market vendors, who suffer from a decline in sales as a result of street vending. The businesses of the traders who owned the commercial space performed better than those who operated from rented space. Due to the fact that they did not pay rent, the street sellers saw the space on the streets as "theirs.

1.3 STATEMENT OF THE PROBLEM

The economic climate for carrying out business for SMEs in modern society differs from state to state. As such, the appropriate policy for one country would not necessarily be appropriate for another. With privatization of 1991, the economy become more liberal which resulted in increase of difficulty for local SMEs to grow and face up to competition being created by foreign companies. In view of this, the fairness of the economic policies governing the way business is conducted in Zambia on the basis of companies being local SMEs and foreign conglomerates is being questioned. The whole purpose of empowering local Zambians is being defeated because they cannot face up to competition from foreign companies in terms of capacity, quality of goods, access to financing and general management. (Chiumya, 2006)

At present, the Zambia Development Agency (ZDA) act of parliament of 2006 does seem not to have any impact at all on the promotion of the Zambian entrepreneur through SMEs, and most SMEs in Zambia are ignorant of the provisions and powers given to them through this act. Given the circumstance how adequate are the provisions contained in the ZDA act to empower the Zambian SMEs and what strategies and methods is the ZDA going to use to ensure that the Zambian entrepreneurs are aware of the various provisions and policies the act brings on board to empower them. Although the SMEs in the private sector in Zambia have such great potential for economic development, equitable wealth redistribution and poverty alleviation, they face many

business constraints and challenges which hinder growth and limit their ability to contribute effectively to national economic development.

1.4 OBJECTIVES

1.4.1 General objectives

To understand the factors influencing the growth of small and medium enterprise in Kabwata.

1.4.2 Specific objectives

1. To identify the key government policies and regulations that impact the growth of small and medium enterprises (SMEs) in Lusaka.
2. To assess the role of access to financial resources and funding opportunities in facilitating the growth of SMEs.
3. To examine the impact of networking and collaboration among SMEs on their growth.

1.4.3 Research Questions:

1. What specific government policies and regulations have the most significant impact on the establishment, operation, and growth trajectories of SMEs in Lusaka?
2. How does the availability and accessibility of financial resources and funding opportunities affect the growth and sustainability of SMEs in Lusaka, and what are the main challenges SMEs face in accessing these resources?
3. What is the relationship between networking activities, collaborative initiatives, and the growth outcomes of SMEs in Lusaka, and what factors contribute to the effectiveness of such networking and collaboration efforts?

1.6 Significance of the study

The findings of this study will show reasons as to why this study is of an importance to the community and who it shall be useful in accordance with abiding laws of the state

If the government and other stakeholders have put the appropriate strategies and infrastructure in place, entrepreneurs who invest in SMEs do so with the primary goal of making a profit. However,

in the process, these SMEs significantly contribute to the social and economic development of a nation (Okezie, Ihugba, Alex Odii, Njoku, 2014; Obiajuru, 2012). Small and medium-sized enterprises (SMEs) in the industrial sector in nations like Nigeria account for 37% of the GDP, making it the second-largest contributor to the GDP after the oil sector (Okezie, Ihugba, Alex Odii, Njoku, 2014). The majority of the time, SMEs are labor intensive, meaning you will need more staff to run them smoothly and compete. Businesses do offer employment opportunities for people. According to some employment figures for developing nations (Ogundele, 2006), small and medium-sized businesses (SMEs) employ more than 50% of the labor force in Kenya, Columbia, Tanzania, Zambia, Indonesia, and India. So, it is crucial to comprehend the situation of SMEs in Zambia and how they have helped the nation's economy expand.

1.7 Scope of study

General purpose of this study was to investigate the causes of increase in small and medium enterprises in Kabwata constituency of Lusaka district. The target population is Kabwata constituency market. The study focused on the market based in Kabwata constituency of Lusaka Zambia. The mentioned residential area attracted a lot of SME's. The theory of economic participation was chosen to help explain the phenomena.

1.8 Limitations

The study was limited to an urban area of Lusaka province. The data collected was from only the market place in the constituency of Kabwata. Small sample size decreases the power of the test especially that the data was quantitatively used for descriptive research design. This brings the aspects of the study failing to be generalized in all the districts of Lusaka Province and Zambia as a whole. Equally, the sample that was randomly selected did not come from a known sample space as it was difficult to come up with a true list of all the SMEs in each particular market, hence could have brought some biasness into the study. This, in some instances could have affected the objectivity of the outcomes.

1.9 Operational definitions

SMEs are businesses that have revenues, assets or number of employees below a certain threshold (Daniel, 2023). Each country has its own definition of small and medium enterprise, for example in USA small business administration classifies an SME as any business or firm with 500 or fewer employees. While in Zambia SMEs is defined as any business employing fewer than 100 workers

(central statistical office, 2021). Accounting, trustworthiness, accounting, and other moral concepts are examples of business ethics. Businesses that consistently maintain sales, assets, or a particular number of employees fall under the category of small and mid-size enterprises (SMEs).

1.10 structure of the study

This study will be divided into five chapters. Chapter one being composed of the introduction, background, statement of the problem, the objectives of the study, the research questions, the significance of the study, the scope of the study, the limitations of the study, the defining terms.

Chapter two will contain literature review that either relates directly or indirectly to the study. The review of literature focuses on what researcher, scholars and educationist have discovered and said about SME's causes of increase in other countries, two thirds of the world and the constituency of Kabwata in Lusaka province of Zambia. The literature will also investigate what factors influence the increase of small and medium enterprises.

Chapter three will focus on how the study will be carried out. It will explain the research approach, the research design, the sample site, the sample population, the sample size, the sampling technique, data collection methods, data analysis, reliability of study, validity and ethical consideration. This section will also explain the sample size and sampling procedure. This section will cover the research Instrument to be used by the researcher to collect data, which includes interview schedules, questionnaire schedules and observation schedules.

Chapter four will present, analyze interpret and discusses data to be collected by the research using the methods to be described in chapter three. The purpose is to transform the raw data into information that is manageable, presented in an attractive, communicative manner. The interpretation is aimed at drawing logical and sensible inferences from the information to be collected from the study.

Chapter Five will discuss summary, conclusion recommendations contribution to the body of knowledge and suggested areas for further research. Based on the data and other information to be obtained and analyzed to answer the research questions of the study, a number of research findings were presented in chapter four. The findings are summarized in this section.

1.11 Summary

Chapter one has openly introduced the problem through various sub-headings. These are: the statement of the problem, research objectives and research questions, significance of the study, scope of the study, the limitations of the study, operational definitions and the summary of the chapter.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

Chapter two builds on the aspects of the study established in the preceding chapter. The information to be presented in this chapter was obtained from published books and journal articles encompassing global, regional and local perspectives.

2.1 Theoretical framework

Some of the theoretical underpinnings of this work are outlined in this section. There are many theories and concepts that are relevant to the information sector, but for the sake of this study, just three will be examined: the Maslow hierarchy of needs theory, the entrepreneur theory, and the contingency theory.

