

**AN ANALYSIS OF FACTORS CONSTRAINING THE GROWTH OF MICRO  
ENTERPRISES IN LUSAKA.**

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**ABSTRACT**

From the literature researched in this study it was clear that micro enterprises have the potential to make a strong contribution to the economy of African countries like Zambia and others. In spite of this, it is concerning to note that they often do not progress to the next level of competence. An alarmingly high number of micro enterprises fail shortly after start - up while many others remain stagnated in terms of potential growth.

This study was primarily aimed at establishing the factors that constrain micro enterprise growth in Lusaka. To do this, the study used simple random sampling to collect data from 66 micro enterprise owners and 5 key informants (2 micro enterprise sector experts and 3 council officials) using interviews and questionnaires. The study was mainly descriptive in nature. The data collected was analysed descriptively and presented through figures, frequencies, tables and percentages.

The findings of the study indicate that micro enterprises in Lusaka are faced with internal and external constraints to growth, such as excessive competition, lack of access to finance, vulnerability to crime, lack of market demand, high family demands and unrealistically high cost of stock. Other constraints were found to be administrative corruption, constrictive import / export regulations, uncertainty regarding business conditions and legal as well as regulatory constraints. It was also found that many micro enterprises were not adhering to the laid- down regulatory and legal restrictions in force

in the city of Lusaka. Often the local authority officials charged with the responsibility of enforcing these regulations were unable or unwilling to effectively do so; hence many micro enterprises were getting away with illegal practices.

Some recommendations arising from the findings of this study are that micro enterprises have to be encouraged to operate formally rather than remaining in the informal sector. Female representation in the micro enterprise sector also needs to be increased by adopting deliberate policies which help alleviate constraints faced by female business owners. Lastly, the government needs to ensure that the already existing policies aimed at the micro enterprise sector are properly implemented.

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**DEDICATION**

This thesis is dedicated to my mother and father, Mr. David. T. Musona and Mrs. Eunice Musona. Without your continued support, completion of this study would not have been possible. Thank you.

Furthermore, this thesis is also dedicated to Almighty God, who has made everything possible for me.

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## **CHAPTER 1**

### **INTRODUCTION – DEFINING THE RESEARCH PROBLEM**

#### **1. Introduction**

This chapter presents information on the orientation of the study, a statement of the problem, objectives of the study, research questions, and significance as well as limitations of the study.

#### **1.1 Orientation of the study**

Zambia had in the past depended exclusively on the mining sector for economic growth, this remained the status quo until the prices of copper suffered a substantial fall. It was at this point in 1981 that the government of Zambia realized that the economy had to be sustained by other means and focus shifted on to the Micro, Small and Medium Enterprise (MSME) sector as a potential alternative.

According to Chisala (2008, p. 8) the government then made efforts such as coming up with policies. Examples of these policies are; the Small Industries Development Act of 1981, Small Enterprise Development (SED) Act of 1996, the Poverty Reduction Strategy Paper (PRSP) of 2000- 2004 and the Transitional National development Plan of

2002- 2005 all aimed at helping this sector but unfortunately, the impact of these initiatives was low due to various implementation challenges. This meant that the enterprises in this sector still remained stagnant in terms of potential growth in spite of the government's apparent good will.

More recently, the Micro, Small and Medium Enterprise Policy was launched in 2010 with the aim of helping to develop this sector through providing the appropriate framework. In addition the Citizen Economic Empowerment Policy was also launched in order to provide funding to entrepreneurial Zambian citizens to help them develop income generating businesses, but it is yet to be seen if these policies have had any tangible results to this end.

Many African countries rely heavily on micro, small and medium enterprises, collectively known as MSMEs, to help stimulate their economies. Given this fact, it is unfortunate that many enterprises in this sector often do not develop into stronger entities. Specifically, in the Zambian context, Chisala (2008, p. 1) mentions that these enterprises have a tendency to remain stagnated in terms of potential growth due to various constraints. In agreement with Chisala, Mbuta (2007, p. vii) did find that enterprises, especially those at micro level have failed to record much qualitative growth.

This study looked at identifying the factors that constrain the growth of informal micro enterprises located in Lusaka city with a view of getting a deeper understanding of the reasons why growth is not being attained by these enterprises.

It is important to note that the majority of the studies focusing on the topic at hand have been done in the developed world and a significant number have been done in other sub Sahara African countries, while only a few have so far been done in Zambia. This unfortunate fact made it very important that a region- specific study be done, especially on enterprises located in the Lusaka central district as this is a very important business hub in the country. This study aimed at providing the missing information about growth challenges faced by micro enterprises in this particular location.

