

An Assessment of Managing Growth of Small and Medium sized Businesses in Zambia in Order to Stimulate Job and Wealth Creation among Citizens.

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ABSTRACT

The Zambian government through its Ministry of Finance and National Development has pronounced its long-term development objectives in the National Vision 2030. This desired outcome of this vision is to make Zambia a prosperous middle-income country by the year 2030. This document titled Vision 2030 recognises several development goals, amongst them are;

- a) attaining middle-income status,
- b) significant poverty alleviation and reduction of hunger amongst its citizens; and
- c) encouraging the country to be highly competitive and externally -oriented economy.

These goals, together call for the establishment of policies which should speed up and ensure the sustenance of the growth of the economic, and which allows the vulnerable to take part in, and benefit from, the process of country's economic growth. The Zambian Government has further come up with the Seventh National Development Plan (7NDP) which is meant to guide the government on its journey a more holistic sector development through policies that will give an impetus to the economic growth and poverty reduction.

Key Word: Managing growth; small and medium, Job and wealth creation

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1.0 INTRODUCTION

The Zambian government through its Ministry of Finance and National Development has pronounced its long-term development objectives in the National Vision 2030. This desired outcome of this vision is to make Zambia a prosperous middle-income country by the year 2030. This document titled Vision 2030 recognises several development goals, amongst them are;

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The aim of the 7th National Development Plan is meant to ensure that there is diversification and economic resilience in the economy in order to lay a platform for a sustained growth and socioeconomic transformation driven, among others, by agriculture. This plan furthermore, answers to the Smart Zambia transformation programme 2064 and embeds an economic recovery actualisation suitable for the Smart Zambia agenda 2064. This is meant to work in tandem with the United Nations 2030 programme for Sustainable Development and the African Union Agenda 2063. The 7th National Development Programme (2017 p.5.) this is in addition to the revised 6th National Development Plan whose goals were to give a holistic sector developmental policies which would give a thrust to the economic growth and poverty reduction programme. The objectives of the 6th National Development Programme are to:

- a) diversify the economy through; economic growth and accelerated infrastructure development;
- b) support rural investment and accelerate human development through poverty alleviation.

As the government focuses ensuring that a balanced growth is sustained in the various sectors of the economy, the 6th National Development Plan's main focus is to ensure growth sectors such as Agriculture, Livestock and Fisheries, Mining, Tourism, Manufacturing and Commerce and Trade. In order to achieve these objectives, it is necessary that Zambians develop an entrepreneurial spirit through the creation of Small and Medium Enterprises (SMEs). Internationally, it is recognised that Micro Small and Medium Enterprises (SMEs) drives the economic development of any countries.

The International Journal of Multi-Disciplinary Research ISSN: 3471-7102 2 Paper-ID: CFP/364/2017 www.ijmdr.net development cannot ignored. According to the United Nations Development Programme (2013), SMEs have the highest capital, employment ratio and they provide income for a broader sector of the population. One of the sustainable ways of developing the economy is by poverty reduction and improvement of the quality of life of individual households through wealth and employment creation. It is widely acknowledged that SMEs positively contribute to employment, growth, and sustainable development.

It has been established that despite all these incentives, Most of these existing SMEs that are benefitting from these programmes still perform below their expected potential of alleviating poverty, economic growth due to lack of finance and conducive economic environment. It is a well known fact that most of the African countries are supported by their Micro, Small and Medium Enterprise (SMEs) in sustaining their economies growth.

However, most of these SMEs do not receive the desired warm support from their governments. Nevertheless, some SMEs are doing very fine and contribute positively to economic growth, job creation and fighting poverty through local development. In most of the African countries including Zambia, the private sector has negatively been affected in today's globalised world due to stiff competition from imported cheap products. This has led to some countries withdrawing from running the nation's economic activities and have moved to a more competitive market economy where a sizeable portion of the nation's economy is being run by the private sector. The task of driving the engine for economic growth has been given to the private sector not only by African countries but even Asian as well as other countries. In view of this background, countries have started implementing policies that are capable of creating good performing businesses because of the conducive environment for the private sector to operate in. It has been established that most of Africa's economically starved private sectors are made up of SMEs in the informal sector operating side by side with large corporations, hence the need to push for the unlocking of the potential of these small companies. These small companies ought to offer a meaningful contribution to the growth of these countries in the developing world. It has been documented that SMEs contribute a huge percentage of the manufacturing sector in Africa; Fukunishi (2004), Bigsten and Soderbom (2005) cited from Sonobe et al (2006) discovered that the sub-Saharan Africa manufacturing sector has stagnated because of varying factors hampering its growth.

2.0 BACKGROUND INFORMATION

2.1 Introduction

At independence in 1964, Zambia's private sector had no regulatory structure for the private sector expansion, specifically for the SMEs. Even the specific legal framework that could support SMEs was absent. Around then, the cost of copper was favourable consequently ignoring the SME sector. The nation was excessively reliant of copper mining and accordingly, the main sector that was apparent in the economy was the public sector. This good time did not last forever, as evidenced by the fall in copper prices in 1975 and the subsequent rise in oil prices. This had an immediate impact of lessening the benefits procured from the copper business. The Zambian government needed to search for different methods for supporting its economy. It was hence that after 1981, it

started to establish strategies focused on SME advancement and this saw the establishment the Small Industries Development Act of 1981 supplanted by the Small Enterprises Development (SED) Act of 1996. These strategies had next to no useful effect but were simply just open declarations with little work to execute them.