2.1.1 Maslow's hierarchy of need

. When Abraham Maslow presented his hypothesis in 1943, it has had a significant impact on society. He reasoned that a lot of psychological theory had been built on people with serious problems, so he researched people who weren't obviously having problems and arrived at a new view of motivation in that specific situation. The theory states that it is impossible to focus on the higher levels until the lower levels are met and is represented as a pyramid with five layers.

to breathe, eat, drink, shelter, sleep, and engage in sexual activity make up the lowest layer of physiological demands. When these needs are met, security—whether it be personal safety, job-related security, or health security—becomes the next level of incentive. Above all else, social needs concern belonging to a social unit or group, such as a family or workplace. Over and above one's own merits, one should consider one's own perspective on society as a whole and what one holds to be true. In society, their peers, etc., have to have worth placed on them. And at the very top of the ladder is self-actualization, which is more concerned with one's own fulfillment than with how others perceive one. This may result from the satisfaction of developing as a human being, either in terms of knowledge, wisdom, or spiritual development. That presumably only applies to a small percentage of the population. This hypothesis pertains to a study that found that small and medium-sized businesses strive to provide employment security, social needs, and self-actualization, which occurs when a person can fully achieve their potential. The study focused on the inhabitants of Kabwata Township.

2.1.2 Theory of Entrepreneurship

Risk-taking is a key component of entrepreneurship, however there are differences between each theory of the discipline due to the divergent roles played by the entrepreneur and the capitalist. Hébert, Link, and (2006). Considering Cantillon's notion of an entrepreneur to be essential for comprehending the economic analysis. The definition of an entrepreneur is open to interpretation. Several academics (such as Cantillon (1755), Schumpeter (1912), Knight (1921), and Kirchner (1921) (1973). I define entrepreneurs differently depending on a variety of factors. The discrepancies are dependent on two factors, specifically the descriptors and the remarks. Entrepreneurs are essential to economic contribution, and this became Cantillon's major definition of himself. He was aware of the risk-reducing procedures that could be implemented, items that are otherwise unconnected to his proposed entrepreneurial theory. His views on ambiguity are related to unforeseen situations. On the other hand, Schumpeter had developed a theory of economic growth based on entrepreneurial individuals who were driven by their own interests. The phrase "Schumpeterian entrepreneur" is a success because of this theory. Businesses are vulnerable to a variety of economic conditions that may put a cap on their capabilities. The pioneers' early work, such as that of multinational corporations connected to Adam Smith and Schumpeter, is included in entrepreneurial activities. Also, because Adam Smith businesses are flexible and can adapt to any economic situation, they do not have any special methods for competing in the market. Even though all businesses must turn a profit in order to stay in business, some of them would fall short of gaining a competitive advantage. p. Haroni (1993).

2.1.3 Contingency theory

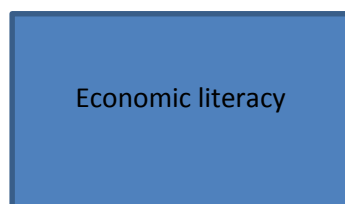
In order to reach the required levels of competitiveness, company growth, performance, and sustainability, organizations can continue to adapt their plans to their external surroundings and uncertainties, according to the contingency hypothesis. Continuity theory is the main theoretical framework used to examine the firm (Dentchev et al., 2018). The core concept of the contingency theory's dichotomy is that adaptation of organizational components, especially those that reflect organizational situation, such as structure and contingencies, leads to organizational performance (Bagnoli I & Giachetti, I 2015; Penning 1992). Contingency plans involve, among other things, the environment, organizational scale, and organizational strategy (Burns & Stalker, 1961). 1962

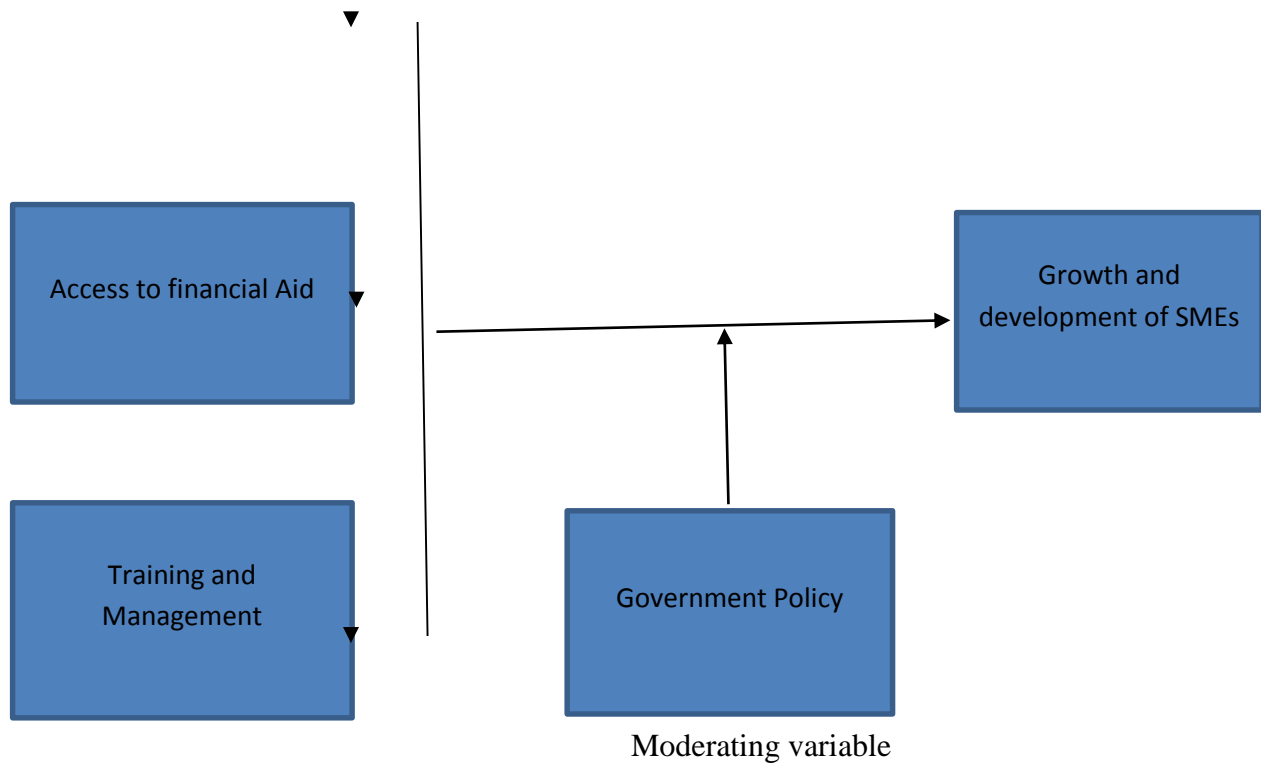
Chandler (McAdam et al., 2019). The organization looks for benefits to validate since good strategic decisions result in better performance (Van Looy & Van den Bergh, 2018). Businesses are urged to adopt new organizational qualities that correspond to new contingency levels to prevent the mismatch that results from contingency improvements (Victor, 2020). Business continuity plans are evolving as a result because they must be modified to stop productivity losses. The idea that unexpected events could happen It also covers the drivers of programs for flexible change and sustainable business expansion and how such factors impact success (Dobbs & Hamilton, 2007). According to Penning, the environmental instability has an impact on the structural system (1992). According to the contingency hypothesis, the organizational structure must be altered to take three I contingencies—the environment, size, and strategy—into account (Donaldson, 2006). According to the concept of I contingency, innovation is actually the volume of unique items produced per unit of time that are targeted by threats, strengthening the bond between the business units involved in bringing about innovation (McAdam, Miller & McSorley, 2016). An unexpected knowledge-sharing process that cuts across functional areas is necessary for innovative problem-solving (Donaldson, I 2001; I Bagnoli I & Giachetti, I 2015). Mateti, and Gomieck (2018) admitted using a contingency lens to examine organizational performance and sustainability in their testimony. So, the most original method to problem-solving would be to adopt an interdependence-based approach to support the sustainable growth of small and medium-sized firms. The availability of new products and the satisfaction of customers, stakeholders, the general public, the economy, and the environment are directly impacted by this strategy (Pratono, Al-Mashari, and Del Giudice, 20).

