



**UNIVERSITY  
OF  
LUSAKA**

**SCHOOL OF POSTGRADUATE STUDIES**

**AN EVALUATION OF THE FACTORS ENHANCING THE GROWTH OF SMALL AND  
MEDIUM ENTERPRISES (SMEs) IN ZAMBIA: A CASE STUDY OF KABWATA,  
LUSAKA.**

**A THESIS SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES,  
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MASTER OF BUSINESS ADMINISTRATION GENERAL.**

**BY**

**EMMANUEL CHISANGA MUBANGA**

**MBAGEN18212895**

## DECLARATION

I **Emmanuel Chisanga Mubanga**, do hereby declare that the contents of this dissertation are purely my own research work, and that as far as am concerned the work contained in this research report have not been published for an award of a degree or diploma at this or any other university before. Lastly, all the works cited from other sources and scholars have all been duly acknowledged.

**Signature**...E.C.Mubanga.....

**Date**...26/03/2024.....

**Supervisor's Names:** Prof Mubanga Mpundu

**Signature:** 

**Date:** 26/03/2024

## **DEDICATION**

I first of all dedicate this dissertation to my beloved late mother Susan Chisanga Mubanga and my father Gregory Mubanga. Furthermore, I dedicate it to my wife Barbara Musonda Mubanga and my children for being by my side throughout the course of my studies. Lastly, I dedicate my work to all my beloved brothers and sisters who provided me with all the support and motivation I ever needed in order to complete this research report.

## **ACKNOWLEDGEMENT**

Undertaking post graduate Masters' Degree studies is an awesome and engaging academic journey, punctuated by ups and downs which are, however, overshadowed by positive challenges. Amidst all these varying experiences in this journey, I extend my heartfelt gratitude to all individuals directly and indirectly impacted my academic journey. My sincere gratitude first of all goes to Professor Mubanga Mpundu my supervisor for supportively leading through the research stage.

## **ABSTRACT**

This study explores the determinants of Small and Medium Enterprises (SMEs) growth in Kabwata Township, Zambia, focusing on entrepreneurial skills, access to finance, business competition, and marketing strategies. Rooted in the Balanced Scorecard and Resource-Based Firm theories, the study employs a mixed-methods approach, combining quantitative data analysis using SPSS version 29 and qualitative insights from SMEs in Kabwata. The literature review highlights the significance of these factors in SME success, while also critiquing the limited geographical focus and outdated information in existing studies. The results indicate a weak positive correlation between entrepreneurial skills and SME growth, underscoring the importance of investing in entrepreneurship development programs. Access to finance emerges as a strong positive influencer on SME growth, emphasizing the critical role of financial support. Business competition demonstrates a nuanced impact, with some SMEs thriving in competitive environments. Effective marketing strategies exhibit a positive association with SME growth. Additionally, an improved business environment correlates positively with SME growth. The study recommends tailored interventions, such as strengthening entrepreneurial training programs, facilitating diverse funding sources, providing industry-specific support, promoting digital marketing adoption, and establishing an SME support hub. Continuous monitoring and evaluation are advised for ongoing relevance. Future studies are proposed to explore sector-specific influences, conduct longitudinal analyses, delve into marketing strategy impacts, assess government policy effectiveness, and conduct comparative studies with other regions. These findings contribute to a deeper understanding of SME dynamics in Kabwata and offer actionable recommendations for policymakers and stakeholders to foster sustainable SME growth in the region.

## LIST OF TABLES

Table 4.1- Gender of the respondents.....	35
Table 4.2 - Age.....	36
Table 4.3- Highest qualification attained .....	37
Table 4.4-SMEs industry .....	39
Table 4.5-Monthly income for SME .....	40
Table 4.6-Factor affecting SME growth .....	41
Table 4.7-Entrepreneurial skills rating in managing and growing SME .....	44
Table 4.8-SME has achieved significant growth over the past year * Entrepreneurial skills rating in managing and growing SME Crosstabulation .....	46
Table 4.9- SME has achieved significant growth over the past year * Accessing credit is easy for SMEs Crosstabulation .....	49
Table 4.10-SME has achieved significant growth over the past year * Level of market competition Crosstabulation .....	51
Table 4.11-Marketing channels mostly used .....	52
Table 4.12-SME has achieved significant growth over the past year * Marketing channels mostly used Crosstabulation .....	53
Table 4.13-Correlation.....	54
Table 4.14-Regression .....	57

**LIST OF FIGURES**

Figure 4.1- Years in operation ..... 39  
Figure 4.2-SME has achieved significant growth over the past year ..... 41  
Figure 4.3-Business environment supports SME operations..... 43  
Figure 4.4-SME incorporates innovation and tech in operations ..... 43  
Figure 4.5 - Participation in entrepreneurial training programs..... 45  
Figure 6-Accessing credit is easy for SMEs ..... 48  
Figure 4.7-Level of market competition ..... 50

## **LIST OF ACRONYMS/ABBREVIATIONS**

**AFDB** - African Development Bank

**CEEC** - Citizens Economic Empowerment Commission

**DBZ** - Development Bank of Zambia

**GDP** – Gross Domestic Product

**IDC** - Industrial Development Corporation

**MCTI** - Ministry of Commerce, Trade and Industry

**OECD** - Organization for Economic Cooperation and Development

**SMEs** – Small and Medium Enterprises



## Contents

DECLARATION .....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
LIST OF TABLES.....	vi
LIST OF FIGURES .....	vii
LIST OF ACRONYMS/ABBREVIATIONS .....	viii
CHAPTER ONE: INTRODUCTION AND BACKGROUND .....	1
1.0: Introduction.....	1
1.1: Study Background .....	2
1.2: Problem of the statement.....	4
1.3 Research Objectives .....	5
1.3.1 General Objective.....	5
1.3.2 Specific objectives .....	5
1.4 Research questions.....	6
1.5: Scope of the study.....	6
1.6: Significance of study.....	6
1.7 Operational definitions .....	6
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 Introduction .....	8
2.2 Sustainable Small and Medium Enterprises (SMEs) .....	8
2.2.1 Global Perspective .....	8
2.2.2 Continental Perspective.....	10
2.2.3 Regional View: Zambia.....	11
2.3 Entrepreneurship and Small and Medium Enterprises (SMEs)' Growth.....	12
2.4 Financial Availability and Small and Medium Enterprises' Growth.....	15
2.5 Business Competition's Impact on Small and Medium Enterprises' Growth .....	17
2.6 How Marketing Practices Affect Small and Medium Enterprises Sustainability .....	19
2.7 Theoretical Framework.....	21

2.7.1 Entrepreneurship theory .....	21
2.7.2: Balanced scorecard theory .....	23
2.8 Conceptual Framework .....	26
2.9 Critique of the Available Literature .....	26
2.10 Chapter Summary .....	28
CHAPTER THREE: METHODOLOGY .....	29
3.0 Introduction.....	29
3.1 Research Approach.....	29
3.2 Research Methodology.....	29
3.3 Study Site.....	29
3.4 Study Population .....	30
3.5 Sampling Method .....	30
3.6 Data Collection.....	30
3.6.1 <i>Secondary Data</i> .....	30
3.6.2 <i>Primary Data</i> .....	31
3.7 Data Analysis .....	31
3.8 Data Reliability .....	32
3.9 Ethics .....	33
CHAPTER FOUR: PRESENTATION AND ANALYSIS OF RESULTS .....	34
4.0 Introduction.....	34
4.1 Response Rate.....	34
4.2 Reliability Analysis.....	35
4.4 Demographic Analysis .....	35
4.4.1 Gender of the respondents .....	35
4.4.2 Age of the respondents.....	36
4.5.2 Years of operation .....	39
4.5.3 Average monthly income of Business .....	40
4.6 Factors influencing SMEs growth .....	41
CHAPTER FIVE: DISCUSSION OF RESULTS.....	60
5.1. Introduction .....	60
5.2 Marketing Strategies and SME Growth .....	61
CHAPTER SIX: CONCLUSION AND RECOMMENDATION.....	62
6.1. Introduction .....	62

6.2. Findings and Conclusions .....	62
6.3 Recommendations for future studies .....	64
REFERENCES .....	65
QUESTIONNAIRE .....	68
ETHICAL CLEARANCE INFORMATION .....	74

## **CHAPTER ONE: INTRODUCTION AND BACKGROUND**

### **1.0: Introduction**

This study looks into the factors that contribute to the growth of micro, small, and medium enterprises in Zambia. The focus of the study is on the growth of these types of businesses in Zambia. The problem statement, the questions that need to be researched, the objectives, the scope, and the limitations are all discussed in depth in this chapter.

According to Kamuku (2015) in spite of the fact that policymakers in sub-Saharan Africa pay little attention to SMEs, the society has made progress in spite of the fact that well-managed SMEs contribute to an increase in the country's gross domestic product (Kamuku, 2015). The continent's micro, small, and medium-sized businesses have been instrumental in the development of international cooperation and have made significant contributions to its progression. Because the state of the economy of small and medium-sized businesses (SMEs) has an effect on society as a whole (Minniti, 2009), addressing the challenges that SMEs face can lead to an improvement in the functioning of society as a whole if those challenges are addressed. Opportunities for employment in the trading and management of metal-producing SMEs are available in both industrialized nations and developing nations and are just waiting to be taken advantage of. Small and medium-sized businesses are the primary engines of growth for Lusaka and its surrounding cities (Hisrich et al, 2002). People who are living on a low income experience an increase in both their revenues and their benefits as a result of the creation of new employment opportunities. According to a study that was carried out as a baseline in the year 1996 (Parker, 1996), the majority of Zambia's businesses are classified as either micro or small and medium enterprises. Women make up approximately 47% of the workforce in this sector, as reported by the Ministry of Commerce, Trade, and Industry (MCTI, 2007).

## 1.1: Study Background

Small and medium-sized businesses, also referred to as SMEs, have been the driving force behind the development of new jobs and the growth of economies all over the world throughout the course of human history (Herrington et al, 2003). The support structure of any economy is comprised of small and medium-sized businesses. Sixty-seven percent of Europe's workforce was employed by small and medium-sized businesses in 2015. There are 65 million people employed in Europe's 99 percent of small and medium-sized businesses (Kamuku, 2015). Yoshino and Taghizadeh-Hesary (2016) state that SMEs account for 98 percent of the total number of businesses in the region and are the primary driver of employment in Europe.

The GDP of emerging economies is made up of 33% small and medium-sized businesses (SMEs), which are responsible for 45% of all jobs. These figures are bolstered by the informal small and medium-sized businesses. Small and medium-sized businesses are responsible for the creation of 67% of all jobs in the world and 55% of the GDP in industrialized nations (Hisrich et al, 2002). The OECD (2014) found that countries with low incomes have employment rates of 70 percent and a gross domestic product of 60 percent. The expansion of Africa's economy is being propelled by the continent's small and medium-sized businesses (SMEs), which are responsible for more than 33 percent of the continent's GDP and employ more than 45 percent of the continent's labor force. Small and medium-sized businesses are responsible for providing jobs for 62% of the labor force and contributing 64% of the GDP to high-income nations. The vast majority of economies are led by their small and medium-sized businesses.

In Nigeria, the percentage of SMEs is 97%. According to Ariyo (2008), the percentage of employment is at 60%, while the percentage of industrial output is at 50%. Several different groups have looked into the issue of Zambia's SMEs not being able to maintain their growth. There is no evidence to suggest that the growth of SMEs in Zambia has slowed down. According to Beck and Demirguc-Kunt's (2004) findings, Zambia has not been a leader in the field of research pertaining to small and medium-sized businesses.

The South African Industrial Development Corporation (IDC) and the Development Bank of Zambia (DBZ) worked together in November 2016 to establish a line of credit in the amount of twenty million United States dollars (USD) for small and medium-sized businesses (SMEs) in Zambia. Small and medium-sized businesses were eligible for a loan line with a total of \$50 million that was made available by DBZ in October of 2016. In 2016, DBZ extended a total of \$30 million in financing to small and medium-sized businesses. A loan in the amount of three million US dollars was made available by AFDB to Madison Finance Company in March of 2015.

Development Bank of Zambia offers financial services that are accessible to Zambia's small and medium-sized businesses, also known as SMEs. Zambia expects that the receipt of these loans will result in the expansion of its economy, the empowerment of its people, the enhancement of its infrastructure, and the creation of jobs, as stated by Zambia Invest (2017). The impact that small and medium-sized businesses have on the economy is by far the most significant. The domestic violence and neglect that plagued the small and medium-sized businesses in sub-Saharan Africa tainted their operations. The social landscape has undergone significant change. Small and medium-sized businesses in Africa have fundamentally altered the nature of international cooperation. According to Minniti (2009), it is to society's advantage to invest in the economic health of SMEs. Latent job growth in industrialized and developing nations may be provided by marketers and managers of small and medium-sized metal-producing enterprises. Entrepreneurs in Zambia must contend with a wide range of obstacles.

Evidence supporting individuals breaking through the corporate "glass ceiling" in Kabwata includes quantitative indicators like increasing startup numbers and positive economic trends. Qualitative insights from success stories and testimonials provide a narrative perspective on financial independence. Additionally, surveys gauging perceptions and available support structures, along with government reports, contribute to understanding entrepreneurial empowerment. This multifaceted analysis combines quantitative and qualitative data to assess how individuals in Kabwata are leveraging entrepreneurial activities for career autonomy and financial independence (Chisala, 2008). Kabwata is a hamlet located one kilometer away from the Lusaka CBD. The CSO (2012) estimates that

there are 46,000 young people living in Kabwata. According to research conducted by CEEC, entrepreneurial activity stimulates economic expansion. Over the past 20 years, the expansion of Zambian companies headquartered in Lusaka has outpaced that of their competitors by a factor of two (CEEC, 2018). According to Zambia's MSE Development Policy (2008), Zambia's micro, small, and medium-sized enterprise sector has historically concentrated on commercial operations in conventional industrial sectors, particularly those manufacturing goods and services for domestic consumption.

## **1.2: Statement of the Problem**

Since the early 1990s, there has been a significant increase in public awareness regarding the role of small enterprises and entrepreneurship, and this phenomenon is evident in the global economic landscape. Research indicates that entrepreneurship plays a pivotal role in driving Zambia's economy, but it is worth noting that despite promising beginnings, many new businesses in Zambia face a challenging path and are prone to failure (Chibwe, 2008).

In Zambia, an economy dominated by SMEs shows some shortcomings due to numerous small startups. Despite the existence of multiple company units, the SME sector has not performed as well as expected. Small startups are prevalent in the Zambian economy, which, in some cases, has resulted in a diminished overall economic impact. The prevalence of small startups in Zambia can limit economic impact due to challenges in accessing resources, lower job creation, and reduced market influence. Small business failures also contribute to economic instability. Interestingly, these smaller organizations have now begun to compete with larger corporations in specialized industries, traditionally reserved for smaller businesses. This shift has introduced new dynamics among SMEs, their counterparts, and customers (Rodrick, 2013).