Most Zambians were obstructed from succeeding in pioneering exercises because of the public sector driven monetary development model, which limited their cooperation in business exercises with takeover offers should an enterprise surpass a specific edge in size. The majority of Zambians' income came entirely from formal employment as a result of this restriction. After 1990, when the Movement Multiparty Democracy party came to power, they implemented the free market economy, which was developed by the World Bank and the International Monetary Fund (IMF). The nation was hit hard by an economic downturn for the first time. The abrupt progression of the domestic market to cheap and to some degree excellent imported items made local producers uncompetitive because of inefficiency and inertia. This constrained most local producers to set out on rebuilding and yet again designing of their processes to attempt to figure out and combat the challenge of from imported items. Those that neglected to address the difficulty selected to scale back their labour supply numbers to stay in business while different firms shut down operations entirely. A number of citizens lost their jobs as a result of the privatization of state-owned mines and markets.

2.2 The Industrial Policy of Zambia

Due to the absence of a comprehensive industrial policy to effectively implement this industrialization agenda, Zambia's industrial base is currently guided by a number of fragmented policies. To attempt to resolve this issue, Zambia drafted commercial, trade and Industrial (CTI) strategy in 1994 which went through several revisions to tailor it to the predominant macroeconomic circumstance. The CTI strategy's fundamental objective was to accelerate and grow the manufacturing sector so as to add to around 20% of Gross domestic product. It likewise pointed toward fostering a serious and trade driven manufacturing sector. This was focused on bringing in the much needed foreign exchange. The approach recognized the significance of the SME sector in accomplishment of its vision.

In support of the CTI Strategy, Zambia launched the Private Sector Development (PSD) program in the year 2004. This was done with the intention of fostering economic growth in the private sector. Through the PSD program, the government of Zambia has demonstrated its intention to recognize the private sector as an essential part of the economy's development. The necessities of the SME to change the economy have been tended to through the reform areas of the PSD by the local monetary development program. Through this program, it has been conceived that it will open the SMEs' true capacity by building the capacity and facilitating the provision of monetary aid.

The Multi-Facility Economic Zones (MFEZ), which are geared toward large and high-tech businesses, was recently implemented in Zambia. The MFEZs provide the necessary foundation for start up companies. Business entities that work in the MFEZs meet all requirements for corporate tax concessions for a time of as long as 5 years and furthermore exclusion from paying import duties for intermediate products and unrefined material among others as stated in the ZDA Act of 2006 and the MFEZ guidelines (2006). This pronouncement and initiative was generally welcomed and valued by business visionaries. Colossal prizes for the economy emerging from such ventures can have a positive effect by fostering the supply chain for the most part, the SMEs. The duty free importation of raw materials may adversely influence the SMEs who supply indistinguishable merchandise to huge organizations at uncompetitive prices and terms to inefficiency in the operations of the local SMEs.

When it was written, the Fifth National Development Plan (FNDP) became the primary government document that outlined the strategies and programs that were put into action between 2006 and 2011. The FNDP perceived the SMEs potential to create jobs and wealth and recommends a more pragmatic approach in handling the requirements that impacted the sector.

2.3 Industrial Policies and Programmes of Southeast Asian Countries

In attempting to solve Zambia's financial issues, those charged with governance of Zambia's economy need to gain knowledge from different regions on how they have figured out how to get through from desperate circumstances to becoming one of the quickest developing economies of the World. Asia was twice as poor as Africa at the time that the majority of African nations were gaining political independence. The rules have changed, and Asian nations like Singapore are now more than twice as rich as they were 50 years ago thanks to their economic growth. The justification behind this difference in fortune on the worldwide economy is that

Asian nations have put vigorously in innovation and human capital regarding abilities. Zambia requirements to gain from Singapore on what procedures they executed to have the option to accomplish manageable monetary turn of events.

The example of overcoming adversity behind the development of the Southeast Asian economy is generally credited to the expression known as the "East Asian Marvel". The East-Asian marvel depicts a course of gigantic monetary development which happened during the seventies to right on time and mid-nineties Offiong and Ero, (2002). During this period, remarkable financial take-off was kept in eight East Asian countries, in particular, Korea, Hong Kong, Singapore, Philippines, Indonesia, Thailand and Malaysia inside a range of twenty years (1970s to 1990s). These Asian nations implemented favorable economic policies that had an impact on the industrial sector during this time. This marvel was not long-lasting as the financial development was seen to have imploded during the 1990s and as its hence that any nation attempting to gain from this episode observe what caused the defeat in order to try not to fall in a similar setback. The East Asian Miracle failed for the following major and notable reasons: declining profits, declining international trade, and capital flight, among other things (see Ito, 1993).

Offiong and Ero (2002) introduced a paper where they distinguished strategies that stressed on innovative headway being one of the arrangements that contributed colossally to the monetary improvement of the Southeast Asian nations during their course of industrialisation which later became known as the East Asian Wonder. They argued that educational support in the fields of engineering and science made technological capabilities possible. These capabilities provided an intellectual foundation for technological transfer. There was likewise accentuation on Innovative work led through what they called science places which advanced administrations going from recognizing new items to giving innovative work (Research and development) for firms that had no offices of their own. This innovation move to the SMEs changed them into serious business elements and worked with their graduation to increase endeavors. The government also provided SMEs with low-cost, subsidized credit facilities.

The clothing and wigs industries, whose demand was rapidly rising internationally, were the primary focus of the Korean government's attention. These industries required very little capital. The presentation of these nations items functioned admirably in concealing for the constraints of tight neighborhood markets.

