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THE CONTRIBUTION OF MICRO ENTERPRISES TO SUSTAINABLE  
RURAL LIVELIHOOD: A CASE OF MULOBEZI DISTRICT

BY

HANSON CHISHIMBA C.K

MDS 1511685

SUPERVISOR:

MR. A. CHOMPOLOLA

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## DECLARATION

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## DEDICATION

This dissertation is dedicated to God Almighty who has been my eternal rock and source of refuge, and for his word in Jeremiah 29:11 that kept me through the journey of completing this work.

To my Dad for making me the man I am today and for his love, support and encouragement. I wish he was here to see the person I have become.

I also dedicate this work to my family for being a great pillar of support.

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## LIST OF ACRONYMS

SLA	:	Sustainable livelihood Approach
NGO	:	Non-governmental Organisation
SME	:	Small and Medium Enterprise
MSEs	:	Micro and Small Enterprises



## ABSTRACT

Micro enterprises play a crucial role in addressing the obstructions of poverty, inequality and job creation and ultimately achievement of the sustainable livelihoods in rural areas. They are an important source of employment, particularly for low skill workers and the youth. The purpose of this study was to ascertain the contribution of micro enterprises to sustainable rural livelihood in Mulobezi district of Zambia. Data was collected through structured interviews schedule and the use of random sampling. Findings of this study reviewed that micro enterprises play a vital role in promoting sustainable rural livelihood. Thus micro enterprises contribute to employment creation, wealth creation, poverty alleviation and income generation. Therefore it is recommended that support for micro enterprises from government and private sector should be enhanced in order to increase the contribution of micro enterprises to sustainable rural livelihoods. Furthermore the involvement of all sectors is also necessary in the establishment and sustenance of support for micro enterprises.

## CHAPTER ONE

### BACKGROUND TO THE STUDY

#### 1.1. Introduction

Studies around the globe have shown that micro enterprises stimulate poverty reduction; a contention built from a number of household-based quantitative micro enterprise impacts studies. A few examples of such studies worth mentioning here are that micro enterprises development: increases people' income and this in turn enhances their ability to reduce household vulnerability to economic shocks and stresses (Heyer, 1996; Chambers and Conway, 1992).

According to Chambers and Conway (1992) sustainable rural livelihood has been defined as the means of securing the basic necessities, that is; food, water, shelter and clothing. It includes at a minimum to acquire above necessities and the ability to acquire acceptable necessities using socially acceptable means without resorting to emergency food supplies such as scavenging, stealing, or other coping strategies. Similarly Francis (2000) elucidates that sustainable rural livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living. Hence a livelihood is sustainable if it can cope and recover from stress and shocks, maintain or enhance its capabilities and assets and provide sustainable livelihood opportunities for the next generation and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term. In light of this, household livelihood security is defined as adequate and sustainable access to income and resources to meet basic needs (Frankenberger 1996).

According to the recent economic census, overall Zambia's rural poverty situation and people's inability to make a living in an economically, ecologically and socially sustainable manner in Zambia remained major problems affecting people livelihoods standards. This growing tendency continues to represent a serious threat and has raised awareness about rural livelihood issues. Over the years, the contribution of micro enterprises to rural livelihood has manifested in a variety of ways ranging from agricultural and non-agricultural based (Central statistical Office, 2011).

Recently, the government of Zambia had embarked on measures of bringing development closer to the people in rural areas. One of the measures has been the implementation of devolution of government operations around the country. New districts have emerged since the patriotic front government assumed office in the year 2011. The main argument for

creating new districts is that development will be taken close to the local people particularly the rural population. It has been noted that with the creation of new districts the number of people involved in micro enterprises has increased. One of such areas which were recently declared a district is Mulobezi of Western province. It was declared a new district in the year 2012. It has an estimated surface area of 9000sq.Km with an estimated population of 26, 000 people (CSO, 2010). It shares its boundaries with Sesheke on the West, Luampa on the North east, Kazungula on the East, Senanga on the North West and Mwandu on the South East. Although the district shares its boundaries with Five (5) districts, there is only one main road which continues to remain in a deplorable state as most of the gravel has either been washed away or unlevelled by traffic. The district is well known for its Timber production. Others call it the land of Timber and cattle. It should be noted from the onset that a larger population of the district is living below the poverty datum line of less than a dollar a day. This has contributed to negative coping strategies that do not encourage sustainability of the district economy and eco-system.

The economic performance of the district is largely impeded by the poor state of both social and economic infrastructure such as roads, markets, housing, health centres and schools. This is partly because of the low investment from both internal and external investors as well as the unfavourable land tenure system in the district (District Development Plan, 2015)

Large part of the population is engaged in micro business and pottery which provide a major source of income and livelihood. However, product development and diversification including quality control, analysis and development have not been fully promoted. As such producer are fetching low income for their produce and hardly find market. The district has no banking and micro credit facility that has potential to pull economic leverage for the poor population. The district strength to support better development lies in the existence of district administration, a functioning district development coordinating committee. The strength is however circumvented by poor road network, poor communication system and marketing skills. It can't go without mention that the district has experienced proliferation of small scale enterprises and an increase in youth involvement in the business sector. Negative trends include; poor sustainability of previous income generation and income enhancement projects

Nevertheless despite that the general trend has been that a new district leads to increased micro enterprises to cater for a developing urban centre, little is known about the contribution of these microenterprises to improving the livelihoods (Ito, 2010). Therefore there is need to examine the contribution of the micro enterprises to sustainable rural livelihoods of the local people in newly created districts such as Mulobezi.

### **1.2. Statement of the Problem**

Admittedly, rural livelihood has been, until recently, an invisible problem in Zambia's rural areas. Even now, although governments and non-government organisations have mobilised resources to act on this problem, there is a lack of research and quality evaluation to inform policy and practice. The growing trend in people's inability to make a living in Zambia has in turn brought about various social and economic effects. On the social front, the increasing inability to make a living has led to an increase in social exclusion, theft, promiscuity and retarded mental and physical wellbeing and simultaneously increasing social unrest and tension notably which in turn has its own monumental effects (Ager, 2016).

It has been observed that even though the agriculture has been the main livelihoods in many parts of Zambia including Mulobezi, there has been an increase in non-agriculture. Nevertheless there has been little attention on research on the contribution on microenterprises to sustainable livelihoods and poverty reduction among local people. Mulenga et al (2012) noted that microenterprises continue to be a major source of livelihoods in many parts of the country. Yet little is known exactly about these microenterprises contribution to sustainable rural livelihoods. This scarcity of available data on the impact microenterprises is an obstacle to reviewing the viability of the micro enterprises sector in fighting unemployment and poverty among the rural population.

Although there has been considerable growth in the empirical research on the contribution of micro enterprise to sustainable rural livelihoods by other institutions and organizations, little research has been done in new districts like Mulobezi which are less than five years old. Furthermore, in spite of the increased micro enterprises in Mulobezi District, it remains among the poorest districts in Zambia. Therefore it is clear that, there is little question that the declaration of Mulobezi as a districts and continued presence of microenterprises has to some degree have had an impact on the people livelihoods ([www.times.co.zm](http://www.times.co.zm)). Therefore the aim of this study was to ascertain the contribution of micro enterprises to sustainable rural livelihood in Mulobezi.

