

Enterprises (SMEs) in Zambia

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ABSTRACT

It is imperative for a country to make relevant and business friendly legislation that would enable SMEs growth in the country. They contribute greatly in jobs creation and GDP. SMEs in Zambia employ 50 percent of the working class, similar to countries like Indonesia, Tanzania and Kenya. Over 90 percent of SMEs operate in the informal sector and this makes it difficult for the government to support the sub sector efficiently. So, SMEs contribution to the country's development is not very clear. Because, majority of SMEs operate in the informal sector, attracting-funding from micro finance institutions (MFIs) is a challenge and this makes (SME) sector weak, this is test result on H0. Entrepreneurs Financial Centre (EFC) was used as a case study. This is a specialized micro finance institution that provides SMEs lending. Period considered in this research was 2012-2014. Whereas, SME loans constitute about 60 percent of EFC's loan portfolio, the loans given out are small value ranging from USD133 with a maximum of USD 46,667. The process of acquiring these loans is cumbersome and those without security may stand no chance. This does not give borrowing appetite and thus, such a trend would keep the sector underdeveloped. Findings revealed that with an organized sector platform, SMEs contribute immensely in the development of the country which is positive result on H1. Primary and secondary data were collected through using questionnaires, interviews and observation. Data analysis was done using tables and other Microsoft applications i.e. word and excel.

Keywords: *Small and medium enterprises (SMEs), gross domestic product (GDP), Economic development, Micro finance institutions (MFIs)*

1. INTRODUCTION AND BACKGROUND

Small and medium enterprises (SMEs) are very instrument for the development of an economy through for example creation of employment, increasing tax base for the country, improving incomes for the low earners among other benefits. (MCTI, 2007; MOF, 2002). Considering the 1996 baseline survey of SMEs in Zambia, about 97 percent of businesses are in the micro small and medium enterprises sector and the sector employs about 18 percent of the labour force and a lot of them are women accounting for 47 percent (Parker, 1996). There is no latest documented nationwide baseline survey on SMEs in the country. So, the available reliable base line data on SMEs in the country is of the year 1996. It is in the year 1981 that the government realized the vital role of the micro small and medium enterprises sector in contributing to the social economic development of the country and it recognized that they were operating under extreme financial difficulties leading to the enactment of MSME the Small Industries Development (SID) Act of 1981 to make the sector more orderly and effective (MOF, 2002; FSD Zambia, 2009), in the same period another MSMEs came dubbed Small Enterprise Development Organization (SIDO), this was geared to help improve on the SID Act of 1981 (Kingombe, 2004; MCTI, 2007).

Entrepreneurs' financial center (EFC) was case study. It specializes in providing funding for SMEs in the country. As of 1989, a provision was made in the legislation to enable micro small entrepreneurs to have access to business infrastructure, accessibility to micro financing, improve production services etc., the legislation provided for all these with the view that efficiency and effectiveness of SMEs will improve and this would mean increased employment, increased households incomes etc. so as to help the poor out of

poverty (MCTI, 2007; OPM, 2012; Newman, 2011).

Zambia Development Agency is responsible to monitoring the activities of SMEs in the country and is responsible for their development; it is responsible for programs like establishing strategic partnerships with different SME development organizations and building their capacity so as to improve their operational proficiency (IFAD, 2013). There seems to be no clarity on SMEs operations in the country and with no adequate documentation on their activities, it would be difficult to clearly portray their contribution to the country's economic development. This research aimed at understanding the state of the SMEs sector in Zambia and how they contribute to the country's economic development.

2. LITERATURE REVIEW

Small and medium enterprises (SMEs) have overtime been at the forefront of accelerating economic growth in many countries and economic blocs. For example, the majority of the SMEs do employ at least about 50 employees in Southern African countries depending on their sizes and this helps to take a sizeable chunk of the employment burden from states (Tshuma & Jari, 2013). Looking at South Africa, SMEs operates in every city and they provide employment for people and about 4 million jobs are created through this sector which in some cases may be regarded as informal sector and the formal sector just provides only 7 percent (Thamas, 1989 and Aymes, 1988). The Majority of the SMEs in South Africa operate in the informal sector and there are about 700,000 such business which contribute and their contribution ranges between 16 to 40 percent of the country's gross national product (DeSmidt, 1990;

Thamas, 1989). The SMEs have played and continues to play a bigger role in the social economic development of the country. From previous studies by Kromberg (2005) on South African SMEs, it was found out that they contribute 30 percent to gross national product considering SMEs that are registered with the government, though the percentage could be higher if you consider SMEs that could be operating but not formally registered because of fear to pay state taxes (Skinner, 2006).