In Malaysia, these approaches figured out how to prompt the advancement of ventures, in the gadgets business, SMEs like metal manufacture, tooling parts, form and pass on creation among others. These small and medium-sized businesses (SMEs) are now multinational corporations, some of which have partnered with foreign technology companies to produce high-quality equipment and parts. From the examination, it very well may be reasoned that Malaysia and many emerging nations, for example, Zambia shared a ton for all intents and purpose rather than its kindred East Asian recently industrializing nations. These encounters emerging from Malaysia would be useful and pertinent to helping Zambia concocting an exchange and modern strategy that can assist with fostering the country.

The development rates in Malaysia's SMEs sub-businesses is ascribed to the example of overcoming adversity of the SME area. The excellent SME policy and specific SME development programs have helped SMEs achieve excellent results.

2.4 The Industrial Linkage Programme and Global Supplier Programme

The public authority has presented the Modern Linkage Program (ILP) whose points is to work with linkages between SMEs, enormous organizations and Global Companies (MNC). This program gives a stage at which SMEs can approach the worldwide market and a chance for the exchange of innovation to the SMEs. In order to encourage entrepreneurs to participate in this program, specific incentives have been planned. The particular impetuses are intended to help organizations of differing sizes. The particular impetuses are in type of duty allowance for costs caused by enormous organizations/Worldwide Companies in preparing the staff of merchants, creating and testing of items, as well as directing plant specialized reviews to guarantee that the nature of SMEs' items satisfies the base guidelines. SMEs that will take part in this program will be consulted with the trailblazer status as well as getting venture charge stipend.

2.5 The Small Aggregation Initiative

The Malaysian government thought of a drive called the Little Conglomeration Drive (SAI), which can likewise work for the Zambian government in the execution of the Triangle of Trust drive. A great deal SMEs that wish to extend are confronted with many difficulties like absence of credit offices among others, notwithstanding, in any

event, when they get reserves, the new hardware and gear they get some of the time are excessively mechanically progressed for their abilities. This is where the confidential area or the public authority through the Service of Business and Industry needs to come in and offer specialized help. The government, along with other coordinators, selects a manufacturer of non-competing goods, such as kitchen cabinets, office furniture, bedroom furniture, and so on, from within the industry sector. Unite them to shape a joint endeavor organization for development/modernization purposes. If three businesses come together, each can take 30 percent of the equity, with the coordinators (government or private sector) holding 10 percent. These SMEs are converged to make a medium scale industrialist to meet all requirements for the enormous scope creation honors for example Obtain most recent hardware/gear which they request collectively of business people taking benefits of mass purchasing limits, better exchanges of credits offices from monetary organizations, consuming bigger selling spaces, joint promoting and so on.

2.6 Loans: Fund for Small and Medium Industries and New Entrepreneur Fund

These projects were pointed toward advancing SME exercises in product and homegrown arranged areas and to assist with animating development of SMEs. The most extreme loan fees were 5% p.a. with a maximum duration of three to five years.

2.7 The Enterprise 50 Award

In the period of extreme contest, nearby organizations (SMEs comprehensive) are confronted with enormous difficulties to be serious all around the world. The world market decides that main the people who are equipped for acclimating to the powerful changes in the commercial center will make due - organizations fit for situating themselves for what's in store. Undertaking 50 was a result of a need to perceive such privately settled organizations.

3.0 PROBLEM STATEMENT

Sadly, these SMEs don't appear to be monetarily and monetarily developing accordingly, this has prompted next to no commitment in the accomplishing of practical advancement Objectives in Zambia. Despite the fact that the goal of microfinance was to help the less fortunate in society, the actual outcome is different. The target group does not appear to be benefiting from the facility because the microfinance institutions require insufficient collateral security and do not provide a track record of success to back up their applications.

Given that microfinancing provides the engine capital for SMEs to launch their businesses and ignites economic development by contributing to the country's gross domestic product and unlocking employment capacity, these aspects cannot be overlooked. (Lyman, 2011; Kendall, 2010).

Understanding the condition of the SMEs in Zambia and the nation ought to help in the monetary improvement of the nation to be vital. This drive is on the job of SMEs in adding to supportable monetary improvement is what's genuinely going on with this task. It has been documented that even in advanced economies; SMEs assume an extremely huge part in adding to social, financial and climate improvement.

According to the World Bank, almost 80% of first-time employees find employment in small and medium-sized enterprises (SMEs). These measurements are extremely helpful to the jobless adolescents since it will open them to various business enterprises in Zambia and make them concentrate more to amazing open doors that come their direction in Zambia. These statistics will push those who already run SMEs in Zambia to look for more opportunities through creativity and innovation. The statistics will give the Zambian central government a push to provide SMEs with more support and assistance in order to drive long-term social and economic growth.

However, there is no documented policy by the Zambian government which targets Small and Medium size enterprises in terms of start-up loans and mentorship.

4.0 MAIN BODY

4.1 Significance of SMEs in Zambia

SMEs occupy a prominent position in the development of a country and Zambia is no exception. Being engines that drive every nation's economy, SMEs' contributions are widely acknowledged in so many aspects such as employment creation, innovation and facilitation of linkages to large companies. Schumpeter (1912) in his book titled "The theory of Economic Development" emphasized the role of SMEs, as major drivers of economic development through innovation. Therefore, it is imperative that Entrepreneurs are considered as vital partners in

the development of any society. At the domestic level, SMEs are preferred as perfect and an important partner in the economic development due to their immense flexibility and ability to respond quickly and adapt to market supply and demand situations.