### 1.3. 0. Aims and Objectives

#### 1.3.1. Aim of the study

The aim of the study was

- ❖ To ascertain the contribution of micro enterprises to sustainable rural livelihood and poverty reduction among people

#### 1.3.2. Specific objectives

The following were the objectives that guided the study:

- ❖ To find out the types of micro enterprises operating in Mulobezi District
- ❖ To investigate the contribution of microenterprises to employment creation among local people
- ❖ To establish the level of contribution of micro enterprises to assets and wealth creation among local people in Mulobezi district.

### 1.4. Research Questions

- ❖ What are the main types of micro enterprises operating in Mulobezi District?
- ❖ What is the contribution of micro enterprises to employment creation among local people?
- ❖ What is the contribution of micro enterprises to assets and wealth creation among local people in Mulobezi district?

### 1.5. Significance of the Study

It is envisaged that the findings from the study will add knowledge to the existing information regarding microenterprises and sustainable rural livelihoods linkages. Additionally, the findings of the research are of great importance to designing policies especially on sustainable rural livelihoods in most parts of the country. Furthermore the findings of this study are helpful to the government of Zambia in development planning especially improving its response to the economic measures and policies at grassroots. It is predicted that the findings of this will inform and enhance Government's programming for effective and efficient implementation of its programmes to achieve the desired result of alleviating poverty among the vulnerable people in the country particularly rural areas. Thus the findings shall be used to inform policy and benefit the government wings and development partners.

### **1.6. Limitations of the study**

The major limitation of this study was that it was only conducted in one district and this may have a wider marginal error and will only reflect the impact on a very small scale. Thus the findings may not be reflective of the broader range of micro enterprises contribution to sustainable rural livelihoods hence findings are only useful when used on micro analysis and application. The fact that this study sampled thirty (30) respondents from Mulobezi district only makes it representative of the population of the micro enterprises in the study area and not necessary for macro level such as the whole country.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1. Introduction

This chapter examines the literature body that has been done on the contribution small and medium enterprises or micro enterprises to sustainable rural livelihoods. Thus this section of the study examines the theoretical framework and empirical studies prior to the study. It should be noted that the empirical studies included those done outside the Zambia especially in developing countries which have common socio-economic characteristics with Zambia.

#### 2.2. Theoretical Framework

The theoretical framework for this study was the Sustainable Livelihood Approach (SLA). Sustainable Livelihood Approach (SLA) evolved within the context of the international development approach by which development practitioners were seeking to maximise the effectiveness of their interventions to help the disadvantaged. It is in effect a diagnostic tool which provides a framework for analysis leading to concrete suggestions for intervention ((Francis, 2000; Allison and Horemans 2006). It was typically applied in poorer countries as part of a planning phase for an intervention via policy, a development project or perhaps as the basis for more in-depth research.

In that sense the SLA is an analysis of peoples' current livelihood and what is needed for an 'enhancement', and useful in avoiding the inappropriate interventions critiqued by the post-developmentalists. It should be noted that the latter might not necessarily be the need for people to replace their current livelihood or indeed have more means of livelihood. Instead it might involve making the current means of livelihood less susceptible to environmental, social or economic 'stresses'. The SLA could also result in recommendations that people themselves may be able to put into practice rather than be dependent upon the actions of outsiders. It is thus a 'no holds barred' approach to understanding and improving the sustainability of livelihood, although it clearly has to take into account what is feasible in different circumstances. The Sustainable Livelihood Approach (SLA) identifies the main constraints and opportunities of the poor people's livelihoods. It is used in planning new development activities and assesses the contribution that existing activities have made to sustaining livelihoods (Tao and Wall 2009).

De Haan (2012) defines livelihood as comprising the capabilities, assets (material and social resources) and activities required for a means of living. In this context, capabilities refer to a

person or household's ability to cope with stress and shocks, and the ability to find and make use of livelihood opportunities. Assets refer to the basic material and social resources that people possess. Activities refer to the ways in which capabilities and assets are combined to achieve livelihood outcomes, and a livelihood is considered sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, both now and in the future, while not undermining the natural resources base.

Sustainable livelihood approach centres on the links between individual or household assets, the activities in which households can engage with a given asset profile, and the mediating processes (institutions, regulations etc.) that govern access to assets and to alternative activities. The concepts and methods of livelihoods analysis have recently been applied to understanding the role that micro enterprises play in the rural economy in developing countries (Anthony 2013).

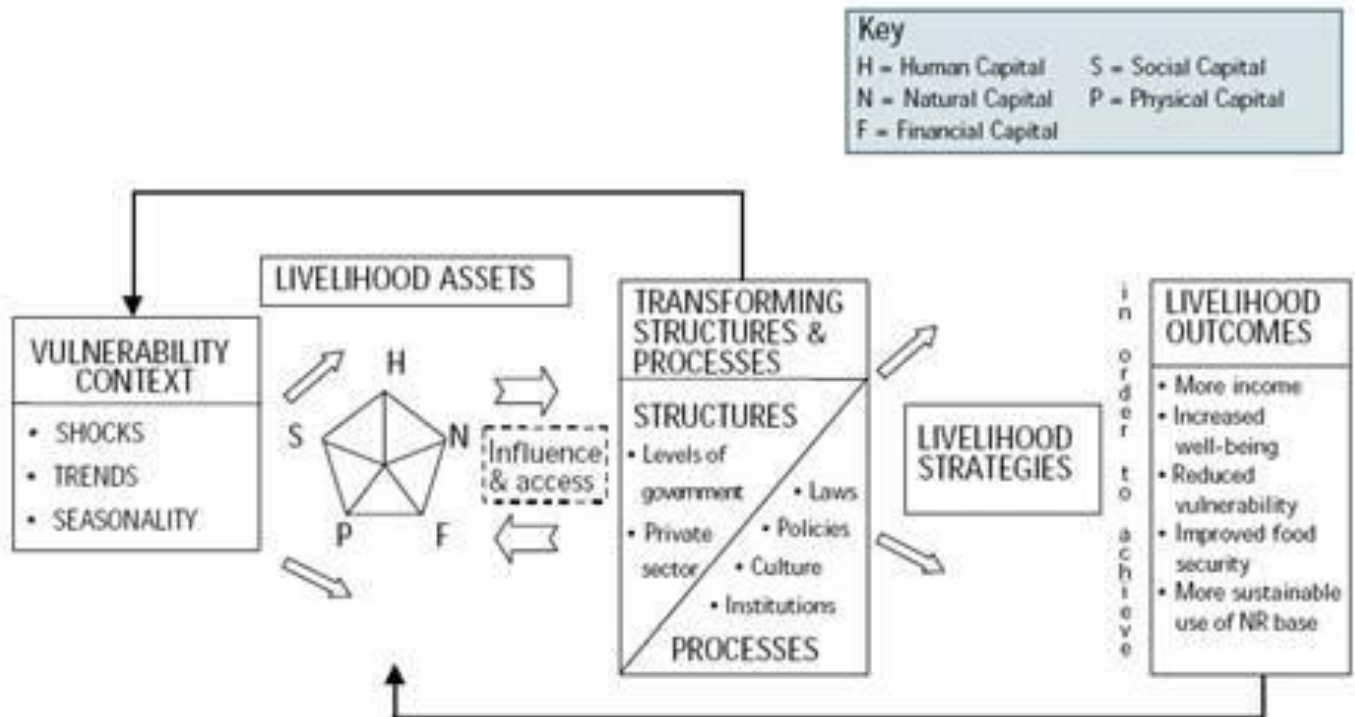
According to De Haan (2012), Sustainable livelihood approach (SLA) comprises seven core principles. These principles are people centred, holistic, dynamic, and build on strengths, macro linkages, partnerships and sustainability. SLA frameworks are structured around key principles, which are particularly relevant to micro enterprises development. Building on assets and strengths is a distinguishing feature of SLA and helps enhance the capability of micro enterprises.