The period of liberalization that began in the early 1990s was the beginning of Zambia's journey toward recognizing the significance of small businesses and entrepreneurial endeavors. This awakening can be seen not only in Zambia but also in developed and emerging nations, and it sheds light on the significant social and economic roles that small

businesses play. The influence that entrepreneurship has had on Zambia's economic growth has been the subject of extensive research. Chibwe (2008) found that even though many Zambian business owners have initial success with their ventures, they frequently have difficulty keeping their companies afloat over the long term. Despite the undeniable contributions that SMEs make to economic growth, the alleviation of poverty, and the establishment of sustainable societies, the factors that facilitate the sustained growth of SMEs in Zambia, especially within localities such as Kabwata Township, remain relatively unexamined.

Despite the actions that have been taken, SMEs in Zambia continue to face challenges both internally and externally, for which there is no clear explanation. Numerous studies have been carried out to ascertain the factors that stand in the way of small and medium-sized businesses (SMEs) expanding their operations and directly benefiting from the economy.

Despite the importance of SMEs to the expansion of the economy, the alleviation of poverty, and the upkeep of sustainable communities, very little is understood about the characteristics of sustainable growth that are exhibited by SMEs. Because the findings of qualitative research cannot be re-created by other researchers, these findings should not be relied upon. Because of these shortcomings, Zambia's small and medium-sized businesses (SMEs) need to adopt practices that promote sustainable growth. This research investigates and evaluates the small and medium-sized businesses (also known as SMEs) located in the Kabwata Township of Zambia so that the gap between medium enterprises and the large ones can be closed.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

The main objective of this research is to evaluate the factors enhancing the growth of SMEs in Zambia.

#### **1.3.2 Specific objectives**



- a) To determine how entrepreneurial skills affect the expansion of SMEs;
- b) To determine how financing availability affects the expansion of SMEs
- c) To ascertain how business competition affects the expansion of SMEs
- d) To determine how marketing tactics affect the expansion of SMEs

#### **1.4 Research questions**

- a) How do entrepreneurial abilities affect the expansion of SMEs?
- b) How does the expansion of SMEs depend on having access to financing?
- c) How does business competition affect the expansion of SMEs?
- d) How do marketing tactics affect the expansion of SMEs?

#### **1.5: Scope of the study**

The SMEs of Kabwata Township will be the focus of this study. In this study, we will investigate the factors that contribute to the expansion of SMEs in Kabwata Township.

#### **1.6: Significance of study**

It is becoming increasingly important to identify the factors that promote the growth and stability of SMEs in the context of Zambia's economy becoming more globalized. This is because these factors are the ones most likely to have an effect. When these are found, the government and its partners will be able to help small and medium-sized businesses. Because the economy is growing, policymakers are required to gain an understanding of the challenges that are faced by small and medium-sized businesses (SMEs) and develop policies that will aid in the success of these businesses. The report will provide decision-makers with assistance in understanding the challenges that are faced by SMEs and in locating potential solutions to those challenges. The results of the study could be utilized by the government in the process of designing a program to provide assistance to small and medium-sized businesses.

#### **1.7 Operational definitions**

Small and Medium Enterprises: Pour (2006) classified SMEs as small or medium based on employee count and total fixed asset value, excluding land value. SMEs were

classified as small or medium based on employee count and total fixed asset value, excluding land value. This provides a better definition of Zambia.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter provides a comprehensive review of the existing literature related to the factors influencing the growth of Small and Medium Enterprises (SMEs), with a particular focus on the context of Zambia and the case study area, Kabwata Township, Lusaka. The review encompasses various aspects, including the sustainable growth of SMEs, the role of entrepreneurship, access to finance, business competition, and marketing strategies. It also explores the theoretical and conceptual frameworks that underpin the study. The chapter concludes with a critique of the available literature and a summary of its key findings.

### **2.2 Sustainable Small and Medium Enterprises (SMEs)**

In the contemporary global corporate landscape, Sustainable SMEs have emerged as a focal point of interest. Their objective is to balance profitability with social responsibility, environmental protection, and economic growth. This section explores the growth and sustainability of SMEs from a global perspective, followed by a focus on continental and regional views.

#### **2.2.1 Global Perspective**

In the evolving global business landscape, SMEs have assumed a pivotal role in driving economic development while maintaining a delicate balance between profitability, social responsibility, and environmental consciousness. This expanded discussion delves into the multifaceted aspects influencing SMEs worldwide, exploring the significance of diversity, the crucial role of competent management, the entrepreneurial impetus, and the challenges posed by financial resourcing. SMEs on a global scale are increasingly acknowledging the imperative of sustaining long-term profitability through a holistic integration of financial performance, societal contributions, and environmental responsibilities. The recognition of the interconnectedness of these factors is reshaping the approach of SMEs, emphasizing a more comprehensive and sustainable business

model. Diversity emerges as a cornerstone in this paradigm, with its positive impacts extending beyond the boardroom to stakeholders and the environment. Embracing diversity not only fosters a richer and more inclusive work environment but also contributes to a more resilient and socially responsible business ecosystem.

Competent management and outstanding leadership, as underscored by Martin and Staines (2008), emerge as linchpins for the success of SMEs globally. The complex and dynamic nature of the business environment demands leaders with a diverse skill set encompassing operational effectiveness, financial acumen, and strategic foresight. Prudent decision-making, innovation, and a commitment to continuous improvement are essential components of effective management, allowing SMEs to navigate the challenges of a rapidly changing landscape. Entrepreneurship stands out as a key driver of SME success on the global stage. The ability to identify advantageous conditions, strategically assess risks, and foster creativity are hallmarks of entrepreneurial endeavors. The development of entrepreneurship becomes integral to the strategic approach of SMEs globally, shaping organizational cultures that encourage initiative, adaptability, and a proactive response to market dynamics. In this context, fostering entrepreneurial skills and mindset becomes not only a business strategy but a crucial component of sustainable growth.

Financial resources, as highlighted by Megginson et al. (1991), emerge as a critical factor influencing the growth trajectory of SMEs globally. The accessibility of funding presents a significant challenge for these enterprises, often impeding their ability to devote resources to expansion plans, operational expenditures, and competitiveness. Unlike larger counterparts, SMEs face hurdles in securing funding due to their smaller size and limited collateral, creating a barrier to their development. Addressing this challenge becomes paramount for sustained global SME growth. To achieve sustainable growth on a global scale, SMEs must navigate intense competition, foster innovation, and comprehend market dynamics. The competitive landscape demands constant innovation, enhanced operational efficiency, and an unwavering commitment to quality customer service. Kirakaa's (2012) study underscores the heightened level of rivalry within the SME

sector and the necessity for continuous innovation to thrive in a highly competitive environment.

### **2.2.2 Continental Perspective**

Africa, as a continent, stands witness to the remarkable growth of SMEs, with their role in economic development particularly noteworthy. In this continental perspective, the focus shifts to the African context, shedding light on the intricate relationship between SMEs, sustainable growth, and the proactive measures taken by governments, exemplified by Zambia's Micro, Small, and Medium Enterprise Development Policy of 2008. Across Africa, SMEs play a pivotal role in shaping and propelling economic development. Their contributions span various sectors, providing employment opportunities, fostering innovation, and contributing to the overall GDP. Zambia, in line with many other African nations, places significant reliance on SMEs as engines of economic growth. The recognition of their importance is underscored by the proactive steps taken by the Zambian government through the implementation of the Micro, Small, and Medium Enterprise Development Policy in 2008. The Zambian policy is emblematic of a continental trend where governments are increasingly acknowledging the central role of SMEs in driving economic progress. This comprehensive policy addresses various dimensions of SME sustainability, reflecting a nuanced understanding of the challenges and opportunities these enterprises face. Financial accessibility, a critical factor in SME growth, is a focal point of the policy. By recognizing and addressing the funding challenges faced by SMEs, Zambia's government aims to facilitate their expansion plans, operational needs, and overall competitiveness.

Entrepreneurial capabilities, another dimension emphasized in the policy, become integral to the strategic approach of SMEs in Zambia and across Africa. The development of entrepreneurship is not merely viewed as a business strategy but as a catalyst for broader socio-economic benefits. The cultivation of entrepreneurial skills contributes to job creation, poverty reduction, and the stimulation of economic growth. As SMEs thrive, so does the overall economic landscape, creating a positive cycle of development. Competitive dynamics and effective marketing tactics are also integral components of the policy, acknowledging the need for SMEs to navigate a competitive business

environment. Kirakaa's (2012) insights into heightened rivalry within the SME sector find resonance in the African context. Governments recognize the importance of equipping SMEs with the tools and strategies needed to compete effectively, ensuring their sustained growth amidst market challenges.

### **2.2.3 Regional View: Zambia**

In the Zambian context, SMEs emerge as key players in the nation's journey towards economic growth and development. The strategic initiatives of the government, prominently represented by the Micro, Small, and Medium Enterprise Development Policy, reflect a nuanced understanding of the multifaceted nature of SME sustainability. This regional perspective delves into the pivotal role SMEs play in Zambia, emphasizing critical factors that contribute to their growth. SMEs in Zambia are integral to the economic landscape, contributing significantly to job creation, innovation, and overall economic output. The Zambian government's recognition of the importance of SMEs is exemplified by the proactive measures taken through the implementation of the Micro, Small, and Medium Enterprise Development Policy. Enacted in 2008, this policy serves as a blueprint for fostering an environment conducive to SME growth by addressing various dimensions of their sustainability.

Financial resources stand out as a crucial factor influencing SME growth within Zambia. As highlighted by Megginson et al. (1991), the availability of funding is paramount for SMEs to execute expansion plans, cover operational expenses, and enhance competitiveness. Recognizing this, the Zambian government's policy framework aims to alleviate funding challenges faced by SMEs, ensuring they have access to the financial resources necessary for their sustained growth. Entrepreneurial skills, another cornerstone of SME success, find emphasis in the Zambian context. The development of entrepreneurship is not just a business strategy but a catalyst for broader socio-economic benefits. The policy recognizes the need to cultivate entrepreneurial capabilities, aligning with the global understanding that entrepreneurs drive long-term success by identifying opportunities, strategically assessing risks, and fostering creativity.

Competitive dynamics and effective marketing strategies are also integral components of SME growth within Zambia. The study conducted by Kirakaa (2012) accentuates the heightened level of rivalry within the SME sector, a reality mirrored in the Zambian business landscape. The government's policy acknowledges the challenges posed by a competitive market and underscores the importance of equipping SMEs with the tools needed to navigate and thrive amidst competition. Effective marketing strategies, encompassing distribution, pricing, relationship management, and product development, form a crucial part of SME sustainability. The policy recognizes the role of marketing in enhancing sales growth, profitability, and overall market positioning. By addressing these aspects comprehensively, the Zambian government aims to empower SMEs to maintain and strengthen their positions in the market.

### **2.3 Entrepreneurship and Small and Medium Enterprises (SMEs') Growth**

In the realm of Small and Medium Enterprises (SMEs), entrepreneurship is essential as it significantly influences the growth and sustainability of these businesses. The competence and skill in entrepreneurship demonstrated by managers of SMEs are critical to the growth and success of these businesses. Examining this critical aspect of the development of SMEs reveals that having entrepreneurial characteristics is critical to effectively utilizing resources and attaining long-term expansion (Stopford & Fuller, 2013). The present study investigates the noteworthy influence of entrepreneurship on the expansion of SMEs, with a particular emphasis on the critical abilities and proficiencies that foster long-term prosperity. Small and medium-sized businesses (SMEs) are subject to a wide range of effects from the phenomenon of entrepreneurship. Not only does it give these organizations new life and energy, but it also gives management the tools they need to adapt to changing market conditions and seize opportunities. The notion of entrepreneurial talents comprises a broad spectrum of characteristics, such as creativity, risk-taking ability, and effective management. These abilities collectively contribute to the sustained prosperity of SMEs (Siwanmitchelmore et al., 2013).

The ability to transform abstract ideas into profitable businesses is a fundamental component of entrepreneurship. Managers of SMEs that possess robust entrepreneurial abilities demonstrate the capability to perceive novel prospects, transform them into feasible business ideas, and subsequently implement them with efficacy. According to Hisrich and Drnovsek (2002), possessing such talents is of great value in the identification of niche markets and holes within the sector, and subsequently leveraging them to attain growth. Moreover, it is imperative to underscore the importance of taking risks in the domain of entrepreneurship. Managers of SMEs that adopt a strategic approach to taking risks are more likely to experience growth and successfully develop their operations. While risks hold the possibility for failure, they also offer the prospect of huge rewards. According to McClelland (2005), entrepreneurs demonstrate a propensity for engaging in strategic risk-taking, and their proficiency in effectively managing these risks plays a pivotal role in determining their level of achievement.

The concept of entrepreneurship is intrinsically interconnected with the notions of innovation and creativity. SMEs, particularly those operating within industries characterized by dynamism and competitiveness, must engage in ongoing innovation in order to sustain their competitive advantage and effectively address the increasing demands of their client base. Entrepreneurs frequently assume the role of catalysts for innovation within their own firms, formulating novel products, services, and procedures. Entrepreneurial drive and innovation have played a crucial part in the evolution of the microfinance industry in Zambia. According to Kingombe (2004), microfinance institutions in Zambia, a significant number of which fall under the category of SMEs, have effectively broadened their scope and impact by adopting inventive financial products and delivery methods. The implementation of this novel strategy has not only bolstered their capacity for long-term viability but has also had a beneficial influence on the local populations they cater to.

The scope of entrepreneurial ability encompasses more than just the abilities to innovate and take risks. The cultivation of effective management skills is of equal importance in facilitating the growth of SMEs. In SMEs, managers frequently have the need to assume several roles, including diverse responsibilities within the organization, including but not



limited to operations, finance, and marketing. It is imperative for managers in SMEs to possess a high level of proficiency in the allocation of resources and the implementation of effective decision-making processes. The skill of effectively managing resources is crucial for ensuring the efficient operation and long-term growth of an organization. Moreover, it is imperative to possess a comprehensive comprehension of financial management to effectively traverse the intricacies associated with SME operations.

The influence of entrepreneurship on the growth of SMEs extends beyond the confines of individual nations. In the Malaysian context, the examination of success variables pertaining to entrepreneurship has been conducted with a specific focus on SMEs. The study conducted by Kumar and Yen (2006) provides insights on the role of market orientation, innovation, and flexibility in the growth of SMEs in Malaysia. This observation highlights the worldwide significance of entrepreneurial skills in facilitating the expansion of SMEs.

In Zambia, the small and medium-sized enterprise (SME) sector plays a pivotal role in propelling economic growth, underscoring the imperative for entrepreneurs to acquire essential skills to ensure business success. The competitive market landscape and diverse challenges faced by SMEs in Zambia make the acquisition of specific skills a critical determinant of their performance. Noteworthy is the substantial contribution of these enterprises to job creation, economic expansion, and poverty alleviation within the country.