2.2 conceptual framework

Independent variables

Dependent variable





(Source: course sidekick, 2023)

2.3 Non Empirical literature review

2.3.1 Concept of SMEs

According to an international article published in 2014, small enterprises are the backbone of the economy (Wolff and Pett, 2006), accounting for two-thirds of all new jobs in recent decades. Small businesses that export expand quicker, add employment faster, and pay higher wages; they account for 98 percent of all enterprises that are designated as American. Exporters and sustaining approximately four million jobs in communities all around America through both direct and indirect exports. Leading export locations for the United States. Tiny businesses can be found in the United Kingdom, Canada, Mexico, China, and Mexico.

Studies by Nuwagaba (2015) have led me to conclude that small and medium-sized businesses represent an opportunity that economies like Zambia's cannot ignore due to the fact that SMEs there employ 50% of the working class, similar to those in countries like Indonesia, Tanzania, and Kenya. It is challenging for the government to effectively support the sub sector because over ninety percent (90%) of SME's work in this area. Due to the fact that people have invested in and

worked for their family businesses, SME's contribution to the country's development is quite evident.

Additional research by the International Journal of Economics, Finance and Management, volume 4, issue 4, of 2015, outlined that the 1996 baseline survey of SMEs in Zambia revealed that the government does not employ those without a high school diploma and that 52 percent of all SME business activities are conducted in both rural and urban areas of the nation. However, the focus of this study will be the urban area of the Kabwata constituency of Lusaka.

2.3.2 Definition of Micro Small and Medium Enterprises (MSMEs)

Although there are patterns and countries ranked by the level of SME activity, very few countries have working definitions of SMEs, making data on them difficult to compare. Ward (2018) states that the definition of a SME, or a small to medium-sized enterprise, depends on the person performing the defining. The size of an organization can be classified based on factors such as the number of employees, yearly sales turnover, owned assets, or any combination of these, depending on the country. It differs from industry to industry as well as it does in the (U.S. and China). Yet, according to Gries and Nadé (2008), the one thing they all have in common is that SMEs typically account for more than 90% of all businesses that are registered in any given nation.

2.3.3 Official Zambian Definition of Enterprises in the MSME Sector

According to the Small Enterprises Development Act (SED) of 1996 of the Government of the Republic of Zambia, an enterprise is "an undertaking engaged in the manufacture or provision of services" or "any undertaking carrying on business in the field of manufacturing, construction, and trading in services." This excludes mining or the recovery of minerals because mining is covered under the Mines and Minerals Act of 1994. (mauzu 2015).

Meanwhile, for purposes of this study the definition of MSMEs in Zambia follows business

Variables: - (a) Total fixed Investments, (b) Sales Turnover, (c) Number of employees, and (d) Legal status. On this basis therefore, the following definitions will apply:

Micro Enterprises - A micro enterprise shall be any business enterprise registered with the Registrar of Companies whose:

- (i) Total investment (excluding land and buildings) shall be up to Eighty Thousand Kwacha (K80, 000);
- (ii) Annual turnover shall be up to One hundred and Fifty Thousand Kwacha (K150, 000); and
- (iii) Employing up to ten (10) persons.

Small businesses must be registered with the Registrar of Companies and fall under one of the following categories to qualify as small businesses.

- (i) Total investment, excluding land and building (in the case of manufacturing and Processing enterprises) shall be between Eighty Thousand and Two Hundred Thousand Kwacha (K80,000 – K200,000) in plant and machinery while in the case of trading and 26 service providing enterprises shall be up to One Hundred and Fifty Thousand (K150,000) Kwacha;
- (ii) The annual turnover shall be between One Hundred and Fifty Thousand and Two Hundred and Fifty Thousand (K151, 000- K300, 000) Kwacha; and
- (iii) Employing between eleven and forty-nine (11- 50) persons.

Medium Enterprises – A medium enterprise shall be any business enterprise larger than a small enterprise registered with the Registrar of companies whose:

- (i) The total investment, excluding land and building (in the case manufacturing and Processing enterprises) shall be between Two Hundred Thousand and Five Hundred Thousand (K201, 000 - K500, 000) Kwacha in plant and machinery and shall be (in the Case of trading and service providing) between One Hundred and Fifty-One Thousand and three Hundred Thousand (K151, 000 - K300, 000) Kwacha;

Informal Enterprise – An informal enterprise shall be any business enterprise not registered with the Registrar of Companies whose:

- (I) The total investments, excluding land and building, shall be up to Fifty Thousand (K50, 000) Kwacha; and

(ii) Employing less than Ten (10) persons.

Source: GRZ (2008). The Micro, Small and Medium Enterprise Development Policy.

In order for a business to fall into one of the aforementioned categories as a micro, small, or mid-sized organization, it must also satisfy at least one more need in addition to the legal status and total investment requirements (Chilipamushi, 2008). Using a single SME definition makes it simpler to locate and assess statistical data on businesses.

In Zambia, there are many different types of SMEs that operate in the conventional manufacturing industries and produce both for home use and for export. The majority of enterprises are modest in size, resembling sole proprietorships, and some only employ a few individuals. The incomes are mostly used to maintain the owners' residences. The majority of MSMEs also tend to focus on regional and less wealthy market segments and employ low level technologies (Nuwagaba, 2015:151)

This has considerably aided the growth of the SMEs sector, as the Zambian economy has been since the adoption of structural economic reforms and the country's transition to a liberalized economy in 1991.

According to the Government of the Republic of Zambia (2011), over 90% of SMEs in Zambia operate in the informal sector, which has a negative impact on the country's economy. The UNDP found that MSMEs provided income for a wider range of demographic strata and had the highest capital employment ratio (2004). The establishment of MSMEs is a sustainable way to reduce poverty and improve the quality of life through wealth creation and job creation. It was well known that MSMEs aided in sustainable development, growth, and employment (Nuwagaba, 2015)

2.3.4 Nature and role of small-medium enterprises

Small-scale business definition cannot be left to theory. The factors that determine what qualifies such a business differ from one country to another. The three main factors are the number of employees, capital size, and turnover. Any discussion about micro and small businesses should begin with a grasp of what MSE is attempting to convey. There is no universally accepted definition of micro, small, and medium-sized businesses (Neuman, 2006). Various agencies have

established various factors, such as sales, the number of personnel employed, investments in plants and machinery, etc.