In Tanzania, SMEs have played a big role in the social and economic transformation of the country since its transition from a command economy to a market economy and they contribute about 60 percent to the gross national product (Echengreen and Tong, 2005; Pyke et al., 2000). In the Tanzanian consideration, an SME is viewed as one that employs at least 4 persons and with a capital of TZ shillings 5 million and the majority of the SMEs fall in the informal sector. It is however possible that you find some SMEs with capital of between 200-800 million employing above 49 employees (Hamisi, 2011). From such examples, Zambia as a country would look for ways of improving the SMEs market since it is evident from these studies, that they are can be a good source of jobs creation, taxes for the government among other benefits. According to UNIDO (2006), there is a strong relationship between existence of SMEs and contribution to a country's GDP and in the case of Tanzania they contribute about 35 percent and this would have be better if the SMEs are operating efficiently and a full friendly business environment (Calcopietro and Massawe, 1999).

It is vital to understand how SMEs can function economically and with efficacy to increase their chances of survival in the competitive business environment. Governments can play a pivotal role in setting policies to protect SMEs by for example securing markets for the goods and services produced and offered by these companies, setting up of specialized financial institutions that deal with micro financing. This is a big area that the government of Zambia should explore to make it possible for the operation of SMEs in the country.

This research should reveal the current standing of the SMEs in the country and how the situation can be made better given the advantages that can be realized from this market. Clearly, SMEs in the South African economies have been the backbone of social economic development and this is the same for many other Sub Saharan African economies. They have played a big role in Jobs creation for example in the informal sector which has the majority of SMEs for example in Kenya, SMEs employ more than 5.1 million people, in South Africa, SMEs employ 50-60 percent of the work force (Kromberg, 2005; Tshuma &Jari, 2013). The Informal sector which harbors most of the SMEs alongside the formal sector and in most situations the incomes realized in the informal sector is spent in the formal sector and this is to say that they contribute a lot in the social economic development of countries.

A favourable business environment is vital for SMEs to thrive, but you will find that some of the advanced African economies do not make it easy for SMEs to operate as- the business environment is hostile for example high taxes, inflation, unstable exchange rates which all impact profits and this has happened greatly in South Africa among other African countries (World bank, 2006; Olawale &Garwe, 2010). More so, most African economies are poor and corrupt and such practices makes the operation of SMEs very difficult and this leads them to become noncompliant and to try and circumnavigate the regulatory requirements and this is why according to World bank (2005), 70 percent of SMEs confirm that corruption hinders so much their operations as opposed 60 percent for bigger organizations. In comparison, a study by (Mader, and Winkler, 2013) revealed that 83 percent of the Ethiopians live in the villages employed in the Agriculture sector. This fetches them little income as they mostly grow for consumption. The same study reveals that Ethiopia has more than 73,000 SMEs and employs more than 551,075 persons; however the survival of SMEs in Ethiopia remains a big challenge due to poor political will, poor attitude towards SMEs and generally poor business environment (Devereux, 2010; Mader, and Winkler, 2013). Such a study on SMEs in Zambia would give an indication on the state of this market and what the stake holders would do to remove the obstacles that may be hindering this market from thriving and thus allow the state to harness the advantages of the sector growth.

With reference to the Nigerian economy, it keeps growing amidst challenges, its informal sector which is composed of a lot of SMEs has also been growing, but with a lot of challenges mainly due to all the vices associated with harsh business environment for SMEs in the country (Okezie, Ihugba, Alex Odii, Njoku, 2014). The challenges that are being faced by entrepreneurs in Sub Saharan African countries cannot be underestimated and in most cases they are the same across the continent.

Such challenges are; poor credit facilities which hinders Prospective entrepreneurs to easily access credit funding for their SMEs and those that are available charge higher interest rates of about more than 28 percent in additional to loan collateral which SMEs may not have (Okezie, Ihugba, Alex Odii, Njoku, 2014, Obiajuru, 2012, Agency Reporter, 2012). There is a lot of corruption which makes it hard to obtain trading permits, contracts, goods and services from government and there are lots of kickbacks and bribes involved in the industry and this makes it unattractive for SMEs. In Nigeria for example, government policies on SMEs are inconsistent and they are formed without the involvement of SMEs entrepreneurs and in most cases they become unrealistic at the implementation stage. There is need to set consistent laws that are realistic with the prevailing business environment in the country. Taxation in Nigeria has been a major hindrance in the operations of SMEs as in some cases there is multiple taxation and such taxes have an effect on increasing cost of conducting business and ultimately the traders have to pass on the charge to the consumer and this may make some goods and services

unaffordable by an ordinary consumer as the country has over 500 types of taxes and levies by both the state and the local government (Okezie, Ihugba, Alex Odii, Njoku, 2014, Oghojafor, Okonji, Olayemi, and Okolie, 2011).