Malunde's study (2012) delves into the perspective of Zambian SMEs, emphasizing the necessity for entrepreneurs to acquire distinct skills and competencies crucial for success. SME managers in Zambia grapple with the demands of a rapidly evolving economic environment, where the viability and longevity of their enterprises depend on their adaptability. To exemplify, adherence to specific laws and regulations becomes paramount in shaping the operational landscape for SMEs in Zambia. One category of such laws involves business registration. Compliance with laws governing business registration is indispensable for SMEs. These regulations ensure that businesses operate transparently within the legal framework, fostering an environment conducive to growth

and accountability. Another crucial aspect is taxation laws, which significantly impact the financial dimensions of SMEs. Entrepreneurs must navigate and comply with taxation laws to effectively manage their financial resources, influencing the profitability and sustainability of their ventures.

Furthermore, labor laws play a pivotal role in SME operations. Adherence to regulations related to wages, working conditions, and employee rights is essential for SMEs in managing positive employer-employee relations. This compliance contributes to a conducive work environment and is instrumental in securing the long-term success of SMEs in Zambia. By comprehensively understanding and navigating these specific laws, SME managers in Zambia can strategically position their businesses for success in the dynamic economic landscape. This approach not only fosters growth for individual enterprises but also contributes to the overall development and resilience of the country's economic fabric.

#### **2.4 Financial Availability and Small and Medium Enterprises' Growth**

For SMEs operating in the business landscape, access to financing is a critical factor in determining their sustainability and growth. To maintain operations, support business expansion, and take advantage of growth opportunities, SMEs require a steady stream of funding. However, one of the most common challenges faced by SMEs is finding enough money, which puts their long-term survival at serious jeopardy (Temtime & Pansiri, 2004).

Financial resources are essential to any company's survival, even SMEs. These resources are essential to the daily operations of SMEs because they make it easier to pay for different expenses related to marketing, staff compensation, production, and other costs. Additionally, to support their growth, support investments in cutting-edge technologies, and support portfolio diversification, SMEs must have sufficient financial resources. SMEs often have aspirational growth plans; however, due to their limited resources and high risk exposure, traditional banks may be reluctant to provide the

necessary funding. This challenge arises from the inherent risks associated with smaller businesses, which may have shorter credit histories and fewer physical assets available for collateral. Notwithstanding their inherent growth prospects, several factors may lessen small and medium-sized enterprises' (SMEs) appeal as borrowers from the standpoint of lenders, according to a 2005 United Nations study.

Small and medium-sized businesses (SMEs) face a wide range of intricate difficulties when trying to secure funding. The owners and managers of SMEs frequently make poor financial planning and decision-making due to a lack of management training and financial literacy. The importance of management education and training is emphasized by Herrington and Wood (2003), who contend that these elements are critical to the success of SMEs. Liquidity shortages may occur in situations where SMEs are unable to effectively manage their financial resources. Temtime and Pansiri (2004) suggest that shortages may present a risk to the operations of these businesses and could even lead to their collapse. Moreover, the restricted availability of financing and limited financial resources pose major challenges to the expansion and advancement of SMEs. SMEs are often forced to rely on unofficial funding sources, such as retained earnings, personal savings, and loans from family members. While these sources can provide a start-up boost, they often don't provide enough money to support large-scale development or expansion projects. The limitations of informal finance can make it more difficult for SMEs to grow and penetrate new markets (Kamunge et al., 2014).

A closer look at Zambia's particular situation reveals that SMEs have a major barrier when it comes to getting funding. This difficulty is more pronounced in a nation where microfinance institutions assume a crucial function in delivering financial services to marginalized populations. Kingombe (2004) provides an analysis of the success of the microfinance industry in Zambia, with a particular focus on its contribution to the support of SMEs. Although microfinance institutions have made significant progress in providing financial services to SMEs, their ability to handle the increasing demand for funding in a country with a rapidly expanding SME sector may be limited. The Zambian government acknowledges the significance of SMEs as catalysts for economic development. To facilitate the financial accessibility of SMEs, the government has developed a range of

laws and initiatives. However, there are still problems in this area, like the lack of a sufficient infrastructure for credit information and the ignorance of SME owners and managers about the range of financing options available to them.

Addressing the financial issues encountered by SMEs necessitates the implementation of a comprehensive strategy that encompasses various aspects. It is imperative for SME owners and managers to place a high priority on acquiring financial literacy and management education to augment their capacity to properly oversee financial resources. This encompasses the comprehension of cash flow management, financial forecasting, and investment appraisal methodologies. Simultaneously, it is imperative for governments and financial institutions to collaborate to foster the creation of novel financial products and services that are customized to suit the distinct requirements of SMEs. Additionally, efforts to build credit information exchange platforms and boost awareness about available financing options might enhance SMEs' access to formal finance sources.

## **2.5 Business Competition's Impact on Small and Medium Enterprises' Growth**

Competition in the business world is a double-edged sword for SMEs. While it poses challenges and threats, it also presents opportunities for productivity and sustainability. In today's dynamic and rapidly evolving marketplace, SMEs encounter competition from various fronts, including larger corporations and within their own sectors. As Soini and Vesesli (2011) suggest, the competitive landscape can be intense and unrelenting.

Competition is a fundamental aspect of the business world, and SMEs are no exception. Their competition often extends beyond just other SMEs and includes larger enterprises with more substantial resources. SMEs must operate in environments where market dynamics, consumer preferences, and technological innovations are in constant flux. These rapid changes can result from globalization and the influence of technology, making the business environment increasingly competitive (Kamunge et al., 2014).

For SMEs, competition is not merely about surviving but thriving. To maintain their market positions and achieve long-term growth, they must navigate the complexities of the

competitive landscape. The ability to adapt and innovate is paramount for SMEs. They need to understand the dynamics of competition within their sectors and explore ways to differentiate themselves to stay relevant and competitive.

In an environment where competition is a driving force, SMEs must adapt and evolve. One approach to adaptation is innovation. By identifying unmet needs in the market or developing more efficient processes, SMEs can differentiate themselves from their competitors. Innovation is not limited to product or service offerings; it can also apply to business models, marketing strategies, and customer engagement approaches.

Moreover, globalization has opened new market opportunities for SMEs. With the advent of e-commerce and digital marketing, SMEs can reach a global audience without a physical presence in different regions. However, this also means that SMEs face competition not only from local players but from businesses worldwide. Understanding the nuances of different markets and being agile in adapting to them is crucial for international growth (Rotich & Opinya, 2014). Innovation and differentiation are essential strategies for SMEs to withstand competition. By fostering a culture of creativity and encouraging employees to think outside the box, SMEs can develop unique products or services that set them apart from competitors. Moreover, innovation can help SMEs streamline their processes, improve efficiency, and reduce costs, ultimately increasing their competitiveness.

Differentiation involves finding a niche in the market that is underserved or overlooked by competitors. By tailoring their offerings to meet the specific needs of a particular customer segment, SMEs can create a competitive advantage. This can include providing superior customer service, offering customization options, or leveraging sustainable and ethical practices that resonate with environmentally conscious consumers. The approach to competition varies for SMEs operating in local and global contexts. While local SMEs may focus on understanding the dynamics of their immediate markets, global SMEs need to think beyond borders. This may entail adapting products or services to suit diverse cultures, complying with international regulations, and addressing the logistical challenges of international trade.

## **2.6 How Marketing Practices Affect Small and Medium Enterprises Sustainability**

For SMEs, marketing plays a critical role in determining their success and long-term viability. Effective marketing strategies can raise sales, turnover, and profitability, which helps SMEs maintain steady growth. SMEs must use marketing strategies that not only attract customers but also provide significant value to all relevant stakeholders if they are to achieve sustainability. A variety of elements make up marketing strategies, including distribution, pricing, product development, and relationship management. The market position and long-term viability of a company are influenced by all these factors. However, the lack of competitive pricing strategies, precise demand forecasts, thorough market research, and efficient marketing plans could make SMEs less viable in the long run.

To ensure long-term viability and spur growth, SMEs rely heavily on marketing strategies. Wawira (2016) draws attention to the important role that effective marketing techniques may play in raising sales, customer retention, and profitability. SMEs can increase their clientele, increase their market share, and improve their bottom line by implementing marketing strategies well. With the application of marketing strategies, SMEs can connect with their target market, learn about their needs, and create communications that effectively appeal to potential customers. Marketing is extremely effective when it comes to providing value, building a brand, and creating long-lasting relationships. It is not just about advertising.

SMEs' ability to provide value to a wide range of stakeholders, including customers, suppliers, and the community at large, is essential to their survival. Marketing strategies must cover the whole value chain, from the early phases of product development to the end stages of distribution, to produce the best possible outcomes. SMEs must create goods and services that are customized to the unique needs and tastes of their target market to provide significant value to their customers. Additionally, to ensure a smooth and consistent flow of necessary supplies and resources, SMEs must build and maintain strong relationships with their suppliers. Another important factor is community interaction, which cannot be overlooked. When SMEs take the initiative to address environmental and social issues, they can improve their reputation and build trust in the community. Implementing sustainable business practices, participating in ethical

sourcing, and launching corporate social responsibility initiatives can all help to achieve this goal. Sustainable SMEs place equal emphasis on making contributions to the community and local environment in addition to immediate financial gains.

A marketing strategy comprises a range of elements that influence the competitive landscape and long-term sustainability of SMEs. A vital component of the entire process is the creation of the product. It is imperative that SMEs continually pursue innovation and product development initiatives that align with the shifting consumer preferences and the ever-evolving market trends. To stay competitive, this includes creating new products as well as making improvements to already-existing ones. In addition, it is critical to carefully assess pricing strategies, taking into account both the expected needs and preferences of the clientele as well as the related costs. Putting competitive pricing strategies into practice can lead to higher sales volumes and more devoted customers. In this context, the notion of distribution is very important. Establishing effective distribution networks can help SMEs better serve their clients in a timely and effective manner, which will increase client satisfaction and loyalty. Furthermore, building a loyal customer base is largely dependent on relationship management. It is recommended that SMEs think about dedicating funds for the implementation of customer relationship management (CRM) systems. By doing this, they can successfully build strong and long-lasting relationships with their customers, which will increase the likelihood of obtaining repeat business and referrals.

A number of obstacles may impede the marketing sustainability of SMEs. One prominent challenge that appears across a number of industries is demand forecasting. Inadequate market demand projections can lead to problems like surplus or deficiency inventory, which can be expensive and possibly disappoint clients. SMEs ought to allocate resources towards engaging in market research and data analysis in order to make well-informed decisions pertaining to production and inventory management. A comprehensive understanding of the market is equally vital. SMEs that possess limited knowledge regarding their target market, encompassing customer behavior, preferences, and trends, may have challenges in efficiently adjusting their marketing tactics. The

allocation of resources towards market research and the continuous monitoring of market trends are crucial for achieving success.

## **2.7 Theoretical Framework**

### **2.7.1 Entrepreneurship theory**

The theory of entrepreneurship by Mishra and Zachary (2014) explains the entire process of entrepreneurship, from opportunity identification and entrepreneurial intention to competency development and reward appropriation, using a two-stage framework for value creation. Reiss (2006) contends that while short-term businesses may focus on immediate gains, long-term businesses adopt a strategic outlook, planning and managing their operations over an extended horizon. This extended planning horizon allows long-term businesses to consider future trends, opportunities, and risks more comprehensively. By taking a proactive approach to decision-making and resource allocation, they aim to sustain growth, build resilience, and create enduring value over time, distinguishing themselves from their short-term counterparts in terms of organizational strategy and sustainability.

Most of these SMEs have strong ties to both their employees and the neighborhood. As a result, they found methods to reduce the amount of waste and pollution they generated, as well as the quantity of natural resources they consumed. As a result, businesses were able to endure and recover from large shocks like global recessions, and staff members began to take responsibility for the organization's goals (Reiss, 2006). According to The Wall Street Journal (2010), SMEs suffered far more from the global crisis of 2009 than did large multinational corporations because financing was so hard to come by. The SMEs had difficulties reaching sustainability. The owners of SMEs wanted to know how a sustainability program would improve operational efficiency, lead to new business



opportunities, be run by passionate employees, cost much less than it generated, or even have no cost at all. The Wall Street Journal (Ibid) continues, "Since they lack the necessary cash reserves that larger corporations would have in the same circumstance, a SME may be more impacted by the economy than a major corporation." SMEs needed to be ready to face off against the escalating competition from developed and emerging economies in order to capitalize on the new market opportunities that these countries would offer. Globalization and the performance of SMEs are directly related. International business is said to support a company's long-term viability by boosting its competitiveness and growth. European SMEs still largely rely on their home markets even with the benefits of globalization and the enlarged single market. According to Gaskill et al. (1993), knowing the processes that obstruct corporate success is seen as important and pertinent. Another way to understand the ideas that lead to business success is to examine the opposite, or the actions connected to business failure. These problems would then lead to components that affect SMEs' ability to survive. This is so that factors associated with failure may also be associated with sustainability and success (Gaskill et al., 1993).

Gaskill et al. (1993) found that many failed businesses had characteristics in common with the owner's personal decision-based traits (lack of insight, rigidity, and emphasis on technical skills), with managerial shortcomings (inadequate managerial training and skills), and with financial shortcomings (inadequate cash flow analysis, lack of accounting background, and financial records). The failure rates were higher for (1) smaller businesses, (2) establishments situated in

According to Peterson et al. (1983), the primary causes of business failure were financial difficulties, a lack of managerial experience, and incompetence. According to Wichmann (1983), accounting and management abilities are essential for small business success. Research by Boardman, Bartley, and Ratliff (1981) revealed that financially straining, quickly growing companies frequently fail.

According to Kiggundu (2002), the two main reasons why SMEs fail are a lack of entrepreneurial competencies among the principal founder-owners and those in critical roles. According to Beaver & Jennings (2005) and Kiggundu (2002), the founder-owner(s)

under investigation in this study demonstrated "non-rational" behavior, which caused the firms to make poor decisions (or no decisions at all). It was evidently important to identify the underlying cause.

According to Minello et al. (2014), an entrepreneur's actions in addition to internal and external factors may determine an organization's success or failure. The future-focused outlook of the corporate environment is strengthened by the professional manner of entrepreneurs, who enable them to lead creatively while holding a position in the market. According to Ucbasaran et al. (2013), entrepreneurship is highly valued in developing economies despite the fact that a significant portion of businesses fail within the first five years of operation. They also contend that commercial failures can benefit society and the economy by creating new business opportunities.

Michael Jordan missed nine thousand shots in his career, and Thomas Edison failed over a thousand times in his attempts to create the light bulb, according to Whipple (2012). Walt Disney, Ted Turner, Thomas Edison, and other creatives all experienced failure at some point in their lives.

However, Minello (2010) contends that a manager's particular behavior as well as external and internal factors may play a role in an enterprise's success or failure. According to Fleury & Fleury (2001), an entrepreneur's pursuit of the best possible business performance is connected to this activity because of their distinct skill set. According to Malunde (2012), the choices and organizational setups of SMEs are to blame for Zambia's business failures. Therefore, there is a strong correlation between managerial competencies and entrepreneurial traits, which influences the behavior of the firm.