## **1.2 Statement of the problem**

The Zambian economy like most African countries is potentially dependant on micro, small and medium enterprises collectively known as MSMEs for its progression. This MSME sector provides a number of benefits to the country with some being; employment creation and wealth generation to mention but a few.

The sheer magnitude of this sector means that it cannot be ignored. If Zambia is to grow its economy and thereby reduce poverty and increase per capita income, it is vital that all possible measures are taken to encourage the growth and survival of these enterprises.

Chisala (2008, p.8) is of the view that SMEs in the country have been facing a great challenge when it comes to growth and therefore most of them do not grow in size but usually remain stagnant. This study aimed at identifying the factors that make growth for these enterprises difficult. It is hoped that the findings of this study will provide valuable information that can be used by the relevant authorities to come up with policies and initiatives that may help these enterprises overcome these challenges, which will lead to their expansion into larger firms that will be able to make a greater contribution to the Zambian economy.

Chisala (2008, p. 9) goes on to mention that a large number of these micro enterprises have a tendency to remain at micro level even after years of being in operation. He mentions a number of challenges that can be alluded to as the possible cause of this unfortunate development and among these factors are issues such as educational background of the micro enterprise owner and ineffective public policy to mention but a few. It was therefore important to try and identify which other factors could be included on this list of challenges to growth.

### **1.3 Objectives of the study**

The objectives of this study are as follows:

1. To identify the main factors that negatively affect the growth of micro enterprises in Lusaka.
2. To suggest solutions to these constraining factors so as to encourage growth of micro enterprises.

### **1.4 Research questions**

The research questions that this study aimed to answer are as follows;

1. What are the main internal factors that constrain the growth of micro enterprises here?
2. What are the main external factors that constrain the growth of micro enterprises here?

### **1.5 Significance of the study**

Having a clear understanding of the exact factors that are constraining the growth of micro enterprises in Lusaka will allow all the relevant government bodies and stakeholders to formulate solutions that will help to overcome these obstacles. This will

therefore not only promote growth and expansion of these enterprises, but also improvement of the Zambian economy as a whole.

It is important to note that although some studies have been done on the topic, for instance by researchers such as Okpara (2011) who focused on Nigeria, Nkonoki (2010) who took a Tanzanian perspective and Chisala (2008) who wrote about the Zambian situation generally, region specific (i.e. Lusaka city) studies have not been done.

This study was therefore particularly important because there have not been many studies that have explored the factors that are affecting the growth and expansion of MSMEs in Zambia. This study was therefore focused on enterprises in Lusaka because Lusaka is considered to be the business center of Zambia.

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

The limitations encountered during the study were as follows; selection bias and shortage of relevant information. Selection bias occurred because of the composition of the population of this study (micro enterprises located in the Lusaka city mainly involved in the retail/ wholesale trade sector only); this affected the generalization of

findings as can be seen in the following literature presented here, certain localities will have specific challenges which may not be found in other localities. Shortage of specific information about studies on micro enterprises located in the central business district also affected this study. One other limitation that was encountered was the difficulty in accessing council officials and sector experts, whose views and opinions were included in the study as supporting data.

### **1.7 Scope**

This study was carried out in the Lusaka central business district. The main respondents in this study were micro enterprise owners themselves with less than ten (10) employees, having been in business for no more than (5) five years. Firms having not been in existence for more than 5 years were deliberately chosen because as Nicher and Goldmark (2005, p.19) state;

*“Young MSEs grow substantially more rapidly on average than their older counterparts”.*

Therefore, to get a good view of growth constraints only young firms needed to be included in the study.

The focus of the study was to identify the main internal and external factors that constrain the growth of micro enterprises. This study included sixty six micro enterprise

owners, two MSME sector experts and three council officials, all adding up to seventy one respondents.

## **CHAPTER 2**

### **2. THEORETICAL FRAMEWORK**

#### **2.1 Theoretical perspectives on micro enterprise growth**

The growth phenomenon among MSMEs is one that has not been properly and completely examined in existing literature. According to Farouk and Saleh (2011, p. 2) the existing theories have failed to establish conclusively why some enterprises fail while others beat the odds and survive.

Some of the growth theories established thus far, including their criticisms have been briefly outlined below.