4.2 Status of SMEs in Zambia

Business should be seen on the new businesses assuming SMEs are to decidedly affect development of Zambia's economy. This development might make overflow impact an excessive number of businesses that are fit for adding to monetary turn of events. To prevail in this program, SMEs should be concurred exceptional consideration for them to move to bigger association's status. Larger part of the SMEs in Zambia have worked at a miniature level from beginning a long time back. This stagnation is caused by poor entrepreneurs' academic backgrounds and ineffective public policy to support SMEs. More than 87% of Zambia's microentrepreneurs, according to Mazumdar and Mazaheri (2003) in their book, have not received any formal vocational training, which is critical to their firms' growth. Due to the involvement of educated children in the management of family businesses, this issue has had little effect on the management of SMEs in recent years.

Different business people in Zambia would like to stay minor businesspersons and ladies and keep away from development because of a paranoid fear of making good on gigantic duties. Running huge organizations requires specific customs and consistence prerequisites which they attempt to stay away from. Subsequently, the greater part of them incline toward beginning other little organizations as opposed to developing the current ones in this way being avoided with regard to the advantages of economies of scale. Custom is fundamentally connected with business enrollment, getting premises and opening financial balances.

Different reasons that deter SMEs to formalize include: Administrative obstacles, corruption in public places, social and cultural attitudes, and criminality because some of them engage in illegal activities like hiring people under the age of 18 and selling stolen goods and smuggled goods. Measurements show that just 45% of miniature ventures in Zambia are enlisted (MCTI Study, 2003).

4.3 Constraints faced by Zambian SMEs

Zambia has put up macroeconomic reforms targeted at stabilising and privatising the SME sector. However, most of the intended beneficiaries of the reforms have not yet accessed these reforms due to a number of challenges that have hindered the growth of the SMEs in Zambia. The Task Force on SMEs in Zambia (2006) identified some of the constraints affecting the Zambian SMEs.

4.3.1 Inadequate Policy Frame Work

a) The informal SME sector is recognized as a part of Zambia's industrial policy. The improvement of the quality of goods and services in the formal sector is the primary focus of the references to the promotion and growth of SMEs. The shortfall of an exhaustive strategy structure to coordinate the endeavours and plans have made it extremely challenging for the usefully value what the public authority is attempting to do. This is subsequently a significant restriction on the improvement of the SME area in Zambia.

b) The sanctioning of the Zambia Advancement Organization (ZDA) Demonstration of 2006, which the rule overseeing the advancement and help of interests in Zambia, is far away from most SMEs, in light of the fact that the passing Resources for have the option to be conceded impetuses have been fixed at US\$500,000 or more.

From the greater part of the monetary strategy reports accessible, it is clear that the focal point of the arrangement producers is focused somewhere else but a ton of articulated or recorded financial approaches straightforwardly or circuitous influences the SME area.

4.3.2 Difficulties in filling capacity Gaps for SMEs

It has been laid out that the greatest test in business visionary advancement lies in the "mentality" of the business people. This what sometimes referred to as a destitution of the brain converts into the accompanying side effects:

- a) Civil servants and others who work in parastatals, households, and on a personal level create a very negative work environment for employees;
- b) A culture of reliance where individuals expect presents from the public authority and contributors to concoct free charity as opposed to buckling down for their jobs;
- c) Inferiority complex where people accept that they are poor without seeing potential and valuable open doors ready to be tapped;
- d) There are no long-term goals that are sustainable for personal growth;
- e) Technical inadequacy. Inability to fill in limit holes which is an essential for manageable improvement by the Zambian firms to get by and fill in the commercial centre. According to MCTI (2003), Zambia's small and medium-sized enterprises (SMEs) exhibit severe deficiencies in basic management and technical skills.
- f) It was also noted that entrepreneurs generally lacked strategic management capabilities, such as the capacity to manage entering new markets and mobilizing labor and resources to respond to shifting technologies, regulations, and markets. Such abilities require formal training in business technique advancement.
- g) Lack of utilitarian administration abilities expected in assembling, money, acquisition and showcasing.

3.3.3 Inability to get to back/long haul credit offices

The study did in 2003 by the Service of Exchange Trade and Ventures (MCTI) review (2003) revealed that more than 92% of Zambian SMEs had no admittance to credit while the greater part utilized their own assets to fire up a business. This issue has been exacerbated by the recorded high frequencies of default rates by SMEs compelling business banks to change their strategies for enormous firms who have coordinated designs and insurance to go about as security for the credits.

The Credit Reference Bureau, which tracks the credit culture of SMEs and provides checks and balances and reduces market imperfections like asymmetric information between borrowers and lenders, was established by the government of Zambia through the Bank of Zambia in response to the high rate of default cases among SMEs. Since there are no records to track, new small and medium-sized enterprises (SMEs) that intend to enter the market are left behind.

Despite accounting for approximately 95% of all registered businesses in Zambia, the majority of them are subjected to unfair treatment. The large businesses in Zambia are those that directly produce finished goods, making them easy to recognize. The number of people employed by these SMEs can further demonstrate their significance to the economy. According to statistics, only 12.5% of the 4,000,000 potential workers in Zambia are employed in a formal capacity. The remaining percentage is employed in the economy's informal sector. It is additionally detailed that observational proof has shown that there exist an exchange if abilities among the SMEs in the couple of accessible bunches like the dress area. The predominance of the SMEs results into a positive commitment to the creation esteem chain of the assembling business, notwithstanding, because of deficient data and information it was hard to have the measurements introduced, nonetheless, as per Mbuta (2007), he demonstrated that in 1996, ZMW 85.7 billion worth of significant worth added was delivered by the SME area (steady 1994 costs) from the complete Gross domestic product of ZMW 2.3 billion.

This unrecognized contribution to the GDP is evidence that the GDP statistics are grossly understated. The majority of Zambia's small and medium-sized enterprises (SMEs) are not captured by the Central Statistics Offices because they operate informally as such. This has brought about tax avoidance which has denied the public authority of the genuinely necessary income from the SMEs as they don't transmit charges.