. It adds that "SMEs are typically defined as organizations with up to 250 people." The Group SME Section of the World Bank uses this criterion to identify small and medium-sized enterprises. I SME borrowers are defined as those with yearly sales of less than 50 million euros, or roughly 250 euros, according to the Basel Committee's June 2004 statement. As a result, annual sales are the only criterion for SME classification in accordance with the Basel Committee. With reference to Figure 1, the World Bank defines SMEs using three quantitative criteria: the number of employees, the total assets in U.S. dollars, and the annual sales in U.S. dollars (IEG: i2008).

2.3.5 SME growth in developing countries

Because to its major contribution to achieving numerous socio-economic goals, including increased growth in employment, output, promotion of exports, and supporting entrepreneurship, the SME sector is well acknowledged for its significance. Current empirical research demonstrates that in high-income nations, SME's account for over 65% of all employment and over 55% of GDP. In low-income nations, SME's and informal businesses account for over 60% of GDP and over 70% of all employment, while in middle-income countries, they account for over 95% of all employment and about 70% of GDP. For instance, there are around 25 million small firms in the European Union, accounting for 99% of all businesses. These businesses employ nearly 95 million people, making up 55% of all private sector jobs (OECD, 2004).

In light of the aforementioned trends, SMEs play a crucial role in fostering innovation, competitiveness, entrepreneurship, and the creation of strong innovation systems for emerging nations.

The size and significance of the SME sector vary from nation to nation; in industrial countries, awareness of this function has grown over the past few decades; in developing countries, this recognition dates back to the 1970s or so. Almost every economy in the world, but particularly those in emerging nations, depends on SMEs. (Berry, 2007) SMEs provide a significant contribution to the growth of the economy and to a stable economic environment. SMEs must be encouraged in order to ensure sustained economic growth. Companies require unique financial and

advisory services that assist them in navigating challenges during the start-up phase or conducting their regular business operations (Güttler, 2001).

2.3.6 Contribution of SME in economic growth

Elias Mubanga, the minister for small and medium enterprise development, claims that the government has given priority to the growth of SMEs because they are the engine of the nation's economic expansion. According to Mr. Mubanga, SMEs account for roughly 97 percent of all firms and contribute 70 percent to the GDP (GDP). Due to their propensity to hire a sizable percentage of the workforce's most disadvantaged groups, SMEs also account for 88 percent of job opportunities. In Lusaka, Zambia, Mr. Mubanga formally inaugurated the first ministerial coordination meeting for cooperative associations and micro, small, and medium enterprises. He continued by saying that his ministry made the decision to include its stakeholders, including cooperatives and some Businesses, in order to find solutions to some of the sector's difficulties.

Small-scale firms were recognized by Kusi, et al (2015) as playing a crucial role in emerging countries. Based on their research in Ghana, they discovered that these businesses adjust to market situations more readily, endure unfavorable economic conditions thanks to their flexibility, incur reduced capital costs due to labor intensity, and offer secure and durable employment. Further, they realized that they could thrive in both urban and rural environments and that they could encourage a more equitable distribution of revenue than their predecessors.

They also improve domestic market efficiency by making more effective use of the resources that are already available. Thus, they are a crucial stimulant for economic progress. Governments all around the world are becoming more aware of the important role that SMEs play in economic growth, market competitiveness, and lowering unemployment. A number of nations have developed policies, strategies, and organizational frameworks targeted at promoting the SME sector. This is applicable to both developed and developing nations (Timmons, 2004). The UK has focused its small company development strategy on assisting growing small businesses. (Thurik and Audretsch, 2004). It is essential to support SMEs in maximizing industrial infrastructure, properly handle government-enterprise relations, and fully utilize the government's role in macro control as a means of fostering a fair competitive environment. The fundamental role of the market

in allocating resources and the self-operation status of SMEs should also be respected. Both policymakers and academics are very interested in the development of Chinese SME.

2.3.7 Government commitment in growing the SME sector.

Zambia's government has prioritized the development of small and medium-sized enterprises (SMEs) in the country as they fuel economic growth. Elias Mubanga, Zambia's Minister of Small and Medium Business Development, promises that the government would remove all obstacles to the expansion and success of SMEs.

According to Mr. Mubanga, the administration is dedicated to implementing policies that would foster an atmosphere that will allow SMEs to advance. He added that the government is dedicated to maintaining its assistance and provision of a business ecosystem that will ensure the success of SMEs by supporting partners that serve as a conduit between SMEs and large financial institutions and commercial banks. At the ceremonial opening of the Empowered Women Excel Savings and Credit Cooperatives today in Lusaka, he said this (SACCO). The growth of cooperatives, according to Mr. Mubanga, brings the government's aim for financial inclusion to fruition

2.3.8 Lack of institutional support

SMEs still lack adequate institutional support to enhance their growth. Stagnation has been the trend over many decades. This lack of support and growth has caused most small-scale businesses to fall into petty trading, a trend that has been proliferating across the country (Kusi, et al, 2015).

2.3.9 Competition

The organization seeks to identify competitive advantages that significantly impact the success of the enterprise through increasing competitiveness (Walley, 1998). Small- and medium-sized enterprises (SMEs) are typically not particularly competitive in terms of market knowledge, innovation, prudent investment, business operations, and competent management, all of which are crucial aspects in raising the standard of living (OSMEP, 2007). As a result of globalization and increased trade, developing countries compete with other nations; yet, obstacles and other restrictions typically favor these nations (Lind, 2009). The free trade agreements have led to increased competition among foreign businesses (OSMEP, 2007).

The World Bank conducted a survey of small and medium-sized enterprises in emerging nations in (2010). Competition, in accordance with research findings, poses a risk to the existence of

individual businesses. Despite the fact that competition carries a significant level of risk, it is the person who pushes businesses towards greater productivity who ultimately contributes to their growth and development. The difficulties faced by SMEs in Kosovo have been the subject of numerous studies conducted over the past decade. The three primary hurdles are the tax system, the informal economy, and public services. These barriers have persisted with the same intensity throughout the postwar period (WB, 2010).

2.3.10 Information technology

Small businesses have improved access to cutting-edge technologies that larger companies take use of. The ability of the 21st century enterprise to survive and grow is dependent on the technologies that are currently available. This skill suffers as a result of the lack of these technologies (Baloyi, i2010). According to Drucker's (1985) theory, SMEs could profit from new technologies by using them to boost productivity, enable more efficiency, and increase profitability. According to Morse et al. (2007), SMEs benefit from technical capabilities in a number of ways: they boost SME productivity, cut costs, and enhance market share both locally and internationally. A small corporation that embraces higher levels of technological sophistication can be anticipated to grow more quickly than a similar firm that doesn't, as stated by Lee in 2001. Low technological capabilities restrict and inhibit SMEs from fully realizing their potential, according to Romijn (2001) and Yusuf et al. Wendel (2012) highlighted that countries with strong rates of technological growth also tend to have high rates of entrepreneurial growth.