The infrastructure for doing business in Nigeria is bad in form of bad buildings, poor roads, erratic power supply among others all make cost of doing business to be high and if the right SMEs policies are not made by the government, then it may not fully benefit from the essence of having SMEs play a vital role in the social economic development of a country. There are a number of other challenges that SMEs in Nigeria face i.e. lack of proper environment that has business information readily available, little formal education possessed by some entrepreneurs, poor security in some states to guarantee secure business environment (Arizona, 2009) etc. have made it difficult for SMEs operations in Nigeria. These challenges may not be peculiar to Nigeria alone as these could be some of the challenges also in countries like Zambia, South Africa, and Zimbabwe among others. The findings from this study gives a clear indication of the SMEs sub sector standing in Zambia and strategies to smoothen the operations of the sub sector players for the benefit of the country.

3. IMPORTANCE OF THIS RESEARCH

Entrepreneurs who invest in SMEs do it to earn some profit as one of the major objective and in the process; these SMEs contribute immensely to social economic development of a country if the right strategies and infrastructure have been put in place by the government and other stake holders (Okezie, Ihugba, Alex Odii, Njoku, 2014; Obiajuru, 2012). In countries like Nigeria, SMEs in the industrial sector contribute 37 percent to the country's Gross Domestic Product (GDP) putting it the second from oil sector as biggest contributor to the country's GDP (Okezie, Ihugba, Alex Odii, Njoku, 2014). SMEs do create employment Opportunities for people and in most cases they are labor intensive meaning you will need more workers to operate smoothly and become competitive. Some employment statistics in developing countries (Ogundele, 2006) shows that, in Kenya, Columbia, Tanzania, Zambia, Indonesia and India, small and medium enterprises (SMEs) employ more than 50 percent of the working population. It is therefore imperative to understand the state of SMEs in Zambia and how they have been beneficial in the economic development of the country. This drive is what has justified this research on SMEs role in the country that is classed as middle income economy. Even in the developed economies, SMEs play a bigger role in contributing to social economic development. In the European Union for example, SMEs account for 99.9 percent of the 11.6 million businesses created in the bloc (World Bank (2006a). In the United States of America, SMEs create over 75 percent of the new jobs contributing 40 percent of GDP and 80 percent of the population get their first employment in the SMEs according to World Bank (2000).

4. STATEMENT OF THE PROBLEM

Countries that have developed and those that are continuing to develop would give a testimony of the importance of SMEs in attaining their level of development (Tshuma & Jari, 2013). Small and medium enterprises do provide jobs for the people and hence affording them a better economic livelihood for themselves and their families. These SMEs do pay taxes to governments and thus increasing the government's tax base. In Tanzania, SMEs have played a big role in the social and economic transformation of the country since its transition from a command economy to a market economy and they contribute about 60 percent to the gross national product (Echengreen and Tong, 2005; Pyke et al., 2000). An SME in this country employs at least 4-49 persons and with a capital of TZ shillings 5-800 million and the majority of the SMEs fall in the informal sector. It seems like there is no clear statistics on all the SMEs in the country and their level of contribution to the country's economic development. Therefore, it is vital that this research explores the state of SMEs in the country and their contribution to the country's growth. For example, in Nigeria, SMEs are 85-97 percent of all enterprises in the economy and the sector provides 50 percent of jobs in the country (Okezie, Ihugba, Alex Odii, Njoku, 2014). Such contribution in creation of jobs is immense for any economy to ignore, and as such, any attempt to facilitate the creation and growth of SMEs sector should be encouraged by all the stakeholders especially the government through enabling legislation, specialized banks for SMEs, subsidies etc. According to Kromberg (2005), SMEs in South African contribute 30 percent to gross national product considering. This is for SMEs that are registered with the government, though the percentage could be higher if you consider SMEs that could be operating but not formally registered because of fear to pay state taxes (Skinner, 2006). Zambia cannot afford to ignore this sector, attempts to get all the facts about the SMEs sector would be crucial for the government in planning for e.g. appropriate legislation, funding of the sector, its contribution to GDP, tax obligation, contribution to jobs creation etc. Zambia development Agency is a state agency mandated to regulate and ensure smooth functioning of SMEs among its many roles.