Building on strength rather than focusing on needs leads to more sustainable development and action, and reduces vulnerability and dependency. This framework analyses what people do and what they have rather than on their problems or needs. SLA offers useful frameworks for developing micro enterprises and for identifying learning and training requirements for promoting livelihoods that are more sustainable. This opportunity helps improve rural livelihoods through job creation. Promoting micro enterprises through the principles and frameworks of SLA helps identify opportunities for micro enterprises on led. Applying livelihood approaches can assist micro enterprises to increase their contribution to move local poor people from merely escaping poverty to helping them thrive (Tsoabisi 2012).

Promoting rural micro enterprises contributes to alleviation of poverty, job creation and improved living conditions, particularly for women and vulnerable groups through increased self and wage or non-wage employment (Elizabeth 2011).



**Figure 1: Sustainable Livelihood Approach framework**



Source: Department for International Development of the United Kingdom

The framework contributes to the identification of the challenges and constraints of micro enterprises development. It also improves micro enterprises competitiveness in order to boost the local economic development. SLA identifies the interventions that poor people can pursue in their poverty reduction work. Interventions such as education, loans, training, advice, technology and any other activities improve the livelihood of micro enterprises to employ the growing workforce that can no longer be absorbed by the government or in large scale industry. This framework enables micro enterprises to pursue different activities and achieve their livelihood objectives. Using the SLA involves recognizing not just what assets a poor person lacks (financial, human, social, physical, and natural assets) but also what assets they have, and builds interventions based on both, their capacities and needs. Applying SLA to realize improved assets, reduced vulnerability and prosperity, requires that all relevant role players engage fully in the process

The Sustainable Livelihoods approach is a holistic and flexible framework for understanding, measuring, and analyzing poverty and poverty alleviation. Unlike many traditional models which measure poverty by a single factor like low income, a Sustainable Livelihoods

approach takes into account a variety of economic, social, political, and ecological factors that impact a person's ability to sustain a livelihood (Tao and Wall 2009).

The Sustainable Livelihoods approach puts poor people themselves at the centre of any analysis. It takes into account the complexities of poverty: what level of skills or knowledge an individual has, whether or not they have access to education, sources of credit, networks of social support, and how vulnerable they are to economic stressors like natural disasters or fluctuations in food prices. Using a Sustainable Livelihoods approach involves recognizing not just what assets a poor person lacks—financial, human, social, physical, and natural assets—but also what assets they do have, and builds interventions based on both their capacities and needs (Ibid).

Gaining a deeper understanding of poor people's livelihoods has had important contributions to many interventions. For example, the NGO Scale working in Cambodia applied the Sustainable Livelihoods analysis to assess how different poor people have different livelihood strategies, and how groups of poor may change. In some cases this may mean that having benefited from aquatic resource-based intervention to improve their livelihoods, such aquatic resource interventions are no longer the most appropriate to meet their current livelihood needs (Dercon and Krishnan, 2011).

In the works of Jiggins (2009) Aquatic resources are often one component of wider household livelihood strategies that adapt to changing conditions. Aquaculture may in some circumstances be a temporary or irregular strategy for coping with a production failure. Households may not engage in aquaculture all year, every year - but rather when they need to do so. The 'success' of aquaculture uptake must be assessed in the light of such adaptive household strategies. Supporting households' capacity to adapt to change and cope with crisis should itself be an objective of poverty alleviation.

In propounding the significance of livelihood approaches, Mbedzi (2011), livelihoods approaches have provided government and partners with deeper insights. However we must be wary of promoting the jargon and losing the essence. In many situations district workers are very much aware of poverty and livelihoods issues, and have an intuitive understanding of local livelihoods that should be developed. Although it must be acknowledged that in many other cases, government workers are often characterised by their lack of understanding of local livelihoods and poor communication skills.

Hein (2010), contend that linked to the job agenda is artisanal mining's added value as part of rural livelihood diversification strategies - where it is one avenue of income generation. Research has shown how artisanal mining assists rural households in building more dynamic and resilient livelihood strategies portfolios by, for instance, 'dovetailing' artisanal mining and farming economies. Further, it is a stimulus for trade and subsidiary business development around mine sites just as evidence in industrial or larger-scale mining operations. The question of linkages; how mining interplays with other aspects of local economies and how to promote better integrated rural development strategies to capture mineral benefit distribution is equally an important question linked to artisanal mining.

The choice of strategies is a dynamic process in which people combine activities to meet their changing needs. For example, in farming households, activities are not necessarily confined to agriculture but often include non-farm activities in order to diversify income and meet household needs. Migration, whether seasonal or permanent, is one common livelihood strategy (Chacuamba, 2011)

A major influence on people's choice of livelihood strategies is their access to assets and the policies, institutions and processes that affect their ability to use these assets to achieve positive livelihood outcomes. Arguably, people are often forced to compete for limited resources: fundamental to livelihoods approaches is the principle that development support aimed at improving the livelihood strategies of some should not disadvantage those of others now or in the future. Social protection programmes can support the extreme poor to achieve their own positive livelihoods outcomes in cases where they are unable to compete with those with greater access to assets (Rasheed, 2015).

### 2.3. Empirical Studies

There a number of empirical evidence that shows the significance of micro enterprises to sustainable livelihoods among rural population in the world. Orr and Orr (2002) contended that better access to assets is a desirable outcome of any livelihood strategy. Livelihood strategies may focus on increasing the range of assets to which a person or household has access, or on increasing access to particular types of capital. The ultimate objective of these investment strategies is to improve long-term livelihood security and the quality of life more generally. On the whole, the more assets someone has the less vulnerable they are to the various shocks and trends. Shocks can wipe out assets very suddenly if they are not protected and adverse trends can result in them being gradually eroded if livelihoods are not able to adapt to change.

Furthermore Seppala (1996) argues that livelihood assets outline the context which influences and, to a large degree, defines the options and constraints faced by households and individuals in their livelihood strategies. Assets do not only include those owned or controlled directly by households or individuals, but also publicly owned assets and intangible assets such as social support. Sustainable Livelihoods Approach identifies five major categories of livelihood assets from the Sustainable Livelihoods Approach: Human Capital, Social Capital, Physical Capital, Financial Capital and Natural Capital. Human capital refers to household size and composition, health, nutrition and education while social capital entails remittances, gifts, rural-rural links and rural-rural links. On other hand physical capital implies housing, construction and transportation, road infrastructure, land and livestock holdings. Meanwhile financial capital measures capital levels, access to loans and debt levels while natural capital encompasses water sources, energy sources and environmental degradation (Chambers and Conway, 1992).

Chambers and Conway (1992) elucidate that livelihood strategies and activities of poor people in rural areas are often complex and diverse. For rural people, agriculture and other natural resource-based activities may play an important role, but rural households also diversify into other activities, some of which are linked to agriculture and the natural resources sector, others which are not. In rural Zambia the common and prominent strategies may include subsistence production or production for the market, participation in labour markets or labouring in the home (CSO, 2011).