2.3.11 Effects of taxes

The informal sector is a significant contributor to the economy of developing nations, even if tax revenues from this sector are extremely low. The bulk of independent contractors work in the informal economy. Sometimes, the relevant authorities do not legally register the enterprises that are established, and this is how tax loopholes are made. There are, however, less restrictions for setting up small businesses including shops, garages, hairdressers, grocery stores, and pubs. The businesses are typically not controlled or protected, but once they register with the Zambia Revenue Authority, they are liable to heavy taxes and even when they are having financial difficulties, the authorities will assess a considerable amount of tax. Such hefty taxes have an impact on the entrepreneurial sector's liquidity (Odd-Helge, F and Heggstad, 2011)

2.4 Empirical literature review

Despite the macroeconomic reforms undertaken by the government aimed at macroeconomic stabilization for example, liberalization, privatization among others, the SMEs sector has not yet significantly benefited from them. There have been a number of constraints that have hindered the growth of SMEs in Zambia. The Task Force on SMEs (2014) identified some of the constraints affecting the Zambian SMEs as:

2.4.1 Inadequate Policy Frame Work

Although in Zambia's industrial policy, the existence of the informal SME sector is recognized, the references made to the promotion and development of SMEs mainly refer to improving goods and services in the formal sector but not those found in the micro and informal sub-sector. The Zambia Development Agency (ZDA) Act of 2006, which is the current statute covering the promotion and facilitation of investments in Zambia, is far beyond the reach of most SMEs.

2.4.2 Difficulties in filling capacity Gaps for SMEs

Analysis of the SME sector in Zambia (ministry of commerce, 2006) indicates severe deficiencies in basic management and technical skills relating to the following fundamental areas:

Strategic management capacities, for example the ability to manage entry into new markets and organizing labor and capital to respond to the changing markets, technologies and regulations. Such skills are usually acquired through family experience, or through formal education in business strategy development, followed by associated experience in modern firms;

Functional management skills, for example skills required in production, finance, purchasing and marketing to improve production of capital, and quality control

Technical management skills, for example the actual technical know how to achieve the required quality and quantity.

Small to Medium Enterprises cannot exploit economies of scale in the same way as large enterprises can, they face more financial constraints. Since young companies have not accumulated sufficient cash flow and are unable to rely on bank financing, they have to depend on the equity investments. The analysis of the effects of financial constraints on the

Firm's survival and growth therefore is important.

2.4.3 The Financial Limitations

Previous research done on SMEs, show that small firms are so limited in their financing accessibilities to an extent that they do not even recognize their own growth potential (Rosa, 2010). This is so because most of the managers of the small and medium size enterprises are more concerned about the survival of the firm rather than the growth of the firm. The lending institutions are so careful in lending to SMEs fearing defaulting rates. For example, Mwitwa et al (2010), and Chiumya et al (2006), reveal how relatively high operating costs, delinquency and default, potential fraud, and high staff turnover impede sustainability. Financial capital is a primary input for the micro-enterprise, and micro-finance providers are well positioned to providing this crucial step out of poverty. However because of the factors highlighted above micro-finance providers are hesitant to provide such facilities to SMEs. If they are willing to, the collateral requirements are so rigorous that it is almost impossible for an SME to afford them.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the methods used to gather data that is relevant to the study. It will contain the research approach, research design, and sample site, sample population, sample size, sampling technique, data collection methods, data analysis, reliability, validity and ethical consideration.

3.1 Research approach

In order to understand the factors contributing to an increase in the number of small and medium enterprises in Kabwata, the study will adopt qualitative research approach which is aimed at attaining deep understanding of a specific case with in-depth exploratory studies to enable finding quality response throughout the research (Creswell, 2002; Easter by et al, 2008; Biggam, 2008). This type of study approach is suitable for this study because it describes events in their natural setting hence, does not allow manipulation that may compromise or alter research results (Bogdan and Bikle, 2004).

3.2 Research design

According to Yin (2009), case studies can be used to explain, describe or explore events or phenomena in the everyday contexts in which they occur. A case study design is suitable for this study because it examines events, phenomenon or other subjects of analysis in order to obtain key results that help predict future trends, bringing out previous hidden issues that can be applied to practice and provide practical solutions for understanding important problem with greater clarity

3.3 Sample site

The study will be conducted in Kabwata constituency, located approximately 3.3km from Lusaka CBD with a population of over 22537 people and with over 10126 formal small and medium enterprises. For this study only retailing shops from Kabwata market will be considered.

3.4 Sample population

According to Gupta (2010), the population is the entire pool of persons from which a sample is drawn. And Blanche et al. (2006) argued that the population should be chosen from individuals to whom the research is applied. Therefore, the population for this study will consist of 30 owners of small and medium-sized businesses in Kabwata market.

3.5 Sampling technique

Convenience sampling will be adopted to select the participants for the study. Proctor (2003), highlights that sampling is adopted in research as in most cases when the populations of interest are too large to work with, thereby presenting cost, and time and resources constraints. Therefore, sampling makes the research manageable, and cost effective, while enhancing the accuracy of findings by accelerating the speed of primary data collection and processing (Brown, 2006). A proportional to size sampling technique was used to select a sample of 30 respondents from a total population of all the owners of small and medium enterprises at Kabwata market.

3.6 Sample size

A sample is a subset of a population with characteristics similar to those of the population as a whole and that is representative of the population. It is made up of components taken from the population that were utilized to make a statement about the entire population (Creswell, 2003).

The study will consist 30 respondents, selected from the owners of small and medium enterprises at Kabwata market.

3.7 Data collection methods

Primary and secondary qualitative data will be employed as data gathering tools for this research.

3.7.1 Primary data

According to Govori (2013), primary data is defined as the initial, first-hand information obtained from respondents during interviews and questionnaires. The researcher can get information that is difficult to gain with the aid of primary data. The major data for this study will be gathered through a self-administered questionnaire that was delivered to respondents at Kabwata market.

3.7.2 Secondary data

Secondary data is information that is already available and has been gathered from secondary sources, including books, websites, journals, publications, and other materials found in libraries, including academic research (Mordi 2017). Secondary data for this study was gathered from the internet, papers, journals, and previous findings as well as literature from other academics.

3.8 Data analysis

Thematic Analysis will be employed to analyze data. Thematic analysis is a method of analyzing qualitative data. It is usually applied to a set of texts, such as an interview or transcripts. The researcher closely examines the data to identify common themes – topics, ideas and patterns of meaning that come up repeatedly.

There are various approaches to conducting thematic analysis, but the most common form follows a six-step process: familiarization, coding, generating themes, reviewing themes, defining and naming themes, and writing up. Data was collected from TB registers and patient request forms and entered into a pre-tested standardized checklist and ensure double blinded checking was done by two independent data clerks to minimize duplication of cases. The researcher then performed data cleaning to ensure completeness and internal consistency by double checking the data, re-entering. Descriptive statistics will be used on all explanatory variables to determine the behavior of the data under this study.

3.9 Reliability and validity

Reliability

Reliability refers to the extent to which an evaluation yields consistent and dependable outcomes. Because the data were acquired through the use of a questionnaire, the researcher was able to instantly verify the information gathered and clarify any misinterpretations.

Validity

The validity of this research will be more focused on whether the findings will be accurate, what they will appear to be related to the research's outcomes or the correct answers to its questions, and how long these results or outcomes are valid.

3.10 Ethical considerations

Ethical clearance will be obtained from UNILUS-REC, a written permission to conduct the research will also be obtained from Lusaka city council, the market authorities and National Health Research Authority of Zambia (NHRA).