At the point when it comes to commodities of business merchandise, not many SMEs are involved, in that capacity, their commitment is truly immaterial in the creation of business products. Because of this, Zambia's small and medium-sized enterprises (SMEs) are insignificant contributors to the export market; in fact, the majority of them produce insignificant output to take advantage of economies of scale. Only 2% of all small and medium-sized enterprises (SMEs), of which 64% were engaged in manufacturing, exported primarily to neighbouring nations, according to the MCTI (2003) survey.

SMEs can drive forward unfriendly monetary circumstances because of their capacity to twist to fit in all circumstances. Due to technological incapacity, SMEs are designed to be more labour-intensive. As a result, their capital cost associated with job creation is extremely low (Anheir & Seibel, 1987; Liedholm & Mead, 1987). Subsequently, their jobs are more valuable in guaranteeing that there is security in pay age, work and development. It has been demonstrated that the labour-intensive nature of SMEs increases their likelihood of success in smaller urban and rural areas. Here they can add to an all the more even dispersion of monetary action in a locale. This can likewise put a spot to the consistent movement of untalented work to the metropolitan regions looking for business. It has been argued that smaller businesses, as opposed to larger ones, can promote a more equitable income distribution because they are primarily regional and labour-intensive. SMEs likewise are said to give improvement and proficiency to the home-grown business sectors in this manner utilizing useful assets, accordingly guaranteeing that there is long haul monetary development (Rosemary Atieno 2001).

4.3.3 Challenges Facing SMEs in Zambia

According to a write up by Sanjay Sony (2005), the major challenges to all sustainable business growth faced Small and Medium Enterprises (SMEs) the world over is the competitive environment in which SMEs operate from, rules and regulations coupled with lack of skilled manpower, the cost accessing finance, international expansion, illiteracy, ignorance about markets, bureaucracy, social and political instability. Micro, Small and Medium Enterprises have been blessed with immense opportunities for developing, however, despite all these opportunities at their disposal, most of them have remained stubbornly informal or semi-formal, opting to serve the low income segment of the population where business competition is very stiff. Because of their micro operation in nature, it limits their access to formal markets which results in restriction to move upwards in terms of development and expansion.

There are many reasons that have been advanced for this state of affairs. Some of the reasons include limited awareness of the opportunities available and capacity of entrepreneurs, financial limitations and other and other auxiliary services and absence of enabling business environment in terms of legal and regulatory frameworks (Zambia Economic Bulletin 2009). According to the Zambian SME development policy (2008), it explains that, SMES face unique challenges including multiple cost of compliance resulting from their small size.

Other challenges faced by SMEs include insufficient working premises as most of them seem to operate just as "briefcase" entrepreneurs, business training, technology development and lack of information about the market conditions. It has further been noted that institutions and Associations supporting SMEs such as the Chamber of Commerce are weak, disoriented partly due to lack of clear guidance and policy for the development of the sector.

4.4 Bank Finance for SMEs

One of the most important aspects of business finance is access to bank lending (debt), which is required for entrepreneurs to start and grow their businesses. The banking sector can only help businesses of all sizes, from the smallest to the largest conglomerates, survive if it provides them with a variety of financial services. There are different money choices accessible to business visionaries available. The most generally gotten to by most organizations is bank overdrafts (to help the functioning capital necessities) and term advances (for capital consumption needs). A portion of the expert money items that are available are limiting of solicitations, calculating, exchange finance, distributor money and gathering finance. Businesses can get money to buy inventory from commercial banks, and they can pay it back with interest after selling the stocks.

Since inception, the banking industry has only dealt with businesses, not customers. Nowadays, commercial lending has become a very serious business, and before deciding how much risk they can take on each loan, banks do a thorough risk assessment of any potential customers. The banks have extended their administrations to incorporate administrations coordinated at people, and chance in these a lot more modest exchanges is collected.

4.5 SME's businesses in Zambia

There was a standard review that was directed in Zambia in 2010. This study zeroed in on SMEs, The consequences of the review showed less that Zambian SMEs connect under 10 representatives and that 52 % of all SME business tasks are situated in the metropolitan region of the country. 49 % of the exercises of the SMEs area are fixated on exchanging, while assembling take up 41% and the administrations represent the excess rate. Individuals can now figure out how to bear the cost of a good work. The larger part results of the made items in the SME area incorporate wood items, material items, metal manufacture, food handling, light designing and cowhide items, crafted works and ceramics and so forth.

Goods and passenger services, transportation haulage, restaurants, cleaning services, hair salons and barbershops, telecommunication services, and secretarial services are among the businesses that fall under the service sector category. The majority of businesses in the trading sector focus on selling agricultural inputs and products, industrial goods, and consumables. More than 90% of the SMEs in Zambia work in the casual area (Administration of the Republic of Zambia, 2011) subsequently truly bringing about missing incomes for the Public authority in type of expenses. For SMEs to have serious effect on turn round the country's economy, there should be more new companies expanding all over the place, then, at that point, the effect will be seen on the venture development. The development might pour out over to the firm and, and on the grounds that it can begin some spill-offs, that will add to financial turn of events. However, in order for SMEs to transition from being categorized as SMEs to larger businesses, they require special attention.