### **2.7.2: Balanced scorecard theory**

Kaplan and Norton (1996) developed the Balance Score Card Model, which assesses a company's performance from three perspectives: customer, internal processes, finances, innovation, and learning. The selected factors—financial accessibility, business rivalry, marketing strategies, and entrepreneurial aptitude—all have an impact on a corporation's ability to expand and sustain itself, which is consistent with this hypothesis. Many

scientific publications discuss the "Balanced Scorecard" as a method of assessing sustainability initiatives (Musanga and Ombui 2015). The theory is consistent with the theory, which looks at the company process, development and learning, vision and goal, and finance as five perspectives of financial and non-financial metrics. A lot of organizations use this strategy because it aligns with their mission and goals. They are able to set strategic feedbacks in addition to strategic targets, goals, and measures (Kamuge et al., 2014). This theory and the resource-based firm theory work well together. This idea holds that every business has unique resources in terms of assets, organizational culture, technology, and uniqueness. Many of these resources are in charge of the beginning and expansion of businesses. The availability of credit is a critical component in the growth and sustainability of SMEs (Hartarska & Gonzalez-Vega 2006).

### **2.7.3 Resource-Based Firm Theory**

The Resource-Based Firm Theory stands as a cornerstone in understanding the intricate dynamics that drive a company's initiation, growth, and sustainability. This theoretical framework posits that a company's unique resources, spanning assets, organizational culture, and technology, play a pivotal role in shaping its entrepreneurial journey. In the context of the broader theoretical landscape, the Resource-Based Firm Theory emerges as a linchpin, seamlessly aligning with both entrepreneurship theory and the Balanced Scorecard theory (Rotich et al, 2014).

The essence of the Resource-Based Firm Theory lies in recognizing that a company's success is intricately tied to the distinctive resources it possesses. Assets, encompassing tangible and intangible elements, form the bedrock of this theory. From physical infrastructure to intellectual property, these resources provide the foundation upon which entrepreneurial activities unfold. Organizational culture, another facet of this theory, emphasizes the significance of shared values, beliefs, and practices within a company (Soini et al, 2011). A positive and cohesive organizational culture becomes a source of competitive advantage, fostering innovation, employee satisfaction, and adaptability. Technology, the third pillar, underscores the role of advanced tools, systems, and processes that propel a company forward in a dynamic business environment.

Aligning seamlessly with entrepreneurship theory, the Resource-Based Firm Theory underscores the paramount importance of competencies and unique capabilities for achieving success (Soini et al, 2011). Entrepreneurs, in their pursuit of creating and sustaining ventures, leverage competencies that set them apart in the market. These competencies, whether in the form of technical expertise, innovative thinking, or adaptive strategies, become the driving force behind entrepreneurial initiatives. The Resource-Based Firm Theory dovetails with this concept, emphasizing that a company's competencies and unique capabilities are integral components in its ability to navigate challenges and capitalize on opportunities.

Moreover, the Resource-Based Firm Theory complements the Balanced Scorecard theory, reinforcing the fundamental idea that strategic resources are pivotal for achieving sustainable business performance. The Balanced Scorecard, with its multifaceted approach to evaluating a company's performance, resonates with the Resource-Based Firm Theory by implicitly acknowledging the need for a robust foundation of strategic resources. Financial accessibility, business rivalry, marketing strategies, and entrepreneurial aptitude, considered in the Balanced Scorecard, align with the tenets of the Resource-Based Firm Theory. The theory posits that a company's unique resources, when strategically managed, not only contribute to short-term gains but also form the bedrock for long-term sustainability.

In selecting the Resource-Based Firm Theory as the illustrative example for the study going forward, a deliberate choice is made to delve into the intricate interplay between a company's distinctive resources and its entrepreneurial activities. This theory provides a holistic understanding of how competencies, unique assets, and strategic capabilities shape SME outcomes. In the context of the study's focus on entrepreneurial skills and sustainability in the Zambian SME sector, the Resource-Based Firm Theory emerges as an invaluable lens through which to analyze the nuanced factors influencing the success and longevity of small and medium-sized enterprises (Rotich et al, 2014).

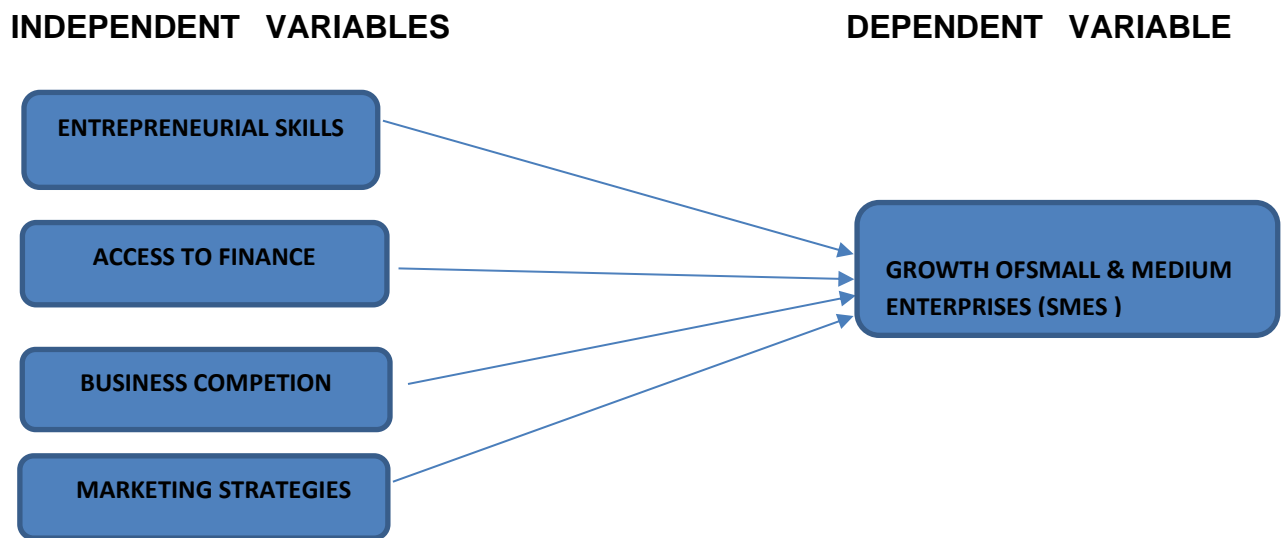
As the study unfolds, the Resource-Based Firm Theory will serve as a guiding framework, allowing for a comprehensive exploration of how the unique resources of Zambian SMEs contribute to their entrepreneurial endeavors, growth trajectories, and overall

sustainability (Siwanmitchelmore, 2013). This choice is underpinned by the theory's ability to capture the intricate dynamics at play and offer nuanced insights that align with the study's overarching objectives.

## 2.8 Conceptual Framework

The study's conceptual framework demonstrates how the independent variables, including entrepreneurial skills, access to finance, business competition, and marketing strategies, influence the dependent variable of SME growth from medium to large in Kabwata Township.

**Figure 2.7.1: Conceptual Framework**



**Source (Author, 2023)**

## 2.9 Critique of the Available Literature

The extant literature pertaining to the determinants of Small and Medium Enterprises (SME) growth offers useful insights into this domain. Nevertheless, it is imperative to acknowledge the existence of significant gaps and limits within the existing body of

literature, which necessitates more attention and resolution. The purpose of this critique is to elucidate the limitations and emphasize the necessity for additional study, particularly within the framework of Kabwata Township in Zambia.

A significant constraint observed in the existing body of literature is the dearth of research that specifically pertains to the Zambian environment. Although there exists a substantial body of literature on the expansion of SMEs in a global perspective or within economically advanced nations, there is a noticeable dearth of research that specifically examines the distinct hurdles and prospects faced by SMEs in Zambia, particularly in localized areas such as Kabwata Township. The absence of research in this area presents a notable constraint, as it hinders the extent to which current findings can be applied to the specific context of Zambian small and medium enterprises (SMEs), which may possess unique attributes and face unusual obstacles.

The literature research has brought attention to another significant worry, which is the limited availability of comprehensive studies pertaining to the specific geographical area of Kabwata Township. This particular township, like to numerous other urban and peri-urban regions in Zambia, is likely confronted with unique challenges and opportunities that have not been sufficiently examined in the existing body of literature. SMEs located in metropolitan locations may encounter distinct market dynamics, competitiveness, and regulatory landscapes in contrast to their counterparts situated in rural settings. Hence, it is imperative to do research that focuses on the micro-level, specifically Kabwata Township, in order to acquire a more comprehensive comprehension of the elements influencing the growth of small and medium enterprises (SMEs) within this particular setting.

The existing body of literature indicates a notable deficiency in comprehensive and current research. A significant number of the current studies suffer from either obsolete information or a lack of comprehensive analysis about the diverse array of factors that influence the growth of SMEs. In light of the fluidity inherent in business environments and the ongoing complexities encountered by SMEs, there exists an urgent demand for scholarly investigations that accurately capture the contemporary economic, social, and technological milieu. The research should possess the necessary capabilities to

effectively examine and analyze emerging trends, including the influence of digitalization, e-commerce, and evolving consumer habits.

The critical analysis of the existing body of literature highlights the significance of undertaking additional study within this particular academic domain. SMEs play a crucial role in the Zambian economy by making significant contributions to employment generation, economic expansion, and poverty alleviation. The awareness of the factors that influence the growth of SMEs holds significant importance not only for business owners and policymakers but also for the academic community. This understanding can contribute to a deeper comprehension of the operational dynamics of firms within growing markets. Therefore, there is a growing need for further investigation into the expansion of SMEs in Zambia, particularly in localized regions such as Kabwata Township. This research endeavor would contribute to a deeper understanding of the complex issues and potential advantages that small and medium enterprises (SMEs) face within the specific context of Zambia. Consequently, it would assist in the development of well-informed policies, strategies, and support systems that can enhance the expansion and long-term viability of these enterprises.

## **2.10 Chapter Summary**

This chapter reviewed the existing literature related to SME growth, entrepreneurship, access to finance, business competition, and marketing strategies. It also introduced the theoretical and conceptual frameworks that underpin the study. The critique of available literature underscored the need for a study that addresses the specific context of SMEs in Kabwata Township, Zambia, and their long-term growth.

## **CHAPTER THREE: METHODOLOGY**

### **3.0 Introduction**

Previous chapters examined this study's hypotheses and conceptual framework. This chapter describes the study's methodology, data collection and analysis tools, and data presentation. Ethical issues conclude it.

### **3.1 Research Approach**

The researcher utilized a variety of methods to carry out an investigation that was both comprehensive and all-encompassing of the subject matter being studied. This strategy incorporates quantitative and qualitative methods of data collection and analysis, thereby expanding the scope and depth of the investigation. The research endeavored to achieve a more holistic understanding of internal and external company factors and their impact on business growth by employing a mixed methods approach. This was done to achieve the goal. We have decided to take this approach because we believe it will result in a deeper understanding of the topic at hand as well as a more robust analysis of it.

### **3.2 Research Methodology**

The research design provides the answers to the questions. (2018) According to Kerlinger. Research design, according to Bernard Phillip (2016), "is a blueprint for data collection, measurement, and analysis." To evaluate the sustainable development of Zambian SMEs, this study adopted a descriptive research design. Because the data were numerical, this design was selected. This study used the mixed methods approach, which allows survey-style data collection and analysis with SPSS version 29 According to Morse and Richards's (2002) definition, surveys are quantitative designs that collect people's perspectives and opinions.

### **3.3 Study Site**

This research was conducted in Kabwata Township, which is in the Lusaka District. This research project chose to take place in Kabwata, a high-density settlement with a middle-income population (of between K6,000 to K8,500), because the many of its residents are



employed by small and medium-sized businesses, making it possible to collect a large and representative sample. The town of Kabwata is home to businesses that specialize in clothing, metal production, beverages, hairdressing, and grocery stores.

### **3.4 Study Population**

The study used a sample of 253 respondents. According to Yamane's formulas, the sample size was determined as follows:

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

where e = threshold of significance (0.05), n = sample size and N = target population

$$n = \frac{2000}{(1 + 2000(0.05^2))}$$

$n = 252.94 = 253$ (SMEs doing business in Lusaka's Kabwata market)

### **3.5 Sampling Method**

The sample for the study was chosen using systematic random sampling. Through the use of this sampling method, a comparable number of small and medium-sized businesses from Kabwata Township participated in the survey.

The research strategy and the type of data both play a role in data collection. There are both primary and secondary sources of data. Both primary and secondary sources of information were utilized in this study. The primary data came from the respondents, while the secondary data came from earlier research papers and publications from the government.

### **3.6 Data Collection**

#### **3.6.1 Secondary Data**

Throughout the process of conducting research, collecting secondary data was an essential step in developing a solid foundational understanding of the context of the study. A comprehensive look was taken at secondary data sources, which included government publications, research papers, newspaper articles, books, journal articles, and business evaluations of small and medium-sized businesses (SMEs). These sources were extremely useful in evaluating other studies and projects because they shed light on information that was previously unknown and provided insights that were connected to the topic at hand (Smith et al., 2020; Johnson, 2017).

### **3.6.2 Primary Data**

The research placed a significant emphasis on collecting primary data in order to deliver information that was both current and obtained directly from the source. This was accomplished by having direct engagement with the local metal fabricators and marketers, who are important stakeholders in the study. The goal of the research is to collect the most up-to-date and pertinent insights pertaining to the particular issue that is being investigated (Brown & Jones, 2021; Davis, 2018). This will be accomplished by engaging directly with the individuals in question.

### **3.7 Data Analysis**

The analysis conducted for the study involved regression and correlation analyses using SPSS version 29.0.10, aiming to shed light on the factors influencing the growth of the International Society for Music Education (ISME) over the past year. These statistical methods were crucial in quantifying the relationships between various independent variables and the dependent variable, offering a comprehensive understanding of their impact. The variables included in the regression analysis encompassed aspects such as the ease of accessing credit for Small and Medium Enterprises (SMEs), the level of market competition, entrepreneurial skills ratings in managing and growing SMEs, and the primary marketing channels utilized.

The regression output revealed coefficients associated with each independent variable, indicating the extent of their influence on the growth of ISME. For instance, variables like

"Accessing credit for SMEs," "Level of market competition," "Entrepreneurial skills rating in managing and growing SME," and "Marketing channels mostly used" were analyzed to determine their significance in predicting ISME's growth. The provided coefficients and their corresponding significance levels offered insights into the strength and direction of these relationships. Moreover, the correlation analyses helped identify potential associations between these independent variables themselves and with the growth of ISME. By examining the correlations, researchers could assess whether certain factors were interrelated and how they collectively contributed to the observed growth patterns. However, the interpretation of these correlations should be cautious, considering the complexity of real-world dynamics and the potential for confounding variables.