Participants during the study will be informed of the study verbally and in writing through an information statement form which clearly explain the aim of the study as well as the benefits to the participants. Willing participants will be requested to confirm their voluntary participation by signing a consent form. Participants will be assured of their right to withdraw at any stage of the study without any negative effect. Further they will be assured that their responses will not be used for any adverse or negative purposes by management against them or shared or used for a different study. The objective and rationale of the study will be explained to willing participant verbally in Nyanja, which is the local language and also in English depending on which language the participant is comfortable with. Further explanations will be made available in writing through the information sheet. Confidentiality or anonymity of information given was guaranteed. No names will be referred to and no one would be identified through the answering of the questionnaire. To cater for those that cannot read or write the questionnaires will be administered to them by reading out the questions to the participants who will later gave answers to questions by ticking the correct option of the questionnaire where necessary.

CHAPTER FOUR:

RESULT PRESENTATION

4. Introduction

This chapter presents the findings of the study which are in form of narrations. The main purpose of the study was to examine factors influencing the growth of small and medium enterprises in Lusaka with respect to Kabwata constituency. This study was guided by the three objectives: To identify the key government policies that impact the growth of small and medium enterprises in Kabwata, to assess the role of access to financial resources and funding opportunities in facilitating the growth of SMEs in Lusaka, and to and to examine the impact of networking and collaboration among SMEs on their growth.

4.2 Social demographic characteristics of the study population

This section lists the respondents' characteristics by age, gender, and marital status, level of education, residential area and occupation. 30 respondents participated in the study, yielding a response rate of 100%.

With regards to age, majority of the respondents were in the age range of 25-32 were 6(20%), those in the age range of 31-40 were 12(40%), those in the age range of 41-45 were 8(27%) and those in the age range of 46 and above were 4(13%), With regards to gender, majority of the

respondents were males 20(67%) and females 10(33%). With regards to marital status, majority (10%)of the respondents were married, those single were 16(53%), those divorced were 4(13%) and widowed there was none.

With regards to occupation, those with formal employment were 8(27%), and those who are self-employed were 22(73%).

With regards to residential area, those who stay within Kabwata community were 7(23%) and those who stay outside Kabwata community were 23(77%).

With regards to the level of education, the majority of the respondents are those with primary education 15(50%), those with secondary education were 7(23%), those with those with college education were 5(17%), and those with university education were 3(10%).

Table 1: Social Demographics Characteristics of Study Population (n=30)

Variable	Category	Frequency	Percentage
Gender			
	Female	10	33
	Male	20	67
Age category			
	18-30years	6	20
	31-40years	12	40
	41-45years	8	27
	46+ years	4	13
Education Level			
	Primary	15	50
	Secondary	7	23
	College	5	17
	University	3	10
Marital status			
	Single	16	53

	Married	10	34
	Divorced	4	13
Occupation			
	Formal employment	8	27
	Self employed	22	63

4.3 Factors influencing the growth of small and medium enterprises in Kabwata

Participants reported having faced or facing challenges related government policies and regulations (i.e., high tax, cost and process of business registration), access to financial aid or loans, corruption in access government empowerment funds,

4.1 Cost and process of registering the business with PACRA

Most of the participants interviewed reported that most of their business were not legally registered with PACRA due to high cooperate tax and administrative barriers. This can be seen from the following response from one of the respondent;

“Some of the SMEs who are running these businesses do not want to pay tax because paying tax reduces their profits and that they do not see the benefit of paying taxes. When one goes to the hospital, the doctors are saying there are no drugs, at school they pay, at all government departments where they need their services, they are expected to pay”. (M/33)

Another respondent argued that;

“There are a lot of administrative barriers when it comes to registering with PACRA, in these government offices these days for things to be done you need to pay a bribe to someone on top of their high registration fees, this alone discourages most owners of SMEs to register their business.” (F/40)

4.2 Corruption in accessing financial aid in terms of citizen economic empowerment fund or youth empowerment fund.

Most respondents interviewed cited corruption as a major barrier to accessing financial aid from government institutions in terms of citizen economic empowerment fund or youth empowerment fund. One of the respondent F/ 32 narrated that;

“In our country for you to access youth empowerment fund or citizen economic empowerment fund, you either need to be well connected to a government official or pay someone working from these government institutions for them to assist you. This makes it so hard for some of us with no connections to access funds to grow our business.”

4.3 High interest rates and Lack of Security/ Collateral has affected their Business

Respondents reported that in most cases lack of security in terms of collateral prevents small enterprises to access financial aid in terms of loans from the bank. This greatly affects the growth of their enterprises due to inadequate resources. One respondent narrated that;

“In Kabwata most SMEs owners do not own assets that have property rights. They mostly own household goods. Very few have assets that have property rights such as title deeds that banks require as collateral. As such it’s impossible for banks to let their money go without any sureties in case of eventualities. On top of that these financial institutions charge exorbitant interest rates, forcing owners of SMEs to payback 2 to 3 times the amount they got which makes it very difficult for owners of these SMEs to grow their businesses.” (M/33)

4.4 The impact of Management on SMEs

All the respondents interviewed revealed that, nearly all SMEs were faced with lack of management in their daily operations that made them to get less income which in turn lowered their performance. One of the respondents narrated that;

“These SMEs are mostly owned and managed by the entrepreneur and his/her family. What it means is that all the functions of management are carried out by the inexperienced manager himself and the children. In most cases accounting of resources becomes very difficult especially when it comes to record keeping. At the end of it, profit becomes difficult to ascertain without proper records. The manager is the jack of all trades”

4.5 The impact of location on SMEs

Almost all the respondents interviewed agreed that location of the business is a major factor that influence the growth of a business. This could be seen from a narration by M/29 who argued that;

“The location of your business plays a major role in its success or growth. For example most businesses here in Kabwata market has great potential for growth, because of the market’s proximity to residential areas, Hospitals, schools/ colleges and government institutions. Even within this market location of your business matters too, for example the shops located along the roads have great potential for growth because customer can access their services easily compared to the ones hidden inside the market.”

4.6 The Impact of networking and collaboration initiatives among owners of SMEs in Kabwata Market.

Most of the respondents interviewed agreed that networking and collaboration are two of the most important aspects of success or growth in their field of business, because networking and collaboration initiatives builds relationships and partnerships that leads to great opportunities and growth in their career. One of the respondent F/32 narrated that;

“Networking and collaboration enables business owners to gain access to expertise and learning opportunities. With access to business experts specialized knowledge and new technology, collaboration within our network bring opportunities to learn from each other, share knowledge and develop new skill. Which in turn promotes great potential for our businesses to grow.”

Another respondent F/27 narrated that;

“Ever since i joined our networking and collaborative initiative, my business have improved in terms of the sales I make on a daily basis due to the marketing skills I have learnt from our initiative. Am also able to access business loans from our village banking at low interest rate which has greatly helped me grow my business to the extent that I have managed to open another salaula shop where I have employed a fellow single mother as a sales lady.

4.7 The impact of the ministry of small and medium enterprises on the growth of SMEs in Kabwata

Majority of the respondents reviewed that with the introduction of the ministry of small and medium enterprises, they believe that the ministry will bring great benefits to their enterprises as can be seen from the narration below;

“We have great hope that with the introduction of small and medium enterprises the cry of small and medium entrepreneurs will be easily heard. The ministry provide services such as financial literacy and grants to small and medium enterprises which is vital in the growth of our business.”