A cross cross-sectional survey of 213 farming households in Luwingu district of Zambia revealed that the proportion of the farming households whose per capita expenditures fell below the poverty line was 47 per cent and income generated from livelihood activities was negatively related to the probability of a household being poor suggesting that engagement in livelihood activities reduces the risk of poverty among the farming household in the study area. The results also showed that sex of the household head, household size, dependency ratio, and land area owned by the household, income generated from livelihood activities and hunting as a means of livelihood significantly determined the poverty status of farming household in the study area (Self Help Africa, 2013).

A study on small scale dairy farming indicated that small scale dairy farming contributed substantially to household welfare in most parts of western province making one of the biggest microenterprises engaged by the people in Western Province of Zambia. Average annual profit per household from small scale dairy farming by small scale dairy farmers was on the same range as those from crop production and small scale business. Furthermore, the study noted that whilst improved access to livelihood assets and the outcome of greater livelihood security (especially higher incomes, more stable incomes, and reduced risk) are usually important objectives in rural livelihood strategies, environmental sustainability may or may not be an objective (African Development Bank, 2014).

While the possibility that micro enterprise leads to income which is used for investment and sustainable rural livelihoods, this may be dependent on wealth and profits being made from micro enterprise ventures (Bigsten and Kayizzi-Mugerwa, 2005). Chen (1999) argues that poor micro enterprises in rural African countries are unlikely to be able to use income from livelihood diversification for business growth and assets accumulation, but rather use it to support consumption and essential current expenses in order to survive. This likewise needs to be understood in terms of the context within which micro enterprise is taking place.

Dercon and Krishnan (2011) add to this argument, showing from their research on diversification in rural Tanzania and Ethiopia that the different income portfolios held by households cannot be explained by their behaviour towards risk as is usually suggested. They argue that the ability of households to adopt more profitable and sustainable livelihoods strategies depends on access to the means required to pursue such activities, such as skills, location, livestock ownership, access to capital and credit.

One likely possibility is that a spectrum of outcomes arises as a result of engaging in micro enterprises as livelihood strategy ranging from long-term adaptation to accumulation for investment purposes, and that these outcomes vary over time. Jiggins (2009) for example, argues that agricultural and non-agricultural micro enterprises activities coexist in a complex mix that produces positive accumulation only in specific contexts. Ito (2010) also suggested that in sub-Saharan Africa certain policy interventions are necessary to allow positive farm-non-farm growth linkages, and ensure the success of non-farm activities in reducing poverty and promoting capital accumulation which is crucial to achieving sustainable rural livelihoods.

According to Orr and Orr (2002) study in Republic of Malawi, among micro enterprisers nine out of 10 micro and small enterprises (MSEs) employ four people or less, including the owners. Additionally Women wholly or partly own two-thirds of MSEs. The share of income from micro enterprise is highest in the southern Malawi. They further elucidate that according to Vulnerability Assessment Mapping (VAM) in Malawi, of 54 Extension Planning Areas (EPAs) where household food security was primarily dependent on Income-Generating Activities (IGAs) for cash to buy maize, 42 (78%) lay in the southern region. Informal cross-border trade is an important micro enterprise where rural populations in the border areas source their income.

While most of the micro enterprises in African countries have been in the agro sectors. Studies in some African countries show that non agro micro enterprise has been key reducing in unemployment levels. Many of the micro enterprise activities pursued by rural people and the importance of micro-enterprises in generating employment and income in rural areas of Africa have become increasingly recognised (Haggblade et al, 1989). According to Heyer (1996), past empirical studies have indicated non-agricultural micron enterprises provide 20% to 45% of full-time employment and 30% to 50% of rural household income in Africa. Bigsten (2013) confirms this view, noting that off-farm rural incomes are necessary for successful income growth in Africa and the ultimate achievement of sustainable rural livelihoods. Hence micro enterprises are therefore critical to the achievement of sustainable livelihoods.

It must be underlined that many rural livelihood strategies are frequently gender specific. The literature confirms that women may undertake similarly wide range micro enterprise activities as men but in many contexts, men are able to avail themselves of diversification

opportunities that are not open to women due to cultural constraints embodied in the African continent. For example women's livelihoods strategies in Zambia are limited by the practice of female seclusion which operates at a practical and an ideological level. Personal accumulation and consumption are sanctioned for men to fulfil their part of the patriarchal bargain: women try to renegotiate this to protect themselves against the break-up of the household (African Development Bank, 2014).

There is also strong evidence that the involvement of men and women in non-farm employment is skewed in favour of men, and against women. First, in Africa many women are engaged in the lowest levels of micro enterprise: household-based income generating activities. There are no substantial barriers to entry into this type of activity in terms of skills and capital, but they yield very low incomes (not to diminish their importance in supplementing the household budget). They are, on the whole, "*survival*" activities (Bigsten and Kayizzi-Mugerwa 2005).

Further, Chen (1999) explains that while reliable statistics on the different levels of involvement of women and men in rural non-farm employment are hard to find, those that exist point to women not participating equally. Dercon and Krishnan (1996) show that in rural areas of African country of Tanzania the participation rate of women in non-farm employment is 16% as opposed to 84% for men. This indicates that men do have more opportunities to pursue this type of diversification, although this proposition must be further tested in the field.

Elizabeth (2006) is of the view that women dominate many of the non-farm activities that will grow most rapidly during structural transformation - activities such as food processing and preparation, tailoring, trading and many services. They likewise hold a major interest in many of the declining rural non-farm occupations - basket making, mat making, ceramics and weaving. Consequently, women will be key actors in the economic transition of Africa's rural economy. Nevertheless while these are important rural livelihood strategies (income generating activities), it must still be emphasized that the greater body of evidence suggests that micro enterprises activities open to women are often less lucrative than those pursued by men.

According to Hein (2010) in Western in the republic of south African, reviewed important factors responsible for the rapid development of micro enterprises in the rural areas as

the uniqueness of the products, the development of infrastructure, strong and integrated policy support from government as well as a well-developed marketing strategy. Similarly a study conducted in Limpopo by Mbedzi (2011) revealed that most local governments have taken the responsibility of the development of micro enterprises. They were designing different programs and projects that would meet the needs of micro enterprises at different levels. Micro enterprises support programs have featured prominently in the local government's strategies for poverty reduction, employment creation, income generation and accumulation of assets especially among the rural population.

Chacuamba (2011) argues that at local level, micro enterprises are an integral part of solving local economic challenges such as unemployment, poverty and inequality in the local areas. Micro enterprises also provide basic necessities to the mass of the rural and urban poor people. In meeting the basic needs of the majority rural poor people, Martinez and Powell (2010) argues that micro Enterprises stand as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. Micro Enterprises contribute to increases in household incomes, diversify household income sources, and reduce household poverty and vulnerability levels.

Research evidence by Hein (2010) further shows that rural micro Enterprises have great potential and value in creating employment, achieving equitable income distribution, alleviating poverty, building a local technological base, promoting participation of vulnerable groups, providing training ground for entrepreneurial and managerial skills and providing opportunities for use of own capital resources. Micro enterprises contribute to job creation and poverty alleviation in the local areas.