4.1 Research objectives

- a. Explore the state of SMEs in Zambia
- b. Understand the SMEs contribution to Zambia's economic development

4.2 Research hypotheses

- a. H0 The country's SMEs sector is thriving
- b. H1 SMEs do contribute to the development of the country

5. RESEARCH METHODOLOGY

The researcher used primary and secondary data for this research. Data was gathered from different published reports by government SMEs regulating agency known as Zambia development Agency (ZDA) and Entrepreneurs' financial center (EFC). Entrepreneurs'

financial center (EFC) was used as a case study for this research. This is a financial institution that specializes in funding of SMEs in Zambia. It is one of the few players in the sector that provides micro loans to small and medium enterprises in the country. Primary data was collected using questionnaires and interviews. Secondary data was collected through review of previous literature on the subject and the major technique employed was observation. The study was exploratory in nature and a lot of data gathered was qualitative in nature and analysis was done using tabulations especially in MS excel and MS word applications. Purposive sampling technique was used to select Entrepreneurs' financial center for this research. What was vital here is to get accurate information from well qualified officers who understand SMEs market from the case study. This was well and appropriately done. The data collected related to three years for the periods of 2012-2014. This period was considered adequate to generate reliable findings that can be generalized.

6. RESULTS AND DISCUSSION

The study findings revealed that SMEs sector in Zambia has all sorts of business enterprises who deal in traditional manufacturing industrial sectors who produce for domestic consumption and the surplus for sale. Most businesses are small with features of sole proprietors and in some cases employing a few people and the incomes generated are primarily for looking after their homes (Government of the Republic of Zambia, 2011). Most micro small and medium enterprises (MSMEs) are further by characterized by the use of low level technology and are oriented towards local and less affluent market segments as per the findings. As the Zambian economy was since the introduction of structural economic reforms and the country's transition to a liberalized economy in 1991, this has helped greatly the development of the small and medium enterprises (SMEs) sector. The majority of SMEs in Zambia accounting over 90 percent operate in the informal sector (Government of the Republic of Zambia, 2011) and this seriously affects the economy in for example missing revenues in taxes and it was also difficult to determine their contribution effectively to gross domestic product (GDP), and jobs creation. Due to the limited available data on SMEs in Zambia, it has made it hard to estimate accurately the total size of the private sector in the country as data from the Central Statistics Office (CSO) is not explicit on the actual contribution of SMEs to economic development of the country.

Entrepreneurs Financial Centre (EFC) was used as a case study for this research. This is because it is also a pioneer in micro loans provision to SMEs in the country.

Entrepreneurs Financial Centre (EFC) is a micro finance institution whose objective is to finance SMEs through provision of micro loans. It is an institution that provides funding to the poor to be able to start some micro businesses. This company has been in existence in Zambia since 1995. EFC targets individuals who are in

business and need capital to grow their businesses. EFC has no group loan product but deals with clients on individual basis. It has women market loans; these are micro loans exclusively targeting women marketers involved in vegetables and other petty trading businesses requiring relatively low amounts of capital. Loan amounts range from USD133 to USD1,333. No collateral is required to be pledged as the target group is clients who generally do not have collateral. Instead they are assessed on the basis of past business experiences and projected cash flows. Market women loans constitute about 10 percent of the total loan portfolio. The firm provides SME loans with the minimum amount of USD133 with a maximum of USD 46,667. EFC wants to grow clients by starting them on micro loans and as their businesses grow increase their loans gradually right up to the SME level. SME loans constitute about 60 percent of EFC's loan portfolio. This means that for SMEs to thrive in the country there is need for more funding as literary, what institutions like EFC are providing is not enough to encourage players in the sector. Once there is not investment in the SMEs subsector, then jobs will not be created and this will affect the economy adversely. The table 1 below shows SMEs borrowing from this EFC micro finance institution for three years period i.e. 2012-2014.