4.8 The impact of competition on the growth of SMEs

Most respondents agreed that competition among themselves has great influence on the growth of their enterprises. This can be seen from the narration from one of the respondents;

“Competition can be good or bad. It is good because it enables business owners to work hard and provide quality services for their customers while it can be bad because, competing with already established businesses possess a great challenge to new businesses, hence the high number of failing SMEs”

4.9 The impact of inflation on SMEs

Majority of the participants indicated that high inflation greatly affect their business in terms of profit. A M/27 narrated that;

“High inflation which has resulted in the depreciation of kwacha against major currencies has greatly affected my business because am across boarder trader meaning the cost of doing business has become more expensive for me.”

CHAPTER FIVE

DISCUSSION OF THE RESULTS

The discussion is based on the results of interviews conducted during the study and based on these three theme; to identify the key government policies and regulations that impact the growth of small and medium enterprises (SMEs) in Lusaka. To assess the role of access to financial resources and funding opportunities in facilitating the growth of SMEs. And to examine the impact of networking and collaboration among SMEs on their growth.

5.1.1 High Taxation had affected their Businesses

With regard to taxation, respondent interviewed revealed that SMEs have always been affected by high taxes. The study results revealed that majority of the SME owners believe that tax laws have greatly affected the growth of their business. This could be true in many developing countries; regulations on tax have not been consistent and in most cases taxes have impacted negatively on the profit of these SME. This is consistent with the findings from a research conducted by Venter and de clerq (2007) which reviewed that tax compliance costs for SMEs are viewed to have negative impacts on the growth of SMEs. The most difficult areas for compliance have been singled out as income tax and Value Added Tax (Mollentz, 2002). Tax requirements add to the administrative burden of small businesses and use resources that could, otherwise, be used for managing such businesses more effectively (Abrie and Doussy, 2006).

5.1.2 The role of collateral in accessing financial aid and how it impacts the growth of SMEs

When interviewed on the role of collateral in accessing financial resources from the banks and other lending institution, majority of the respondents that collateral plays a major role in accessing financial aid from financial institutions and that agreed that lack of collateral is the major factor preventing them from accessing loans from the financial institutions and the banks. Majority of SMEs amounting interviewed indicated that lack of collateral had hampered their business operations. Lack of collateral with SME owners is due to lack of property rights such as title deeds to lands. Not only lack of property risks, but as well as many internal risks. This is true because many risks and uncertainties are associated with such kind of businesses when dealing with banks. This has resulted from many SMEs being financed from owners' equity and in most cases the funds have not been enough to engage in production. Due to uncertainties, 81 conditions are imposed on whosoever wants to get a loan. This is a reason why large firms easily get loans than SMEs because they have security or collateral. This is true according to many studies that small firms had more credit constraints than large firms (Beck 2007; Fatoki *et al.* 2010; Pandula 2011). The findings agree with many findings by Govori (2013) on access to finance in Kosovo, who observed that many SMEs especially almost all new enterprises had difficulties in accessing external financing due to lack of collateral and the unwillingness of banks to finance new established small enterprises. Okpara & Kabongo (2009) had also pointed out that one of the major reasons for the difficulty of borrowing money from the bank was because of lack of required collateral to be used as security against the borrowed funds.

5.1.3 Experience in Management and its impact on the growth of SMEs

With regard to issue of SMEs management, majority of the SMEs owners who were interviewed revealed that, most of the SMEs were owned and operated by owners themselves compared to those managed and operated by workers. Moreover, most of them have gone into that business without training from formal institutions about entrepreneurship. They further reviewed that nearly all SMEs were faced by lack of management in their daily operations that made them to get less income which in turn lowered their performance. The findings clearly indicate that majority of the SME owners/managers agreed that lack of management experience in managing this type of business has hampered their businesses. Management is not only needed in SMEs, but in many business organizations. Owners/managers of such need to plan and control, lead, organize and hire (staffing) if SMEs are to survive in order to obtain the necessary skills to run these businesses.

SMEs failure is mainly attributed to lack of managerial experience in many instances. These results are similar to the findings in from a study conducted by supported by Hisrich and Drnovsek (2002) where it was revealed that managerial competencies positively played a significance part in the performance of SMEs. Shepard, Douglas and Shanley (2000) further observed that many an entrepreneur often start a new enterprise, while ignorant of many key elements of running their own enterprises. Other researchers such as Lotz & Marais (2007); Sola, Teruel & Solano (2014) had observed that what helps most entrepreneurs is their experience and knowledge about all functional areas of business for survival and success.

5. 1.4 The Impact of corruption on SMEs

Majority of the SMEs owners interviewed acknowledged that corruption has affected many institutions in Zambia, and SMEs are exempted. The study results revealed that majority of the SME owners believe that corruption had negatively impacted their businesses as they fail to get the services directly from the service providers. Instead services are provided to people who can bribe service providers to provide them. This finding is consistent with the findings of the World Bank (2005) where it was revealed that 70 percent of SMEs confirmed that corruption hindered so much of their operations. The Ministry of Commerce, Trade and Industry (2003-2004) in Zambia after a survey that was conducted had found corruption as one of the factors that constituted the main reasons for low formality with SMEs.

5.1.5 High Interest Rates had affected their Businesses

With regard to the issue of high interest rates, SMEs owners interviewed revealed that they (SMEs owners) are always scared of high interest rates from banks who give loans to them. The study results revealed that majority of the SME owners believe that, high interest rates has negative impact on their businesses as some times they fail to pay back the loans and their collateral is forfeited to the bank. High interest rates to a business are a cost that impacts negatively on the profit of these SMEs. This is undeniable evidence in most developing countries of the world. Many studies that have been conducted on the impact of high interest rates on the performance of business have reported the negative impact it brings to the business. Oaya and Mambula (2004) found high lending rate to have impacted negatively on the SMEs in Nigeria's economic development. Storey (2014) also revealed that many of these SMEs ended up getting loans at

higher interest rates because banks considered them as high-risk borrowers. Other researchers that have agreed with this finding are Okezie, Ihugba, Alex Odii and Njoku (2014) and Obiajuru (2012) and who observed that high interest rate is a challenge to SMEs in that those financial institutions that were available charged higher interest rates of about more than 36 percent in addition to loan collateral which SMEs did not have.

5.1.6 The impact competition on SMEs Businesses

With regard to issue of competition, respondents acknowledged that there is high competition in these SMEs because many of them go into the same enterprises such as retailing of the same materials. The study results revealed that majority of the SME owners believe that competition had impacted negatively on their businesses as they fail to compete with many businesses. It is without doubt that developing countries such as Zambia among others compete with other countries due to globalization resulting in increased trade barriers and other restrictions generally favor those countries. As a result of globalization coupled with market economy, SMEs fail to compete with foreign companies. Competition is good in a market economy because it increases efficiency and quantity supplied. Demand is fixed by the invisible hand. On the other side, competition is not good especially when the market is not developed in SMEs and this has a negative impact. This finding is consistent with the findings of the Nyambe (2018) where it was found that competition ranked as the third greatest obstacle to growth for businesses. Gvori (2013) found that one other factor that affected the growth and development of SMEs in Kosovo was competition. Govori (2013) further observed that SMEs were usually not very competitive when it comes to market knowledge, innovation, prudent investment, business operations and good management. A survey of SMEs in developing countries by the World Bank, findings of research with regard to competition represented a risk for survival for individual enterprises. The barriers resulted in weaker competition, unfair competition and adversely affected investments (World Bank 2010).