Chacuamba (2011) points out that the role of micro enterprises has been recognized as having to do with addressing the challenges of poverty, inequality and job creation in the rural area. The sector is actually aware of the need to assist in the response to the jobs crisis at the local level. The micro enterprises sector is contributing mostly to job creation especially where formal employment is no longer in the position to absorb the job-seekers.

A study carried out by Tsoabisi (2012) micro enterprises contribute to the creation of wealth, employment, and income generation in rural areas. They also provide the economy with a continuous supply of ideas, skills and innovations necessary to promote competition and the efficient allocation of scarce resources. Nevertheless Hein (2010) argues that ability of micro



enterprises to realize their potential impact on the rural economy in terms of generating employment, poverty reduction and increasing income depends largely on the availability and provision of appropriate and cost-effective development services.

According to the study conducted by Orr and Orr (2002), it reviewed that there is a strong relationship between sustainable livelihoods, micro-enterprise and culture. Furthermore, micro-enterprise is regarded as a livelihood strategy that, if successful and sustainable, can support livelihood outcomes for rural people, and reduce poverty. Thus in sustainable livelihoods approach culture is integral to sustainable livelihoods, but existing theory and frameworks do not incorporate cultural aspects in a way that provides a sound theoretical basis for this research, or any sustainable livelihoods analysis. Culture is interwoven into each of the components of the sustainable livelihoods framework, and in fact culture is a context in which livelihoods exist. Each of the components provides an entry point for analysis of the relationships between culture and livelihoods (Heyer, 1996).

Orr and Orr (2002) Study in Malawi reviews that despite its importance for households in the southern region, most micro enterprise is best described as income-generating activities that rarely develop into either stable or growth enterprises. Hence, most micro enterprise is essentially an unspecialised activity involving one or two people, carried out at or near the home, and operating for about eight months each year in order to fit in with agricultural activities and the need to secure household food supply. Several factors explain this limited specialisation, and the failure to graduate from income-generating activities to micro enterprise.

According to Kim (2011), micro enterprises in Africa, especially in rural areas are facing numerous impediments, such as limited access to finance, insufficient access to market and lack of business skills. Furthermore, Kim (2011) argues that African local governments impose harsh regulations on local micro enterprises development. Kim provides an example of micro enterprises in Ethiopia, which complain that regulations are too tight. It is also difficult to obtain a license. Additionally, proof of premises and requirements for large amounts of capital and high qualifications stifle growth.

Ito (2010) contends that African cultural attitudes to business is among the major constraints that micro enterprises face in most African countries. While influencing the above thought patterns, also provide a mediating variable that hinders entrepreneurship in a number of ways.

Success is often equated with witchcraft; traditional gender divisions of labour are challenged when women become involved in cash transactions (women who travel are considered to be prostitutes); and funeral practices may require the affected household not to run a business for 40 days. In addition, some religious organisations forbid the production and sale of beer (a highly profitable but socially damaging micro enterprise), while others forbid anything to do with pork.

The opportunities for sustainable rural livelihood ventures open to rural people vary according to a wide range of factors. For example, Seppala (1996) argues from his analysis of data collected in rural Tanzania that success or failure in undertaking livelihood strategies such as engaging in micro enterprises is dependent upon households' different management approaches, differences in timing of activities, location of activities, or a capacity to estimate risks. Dercon and Krishnan (1996) have suggested that the different income portfolios held by households is best explained by differences in ability, location and access to credit. Likewise, Bigsten and Kayizzi-Mugerwa (2000) conclude that the ability of Ugandan households to diversify their income depends upon both household characteristics and economic variables, and Bigsten (2013) illustrates this in Kenya, where the size of a household and the existence of personal networks were fundamental variables determining whether or not a household engaged in a variety of micro enterprises.

Most developing countries, especially in rural areas, opportunities for micro enterprises exists which can enable micro enterprises to penetrate the huge markets, however, there exist some impediments which need to be removed in order to allow for growth and development of rural micro and small enterprises (MSEs) for improvement in rural livelihoods. Consequently unless the constraints of the micro enterprises are identified and corrected, the dream of revitalizing micro enterprises towards sustainable rural livelihoods will remain a mirage. It is suggested therefore that a deliberate attempt at promoting micro enterprises development that supports local entrepreneurs, particularly rural women and men should be encouraged aggressively (World Bank, 2013).

It is generally accepted that the key to developing a sustainable rural livelihood is the ability to use key resources in such a way that the ability of future generations to meet their own needs remains uncompromised. Additionally sustainability depends on the exchange of information, resources and entitlements between generations. Thus property ownership such as land has been one of the greatest challenges for micro enterprise as the local authorities

give priority to established investors when giving and selling lands. Hence, a sustainable rural livelihood is a mere dream because property such as land is vital from improving rural livelihoods especially for new and emerging urban areas (Ito, 2010).

Similarly rural poverty is strongly associated with lack of land and livestock, as well as inability to secure nonfarm alternatives to diminishing farm opportunities. The rural poor encounter a public sector institutional context that is neutral or blocking rather than enabling for them to construct their own pathways out of poverty. In addition, the tendency for rural households to engage in multiple occupations is often remarked, but few attempts have been made to link this behaviour in a systematic way to rural poverty and sustainable rural livelihoods (Self Help Africa, 2013).

Generally in western province of Zambia in which Mulobezi is located, Small mixed farming contributes significantly to household welfare in area and hence need to be promoted. Unreliable milk market, high prices of drugs and concentrates are the major challenges to small scale dairy farming in the area. Encouraging private individuals and/or farmers groups to establish small scale milk processing plants as well as private individuals establishing more veterinary shops could help alleviate these problems. Microenterprises (small scale farming and business) they constitute about 75% of households in Zambia. For farming micro enterprises, main activity is production of food and fibre crops and livestock, mostly for subsistence and minimal. Lack of cash incomes, appropriate technological packages and irregular supply of inputs are the major constraints affecting their activities. As a result, productivity is very low (Ager, 2016).

Following the liberalisation of the economy adopted by the government, many micro enterprises opportunities were opened in Zambia. Nevertheless, because of the historical over-centralisation and control of the economy, many poor rural households did not know how to function in a liberalised market economy such that a sense of hopelessness and powerlessness has evolved among many rural micron enterprises. Given the continued change and fluctuations of markets forces in a liberalised economy of Zambia, most of the micro enterprises s have little knowledge of how they, as individual small-scale producers, could stay afloat in a capitalist led economy without government-sponsored channels. Thus micro enterprise in Zambia needs deliberate incentives such as credits facilities to boost their business which ultimately would improve rural livelihoods. While there many credit and empowerment related programs in many nay parts of Zambia, few have addressees the real

needs for micro enterprises. Many of such programs have mainly focused on the youths and women and not microenterprises per se (African Development Bank, 2014).

Haggblade et al (1989), in their study which focused of agriculture as micro enterprise, elucidates a number of challenges and risks that they face in meeting their needs. One of the key constraints where that micro enterprises in the agriculture lack access to reliable markets and market information making them operate in a vacuum kind of operation. He argued that since the farmers had been accustomed to marketing their crops through the government-sponsored co-operative marketing system, and because that system is no longer functioning, they have tended to rely on itinerant private traders to buy their crops. The majority of small-scale farmers have no experience in selling their cash crops in a competitive market. They also do not have experience in collective bargaining and they lack market information. This has resulted in small-scale farmers getting unfair terms of trade due to the monopolistic tendencies of buyers. They, therefore, are not able to obtain what they consider to be a fair price for their products and improve their rural livelihoods.