Table 1: EFC portfolio data for three years from 2012 to 2014

	2012	2013	2014
No. of active clients	14,094	20,767	24,169
No. of active borrowers	2,010	2,621	3,463
Microfinance	608	692	860
SME	1,402	1,929	2,603
Gross loan portfolio	\$10,287,293	\$15,655,025	\$17,589,125
% women	42.88%	36.14%	34.80%
Portfolio at Risk 30 days	2.77%	2.98%	2.94%
Total savings	\$3,683,584	\$4,749,673	\$4,402,287

Source: Researcher and EFC, 2015

Data in the table gives a reflection on the direct relationship between the amount of microfinance loans availability and the level of the SMEs borrowers. For micro finance, it shows a level of 29.3 percent increment in numbers for the three year period. And as for the SMEs borrowers, it is an increment of 46.1 percent for the same period under consideration for this study. The gross micro loans portfolio shows a change of 41.5 percent. This is encouraging trend and provided that all micro finance institutions follow the same trend, then the SMEs subsector will be more developed and this would create more jobs in the economy and this will also help in the social economic development of the country. This is a positive test on H1 hypotheses. As of June 2015, EFC portfolio data was USD15.13m broken down as follows:

Microfinance loans are USD 5.0m representing a total of 948 clients, and SME loans are USD 10.0m representing a total of 2,570 clients. The average loan sizes for microloans and SME loans can be estimated to be USD 5,333 and USD 3,867 respectively.

The 1996 Zambia baseline survey on SMEs showed that the Zambian SMEs employ less than 10 employees and that 52 percent of all SME business activities are in rural areas of the country. In SMEs sector, trading majorly account for 49 percent, manufacturing account for 41 percent while Services accounted for only 10 percent. These SMEs do help people to afford a descent livelihood. Most of the manufactured products in the SME sector include wood products, textile products, metal fabrication, food processing, light engineering leather products, handicrafts and ceramics etc. The service sector include simple building construction, passenger and goods transport restaurants, cleaning services, hair salons and barbershops, telecommunication services, services and business center. The trading sector is concentrated in agricultural inputs and produce, industrial products and consumable products.

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As the Zambian economy was since the introduction of structural economic reforms and the country's transition to a liberalized economy in 1991, this has helped greatly the development of the SMEs sector.

The majority of SMEs in Zambia accounting over 90 percent operate in the informal sector (Government of the Republic of Zambia, 2011) and this seriously affects the economy in for example missing revenues in taxes. Table 2 below shows the various SMEs businesses in Zambia.

Table 2: Business activities of SMEs in Zambia

Nature of Industry	Nature of businesses
1. Manufacturing	1. Textile products.
	2. Carpentry and other wood based business
	3. Light engineering and metal fabrication
	4. Food processing
	5. Leather products
	6. Handicrafts
	7. Processing of semi -precious stones
	8. Ceramics
	9. Essential oils
2. Trading	1. Consumable products
	2. Industrial products
	3. Agricultural inputs
	4. Printing
3. Services	1. Restaurants and food production
	2. Hair salons and barbershops
	3. Passengers and goods transport
	4. Telecommunication services
	5. Financial services
	6. Business centers
	7. Cleaning services
	8. Guest houses
	9. Building and construction
	7. Cleaning services
4. Mining	1. Small scale mining
	2. Small scale quarrying

Source: ZDA, 2007

This table 2 literature gives a position of spread of the different SMEs business categories and the general industry of operation. This is as per the survey of Zambia development agency report of 2007. This is required as

per H0. There are eight different SMEs businesses operating in the manufacturing sector i.e. textiles, carpentry and other wood based businesses, light engineering and metal fabrication, food processing, leather products, handicrafts, processing of semi-precious

stones, ceramics etc. With trading, there are four different forms of businesses i.e. consumable products, industrial products, agricultural products or inputs, and printing.

This SME sector seems to have small categories although according to information in table 3 above, the dealings in agricultural sector does provide a lot of employment opportunities and investment in such has to be encouraged by the state. It is vital to explore possibilities of having adequate micro financing flow to the agricultural sector SMEs for the state to be able to harness adequate potential from them. The nature of businesses in the services sector totals seven i.e. restaurants and food production, financial services, passengers and goods transport, cleaning services, building and construction etc. Since there is a quite good different category of businesses in the sector, micro financing should flow in the sector to develop these SMEs and the advantage here is that consumers get access to different services and products, people get jobs, government gets tax revenue and everyone wins. This approach should be encouraged also for diversification purposes. The mining sector according to information in table 2 above has only two types of SMEs categorization i.e. small scale mining and small scale quarrying. This is a sector that can be lucrative, though SMEs are not many and this could be attributed to limited capital base to venture into the sector. The government of Zambia has to appreciate the essence of this sector and encourage local SMEs to invest in the sector and for them to learn from the big players in the sector in form of knowledge transfer. The government can give subsidised micro loans to entrepreneurs willing to venture into the mining sector industry. This is good for the state as the local industry expertise will be developed and this could also become its comparative advantage. Clearly investment in the SMEs subsector creates a lot of employment opportunities in the economy with its associated advantages. This is reflected in table 2 considering the periods of 1993-2006 as an example. The actual number of SMEs in the country could not be easily ascertained as such data is not available at the central statistics office of Zambia and at Zambia development agency. The information post 2006 was not readily available. The data below would however, give an indication of the importance of having micro small and medium enterprises in the country. This table gives indicative investments in the MSMEs sector in the country.