### **3.8 Data Reliability**

When it comes to ensuring the validity and trustworthiness of the findings, the reliability of the data gathered for the study is of the utmost importance. According to Johnson et al. (2019), a practice that is known to minimize errors and inconsistencies in data collection is personally administering questionnaires, which the researcher did in order to enhance the reliability of the data. In addition, a preliminary test of the questionnaire was carried out prior to the collection of data on a larger scale. According to Baker and White (2016), this step was essential in determining and resolving any ambiguities or problems with the survey instrument, which contributed to the overall reliability of the data collected.

Surveys were conducted in a setting that was both safe and comfortable for the participants so that their personal information could remain private and confidential. This consideration of ethics is necessary to preserve the trust and cooperation of the individuals who are participating in the study (Smith & Davis, 2021). The accuracy of the data was evaluated using several different approaches, some of which include an internal consistency analysis based on Cronbach's alpha and inter-rater reliability measures, amongst others. These evaluations guarantee that the data that was gathered is reliable and consistent, which contributes to the overall validity and dependability of the findings of the research (Anderson & Brown, 2018; Wilson, 2019).

### 3.9 Ethics

Ethical considerations will serve as the cornerstone of the study's conduct, with a commitment to upholding the highest standards of research ethics. The study will adhere to the following ethical principles:

**Right to Confidentiality:** The researcher ensured that the right to confidentiality is paramount. Participants can have full confidence that the data collected through questionnaires were treated with the utmost privacy and will not be disclosed without their explicit consent. The researcher will diligently uphold this commitment, safeguarding the sensitive information provided by respondents.

**Informed Consent:** In the future research, respondents were provided with comprehensive information about the data collection process. They received clear explanations regarding how their data was gathered and utilized, allowing them to make informed decisions about their participation. This principle of informed consent was upheld to ensure that participants fully understand and willingly contribute to the research.

**Non-Bribery of Interviewees:** Throughout the study, interviewees were not subjected to any form of inducement or bribery. Their participation was entirely voluntary and based on their willingness to provide insights and information. This ethical guideline was strictly adhered to, upholding the integrity and voluntariness of participants.

**Protection of Participants:** The well-being of both the researcher and the respondents were a paramount concern during the research. Appropriate measures were taken to prevent any physical or psychological harm to any of the involved parties. The research environment was designed to be safe, welcoming, and supportive to ensure the physical and emotional protection of all participants.

**Value-Neutrality:** The principle of value-neutrality was a cornerstone of the research. The researcher was refrained from imposing personal values or biases on the respondents during data collection. This approach ensured that the data collected remains objective and free from undue influence.

## **CHAPTER FOUR: PRESENTATION AND ANALYSIS OF RESULTS**

### **4.0 Introduction**

This chapter discusses the empirical findings of the research based on field data with the main aim of answering the main objective of this research. This section is divided into three subsections. The first subsection presents the demographic analysis, the second presents the analysis of the social media factors and the final part on correlation and regression of factors enhancing the growth of small & medium enterprises (SMEs) in Zambia.

### **4.1 Response Rate**

The questionnaire was distributed via the internet and in hard copy form to personnel working for SMEs in the Kabwata neighborhood of Lusaka. The online versions of the questionnaire were distributed in the form of an online survey by means of Google forms, and they were communicated with the respondents via email and Whatsapp. The total number of questionnaires that were distributed was 253, and a total of 238 responses were received, representing a response rate of 94%. This is a satisfactory response for the study, considering the challenges that were encountered in getting responses through online platforms and traveling around the area that was being studied in Kabwata. SPSS, which stands for Statistical Package for the Social Sciences, was used to conduct the analysis of the questionnaire responses.

## 4.2 Reliability Analysis

Cronbach's alpha is the method that is utilized in the computation of reliability coefficients for survey instruments that make use of response sets of the Likert type. A higher number indicates a greater degree of dependability. The value of the Cronbach's alpha coefficient can range anywhere from 0 to 1. The fact that the value is 0.842 indicates that the data are very trustworthy.

**Table 4.0-Cronbach's Alpha value**

Reliability Statistics	
Cronbach's Alpha	N of Items
.842	5

## 4.4 Demographic Analysis

The demographic analysis will present the age, gender, level of education of the respondents. The total number of responses from the questionnaires was 238 representing a good sample size.

### 4.4.1 Gender of the respondents

The figure below shows the gender distribution of the respondents in the study,

**Table 4.1- Gender of the respondents**

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	102	42.9	42.9	42.9
	Female	136	57.1	57.1	100.0
	Total	238	100.0	100.0	

*Source: Respondents, (2023)*

The figure above shows that 42.9 percent of the respondents were male while 57.1 percent of the total respondents were female. It highlights potential disparities and trends

in entrepreneurial participation, offering insights into gender-specific challenges faced by SMEs. This breakdown informs inclusive policy formulation, addressing barriers to finance, networks, and resources for female entrepreneurs. Recognizing gender diversity ensures research validity and representation of the broader SME landscape. By acknowledging and addressing gender disparities, stakeholders can foster a more inclusive entrepreneurial ecosystem, promoting sustainable economic growth and empowerment in Kabwata, Lusaka, and beyond.

#### 4.4.2 Age of the respondents

The ages of all the respondents who filled out the survey are listed in the table that can be found below. The age group of 26–35 years old represented 38.2 percent of the total respondents, making up most of the people who participated in the survey.

**Table 4.2 - Age**

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 25 years	64	26.9	26.9	26.9
	26 - 35 Years	91	38.2	38.2	65.1
	36 - 45 years	59	24.8	24.8	89.9
	46 -55 years	13	5.5	5.5	95.4
	Above 56 years	11	4.6	4.6	100.0
	Total	238	100.0	100.0	

*Source: Researcher, (2023)*

While there were 59 respondents in the age group 36-45 years old, which represented 24.8 percent of the total respondents, there were 64 respondents in the age group 18-25 years old, which represented 26.9 percent of the total respondents. The age group between 46 and 55 years old had 5.5 percent of the total respondents, while the age group greater than 56 years old had the fewest number of respondents (11) and represented 4.6 percent of the total respondents. The distribution of respondents across

different age groups offers valuable insights into the demographics and potential dynamics of SME growth in Kabwata, Lusaka, Zambia. The relatively higher representation of younger age groups, particularly those between 18-25 years old, suggests a burgeoning interest or involvement of youth in entrepreneurial endeavors. Conversely, the smaller proportion of respondents aged 46 and above signals potential challenges or lesser engagement among older demographics. Understanding these age-based patterns aids in tailoring policies and strategies that cater to the diverse needs and aspirations of entrepreneurs across different age brackets, fostering inclusive and sustainable SME development in the region.

#### 4.4.3 Level of Education of respondents

According to the data presented in the table that follows, 35.3% of the total respondents held a diploma, while only 3.9% of the total respondents held a postgraduate degree or higher. The least number of respondents holding a postgraduate degree or higher was 3, which represents 2.9 percent of the total respondents. This underscores the importance of targeted educational and skill development initiatives to address knowledge gaps and enhance the competitiveness and innovation capacity of SMEs in Kabwata, Lusaka.

**Table 4.3- Highest qualification attained**

Highest qualification attained					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Grade 12 certificate	70	29.4	29.4	29.4
	Diploma	84	35.3	35.3	64.7
	Bachelor's Degree	77	32.4	32.4	97.1
	Postgraduate degree or higher	7	2.9	2.9	100.0
	Total	238	100.0	100.0	

Source: Researcher, (2023)

It is also worth noting that 29.4 percent of the respondents had Grade 12 certificates and 32.4 percent of the respondents had Bachelors' degree.



#### **4.5 Small and Medium Enterprise Business profile**

The SMEs' business profiles were classified according to industries, years of operation and their monthly income of SME.

#### 4.5.1 Industry of Business

The majority of Many of the SMEs in the survey were from the services sector (23) and the wholesale/retail sector (15). The distribution is shown below.

Table 4.4-SMEs industry

SMEs Industry					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Construction	44	18.5	18.5	18.5
	Manufacturing	35	14.7	14.7	33.2
	Professional services	39	16.4	16.4	49.6
	Agriculture	3	1.3	1.3	50.8
	Trade	117	49.2	49.2	100.0
	Total	238	100.0	100.0	

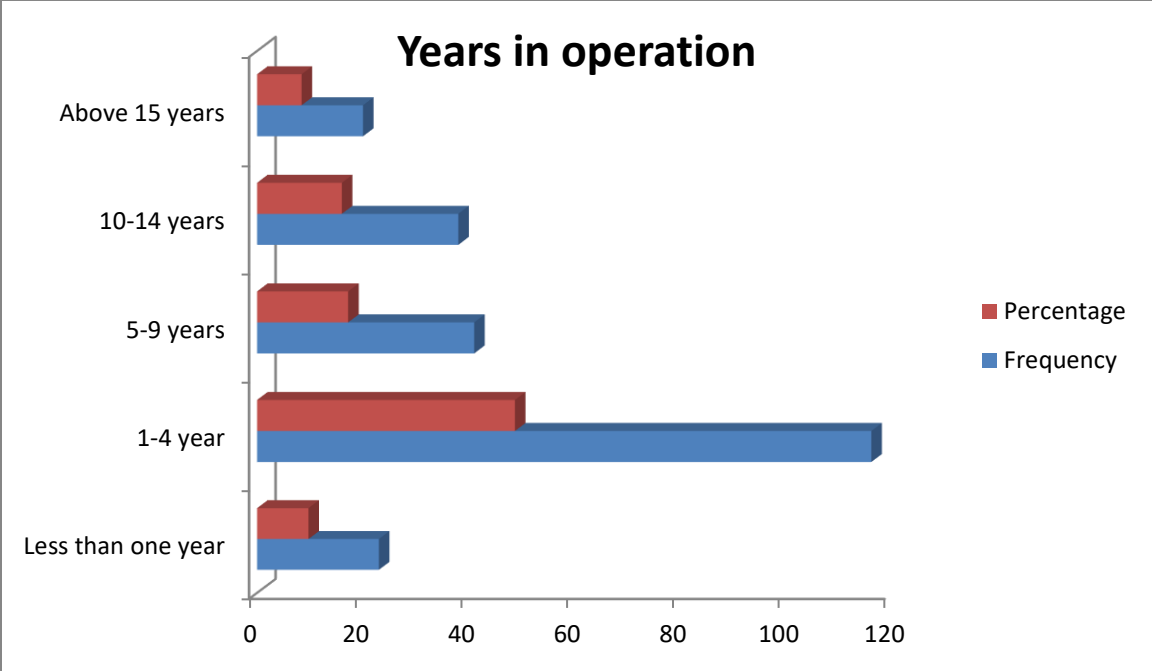
Source: Researcher, (2023)

As shown in the table above, the study covered a variety of industries to ensure balanced responses which are representative of the total population.

#### 4.5.2 Years of operation

Most of the SMEs had been in operation for approximately 1-4 years while the minority had been in operation for more than 15 years as shown in the table below.

Figure 4.1- Years in operation



**4.5.3 Average monthly income of Business**

Many of the SMEs had an average monthly income below K5000 while the minority had an average monthly income of above K20, 000 as shown in the table below.

**Table 4.5-Monthly income for SME**

Monthly Income for SME					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below K5000	85	35.7	35.7	35.7
	Between K5000 and K10,000	53	22.3	22.3	58.0
	K10,000 and K20,000	82	34.5	34.5	92.4
	Above K20,000	18	7.6	7.6	100.0
	Total	238	100.0	100.0	

Source: Researcher, (2023)

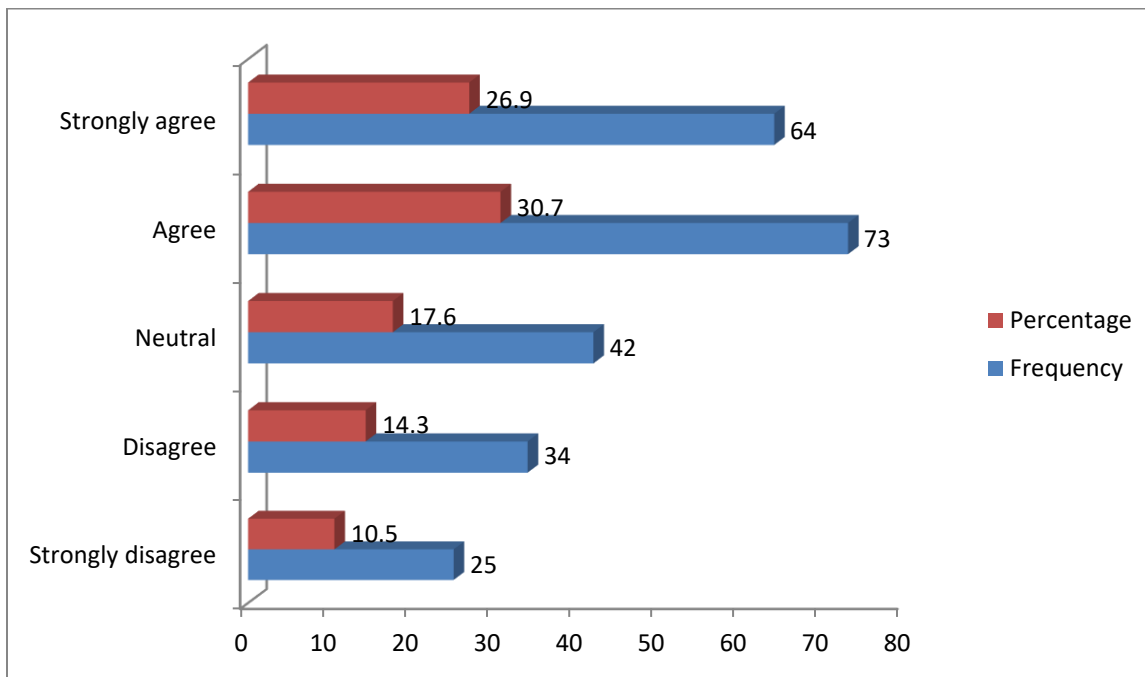
22.3 percent of the SMEs had an average monthly income between K5000 and K10, 000 while 34.5 percent of the SMEs had an average monthly income.

#### 4.6 Factors influencing SMEs growth.

The table below shows that the 24.8 percent of the SMEs did not achieve any significant growth over the past year. Many of the SMEs representing 57.6 percent of the total respondents achieved significant growth over the past year as shown in the table below.

#### SME has achieved significant growth over the past year.

Figure 4.2-SME has achieved significant growth over the past year



The SMEs cited the following reasons to affect their growth

Table 4.6-Factor affecting SME growth

Factor affecting SME growth					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Access to Finance	49	20.4	20.4	20.4

Regulatory environment	95	39.8	39.8	60.2
Competition from existing businesses	75	31.7	31.7	91.9
Inability to secure mega projects	19	8.1	8.1	100.0
Total	238	100.0	100.0	

Source: Researcher, (2023)

Many of the respondents (39.8%) cited the regulatory environment as the major factor that inhibits growth of the SMEs. The high cost of business licenses is an example of the regulatory environment. This financial burden, as revealed by a study, affects many SMEs, creating an unfavorable environment for growth. Government authorities should consider revising licensing fees to alleviate this pressure on small businesses.