4.6 Government SMEs Policy

In the mission to pivot the economy of the country, Zambia fostered a well-defined course of action known as Zambia's 6th public improvement plan. Neediness decrease and practical monetary development were the foundations of this arrangement. The subject of the 6th Public Improvement Plan was picked as "Sustained economic development and poverty reduction". This was to be accomplished through improved economic growth, diversification of various business enterprises, a robust and aggressive capital infrastructure, and the growth of human capital. The goal was to stop people from migrating to cities by encouraging as much rural development as possible. In spite of the fact that the government's intention in the SNDP was to acknowledge the significance of achieving balanced economic growth across all sectors, the government's top priority at the time was expanding the economy through agriculture, livestock and fishing, mining, tourism, manufacturing, and commerce and trade. (MoFNP, 2006).

4.7 Situation Review

From 1991 to 2001, the public authority created a Poverty Reduction Strategy Paper whose centre was the improvement of SMEs. During this period, Zambia experienced one of the most serious financial downturn of at any point experienced because of irregularities in open arrangements. The unexpected openness of the nearby market to modest yet excellent imported items adversely affected privately delivered merchandise. The local producers lost their efficiency and lost their ability to compete with imported goods. This present circumstance saw the rebuilding of nearby organizations and the scaling back of the labour force to eliminate costs.

Where it was not reasonable to lessen the workforce, the majority of the organizations picked to shut down their tasks. This situation brought about the descending development of the Gross domestic product and work. As the nation was contemplating what the arrangement could be, destitution among Zambians expanded at an extremely quick rate as there was no relating social security. As the economy's performance continued to deteriorate, the government was forced to investigate alternative development strategies within the framework of the free market economy. With the participation of other outer accomplices, the Poverty Reduction Strategy Paper (PRSP) was delivered as the vital public approach, and embraced zeroing in on the thousand years Improvement Objectives (MDGs). It was anticipated that the PRSP would initiate a take-off of the minimum social and economic prerequisites for achieving the desired sustainable development. The sub Saharan nations and Zambia specifically appear to have serious difficulties of accomplishing these preconditions constantly 2030. Measurements show that Zambia needs to defeat a ton of difficulties in attempting to carry out the MDGs Program. Through the PRSP program, the Zambian government has taken a multi-sectoral approach to national development, using small and medium-sized businesses (SMEs) as the engines of economic recovery, poverty reduction, and job creation.

The public authority has arrived at understanding that neediness decrease and work creation must be conceivable when SMEs create or through the development of the current ones. Proprietors of undertakings and shop floor labourers procure their wages through work creation in the SMEs area. UNIDO's delivered an Industrial Development Report in 2004 where it was seen that neediness decrease systems have a higher multiplier impact in economies overwhelmed by SMEs than those overwhelmed by huge scope firms. The SMEs have one of a kind qualities which urge the public authority to completely uphold the projects and in that capacity, through the PRSP foster the area further through the accompanying strategy activities:

- a) Provide preparing in business the board and specialized abilities to SMEs' proprietors.
- b) Name a proper establishment to control a spinning asset to be gotten to by the SMEs.
- c) Conduct a study to examine and harmonize the existing legal and regulatory framework to remove any perceived obstacles to the growth of SMEs.
- d) Establish intermediate supply links between small and medium-sized businesses and large corporations.
- e) Facilitate the obtainment of labour and products through the SMEs to cook for the wellbeing and training areas.
- f) Recommend for the SMEs to have a focal purchasing organization to exploit economies of scale through mass purchasing.
- g) Establish a system for disseminating information about trade and business.
- h) Create information base for SMEs.
- i) Recommend the development of modern bequests driven by the confidential area for renting to SME area. (Zambia-PRSP, 2002) These strategy activities were intended to put the area on the way to manageable development.

Consequently, by ordering profiles of the different endeavours making up the SMEs area through a benchmark study, it was imagined that Ministry of Commerce Trade and Industry would figure out the remarkable execution qualities of the SME area and recommend suitable strategy activities. The SME commitment to the development of the economy would empower the MCTI concentrate on the everyday environments of entrepreneurs during the PRSP time frame

5.0 JOB CREATION, OUTPUT AND PRODUCTIVITY GROWTH

The nation needs to survey and assess the job of little and Medium Undertakings (SMEs) as it attempts to address the practical improvement challenges being looked by the area. The formation of work and pay age is best determined by the little and Medium Ventures (SMEs) on the grounds that this is the area that utilizes a ton of families' delegates in the journey to diminish neediness. The foundation of SMEs in all around the world and Zambia specifically is simple as a result of their necessities as far as the board and capital design not being confounded rather than setting up enormous ventures (Zambia Economic Bulletin, 2009).

One of the significant areas of worry to the strategy producers for the little and Medium Endeavours in both metropolitan and rustic has been the means by which to speed up the pace of development in low pay nations. Zambia, like other developing nations, must use small and medium-sized enterprises (SMEs) as the driving force behind its development policies. It is assessed that 22% of the grown-up populace in emerging nations, for example, Zambia are utilized by the little and Medium Ventures (Daniels and Ngwira, 1993, Fisseha, 1991, Gallagher and Robson, 1993).

Based on empirical data, it has been determined that small businesses play a crucial role in the process of creating jobs because they employ nearly 80% of the workforce in manufacturing. To assess whether the pretended by little organizations is lopsidedly high, we want to communicate the network creation comparable to the underlying business limit in little and enormous organizations. Policymakers will be able to focus their efforts on sectors that create jobs thanks to this analysis, which will help solve Zambia's employment shortages.

A study on work creation checked on that most non-industrial nations including Zambia, little organizations added to the most noteworthy network creation rates while little to medium-sized firms (somewhere in the range of 20 and 50 representatives) were out performed by huge firms. Furthermore, a significant specialized issue in examinations on network creation rates is the manner by which organizations grouped with regards to estimate, for instance, an organization can be named "little" in the event that it squeezes into the rule "little" in some base year. The resulting position creation that follows from there on is then credited to the size class "little", whether or not the organization has moved to an alternate size class toward the finish of the perception time frame. By and large, all through the whole period.