According to Ager (2016) of the greatest challenges and constraints facing micro enterprises in rural districts in Zambia is poor infrastructure. The flourishing of many micro enterprises ventures depends on the adequacy and quality of rural infrastructure like roads and bridges. The main problems facing Zambia's rural roads are poor planning, lack of funding and severe neglect of rehabilitation and maintenance. These problems have serious implications on the micro enterprises. For example, many places have become inaccessible to motor vehicles and productive activities have been hampered. Another effect has been high operational costs for traders and transport businesses. Most private transporters shun rural areas. Western Province is among the typical rural areas with worst rural road networks. This is despite that some parts of Western Province such as Mulobezi, Sesheke have rail lines. These rails are only dependent on rail transport by the Zambia Railways which has specific times for travel (World Bank, 2013).

Ager (2016) argues that Non-farm activities/microenterprises are often dependent on the health of the farming economy. He noted that there is a diverse range of non-farm livelihood/enterprise activity Zambians are engaged in. The customers or users of these non-farm products/services include a high proportion of people engaged in farm and off-farm activity; so non-farm livelihoods/enterprises are also highly dependent on the health of the

farming economy and therefore also vulnerable to the effects of, for example, drought/flooding and falling/volatile commodity prices.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This chapter of the research proposal explains the methodology that was employed in the study. The following items are outlined in this chapter: target population, research instruments, sample size and sampling procedures, data analysis and ethical considerations.

#### **3.2. Research design**

In this research, a case study design was used because the variables contained in this study have to be discussed in detail and described precisely. The case study was chosen just as Kombo and Tromp (2013) elucidates that a case study seeks to describe a unit in detail, in context and holistically.

#### **3.3. Study location**

The study was conducted in Mulobezi district. The district was chosen because it is one of those newly created districts where micro enterprises are on the rise with a large part of the population engaged in timber business and pottery which provide a major source of income and livelihood. Additionally despite that there are a number of new districts created in Zambia the selected site present a good case study to investigate the contribution of micro enterprises to sustainable rural livelihood.

#### **3.4. Study population, sample and sampling technique**

The population for this study comprised micro enterprises operating in Mulobezi Boma area. The council register of businesses for the 2013-2015 financial year was the sampling frame. The sampling frame was made of 77 micro enterprises registered by Mulobezi district council. Selection of the study sample was done using Simple random sampling which has an advantage of been free of classification error and requires minimum advance knowledge of the population other than the frame, its simplicity made it relatively easy to interpret collected data. In this study, all the 77 micro enterprises stood an equal chance of being selected. A number was assigned to each business as they appear in the register (sample frame), the 30 random were selected using simple random method and each number picked represented a business entity to be interviewed in the study.

#### **3.5. Data collection and research instruments**

Primary data were collected using a questionnaire. A structured questionnaire was used to ensure uniformity of responses and facilitate easy analysis. In addition, the interviews were

conducted as face to face to ensure that all questions were properly understood by respondents. The face to face also facilitated for probing in some instances. Both qualitative and quantitative data were collected. Secondary data was collected from books, magazines, newspapers, statistical bulletins, journals, government documents, published and unpublished research papers among others.

### **3.6. Data analysis**

Quantitative data were analysed using qualitative methods and quantitative data were analysed using quantitative tools in Microsoft office package. Qualitative data were presented in the form of frequency tables, and graphs. Content analysis of the responses was done under various themes which will later be presented using descriptive statistics.

### **3.7. Ethical considerations**

Ethical concerns were taken into consideration from the start of an investigation to the final report. The researcher accepted individual responsibility for the conduct of the research and ensure that informed consent from respondents in the study is obtained in order to make that all respondents participated freely and voluntarily. The concerned people were informed that the study was purely for academic purposes. Thus an ethical consent was sought through a form of an informed consent form and confidentiality guaranteed before embarking on data collection from respondents. The respondents were free to withdrew from the research process should they feel uncomfortable.

## CHAPTER FOUR

### FINDINGS, ANALYSIS AND DISCUSSION

#### 4.1. Introduction

The section of the report presents the findings from the field study, analysis and discussion. The data presented is both qualitative and quantitative and is discussed based on the three research questions. The results are based on the study which was conducted in Mulobezi district trading area.

#### 4.2. Socio-Economic and Demographic Features of Respondents

A total number of thirty micro enterprises were interviewed within Mulobezi Boma. Out of the total micro enterprises operating in Mulobezi, twenty three of them representing seventy seven per cent (77%) were being headed by males while only seven representing twenty-three (23%) were being headed by female. The average for business heads interviewed was thirty four (34) years old. These result shows that men are more actively engaged in the entrepreneurial ventures than women in the survey area (Mulobezi). Similarly many other studies on micro enterprise in African show that men are more involved in running business compared to women. This is due to the dominance of males in the economic circles.

Chen (1999) explains that while reliable statistics on the different levels of involvement of women and men in rural non-farm employment are hard to find, those that exist point to women not participating equally. Dercon and Krishnan (1996) show that in rural areas of African country of Tanzania the participation rate of women in non-farm employment is 16% as opposed to 84% for men. This indicates that men do have more opportunities to pursue this type of diversification, although this proposition must be further tested in the field.

In terms of the age distribution of the respondents, most of the respondents who participated were between 30 and 40 years old giving an average of 34 years. With regards to education qualifications, the results show that most of the people heading the business who participated in the study held grade twelve or have reached grade twelve in the Zambia education ladder. This represented fifty seven per cent (57%) while only twenty three (23%) and twenty (20%) were below grade twelve and attained tertiary education respectively.

The respondents were also asked if they have school/college going children. It was established that of the 30 micro enterprises that participated in the study, only 13 of them representing 43% had school going children while 57 % had no school or college going



children. This could be attributed to the fact that the majority of the majority business owners were young and may not have children who may be at the level of attending formal education. Furthermore, it was established that on average there were five members in each household. This confirms that some of the members of the households were children but may not have started schooling.