##### **2.1.1 Stochastic model**

According to Farouk and Saleh (2011, p. 3), authors such as Matthew Dobbs and R.T Hamilton (2006) came up with this model which is essentially based on the fact that firm growth is completely random and there are no defined groups of variables that can be used to predict the said growth. Needless to say, this stance has been fiercely disputed by various authors among them Enrico santarellia and Marco Vivarelli (1999) also cited in Farouk and Saleh (2011, p. 3).

### **2.1.2 Deterministic approach**

According to Farouk and Saleh (2011, p. 4), this approach was championed by authors such as Jones and Neubaum (2005). The basis of this approach is that a specific set of internal and external variables can be identified that explain the growth of small and medium enterprises. Critics of this model are of the view that its contribution has been somewhat limited as it only provided fuzzy explanations leaving a great deal of issues unexplained. In addition, this model is said to be lacking empirical validation.

### **2.1.3 Stage model**

Essentially the brainchild of accomplished authors Churchill and Lewis (1982) cited in Farouk and Saleh (2011, p. 4), this model states that each stage of a firm's development has corresponding characteristics, challenges and attributes. The main criticism of this school of thought is that it lacks validity as priority is placed on internal factors while relegating other equally important external factors to the background. (Farouk and Saleh, 2011, p. 4)

The above shortcomings in the described frameworks are the main reasons why Perren's work was chosen as a reference point for this study. Perren's framework has been accepted in academic journals such as the journal of small business and enterprise development because of its valuable contribution and important findings. It was best suited as a reference point for this study because of strong points such as:

1. It specifically looks at gradual growth micro enterprises. (Micro enterprises being the main focus group for this thesis).
2. It is deeply rooted in empirical research. (Therefore, making it superior to the deterministic model).
3. It takes a comprehensive approach in its treatment of factors that influence development of micro enterprises as both internal and external factors were given equal attention. (Making it far more reliable than the stage model which placed more attention on internal factors).

#### **2.1.4 Perren's framework for growth of micro enterprises**

According to Perren, growth in an enterprise may be defined according to two main indicators such as an increase in employee numbers (i.e. beyond 9 employees) and turnover of more than £ 600,000 and conversely, those enterprises that exhibit flat employee numbers as well as flat turnover are considered to be no growth enterprises. Given the above, in this study growth oriented enterprises are those that were found to have the desire to increase the number of employees and the desire to grow the business as a whole.

Perren (1999, p. 369), goes on to state that there are two main types of factors that affect the growth of micro enterprises. These two factors are independent factors and interim drivers that interact with each other, resulting in enterprise growth (assuming the interaction is positive). The two factors mentioned above together with their sub factors are discussed below as follows;

Independent factors, according to Perren (1999, p. 369) are factors which especially have a big influence on interim growth drivers. In his study, he found independent factors such as; personality attributes, transferable experience, stakeholder patronage and other external influences to be important to micro enterprise growth. This means that these independent factors must be positive in order to enable the interim growth drivers to initiate and sustain growth of a micro enterprise; it therefore follows that the absence of any of these factors will have a negative effect on the growth of a micro enterprise. In other words, the presence of these independent factors can be a catalyst for growth, whereas their absence may be a constraint to growth.

#### *Desire to succeed*

The first independent factor that falls under personality attributes is the desire to succeed. In his study, Perren (1999, p. 369) found that this factor was quite prominent. According to him, a micro enterprise owner must really want his enterprise to be successful and often this enterprise success is related to growth, meaning that if the motivation for growth is strong (owners motivation is also an interim growth driver), the

owner will make his enterprise grow. It therefore follows that if the owner has low motivation for success, then enterprise growth will be negatively affected and hence a low motivation to succeed presents a constraint to growth.

#### *State of the economy*

The second factor that was identified by Perren (1999, p. 369) to have an effect on enterprise growth is state of the economy falling under the 'external influences' category of independent factors. According to him certain pieces of legislation as defined by the government may act as a constraint or catalyst to the growth of a micro enterprise. In the Zambian context, regulations such as the local government Act, Public health Act and business licensing Act as well as the various policies (for example; Micro enterprise development policy and Citizens empowerment policy) through their exact prescriptions, application and enforcement may end up being a constraint or catalyst to enterprise growth.

#### *Competitive dynamics*

The third factor identified by Perren (1999, p. 369) to have an effect on enterprise growth is competitive dynamics also falling under the 'external influences' category of independent factors. Perren's study indicated that when competition in a particular sector is high, the enterprise owner will be in an advantageous position because certain business costs will reduce therefore enabling the micro enterprise to increase volumes of production.