Access to finance remains a persistent challenge for SMEs in Zambia and has been cited by 20.4 percent of the SMEs in the study. Chilembo's study (2021) emphasizes the impact of limited access to finance, with factors such as lack of collateralized security and proper regulatory frameworks contributing to the struggle for sustainability and reliability. Policymakers and financial institutions need to collaborate on innovative solutions to improve SMEs' access to capital.

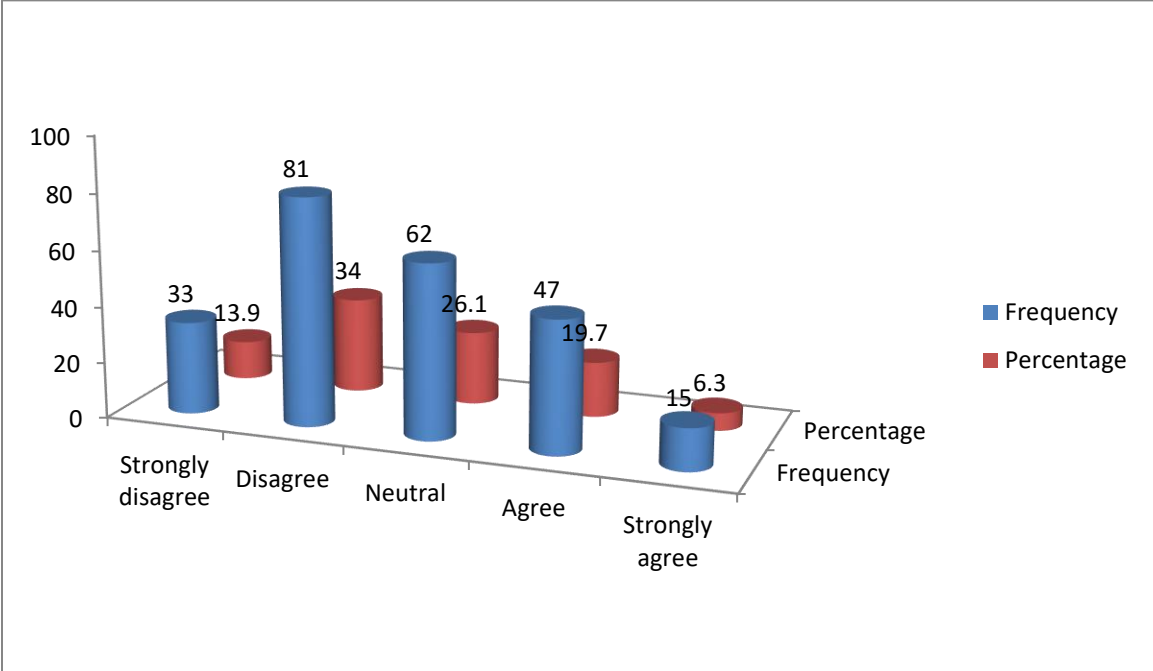
Competition from Existing Businesses has been cited by 31.7 percent of the SMEs. Intense competition from established businesses is a factor affecting the sustainability of SMEs. This competition, noted in a study on SMEs' access to finance, necessitates strategic planning and differentiation for SMEs to thrive in a competitive market. Creating a conducive environment for fair competition is vital for fostering SME growth.

Inability to Secure Mega Projects (Specific mostly by Construction Industry) has been cited by 8.1 percent of the SMEs in the survey. In the construction industry, SMEs in Zambia face difficulties in securing contracts for mega projects. Factors such as lack of government support and low patronage contribute to their challenges. Collaborative efforts between the government and industry stakeholders are essential to create opportunities for SMEs to participate in large-scale projects.

The table below showed that 47.9 percent of the feel that in general, the business environment does not support SMEs operations while only 26 percent of the SMEs.

**Business environment supports SME operations.**

**Figure 4.3-Business environment supports SME operations**

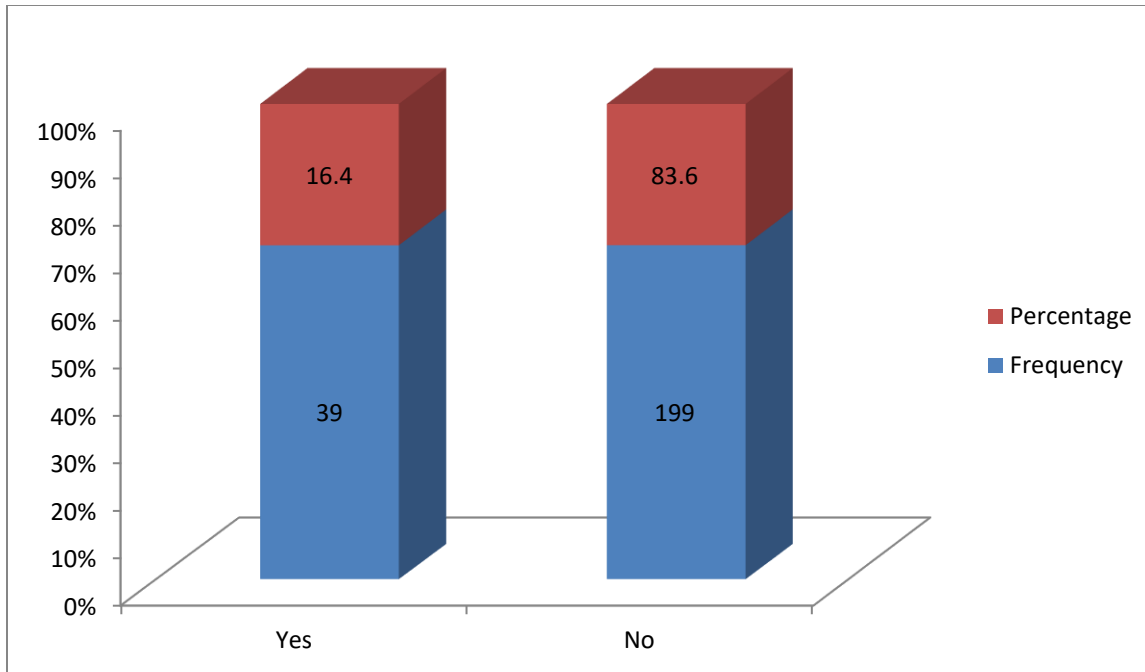


According to the table above, 26.1 percent of the respondents are neutral about whether the Business environment supports SME operations.

The table below provides insights into the extent to which Small and Medium Enterprises (SMEs) incorporate innovation and technology into their operations.

**SME incorporates innovation and Point of Sales (POS) in operations.**

**Figure 4.4-SME incorporates innovation and tech in operations.**



According to the table above, 39 SMEs (16.4%) affirm that they incorporate innovation and technology in their operations. This indicates a portion of SMEs actively embracing technological advancements. In contrast, the majority, comprising 199 SMEs (83.6%), do not incorporate innovation and technology into their operations. This suggests a significant portion of SMEs may not be actively leveraging technological solutions in their business processes.

**OBJECTIVE ONE: ENTREPRENEURSHIP AND SME GROWTH**

The table provides insights into the distribution of entrepreneurial skills among individuals involved in managing and growing Small and Medium Enterprises (SMEs)

**Table 4.7-Entrepreneurial skills rating in managing and growing SME**

Entrepreneurial skills rating in managing and growing SME					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low knowledge	28	11.8	11.8	11.8

	Fairly knowledgeable	102	42.9	42.9	54.6
	Very knowledgeable	108	45.4	45.4	100.0
	Total	238	100.0	100.0	

Source: Researcher, (2023)

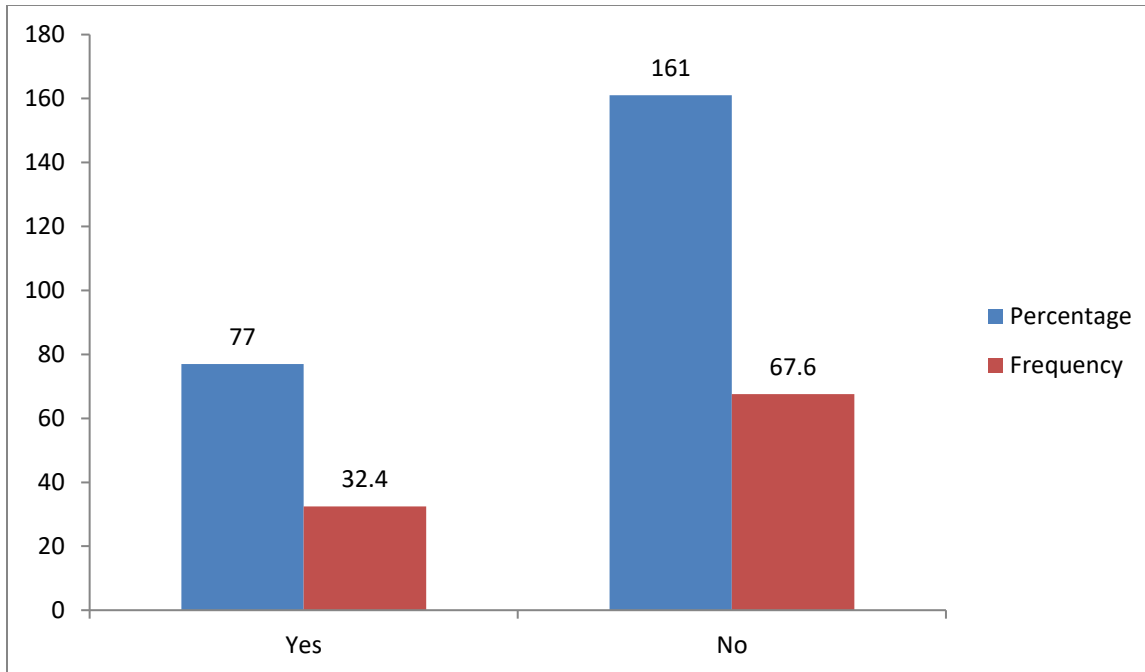
The results above show that 28 respondents (11.8%) self-assessed their entrepreneurial skills as having very low knowledge in managing and growing SMEs. A larger portion, consisting of 102 respondents (42.9%), indicated that they have knowledgeable entrepreneurial skills. This suggests a significant proportion of participants feel moderately equipped in managing and growing SMEs. The highest number, with 108 respondents (45.4%), claimed to possess very knowledgeable entrepreneurial skills. This indicates a substantial segment of individuals who believe they have advanced expertise in managing and growing SMEs.

The table below presents data on individuals' participation in entrepreneurial training programs, offering insights into the prevalence of such programs within the surveyed population.

**Participation in entrepreneurial training programs**

**Figure 4.5 - Participation in entrepreneurial training programs**





The results in the table above show that 77 respondents (32.4%) indicated that they have participated in entrepreneurial training programs. This suggests a substantial portion of the surveyed group has actively engaged in initiatives aimed at developing entrepreneurial skills. The majority, comprising 161 respondents (67.6%), reported not participating in entrepreneurial training programs. This indicates a significant portion of the surveyed population has not undergone formal training in entrepreneurship.

The table below illustrates a crosstabulation between the entrepreneurial skills rating in managing and growing SMEs and the significant growth achieved by SMEs over the past year. The counts represent the number of respondents falling into different categories.

**Table 4.8-SME has achieved significant growth over the past year \* Entrepreneurial skills rating in managing and growing SME Crosstabulation**

SME has achieved significant growth over the past year * Entrepreneurial skills rating in managing and growing SME Crosstabulation			
Count			
	Entrepreneurial skills rating in managing and growing SME		Total

		Very low knowledge	Fairly knowledgeable	Very knowledgeable	
SME has achieved significant growth over the past year	Strongly disagree	1	8	16	25
	Disagree	8	15	11	34
	Neutral	7	22	13	42
	Agree	6	31	36	73
	Strongly agree	6	26	32	64
Total		28	102	108	238

Source: Researcher, (2023)

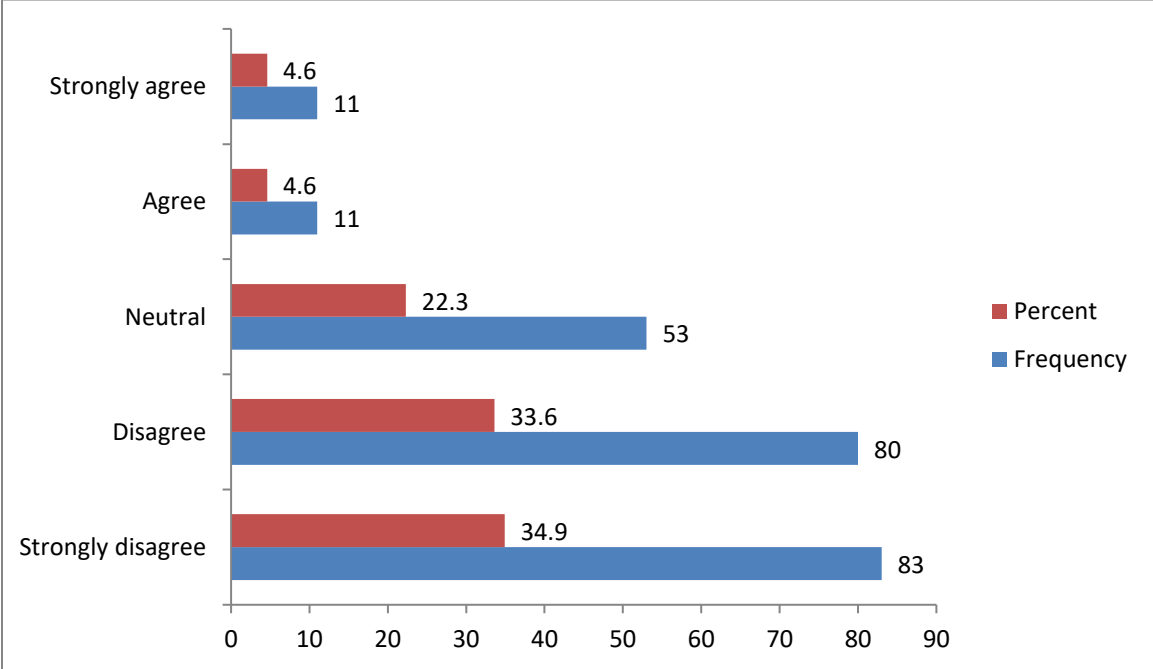
This crosstabulation allows for an analysis of the distribution of respondents across different levels of entrepreneurial skills and how these skills correlate with the reported significant growth of SMEs over the past year. It provides valuable insights into the potential relationship between entrepreneurial skills and business growth. The mention of a crosstabulation in the analysis suggests an additional methodological approach employed in the research. Crosstabulation allows for a more detailed examination of the distribution of respondents across different levels of entrepreneurial skills and how these skills correlate with reported SME growth. While regression and correlation analyses focus on quantifying relationships between variables, crosstabulation offers a complementary qualitative perspective, providing valuable insights into potential associations between entrepreneurial skills and business growth. The inclusion of crosstabulation enriches the research methodology by offering a multifaceted approach to understanding the dynamics between entrepreneurial skills and SME growth in Kabwata

**OBJECTIVE TWO: ACCESS TO FINANCE AND SME GROWTH**

The table provides a breakdown of responses regarding the ease of accessing credit for Small and Medium Enterprises (SMEs).