According to the findings of surveys, the net job creation rates of both large and small businesses are extremely sensitive to such shifts in the size class distribution of businesses. Thirdly, the isolated processes of job creation and elimination are not revealed by the conventional estimate of net employment growth. Plants of all sizes bring about both work gains and employment misfortunes.

Taking everything into account, when turnover is connected to enormous scope redundancies or production line terminations, immense expenses might be caused by locales and networks. The expenses of stirring must be contrasted and the constructive outcomes of choppiness, like business and the quest for new cycles and items. In a 1996 OECD report titled Technology, Productivity, and Job Creation, it was suggested that fewer than half of small and medium-sized enterprises (SMEs) survive for five years; only a small percentage of surviving SMEs move into high-growth businesses that help increase productivity and create jobs. At the organization level, turnover could be the consequence of a course of experimentation, coming about into a few little organizations flopping nearly all along, some being restricted to the life expectancy of a solitary development, and others getting a charge out of supported achievement.

6.0 KEY RECOMMENDATIONS

- a) The government through the Service of Business Industry and Exchange ought to urge miniature business visionaries to formalize its tasks and illuminating them about the advantages of enlisting their substances. It should be clear that the company must be registered to be credible and does not need a large reserve fund to formalize its operations. When these organizations begin enlisting their tasks that will be the right step towards big business development which will affect the general development of Zambia's economy.
- b) Government ought to think of a conscious strategy pointed toward expanding female portrayal concerning business proprietorship. This might be finished by beginning with handling the issue of ignorance and absence of business abilities and innumeracy among the womenfolk. The government must also address the issue of businesses' lack of confidence in order to end their risk aversion. They need to learn how to run their businesses and expand by hiring more skilled workers.
- c) More awareness campaigns are needed to get micro businesses to follow the rules that have been set. The government ought to make it a priority to support the local authorities tasked with enforcing these regulations with the necessary staff and equipment so that they can carry out their duties effectively. It is essential to note that, despite the government's desire to expand these small businesses in order to transform Zambia's economy, this expansion must occur in a legal and orderly manner for the economy to benefit.

- d) Due to the exorbitant contest that these miniature undertakings are confronted with, an improvement to their client relations and execute cutthroat evaluating systems or move to a much serious place where one can enjoy serious benefit. The new area ought to be close to the objective market to remove one more test of insufficient interest. When it comes to microbusinesses, physical security of the business premises is of the utmost importance. It is recommended that the little firms ought to be encouraged to pool together their assets so they employ a trustworthy security firm to safeguard their undertakings both during and after the ordinary active times. This planned course of action will lessen or for sure crash the rates of break-ins and loss of property through crimes. Miniature undertaking proprietors ought to likewise be encouraged to join proficient associations, for example, the Office of Trade which are controlled by encountered business visionary's business mentors. These associations regularly give preparing and coaching to new participants into the business world with respect to appropriate approaches to dealing with their organizations, keeping up with monetary records and composing of feasible marketable strategies.
- e) The same organizations, like the Chamber of Commerce, should set up a revolving fund to help members who are struggling and are unable to get loans from banks. Each registered member may be required to pay a monthly membership fee or receive grants from the government, depending on the manager of the fund. The provision of infrastructure and seed capital for such beneficial initiatives can be aided by the government. These forums can learn financial management skills to reduce the risk of financial indiscipline that arises when business owners fail to separate family funds from business funds. Great monetary discipline will handle the test of family requests slowing down business development.
- f) It is suggested that there ought to be fair play and straightforwardness showed by those foundations that will come into contact with miniature undertakings. There ought to be no entanglements in the enrolment cycle and grant of licenses. In addition, businesses ought to be selected based on merit when competing for orders to supply various goods and services. The government's intention to expand the economy will not be realized if the procedure is deemed unfair and corrupt.
- g) When placing orders for their products, small businesses should be encouraged to take advantage of economies of scale by considering group bulk buying. A gathering of business people running miniature endeavours might consolidate their orders to profit from amount limits. Cargo expenses and customs obligation for those managing in imported merchandise may likewise be diminished altogether through economies of scale related with mass purchasing. This will make it easier to deal with issues like product costs and import regulations that require smaller businesses to pay the same price as larger businesses when importing goods for resale.
- h) When these microbusinesses are registered with the various government agencies, the government can respond by making sure that deliberate policies are in place to provide tax breaks to legally registered microbusinesses. These guidelines can be imparted to all visitor passage focuses so the Zambia Income Authority is completely mindful of the taxpayer supported initiative's of attempting to develop the economy of the country.
- i) As it has been examined before, the test being looked by SMEs in getting to credits can be overwhelmed by the public authority thinking of a spinning reserve for the improvement of the SMEs with a truly sensible loan fee. These mediations might work on the ongoing functional limits of most SMEs as they are generally compelled by credit which thusly additionally chokes In the event that the public authority were to present these spinning reserves, it might diminish the SMEs' opposition of obtaining advances from monetary organizations and thus this might prompt lower loaning rates by the monetary establishments.
- j) Last yet not the least, the public authority ought to concoct successful systems of guaranteeing that current strategies are focused on at the private companies. It is necessary to fully implement these strategies. The public authority ought to guarantee that there is responsibility and possession appended to these strategies rather than horse records and professions.
- k) Empirical studies have shown that 80% of the assembling area in Africa comprises SMEs. This area has deteriorated because of the difficulties that the SME area is confronting. For Zambia in particular, the problem is coming up with a combination of policies and strategies to unlock this crucial sector that is supposed to be driving Zambia's economic growth. The SME area is supposed to be set where it ought

to perform at the outskirts and consequently add to destitution decrease and monetary development. In any case, the arrangement lies in viewing as the right "key" to be utilized in opening the SME area. SMEs have been the driving force behind the economic expansion of Southeast Asian nations. Zambia could gain from their experience by applying a portion of the useful strategies and projects that have been demonstrated and tried somewhere else rather than re-designing the will as it endeavours to meet the UN MDGs and furthermore understanding its vision of turning into a centre pay country by 2030.