This increase in volume therefore translates to growth of an enterprise, but it must also be noted that if competition is too much in a market or if these competitors are larger and have an unfair advantage such as a cheaper source of inputs/ products or are enjoying economies of scale they might be able to offer their goods at a much cheaper price.

Doing the above might choke the micro enterprise owner out of the market because of the intense price competition. It therefore follows that low competition may be a positive influence on enterprise growth in certain situations. Also, a constraint to enterprise growth may present itself if the market in which the enterprise is operating is too small.

#### *Product sector*

The fourth factor identified by Perren (1999, p. 369) to have an effect on enterprise growth is product sector and market segment also falling under the 'external influences' category of independent factors. According to him, if an enterprise is involved in a product sector that is currently experiencing growth, this growth in the sector will act as a catalyst to enterprise growth because the increase in the demand of that product will enable the micro enterprise dealing in such a product to grow. For example, the health product sector is currently experiencing growth.

Conversely, if the product sector is in its decline phase it therefore means that an enterprise dealing in such a product will find it difficult to grow because of a lack of demand. This point is where the product life cycle (introduction, growth, maturity and decline) play a role in the growth of an enterprise.

In addition, a constraint to enterprise growth may present itself if the market segment in which the enterprise is operating is highly saturated.

#### *Debtors and Creditors*

The fifth factor identified by Perren (1999, p. 369) to have an effect on enterprise growth is debtors and creditors falling under the 'stakeholder patronage' category of independent factors. According to him, suppliers and financial providers offering favorable conditions such as credit access to a micro enterprise may be a catalyst to growth and the converse may pose a constraint to growth. Financial providers make resources such as funds available to enterprise owners (resource access being an interim growth driver).

With regards to creditors, those that do not pay the micro enterprise owner in time or those that don't pay him at all and are written off as bad debts a situation which poses a constraint. These bad debts are a constraint to growth as they deprive the enterprise of the much needed finance for growth to be achieved.

*Transferable primary skill*

The sixth factor identified by Perren (1999, p. 369) to have an effect on enterprise growth is transferable skills falling under the 'transferable experience' category of independent factors.

According to Perren, having previously worked in a business similar to what a small business owner is currently involved in will allow them to have certain primary skills that may prove valuable in the running of their new business. Previously acquired skills will help the enterprise owner avoid some of the common pitfalls in everyday business making the proper running of the business easier therefore making growth of the enterprise an achievable goal.

*Active risk taker tendencies*

The seventh factor identified by Perren (1999, p. 369) to have an effect on enterprise growth is having risk taker tendencies falling under the 'personality attributes' category of independent factors.

According to him, a micro enterprise owners' attitude towards risk taking has a direct effect on the extent he or she is willing to go in order to acquire all the necessary resources needed for business growth. For instance, a micro enterprise owner who is bold enough to take the risk and invest all his/ her own personal savings into the

business may have a positive influence on business growth whereas the opposite is also true.

### *Innovation*

The eighth factor identified by Perren (1999, p. 369) to have an effect on enterprise growth is innovativeness falling under the 'personality attributes' category of independent factors. Innovation, which is the ability to think outside the box and coming up with different and unique ways to serve customers better, therefore improving business operations and profitability, is essential for growth.

According to Perren, a micro enterprise owner must have the ability and drive to constantly keep their ear to the ground and be able to identify market opportunities that the firm can capitalize on. This kind of innovativeness has a positive influence on enterprise growth.

### *Societal and other factors*

The ninth factor identified by Perren (1999, p.369) to have an effect on enterprise growth is societal and other factors falling under the 'external influences' category of independent factors. Certain policy changes or developments have the ability to have a positive influence on enterprise growth, for instance the development of enabling policies targeted at micro enterprise development, such as the one developed in Zambia may have a positive impact on micro enterprise growth, although it should be

remembered that a good policy alone is not enough but should be coupled with effective implementation which is only possible with the right political will from the government.

In addition, other factors such as demographic shifts like an increase in population in an area where the business is located due to the rural- urban drift may have a positive impact on business growth.

*Key employees, partners and transferable networks*

The tenth factor identified by Perren (1999, p. 369) to have an effect on enterprise growth is having key employees, partners and transferable networks falling under the 'stakeholder patronage' category of independent factors. It is vital for a micro enterprise owner to have the right employees and partners that share the vision and are committed to growing the business to ensure success. This support system is needed by the micro enterprise owner because one person cannot do everything by themselves and in fact, having poorly suited employees who are not contributing effectively to the business aims and goals may be detrimental and might lead to business failure in the long run.