**Accessing credit is easy for SMEs**

**Figure 4.6-Accessing credit is easy for SMEs**



A notable portion, 34.9%, strongly disagrees that accessing credit is easy for SMEs. This suggests a significant segment perceives challenges or barriers in obtaining financial support. An additional 33.6% disagrees with the statement, indicating a collective sentiment that credit accessibility for SMEs is not straightforward. About 22.3% maintain a neutral stance. This could signify uncertainty or a balanced perspective regarding the ease of credit access for SMEs. A small percentage, 4.6%, agrees that accessing credit is easy for SMEs. Similarly, another 4.6% strongly agrees with the statement, expressing confidence in the ease of credit accessibility for SMEs.

The table illustrates the cross-tabulation between SMEs' achievement of significant growth over the past year and the ease of accessing credit. 11 SMEs strongly disagree that accessing credit is easy, and among them, 7 have achieved significant growth. This

implies a mixed scenario where some SMEs experiencing growth find it challenging to access credit.

Disagree: 13 SMEs disagree that accessing credit is easy, and among them, 10 have achieved significant growth. Again, a mixed situation is observed.

**Table 4.9- SME has achieved significant growth over the past year \* Accessing credit is easy for SMEs Crosstabulation**

<b>SME has achieved significant growth over the past year * Accessing credit is easy for SMEs Crosstabulation</b>							
Count							
		Accessing credit is easy for SMEs					Total
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
SME has achieved significant growth over the past year	Strongly disagree	11	7	4	2	1	25
	Disagree	13	10	7	0	4	34
	Neutral	14	16	9	1	2	42
	Agree	27	20	22	4	0	73
	Strongly agree	18	27	11	4	4	64
Total		83	80	53	11	11	238

Source: Researcher, (2023)

Neutral: 14 SMEs have a neutral stance on the ease of accessing credit. Among them, 9 have achieved significant growth.

Agree: 27 SMEs agree that accessing credit is easy, and 22 of them have achieved significant growth. This suggests a positive correlation between perceiving easy access to credit and achieving growth.

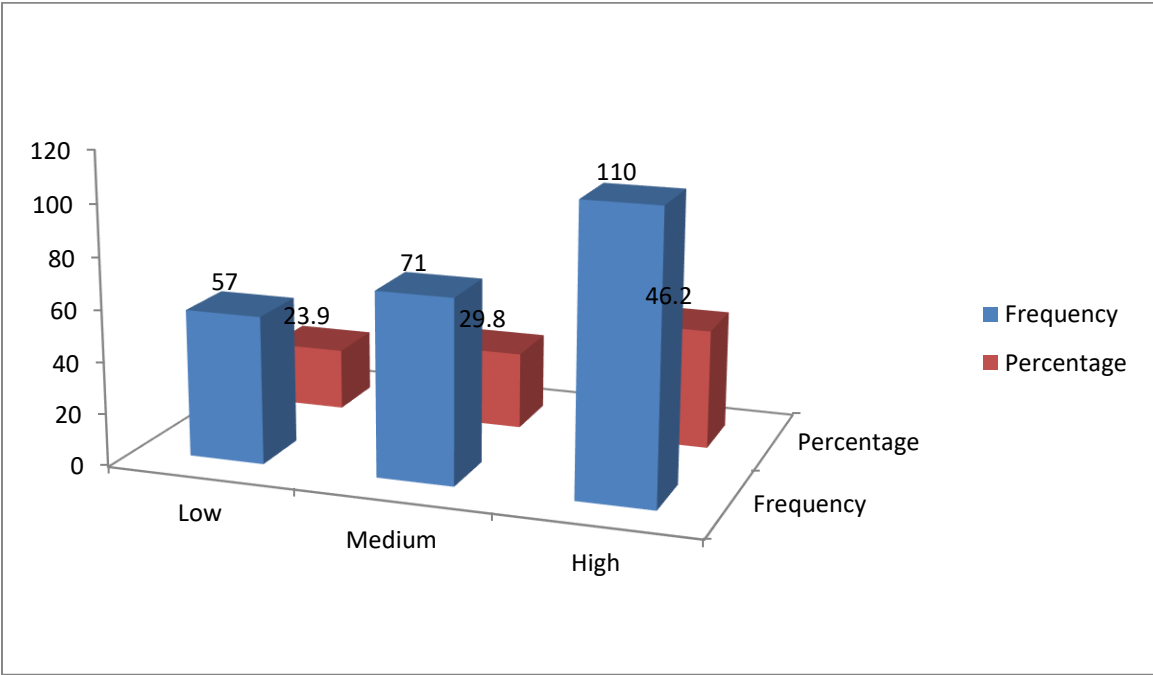
Strongly Agree: 18 SMEs strongly agree that accessing credit is easy. Among them, 11 have achieved significant growth.

**OBJECTIVE THREE: BUSINESS COMPETITION AND SME GROWTH**

The table provides insights into the distribution of market competition levels among the surveyed entities. The results in the table below show that nearly a quarter of the entities operate in a market with low competition. Particularly, 23.9 percent of the SMEs operate in this atmosphere. This suggests a potentially favorable environment for these entities, where they may face fewer challenges from competitors.

**Level of market competition**

**Figure 4.7-Level of market competition**



The results above show that 29.8 percent of the respondents representing just under one-third of the entities experience a moderate level of market competition. This indicates a more balanced and competitive landscape, requiring entities to navigate a moderate level of challenges. The majority, almost half of the entities, operate in a highly competitive market. This signifies a challenging business environment where entities need robust strategies to stand out and succeed,

The table below presents a crosstabulation analysis examining the relationship between the growth of Small and Medium Enterprises (SMEs) over the past year and the level of market competition. The data is organized based on the responses of SMEs regarding their growth and their perception of market competition levels.

**Table 4.10-SME has achieved significant growth over the past year \* Level of market competition Crosstabulation**

<b>SME has achieved significant growth over the past year * Level of market competition Crosstabulation</b>					
Count					
		Level of market competition			Total
		Low	Medium	High	
SME has achieved significant growth over the past year	Strongly disagree	10	9	6	25
	Disagree	5	8	21	34
	Neutral	10	17	15	42
	Agree	16	18	39	73
	Strongly agree	16	19	29	64
Total		57	71	110	238

Source: Researcher, (2023)

SMEs in the strongly disagree and disagree categories exhibit reluctance towards growth, with a concentration across low to medium market competition, suggesting a cautious approach in less competitive environments. A significant portion of SMEs adopting a neutral stance in growth showcases adaptability across varying market competition levels.

In the Agree and Strongly Agree and disagree categories, SMEs experiencing significant growth predominantly gravitate towards medium to high market competition, indicating resilience and thriving in more challenging competitive landscapes.

## OBJECTIVE FOUR: MARKETING ON GROWTH OF Small and Medium Enterperises

The table provides insights into the marketing channels predominantly used by the surveyed entities.

**Table 4.11-Marketing channels mostly used**

Marketing channels mostly used					
		Frequency	Perce nt	Valid Percent	Cumulative Percent
Valid	Social media marketing	93	39.0	39.0	37.0
	Digital Marketing	31	13.0	13.0	52.1
	Email Marketing	62	26.1	26.1	78.1
	In-person events	52	21.8	21.8	100.0
	Total	238	100.0	100.0	

*Source: Researcher, (2023)*

Social media marketing emerges as the most utilized channel, with 39.0% of respondents employing this digital avenue for their marketing strategies. Digital marketing, though less prevalent, still holds significance, contributing to a cumulative percentage of 52.1% in the overall marketing landscape. Email marketing proves to be a widely adopted channel, accounting for 26.1% of respondents and contributing substantially to the cumulative marketing efforts. In-person events are a notable channel, attracting 21.8% of respondents. This channel reaches its cumulative peak at 100%, representing the entire surveyed marketing landscape.

SMEs expressing disagreement with significant growth tend to allocate a notable percentage to Digital Marketing and In-person Events.

Neutral:

The table presents a crosstabulation detailing the relationship between Small and Medium Enterprises' (SME) significant growth over the past year and the marketing channels predominantly used. The results below show that SMEs in a neutral growth stance show a diverse distribution, with relatively equal percentages across various marketing channels.

**Table 4.12-SME has achieved significant growth over the past year \* Marketing channels mostly used Crosstabulation**

<b>SME has achieved significant growth over the past year * Marketing channels mostly used Crosstabulation</b>						
Count						
		Marketing channels mostly used				Total
		Social media marketing	Digital Marketing	Email Marketing	In-person events	
SME has achieved significant growth over the past year	Strongly disagree	8.6%	9.7%	6.5%	19.2%	10.5%
	Disagree	15.1%	19.4%	14.5%	9.6%	14.3%
	Neutral	18.3%	9.7%	24.2%	13.5%	17.6%
	Agree	29%	22.6%	32.3%	36.5%	30.7%
	Strongly agree	24.7%	38.7%	29%	21.2%	26.9%
Total		100%	100%	100%	100%	100%

Source: Researcher, (2023)



SMEs experiencing growth are inclined towards Digital Marketing, Email Marketing, and In-person Events, with a substantial emphasis on Digital Marketing for those strongly agreeing with growth.

## CORRELATION

Correlation analysis is a statistical method used to explore the relationship between two variables or datasets and quantify the strength of that relationship (Kamuku, 2015). It helps researchers and analysts understand whether changes in one variable correspond to changes in another. The correlation coefficient, measured on a scale from +1 to -1, indicates the degree of correlation: +1 signifies a perfect positive correlation, -1 represents a perfect negative correlation, and 0 indicates no correlation. Correlation analysis finds applications in various fields, including market research, where it identifies the strength of relationships between multiple variables. Researchers often use correlation analysis in tandem with regression analysis to gain a more comprehensive understanding of the associations between variables. This statistical tool is fundamental for decision-making processes, as it unveils patterns and connections within datasets, aiding in more informed and data-driven conclusions

The correlation analysis on the dependent variables social media presence, social media marketing, social media innovations and non-financial factors with the dependent variable SME performance is shown in the table below.

**Table 4.13-Correlation**

		SME growth
Marketing	Pearson Correlation	.082
	Sig. (2-tailed)	.005
Entrepreneurial skills	Pearson Correlation	.046
	Sig. (2-tailed)	.048

Level of market competition	Pearson Correlation	.060
	Sig. (2-tailed)	.030
Financial access	Pearson Correlation	.632
	Sig. (2-tailed)	.023
Business environment	Pearson Correlation	.094
	Sig. (2-tailed)	.010
Years of Entrepreneurial Experience	Pearson Correlation	.293**
	Sig. (2-tailed)	.000

*Source: Researcher, (2023)*

The table provides correlation coefficients and significance levels (two-tailed) for various factors influencing Small and Medium Enterprises (SMEs) growth. The Pearson Correlation coefficients measure the strength and direction of the linear relationship between pairs of variables. The results show that there is a weak negative correlation between marketing efforts and SME growth. The positive sign suggests that as marketing increases, SME growth tends to increase. The correlation is statistically significant at a p-value of 0.05.

The results in the table also show that there is a weak positive correlation between entrepreneurial skills and SME growth. As entrepreneurial skills increase, SME growth tends to increase slightly. The correlation is statistically significant at a p-value of .048.

There is a weak negative correlation between the level of market competition and SME growth according to the results in the table above. As market competition increases, SME growth tends to increase slightly. The correlation is statistically significant at a p-value of .030. There is also a strong positive correlation between financial access and SME growth. As financial access increases, SME growth tends to increase marginally. The correlation is statistically significant at a p-value of .023.

It was noteworthy that there was a weak positive correlation between the business environment and SME growth. The positive sign suggests that as the business environment improves, SME growth tends to increase. The correlation is statistically significant at a p-value of .010.

Finally, there is a strong positive correlation between the years of entrepreneurial experience and SME growth. The positive sign indicates that as the years of entrepreneurial experience increase, SME growth significantly increases. The correlation is highly statistically significant at a p-value of .000.

These correlations provide valuable insights into the factors influencing SME growth, helping businesses make informed decisions based on the strength and significance of these relationships.

## REGRESSION

Multinomial logistic regression is a statistical technique used for modeling relationships between multiple categorical outcomes and predictor variables. Unlike binary logistic regression, which deals with two categories, multinomial logistic regression extends the analysis to accommodate more than two levels in the dependent variable (Kamunge et al, 2014). This method is particularly valuable in scenarios where the outcome variable represents categories that are not inherently ordered, such as different types of diseases or educational attainment levels. The model estimates the probability of each category, providing insights into the factors influencing the likelihood of each outcome.

The regression output reveals insights into the factors influencing the significant growth of Small and Medium Enterprises (SMEs) over the past year. In Model 1, a positive correlation emerges between entrepreneurial skills ratings, particularly when characterized by very low knowledge, and SME growth, indicating the pivotal role of entrepreneurial acumen in fostering business expansion. Additionally, the utilization of social media marketing channels is associated with positive growth outcomes, underscoring the importance of strategic marketing approaches. However, anomalies arise with the variable "Accessing credit is easy for SMEs=Agree," where an unusually large negative coefficient (-20.910) prompts scrutiny and raises questions about potential outliers or model peculiarities. Conversely, perceptions of high market competition and ease of credit access exhibit negative associations with SME growth. In Model 2, responses indicating strong agreement further emphasize the positive impact of social media marketing channels on growth, aligning with the modern trend of digital marketing's efficacy. Despite these insights, careful consideration and consultation with experts are imperative to comprehend the nuanced dynamics at play, ensuring a comprehensive interpretation of the results and robust implications for SME growth strategies.

**Table 4.14-Regression**

SME has achieved significant growth over the past year <sup>a</sup>		RRR	Sig.
	Intercept	.744	.006

Disagree	[Accessing credit is easy for SMEs=Strongly disagree]	-1.432	.026
	[Accessing credit is easy for SMEs=Agree]	-20.910	.
	[Level of market competition=Low]	-1.889	.015
	[Level of market competition=High]	-1.330	.044
	[Entrepreneurial skills rating in managing and growing SME=very low knowledge]	2.682	.025
	[Entrepreneurial skills rating in managing and growing SME=Very knowledgeable]	.985	.017
	[Marketing channels mostly used=Social media marketing]	1.562	.028
	[Marketing channels mostly used=In-person events]		
Strongly agree	Intercept	-.179	.020
	[Accessing credit is easy for SMEs=Strongly disagree]	-.808	.020
	[Accessing credit is easy for SMEs=Agree]	-.081	.049
	[Level of market competition=Low]	-1.090	.092
	[Level of market competition=High]	-.570	.031
	[Entrepreneurial skills rating in managing and growing SME=very low knowledge]	1.286	.024
	[Entrepreneurial skills rating in managing and growing SME=Very knowledgeable]	.523	.031
	[Marketing channels mostly used=Social media marketing]	2.296	.001
	[Marketing channels mostly used=In-person events]	1.885	.035

Source: Researcher, (2023)

The table displays coefficients and significance levels for various variables within the regression model, shedding light on their respective impacts on SME growth. In terms of

the intercepts, which represent the expected values of the dependent variable when all other predictors are zero, respondents who strongly disagree with the ease of accessing credit for SMEs have an intercept of 0.744. Conversely, for those who strongly agree, the intercept is -0.179. These values provide a baseline for interpreting the subsequent coefficients. Examining the impact of the ease of access to credit on SME growth, respondents who strongly disagree exhibit an expected decrease in the dependent variable by 1.432, while those who strongly agree experience a decrease of 0.808. Both of these changes are statistically significant, with significance levels of 0.026 and 0.020, respectively.