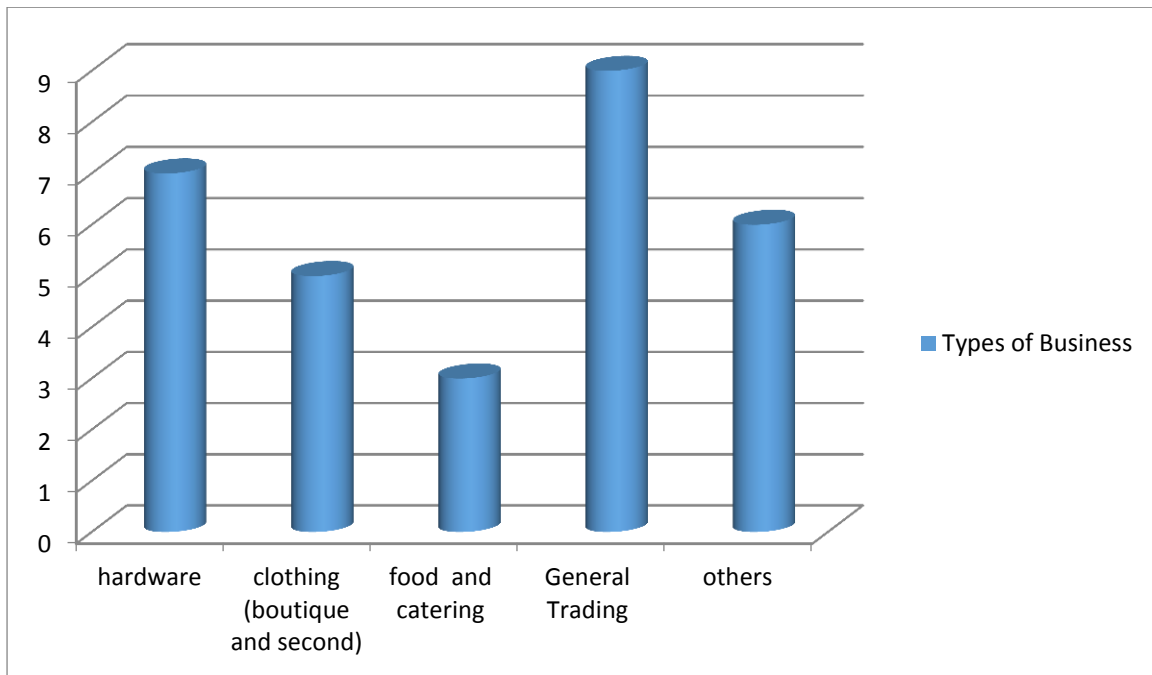
Additionally, those with school going children had challenges in sponsoring their children with only three of the 13 were completely capable of sponsoring their children to school and 7 representing 54% said they had a lot of challenges in sending their children and dependants to school. Those with challenges lamented for example that during the time for paying school fees the business flow is jeopardised as some of money (profits and capital) is channelled to sponsoring children and dependants. In terms of foods security, a good number of people were able to manage at least two meals per day (67%) and 33% were having the full three meals per day throughout the year. This also clearly that generally people who are engaged in micro enterprise ventures are able to sustainable live with regards to meeting basics needs such as food, waters which are key in meeting sustainable livelihoods.

In terms of the duration of the business, majority (46%) of the respondents have been doing their businesses for less than three years. Approximately forty per cent (40%) of the businesses have been in operation for between 3 and 5 years and 14% per cent respondents businesses have been operating for a period of more than 5 years.

### **4.3. Types of Micro Enterprises Operating in Mulobezi Area**

In terms of the type of business, the result shows that most people who participated owned the business of general trading, hardware business. The figure below shows the main types of microenterprises operating in Mulobezi.

**Figure 1: Types of micro enterprises operating in Mulobezi**



**Source: Author, 2016.**

In terms of the nature of business, the sample studied was dominated by sole proprietors (63%) followed by company (17%), family businesses (13%) and partnership (7%). Furthermore it was established that apart from the aforementioned business, micro enterprises owners were involved in other business ventures. A total of 21 SMEs representing 70% were involved in other business ventures. The business which they involved were agriculture (68%) while others were Timber related business (12%) while 10% were involved in general trading. The findings are clear that most the people doing business prefer working alone as sole traders.

#### **4.4. Contribution of micro enterprises to employment creation**

The findings showed that the micro enterprises in the districts had contributed to employment in the areas both on permanent basis and casual basis. The table below shows the level of employment among micro enterprises both at the beginning of the beginning of the business operations as well as at the time of the study. The table below show the averages from the figures obtained from the micro enterprises that participated in the study.

**Table 1: employment by micro enterprises**

<b>Job type</b>	<b>Beginning</b>	<b>Present</b>
Permanent	3	7
Temporal or seasonal	13	23
Piece work (per week)	10	17
<b>TOTAL</b>	<b>26</b>	<b>47</b>

**Source: Author, 2016.**

In probing further, the micro enterprises owners were asked if at all they engaged relatives and friends in business. A total of 28 representing 93% of the micro enterprises had engaged relatives and friends in business operations with only two who had not actively involved relatives in the business operations. Interesting is that of the 28 (93% who involved friends and relatives in running the business, 20 of them representing 71% were of the view that the relatives were entitled to monetary and non-monetary benefits as way of appreciations. This clearly entails that though they may not be counted as employees, the fact that they work in the same business and are entitled to benefits is evidence that they indirectly employed. Thus the micro enterprises contribute to job creation in Mulobezi.

Therefore it is clear that with regards to employment opportunities, most of the business entities play a crucial role in creating employment opportunities among the local people in Mulobezi. At least an average of even people is employed micro enterprise on a permanent basis while twenty employed on a temporal or seasonal basis. Furthermore micro enterprises also appointed workers by the hour (piece works) to give work to more people. This also entails that unskilled workers are employed once in a while thereby creating employment opportunities for vulnerable people like the youths. For example when offloading stock from vehicles, youths are employed on piece work kind of jobs.

Similarly Martinez-Fernandez and Powell (2010) study showed that micro enterprises are an important source of employment, particularly for low-skilled workers, women, youth, and rural families who usually make the greatest proportion of the unemployed in a developing nation, this is also in accordance with Tambunan (2011), who points out that rural micro enterprises play a crucial role in the generation of jobs, use of raw materials, meeting local market, needs, income distribution and in social mobility. They also provide goods and

services at affordable costs to local people. They are the key to a country’s economic growth and their success can help reduce poverty, improve health of families and communities, raise literacy and educational levels, and empower women (UNIDO, 2007).

A study in the Republic of South Africa also reviewed that micro enterprising is a means of employment creation, poverty alleviation and income generation. Subsequently, job creation by the micro enterprise sector serves to benefit the remote areas and ensure a healthy balance of sustainable livelihoods in rural areas (Department of Trade and Industry/DTI 2005).

#### 4.5. Contribution of micro enterprises to Assets and Wealth Creation

In establishing the how micro enterprises have contributed to the assets and wealth creation among the local people, the starting and current cash capital and assets were assessed. The table below shows how various capitals for micro enterprise had grown from the start of the business to the times of the study.

**Table 2: contribution of micro enterprise to asset and wealth creation**

<b>Opening stock worth (ZMK)</b>	<b>Frequency</b>	<b>current cash (ZMK)</b>	<b>Frequency</b>
Less 5000	7	7000 -10000	10
5001 - 10000	12	10001 - 15000	2
10001-15000	8	15001-20000	13
Above 15000	5	Above 20000	5
Total	30	Total	30