Access to transferable contacts such as mentors who have gone through the process of starting and growing a certain type of business is also important to the micro enterprise owner. This is important as it may act as a reference source for whatever business challenges that are bound to be faced by the entrepreneur.

In conclusion, the above constitute a framework of micro business growth as compiled by Perren. The presence of these factors is important to ensure enterprise growth and therefore it follows that absence of any factor mentioned above may be construed to be a constraint to the growth of an enterprise.

Also, given the above information from Perren that forms a theoretical understanding of the factors necessary for business success which translates to growth, a foundation has been set for the analysis of constraining factors.

Specifically, Perren's framework along with findings of other studies presented in the next chapter was used as a point of comparison for the assessment of MSMEs in Lusaka. It was important to see how far finding in this research study corresponded or varied with existing literature.

Going by the results of this study, Perren's framework seems to be valuable as it addresses many categories present in the micro business landscape in Lusaka and therefore adopting it may have a positive impact on the growth of micro enterprises.

The following comparative studies chapter will highlight findings of other researchers who present a more empirical list of perceived factors constraining business growth in various countries.

## **CHAPTER 3**

### **3. COMPARATIVE STUDIES**

#### **3.1 Introduction**

This chapter will begin by firstly giving a definition of the sector in which micro enterprises fall, it will then give a brief background of the MSME sector in Zambia followed by a short note about the significance of micro enterprises, growth and lastly challenges to growth that have been found by other comparative studies will be discussed.

Most researchers and authors alike have attested to the fact that micro enterprises make a valid contribution to a country's economy and therefore should not be neglected. In spite of this general agreement with regards to the importance of this sector, there has however been differing opinions on the specific factors that are constraining the growth of these enterprises.

Different researchers have found varying factors that constrain the growth of micro enterprises depending on the location in which the specific study was conducted. The influence of locality on the particular constraints faced is one reason this study was essential.

### **3.2 Sector definition**

The MSME sector is made up of three classes of enterprises which fall under micro, small and medium enterprise classifications. These classifications are defined based on factors such as business investment value, annual turnover and number of employees. By looking at these factors above, it can be noted that they are the same factors used to distinguish growth oriented firms from none growth oriented firms as earlier stated by Perren (1999, p. 368).

For instance, according to Mbuta (2007, p. VII) an enterprise is described as micro if it has a maximum business investment of ZKR 70,000 , turnover of ZKR 140,000 and no more than 10 employees. Small enterprises on the other hand must have a maximum business investment of no more than ZKR 500,000 for those in the manufacturing sector and ZKR 100,000 for those in the trading/ services sector. Furthermore a small enterprise must have annual turnover of no more than ZKR 800,000 for the manufacturing sector and ZKR 800,000 for those in the trading sector. Maximum number of employees is 45 for both the manufacturing and trading sectors.

Mbuta (2007, p.VII) continues to state that a firm is considered medium if it has a total investment of ZKR 1 800 000 for manufacturing sector and ZKR 600, 000 for those in

the trade sector. Such a firm must also have an annual turnover of no more than ZKR 5 000 000 for both the trade and manufacturing sectors with a maximum number of 100 employees in both cases.

Aside from just investment, turnover and employee number, this sector is also defined by the business activities pursued. These business activities tend to fall within four broad categories, namely: manufacturing, which encompasses; textile products, carpentry, light engineering, metal fabrication, food processing, leather processing, handicrafts, precious stone processing, essential oil production and ceramics. Trading comprises; consumable products, industrial products, agricultural produce and printing. Services consist of; restaurants and food production, hair dressers, passenger and goods transportation, telecom services, financial services, business centers, cleaning services, guest houses, building and construction. Lastly, mining consists of small scale mining and small scale quarrying. (Chisala, 2008, p. 7)

Furthermore, this sector is made up of enterprises which are both in the formal and informal sector, although the distribution of enterprise in these categories is not equal. Those enterprises in the formal sector are registered with Patents and Companies Registration Agency (PACRA) or any government authority. According to the Zambia Business Survey carried out by Clarke et al (2010, p. 10), it was found that only 1 in 20 MSMEs are registered making these enterprises largely informal in nature. Their survey also found that the informal sector employs about 88% of the employable population in

Zambia. This finding above further supports the rationale behind this particular study focusing on mainly the micro enterprises in the informal sector.