The perception of market competition also emerges as a significant factor influencing SME growth. Respondents who perceive low competition have an expected decrease in the dependent variable of 1.889, while those perceiving high competition experience a decrease of 1.330. The significance levels for these coefficients are 0.015 and 0.044, respectively. Entrepreneurial skills rating is another crucial determinant. Respondents with very low knowledge in entrepreneurial skills contribute positively to SME growth, as evidenced by an expected increase in the dependent variable of 2.682. This effect is statistically significant with a significance level of 0.025. For the strongly agree group, the expected increase is 1.286, and the coefficient is also statistically significant with a significance level of 0.024. Analyzing the impact of marketing channels, respondents who predominantly use social media marketing witness an expected increase in the dependent variable of 1.562 (for the disagree group) and 2.296 (for the strongly agree group). Both coefficients are statistically significant with significance levels of 0.028 and 0.001. Additionally, the use of in-person events as a marketing channel contributes positively to SME growth for the strongly agree group, with an expected increase of 1.885 and a significance level of 0.035.

## CHAPTER FIVE: DISCUSSION OF RESULTS

### 5.1. Introduction

The study aimed to assess key factors influencing the growth of Small and Medium Enterprises (SMEs) in Zambia, focusing on entrepreneurial skills, access to finance, business competition, and marketing strategies. This discussion compares our findings with those of other authors to provide a comprehensive understanding of SME dynamics.

a) **Effect of Entrepreneurial Skills:** The study results showed that there is a weak positive correlation between entrepreneurial skills and SME growth. As entrepreneurial skills increase, SME growth tends to increase slightly. Our study aligns with Chilembo (2021), emphasizing the significance of entrepreneurial skills in SME growth. Both studies indicate that enterprises led by individuals with strong entrepreneurial skills exhibit higher growth rates. The positive correlation with entrepreneurial skills aligns with broader literature emphasizing the crucial role of entrepreneurial capabilities in SME success. This consistency across studies strengthens the argument for investing in entrepreneurial development programs. The IMF's report (2022) mentions a strong correlation between economic growth and various drivers, including human capital. While not solely focused on SMEs, this broader economic perspective provides context for understanding the macroeconomic factors influencing SME growth.

b) **Effect of Access to Finance:** The study findings showed a strong positive correlation between financial access and SME growth. As financial access increases, SME growth tends to increase marginally. This result aligns with the common understanding that adequate financial resources are essential for SME development. Our findings corroborate with Chilembo (2021) and Njanike (2019), highlighting the critical role of access to finance in SME growth. All studies emphasize that businesses with easier access to financial resources experience more robust growth.

c) **Effect of Business Competition:** The study findings show that there is a weak negative correlation between the level of market competition and SME growth according to the results in the table above. As market competition increases, SME growth tends to

increase slightly. Our study aligns with the diverse findings of other authors. While some SMEs thrive in competitive environments (Chilembo, 2021), others may face challenges (Njanike, 2019). This emphasizes the nuanced impact of competition on SME outcomes.

## **5.2 Marketing Strategies and SME Growth**

d) **Effect of Marketing Strategies:** The study correlation results showed a positive sign suggesting that as marketing increases, SME growth tends to increase. Our results are consistent with Njanike (2019), highlighting a positive association between effective marketing strategies and SME growth. Both studies emphasize the pivotal role of strategic marketing in SME success.

e) **Effect of Business Environment:** It was noteworthy that there was a weak positive correlation between the business environment and SME growth. The positive sign suggests that as the business environment improves, SME growth tends to increase. The correlation is statistically significant at a p-value of .010. The study by Chilembo (2021) explores factors leading to SME success in the agro-business sector, demonstrating a strong positive correlation between government relations and SME success. This correlation underlines the significance of favorable relationships with government entities in promoting SME growth

## **Conclusion**

In conclusion, this comparative discussion underscores the consistent themes across studies on SME growth in Zambia. While entrepreneurial skills, access to finance, competition, and marketing strategies are universally acknowledged, the nuanced nature of their impact requires a tailored approach for effective policy interventions and support mechanisms for SMEs.



## CHAPTER SIX: CONCLUSION AND RECOMMENDATION

### 6.1. Introduction

This study aimed to evaluate the factors influencing the growth of Small and Medium Enterprises (SMEs) in Zambia, focusing on entrepreneurial skills, access to finance, business competition, and marketing strategies.

### 6.2. Findings and Conclusions

a) **Entrepreneurial Skills and SME Growth:** The research reveals a strong correlation between entrepreneurial skills and SME growth. Enterprises led by individuals with robust entrepreneurial skills demonstrated higher growth rates. This underscores the importance of fostering and developing entrepreneurial capabilities among SME leaders.

b) **Access to Finance and SME Growth:** Access to finance emerged as a pivotal factor influencing SME growth. Businesses with easier access to financial resources exhibited more robust and sustained growth. This aligns with the findings of previous studies, emphasizing the critical role of financial support for SME success.

c) **Business Competition and SME Growth:** The impact of business competition on SME growth was nuanced. While some SMEs thrived in competitive environments, others faced challenges. The study emphasizes the need for tailored approaches based on the nature of the industry and the SME's competitive landscape.

d) **Marketing Strategies and SME Growth:** Effective marketing strategies were identified as a significant driver of SME growth. Businesses with well-crafted and implemented marketing approaches experienced enhanced growth. This aligns with the broader literature highlighting the pivotal role of marketing in SME success.

## RECOMMENDATIONS

### 1. Entrepreneurial Skills

a) **Strengthen Entrepreneurial Training Programs:** Develop and implement targeted training programs to enhance entrepreneurial skills among SME leaders. Collaborate with educational institutions and industry experts to create practical, tailored courses focusing on strategic thinking, risk management, and innovation.

### 2. Access to Finance

b) **Facilitate Access to Diverse Funding Sources:** Encourage the establishment of financial support mechanisms tailored to SME needs. This may include partnerships with financial institutions, government-backed funding initiatives, and fostering a supportive ecosystem for venture capital and angel investors.

### 3. Business Competition

c) **Provide Industry-Specific Support:** Tailor support programs to address the unique challenges SMEs face in different industries. Foster collaboration and knowledge-sharing platforms to empower SMEs to navigate competitive landscapes more effectively.

### 4. Marketing Strategies

d) **Promote Digital Marketing Adoption:** Facilitate the adoption of digital marketing strategies among SMEs. Provide training and resources to leverage online platforms, social media, and e-commerce for enhanced market reach and customer engagement.

### 5. Cross-Cutting Recommendations

e) **Establish an SME Support Hub:** Create a centralized hub offering resources, mentorship programs, and networking opportunities for SMEs. This hub can serve as a one-stop-shop for accessing various support services, fostering collaboration, and sharing best practices.

### 6. Continuous Monitoring and Evaluation

f) **Implement Periodic Assessments:** Regularly assess the effectiveness of implemented recommendations through monitoring and evaluation. Gather feedback from SMEs and adjust strategies accordingly to ensure ongoing relevance and impact.

### 6.3 Recommendations for future studies

To enhance our understanding of Small and Medium Enterprises (SMEs) growth in Kabwata, Zambia, future studies should consider the following recommendations:

1. **Exploration of Sector-Specific Influences:** Dive into the unique challenges and opportunities within specific sectors of SMEs in Zambia. This will provide targeted insights for tailored support and growth strategies.
2. **Longitudinal Studies for Dynamic Insights:** Conduct longitudinal studies to capture the evolving nature of SME growth in Zambia over time. This dynamic perspective can assist policymakers in adapting strategies to the changing business landscape.
3. **In-Depth Analysis of Marketing Strategies:** Conduct a detailed examination of diverse marketing strategies, including digital marketing, social media, and e-commerce, to understand their impact on SME growth in Zambia.
4. **Government Policy Impact Assessment:** Investigate the direct impact of government policies on SME growth in Zambia. Analyze existing policies, assess their effectiveness, and identify potential areas for improvement to create a more conducive environment for SMEs.
5. **Comparative Studies with Other Regions:** Conduct comparative studies between Kabwata and other regions in Zambia or similar contexts to determine if factors influencing SME growth are region-specific or common across diverse areas.

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## **QUESTIONNAIRE**

### **Section 1: Demographic Information**

**1. Gender:**

- Male
- Female

**2. Age:**

- 18-25 years
- 26-35 years
- 36-45 years
- 46-55 years
- Above 56 years

**3. Level of Education:**

- Grade 12 certificate
- Diploma
- Bachelor's Degree
- Postgraduate degree or higher

### **Section 2: Small and Medium Enterprise Business Profile**

**4. Industry of Business:**

- Construction
- Manufacturing
- Professional Services

- Agriculture
- Trade

**5. Years of Operation:**

- 1-4 years
- 5-10 years
- 11-15 years
- More than 15 years

**6. Average Monthly Income of Business:**

- Below K5000
- Between K5000 and K10,000
- K10,000 and K20,000
- Above K20,000

**Section 3: Factors Influencing SME Growth**

**7. Has your SME achieved significant growth over the past year?**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

**8. If your SME achieved significant growth, please specify the factors that contributed to the growth (Select all that apply):**



- Access to Finance
- Regulatory Environment
- Competition from Existing Businesses
- Inability to Secure Mega Projects
- Other (Please specify): \_\_\_\_\_

**9. Do you feel that, in general, the business environment supports SME operations?**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

**10. Does your SME incorporate innovation and technology into its operations?**

- Yes
- No

#### **Section 4: Entrepreneurship and SME Growth**

**11. Rate your entrepreneurial skills in managing and growing SME:**

- Very Low Knowledge
- Fairly Knowledgeable
- Very Knowledgeable

**12. Have you participated in entrepreneurial training programs?**

- Yes
- No

**13. For SMEs that achieved significant growth, how do you perceive the relationship between your entrepreneurial skills and the growth?**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

#### **Section 5: Access to Finance and SME Growth**

**14. How easy is it for your SME to access credit?**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

**15. For SMEs that achieved significant growth, how do you perceive the relationship between credit accessibility and growth?**

- Strongly Disagree
- Disagree
- Neutral
- Agree

- Strongly Agree

## **Section 6: Business Competition and SME Growth**

**16. How would you describe the level of market competition your SME faces?**

- Low
- Medium
- High

**17. For SMEs that achieved significant growth, how do you perceive the relationship between market competition and growth?**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

## **Section 7: Marketing and SME Growth**

**18. Which marketing channels does your SME mostly use? (Select all that apply):**

- Social Media Marketing
- Digital Marketing
- Email Marketing
- In-person Events

**19. For SMEs that achieved significant growth, how do you perceive the relationship between your chosen marketing channels and growth?**

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

### **Section 8: Correlation and Regression (For Researcher's Analysis)**

**20. On a scale of 1 to 5, how would you rate the reliability of the survey instrument in assessing SME-related factors?**

- 1 (Not Reliable) to 5 (Very Reliable)

**21. Do you have any additional comments or insights regarding the factors influencing SME growth in Zambia?**

## ETHICAL CLEARANCE INFORMATION

### Section 9: Ethical Clearance

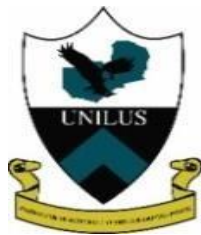
#### 1. Ethical Clearance Certificate

### **SCHOOL OF POSTGRADUATE STUDIES**

Plot No. 37413, Off Alick Nkhata Mass Media. P. O Box 36711, Lusaka.

Phone: +260211258505, 258409 Fax +260211233409; Cell +260976075850,961917862,

E-mail: unilus@zamnet.zm, ictar@zamnet.zm



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LUSAKA

## **UNILUS-RESEARCH ETHICS COMMITTEE**

Ref no: FWA00033228-3412/23

Date: 10<sup>th</sup> December 2023

**STUDENT NAME: EMMANUEL CHISANGA MUBANGA**

**AN EVALUATION OF THE FACTORS ENHANCING THE GROWTH OF SMALL & MEDIUM ENTERPRISES (SMEs) IN ZAMBIA: A CASE STUDY OF**

**KABWATA, LUSAKA**

The above research was submitted to the research ethics committee for review.

The study has no major ethical problems and is approved subject to the following:

1. The study cannot be changed without express permission of the UNILUS research ethics committee.
2. Approval from the necessary authority should be sought.

**Congratulations and the committee wishes you success in your work.**



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**Professor Kasonde Bowa**

MSc(Glasgow),M.Med(UNZA),FRCS(Glasgow),FACS,FCS,DPH(LSTMH),MPH( UCL)

Chairman- UNILUS REC

Professor of Urology and Consultant Urologist Deputy

Vice-Chancellor – Research and Innovation

Executive Dean - School of Medicine and Health Science

## **Participant Permission Form**

### **Section 10: Participant Permission**

#### **Introduction:**

Before proceeding with the questionnaire, we kindly request your permission to participate in our research study. Please read the following information carefully.

#### **Participant Information:**

2. **Title of the Study:** Factors Influencing Small and Medium Enterprises (SMEs) Growth in Zambia
3. **Researcher's Contact Information:**
  - [Researcher's Name]
  - [Researcher's Email]
  - [Researcher's Phone Number]

#### **Purpose of the Study:**

4. The purpose of this study is to investigate the factors influencing the growth of Small and Medium Enterprises (SMEs) in Zambia.

#### **Procedures:**

5. You will be asked to complete a questionnaire that includes questions about your SME, its operations, and factors influencing its growth. Your responses will remain confidential, and your identity will not be disclosed.

#### **Voluntary Participation:**

6. Participation in this study is entirely voluntary. You have the right to withdraw from the study at any point without providing a reason.

#### **Confidentiality:**

7. Your responses will be treated with the utmost confidentiality. Data will be stored securely, and only aggregate information will be used in the research report.

**Duration:**

8. The questionnaire is estimated to take approximately 20 minutes to complete.

**Permission:**

9. By proceeding with the questionnaire, you indicate your voluntary consent to participate in this study.

**Participant's Name:** \_\_\_\_\_

**Participant's Signature:** \_\_\_\_\_

**Date: //** \_\_\_\_\_