- l) Giving backing to modern bunches and making linkages among MNCs and SMEs works with preparing, training, Research and development, innovation move, development and makes a stage for monetary help consequently, Zambia ought to zero in on carrying out strategies and projects that empower linkages of its SME area with bigger firms by gaining from Southeast Asian nations all the more particularly that it is presently getting gigantic FDI inflows and furthermore with the approaching of the MFEZs which will animate more FDI inflows. These actions once embraced will make work, riches lastly, switch Zambia's financial decay while speeding up development.

Subsequent to dissecting and suggested the different strategies and projects, there is need to assess whether these approaches and projects are practical in Zambia. The truth is that these programs and policies are doable, but putting them into action takes a lot of discipline and commitment. Simple mottos won't tackle the financial issues that the nation is confronting. The public authority needs to eliminate the both political and administrative obstruction that exist in Zambia. Until further notice, apparently the public authority has shown political will and responsibility in the mission to work on the monetary status of Zambians by drawing in additional Foreign Direct Investments (FDI) for work and abundance creation and furthermore by participating in the projects designated at private area improvement.

The public authority's generosity is clear by what the Leader of Zambia and his clergymen participating in what are known as the Zambia International Business Advisory Council (ZIBAC) gatherings that are pointed toward attracting government and the confidential area a nearer working relationship to cultivate financial turn of events. In addition to this program, the government has already implemented the Citizens Economic Empowerment Act (2006), which demonstrates its commitment to resolving small and medium-sized enterprises (SMEs)'s issues.

7.0 CONCLUSION

Zambia has got a lot of under exploited opportunities which could be exploited to generate wealth and creating employment for the poor currently languishing in the informal sectors. These include markets, agriculture including new system called horticulture, natural endowments including tourism attractions, water (deep water fishing) shops, and human resource.

The various recommendations above conclude that Economic changes such as the ever escalating unemployment levels have the driving force behind a lot of people setting up their own small business enterprises in a bid to make ends meet. The contribution of small businesses to the economy of any country and growth of the GDP has over the years been recognised by many countries. A lot of countries in Africa depend heavily on micro, small and medium enterprises, all put together known as MSMEs, to assist in the stimulation of their economies.

It has been established that many small business in this sector have stagnated despite all the policies and programmes that the government has put in place. According to Chisala (2008, p.1) in the Zambian context, he writes that these small enterprises would rather maintain the status core in terms of growth because of the many limitations being faced by micro enterprises in Zambia.

A random survey was conducted where entrepreneurs based in Lusaka and Ndola central business districts where given a questionnaire during a one to one interview. The results of the survey on this study showed that these micro enterprises face a lot of challenges in their quest to achieve business growth. One of the major challenges being faced by these small businesses is stiff competition, lack of access to finance, vulnerability to crime, lack of market demand and high family demands.

These primary factors pose the most significant challenge to growth among small businesses based in Lusaka. The secondary challenges faced by these small businesses are high cost of stock, administrative corruption, complicated import / export regulations, uncertainty regarding business conditions and legal / regulatory constraints. These secondary factors pose a challenge but not as serious as the above primary factors.

The third minor challenges faced by small businesses in achieving growth are lack of premises where to trade from, poor management of receivables and stock wastage due to low demand from customers.

The Fourth challenge according to the experts who conducted the survey was poor management of the business due lack of business financial records, financial indiscipline are posing a challenge to businesses in attaining growth.

Other challenges are as a result of lack of business skill and knowledge as well as inability by the government to offer enough support through various policies and programmes. The research was targeted at establishing the main constraints to the growth of small businesses both external and internal, specifically the two selected areas of Lusaka and Ndola.

The study established external factors to be excessive competition among the small enterprises, crime, lack of demand, cost of stock due to individual procuring, corruption, import/ export regulations, legal/ regulatory challenges, inability to find trading places, poor payables management and stock obsolescence as a result of low demand.

In summary, this research study suggested that the top five factors constraining the growth of micro enterprises in Zambia are excessive competition, lack of finance, vulnerability to crime, lack of market demand and high family demands respectively. Because the micro businesses are constrained in terms of growth, the problems affect the economy of the country as a whole.

Significant opportunities for SMEs have been created as a result of the growth in population, change in investments tastes and the ability to access the regional and other foreign markets. Despite all these opportunities, the SMEs entrepreneurs have not seized the opportunities by responding competitively by ensuring that goods and services to meet the growing demand are readily available.

In order for enterprises to develop in line with the government's desire, access to finance plays a central role, but this can only be actualised by making the financing accessible at reasonable conditions. SMEs go through liquidity problems arising from the difficulties the encounter when trying to access loans from financial institutions in order to expand their businesses. Those difficulties compounded by complicated procedures, lack of management technical knowhow, inadequate or lack of collateral, obsolete technology, and lack of credible financial accounts are an impediment to enterprise growth. Operational stability and growth in business needs to be supported by external sources of finance through working capital support and investment capital to invest in fixed production assets to facilitate expansion.

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