5.1.7 Inflation on SMEs Businesses

Majority of the respondents acknowledged that inflation has been found to affect the SMEs negatively because those who borrow are affected as their money lose value. The results revealed that of the SME owners/managers believe that inflation had impacted negatively on their

businesses as they lose the value of the capital. This means that the strength of the kwacha is weakened and in turn affects the business growth of SMEs. This is not strange as the Zambian economy portrays such characteristics. Having a weakening kwacha may be harmful to business profits of the SMEs. If the government stabilizes inflation results, it will reduce lending rates for SMEs. This finding is consistent with the findings of Ehlers and Lazenby (2007) who found that weak kwacha and high inflation rates were some of the characteristics of Zambian economic environment.

5.1.8 The impact of collaboration and networking initiatives on SMEs

The study reviews that networking and collaboration among owners of SMEs has proven great benefits towards the growth of their enterprises. Networking and collaboration initiatives builds relationships and partnerships that leads to great opportunities and growth in their businesses. It facilitates the sharing of knowledge and development of new skills. This in turn promotes great opportunities for growth of the enterprises. These findings are similar to the results in a study conducted by Antony N (2016) which reviewed that SMEs that employed networking and collaborative initiatives recorded an increase in their business functionality, increase in their productivity and profitability of their business. This was attributed to business skills, knowledge and expertise shared among members within the network.

5.1.9 The impact of the ministry of small and medium enterprises on the growth of SMEs in Kabwata

The study reviewed that the creation of the ministry of small and medium enterprises has great influence on the growth of SMEs because among its many functions it facilitates the registration of SMEs, formulation of cooperatives, provision of grants to SMEs and also providing financial; literacy to owners of SMEs. All these functions facilitates the growth of SMEs. These findings are similar to the results in a study conducted by Mwinga (2023) which reviewed an increase in the number of new SMEs in the 4th quarter of 2022 and the 1st quarter of 2023. This was attributed to the enabling environment for SMEs created by the ministry.

5.2 Conclusion

The objective of the study was to establish the factors affecting the growth of micro and small enterprises in Lusaka district. The study concludes that access to finance and availability of managerial skills and experience are the key socio-economic factors affecting the growth of businesses in Lusaka district. These two have the potential of leading to improved business performance. The other key factors that were found to affect growth of micro and small enterprises in Lusaka district are: access to business information, government policy and regulations, corruption inflation rate. The ministry of small and medium enterprises another factor identified that influence the growth of SMEs through the provision of services such as financial literacy and grants. Lastly networking and collaboration was seen impact the growth of SMEs through building of relationships and partnerships that lead to great opportunities and growth of the SMEs.

5.3 Recommendations

The findings have revealed a number of issues which required the researcher to make specific recommendations at the following levels that were set out in chapter one under significance of the research. These are: SMEs owners, the-would be small investors in SMEs, the government or policy makers (Ministry of Finance). The following are specific recommendations that have been proposed by the researcher.

5.3.1 Availability of Managerial Skills

The government should start offering basic business and financial management skills as this will enable the SMEs to make informed investment decisions. This will enhance their entrepreneurial skills that will enable them to recognize and exploit the available business opportunities.

5.3.2 Access to Infrastructure

Access to infrastructure affects the growth of SMEs only to a moderate extent. However, the study recommends renovations of public goods such roads, electricity power and water to weather changes.

5.3.3 Access to Finance

The study found out that most SMEs prefer to use personal savings and contributions from relatives because they find it very difficult to access financing from commercial banks due to strict requirements such as collateral security and high repayment costs. The study there fore, recommends that banks and other credit giving financial institutions should come up with creative policies that make it easy for the SMEs to access financing.

5.3.4 Government Policy and Regulations

The study found out that the government policy and regulations has a moderating effect on the growth of SMEs .The study therefore recommends that the government should move in quickly to create policies that favor the growth and expansion of SMEs. This will save the businesses from the challenges they face when trying to access financing from mainstream commercial banks.

6.3.4 At the level of the-would be Small Investors in SMEs

In order to help the would be SMEs, it is recommended that the would be SMEs are aware of what goes on in the sector before rushing into the sector. Awareness and understanding the problem of factors affecting growth in SMEs financing will help the would be SMEs to make a judicious decision before joining the sector.

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Appendix 1

UNIVERSITY OF LUSAKA

SCHOOL OF BUSINESS MANAGEMENT AND ECONOMICS

**INVESTIGATING THE FACTORS INFLUENCING THE GROWTH OF SMALL AND
MEDIUM ENTERPRISES IN LUSAKA: A CASE OF KABWATA**

Participant Consent Form

I hereby agree to participate in the study and provide necessary information to meet the Study needs. The aim and purpose of the study has been explained to me clearly. I have been informed of my rights in participating in this study and aware that I am at liberty to withdraw from the study at any point I feel like. The issue of confidentiality in participating in this study has also been explained to me and I understand that the information may be published but the Names and identity will not be associated with the results. I have been given the opportunity to ask whatever I need to know in regards to this research study, and all such questions have been answered to my satisfaction.

I fully understand and consent to participate in the research.

Signature..... Thumb Print.....

Name..... Date.....

Thanking you for your willingness to participate in the study.

Appendix2

Interview guide

Instructions to the interviewer.

- 1 Greet the respondent and introduce yourself.
- 2 Explain the purpose of the interview.
- 3 Assure the respondent of confidentiality and anonymity.
- 4 Consent and carry out the interview.
- 5 Do not write the respondent name and address on the questionnaire.
- 6 Ensure all questions are answered
- 7 At the end of the interview thank the respondent

Interview questions

1. How old are you?
2. What is your education level?
3. What is your occupation?
4. Describe your business including your products and services.
5. How did you identify the business opportunity?
6. What indicators do you use to determine growth in your business?

7. What business strategies have you used in the past to ensure growth in your business?
8. What were some challenges you faced when implementing growth strategies?
9. How do you see the future of your company? In terms of training, technology and competition
10. What kind of education and business experience do you have?
11. What are the major financial challenges you as SMEs owners in Kabwata face in accessing funding and financial resources and how do they impact the growth of your business?
12. What specific policies and regulations has the government been implemented to support the growth of SMEs, and how do you as SMEs in Kabwata perceive the effectiveness of these policies?
13. To what extent do networking and collaboration initiatives among you owners of SMEs in Kabwata contribute to the growth and competitiveness of your business in the market?
14. How important is location for your business?
15. What are the main benefits that the ministry of small and medium enterprise offers for your company?
16. How do government tax policy and political activities in particular affect MSMEs in Kabwata?
17. Do you think corruption is a problem for business owners in Kabwata and if so explain how?

Appendix 3

BUDGET

ITEM	<u>ZMW</u>
Stationary	700
Secretarial services	1500
Contingency funds	2000
Grand Total	4200