Table 3: Total investment approvals and employment in Zambia for 1993-2006

Sectors	Total Investment in MSMEs (US\$)	Total Employment
Manufacturing	1,402,656,791	73,785
Agriculture	643,354,224	78,881
Service	748,636,802	15,759
Mining	485,301,725	15,117
Construction	271,696,980	11,190
Consultancy	943,032	134
Engineering	8,237,089	421
Financial	5,604,975	483

Institutions		
Fisheries	9,009,036	1,918
Health	10,340,799	695
Tourism	341,644,363	11,851
Transport	197,692,949	4,293

Source: ZDA, 2007

Literature from the Zambia development agency shows the employment opportunities that have been created out of investing in small and medium enterprises as shown in Table 2 and 3 above. A total investment of USD 1,402,656,791 was made in the SMEs manufacturing sector for the period of 1993-2006 and this generated employment for 73,785 personnel, followed by agriculture with a total investment of USD 643,354,224 which created 78,881 jobs. The least jobs were created in the consultancy where a total of USD 943,032 was invested and with only 134 jobs created. Other SMEs in different sectors were able to create jobs as shown in table 3 in Zambia. There is a 99.9 percent when you compare the micro funds invested in manufacturing and those of consultancy. There is much less funds invested in consultancy which also reflects that, this sector will create fewer jobs and in this case the difference is 99.8 percent.

This again alludes to the fact that, as you invest more in SMEs, then more jobs will be created and this is where the government should put more emphasis. The government for example may design a program that gives interest free loans to entrepreneurs; give long tax holidays, complete tax exemptions for investing in certain industries and in certain provinces etc. Such initiatives could act as driving factors for micro investors in SMEs.

Another national wide survey could now reflect a better picture on jobs creation in the sector provided additional investments were made in the subsector. It is clear that a lot of investment is need in agriculture SMEs where we can see less was invested equivalent to half of what was invested in manufacturing, it was able to create more jobs than in the manufacturing sector i.e. 78,881 jobs for agriculture against 73,785 jobs for manufacturing.

This is where Zambia may need to put in more effort and provide a lot of micro financing to the SMEs that add value to agricultural activities. When you look at the data in table 2, it reflects different kinds of SMEs and the industry in which they operate and it can be seen that the majority are in the manufacturing industry. The help of investors in micro small and medium enterprises should not end at just drafting a favorable legislation, the government has to where feasible provide extension services to investors. The government would not lose in any way, in addition to aiding the investor, they will be helping the business and the sector to grow, and this would mean more jobs creation, social cohesion, more PAYE among other factor.

7. CONCLUSION AND RECOMMENDATIONS

The government of Zambia has been instrumental in setting enabling business environment for SMEs to operate. It has set out initiatives through the small industries development organization (SIDO) which was renamed which later was known as small enterprise development board –SEDB (Kingombe, 2004; APF, 2014; ZDA, 2015). These initiatives and others are very instrumental in creating a good environment for SMEs and such should be encouraged and supported by the government. Over 90 percent of the SMEs operate in the informal sector according to the research findings. This is not health as planning for enterprises by the government become a challenge. Government can introduce a program that compels SMEs to register. The government can for instance introduce free registration with patents and companies registration agency (PACRA), tax holidays, tax exemptions for SMEs employing at least 3-5 employees etc. Such initiatives can become acceptable by the SMEs sub sector players. Considering the data on SMEs for the period 1993-2006, SMEs had created total employment of 214,527 in different SMEs. Agriculture sector provided 36.7 percent followed by manufacturing with 34.3 percent. Initiatives by the sector players to prop up SMEs in a country would develop the Zambian economy at a fast pace. It would be difficult to attain the growth of the sector without dedicated initiatives for providing micro finance facilities to entrepreneurs. Business startups do require seed capital and this can be provided through grants, personal savings and or loans.

The sector needs to be made attractive for the micro finance institutions; this could mean that government should allow MFIs operations to be governed by the forces of demand and supply in a market economy.

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