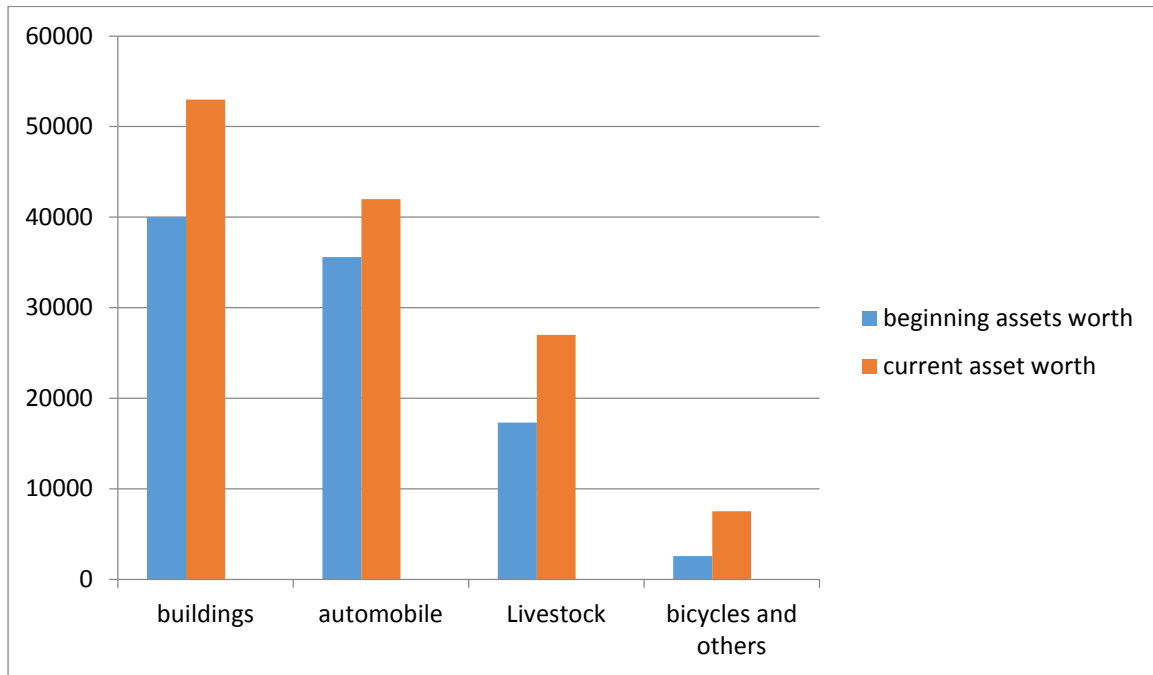
**Source: Author, 2016.**

The table above evidently show that all the micro enterprises in the areas have had their business growing since they started their business. The lowest capital with when they started their business was less than 5000 kwacha. Thus twenty three per cent of the micro enterprises in the areas had started their business with less than 5000 Zambian kwacha but currently standing on average range of 7000 to 10 000 cash at the time of the interview. Nevertheless, it cannot be fully be deduced that all micro enterprises had experienced business growth due to the fact that some of the micro enterprises representing 70% were engaged in other income generating activities outside from business on which analysis were based. For exam[le one micro enterprises argued that during farming seasons , they injects part of the business capital into agriculture and during the dry season, part of the income from agriculture in invested into business. Thus unless both businesses had its capital and growth

assessed it could be conclusively to say that all businesses had seen growth which ultimately contributes to wealth creation.

Furthermore questions were also asked with regards to assets accumulation from the start of the business till the time of the interview. The results of the findings are shown in the table below.

**Figure 2: Micro enterprises assets growth**



**Source: Author, 2016**

The graph clearly shows that micro enterprises contribute assets accumulation among the local people. Due to the fact that majority (67%) of the micro had being doing business in the area for a period of between one and three year clearly shows that with regards to assets and wealth creation, micro enterprises play an instrumental role. Furthermore the findings also confirm that micro enterprises are not only involved in one income generating ventures such as agriculture having livestock as one of the assets micro enterprise own. Additionally assets such as buildings were mainly the premises from which they operate their business and housing units. Therefore it is clear that micro enterprises contributes sustainable rural livelihoods due to the fact that proper housing is key to measuring sustainable livelihoods of people.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1. Conclusion

This study has made an effort to make a contribution to the area of the role of micro enterprises in promoting sustainable rural livelihoods in developing countries and has shown findings and recommendations. The main findings of this study showed that micro enterprises contribute to employment creation, asset and wealth creations. This is evidenced by an increase in their business capital and assets and increase in a number of people being employed by micro enterprises.

#### 5.2. Recommendations

Recommendations are directed or related to micro enterprises and the policy makers that is, government and quasi-government agencies. Micro enterprises are regarded as the vehicle to address the obstacles of job creation, poverty and inequality in the rural areas therefore, to maximise the benefits from micro enterprises,

- It is recommended that Local authorities should develop legal and economic frameworks that promote enterprise development. Implicitly, there should be increased efforts in creating a legal environment, which provides micro enterprises the opportunity to flourish and blossom. This environment should attempt to provide opportunities and sufficiently attract investors as well as entrepreneurs including school leavers to be motivated enough to opt to be employers instead of looking for paid jobs.
- The findings of the study showed that micro enterprises are the sources of job creation, reduction of poverty and generation of revenue, it is no wonder that this research has endorsed support for micro enterprises from government and private sector which should be enhanced in order to increase the contribution of micro enterprises to sustainable rural livelihoods.
- Stakeholders such as civil society, experienced SME owners and non-governmental organizations (NGO) should cooperate to create conducive legal environment for entrepreneurs and provide effective entrepreneurial education that will motivate them to improve their skills and business performances in the economy.

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## 7. APPENDICES

### 7.1. INTERVIEW SCHEDULE FOR RESPONDENTS

My name is Hanson Chishimba; I am a graduate student from the University of Lusaka. I am conducting a research on the contribution of micro enterprises to sustainable livelihood among the Local people. You have been randomly selected to participate in the study. I believe you have the information that will help me answer some of my research questions.. I assure you that the information you will provide will be dealt with high confidentiality and used for academic purposes. Therefore, I will appreciate if you spared sometime to answer the following questions.

#### **Section A: socio-economic and demographic characteristics of respondents**

1. Sex: (a) male                      (b) Female
  
2. Age on your last birthday .....years
  
3. How many are you in your households .....?
  
- 4 (a) How far did you go in education?  
  
    (b) Do you have any school/ college going children?  
  
    (c) If yes, are you able to sponsors them nicely while your business in running smoothly
  
5. How many meals do have as a household in a day?  
  
    (a) Once  
  
    (b) Twice  
  
    (c) Thrice

**SECTION B: MAIN QUESTIONS**

6. How do you classify your business?

- a) Hardware
- b) Clothing (second hand clothes)
- c) Vegetable and food trading
- d) General trading
- e) Others (specify)

7. What type of business is it?

- (a) Sole trader
- (b) Company
- (c) Family
- (d) Partnership
- (e) Others, specify

8. How long have you been doing business in Mulobezi.....years?

9. Are you involved in any other business apart from the one mentioned in (6)? If yes, what type of business is it? ..... (probe further)

10. What was your approximate capital at the start of the business (cash)?.....

11. What were your fixed assets or capital at the start of your business?

- (a) Buildings .....kwacha
- (b) Vehicles .....kwacha
- (c) Bicycle.....kwacha
- (d) Livestock .....kwacha

(e) Others specify .....kwacha

12. How has your business grown since you started?

(a) Current cash flow .....

(b) Net stock worth .....

(c). Net fixed assets

(i) Building.....Kwacha

(ii)Vehicle.....Kwacha

(iii) Bicycle.....Kwacha

(iv) Livestock .....Kwacha

(v) Others specify .....Kwacha

13. How many do you employ in business?

(a) Permanent

(b)Temporal

(c) Piecework (how often)

14. How many did you employ when you started your business?

(a) Permanent

(b)Temporal

(c) Piece works (per week)

15. (a) Are there relatives who help you in running your business in any other way  
..... (Specify the number).....

(c)If yes, are they entitled to any form of rewards .....specify

16. Any comment.....

.....

*Thank you so much for your time*