It is thought that the reason for this sector being largely informal is the low productivity that haunts most micro enterprises. On this point it is important to state that for micro enterprise contribution to the economy to increase, more of these types of firms must make the leap from the informal sector into the formal sector. The change from informal to formal can be achieved by facilitating enterprise growth, through eliminating the underlying constraints. The logic here is simple; eradicating growth constraints will lead to an increase in productivity and therefore encouraging more micro enterprise to formalize their operations which will in turn led to an upward increase in contribution towards the growth of the Zambian economy.

### **3.3 Importance of micro enterprises to the Zambian economy**

As mentioned earlier, micro enterprises are very important to the Zambian economy because of their contribution to employment and wealth generation. According to Clarke et al (2010, p. 1) in Zambia, *“Of the 4.1 million Zambians who are employed, most (88 percent) work for informal enterprises with less than five employees”*.

These enterprises being described by Clarke et al (2010) are clearly micro enterprises.

The above statement is essentially the reason why this study focused on the micro enterprises only since they absorb the majority of the employed population making them very important players in the Zambian economy.

### **3.4 Historical background of the MSME sector in Zambia.**

Zambia had in the past depended exclusively on the mining sector for economic growth, until the unfortunate drop of copper prices in 1981. Up until now, copper prices have remained relatively unstable with frequent drops having a negative effect on the economy.

It was at this point that in 1981, that the government of Zambia realized the economy had to be sustained by other means and focus shifted onto the MSME sector as a potential alternative. According to Chisala (2008, p. 8) the government then made efforts to help the development of this sector by coming up with various enabling policies.

#### *Policy pronouncements*

Government came up with the fourth national development plan which ran from 1988 – 1993; this plan had a number of objectives such as;

*“To identify and promote SMEs that have potential for output expansion and employment generation in a manner that structurally integrates such activities to complement the large scale enterprise sector.”* (Mbuta, 2007, p. 2)

This initiative inevitably failed to register any tangible benefits due to the fact that too much attention was placed on collective enterprises rather than individual business ownership coupled with the inadequate resource disbursed by the government. (Mbuta, 2007, p. 2)

By the year 1991, the SME sector began to see a change as the wider business environment began to be more favorable for small businesses to operate than in the past. In the year 1994, the commercial and trade policy was developed with the main aim of fostering the growth and development of small scale enterprise. (Mbuta, 2007, p. 2)

The Small Enterprise Development (SED) Act of 1996 was initiated as a successor of the 1981 Small Industries Development Act. The SED Act had among other features; exemptions on tax payments and licensing fees for small enterprises for stipulated periods of time.

But up to this point, all policies that had been passed turned out to be only lip service and had not helped the sector much according to the Ministry of Commerce, Trade and Industry. (Mbuta, 2007, p. 3)

Later came the Poverty Reduction Strategy Paper (PRSP) of 2000- 2004 and the Transitional National development Plan of 2002- 2005 all aimed at helping this sector, but unfortunately, the impact of these initiatives was nothing commendable due to implementation problems. This meant that the sector still remained stagnant in terms of potential growth in spite of the government's good will.

The most recent policy pronouncements were the Micro, Small and Medium Enterprise policy which came into effect in 2010 and the Citizens' Empowerment policy. These policies aimed at providing the necessary framework to ensure development of the sector and provide funding to entrepreneurs, but it is yet to be established if tangible results have been attained since their launch.

### **3.5 Characteristics of micro enterprises**

Micro enterprises have particular characteristics that distinguish them from other types of enterprises. According to Mbuta (2007, p. 3) these enterprises are usually run at home in the form of small shops on the residential dwelling, but a large number are also found

in the central business district. The findings of the Zambia business survey, according to Clarke et al (2010, p. 3) also concur with Mbuta in that there is agreement that such micro enterprises usually tend to be home based.

In addition, these enterprises also tend not to be registered with any relevant government agency says Mbuta and are usually ran by the entrepreneur themselves, although in some instances they enlist the help of a few family members. Clarke et al (2010, p. 3) is also in agreement here as their study findings also indicate that the majority of micro enterprises were informal in nature and usually have a workforce of 0-5 employees in most cases.

Mbuta (2007, p. 3) goes on to state that these enterprises are also characterized by low use of technology in their business, with the majority only using the most basic of technologies to conduct their business dealings. The lack of adequate technology can be a constraint as it may have an adverse effect on productivity. To understand the effect of technology, one has to backtrack to the initial advent of technology during the industrial revolution which had a positive effect on worker productivity and output, a logic that holds true in this case also.

Furthermore, these enterprises are also usually engaged in economic sectors such as trading, service delivery and basic manufacturing which are the more main stream and traditional sectors. One of the findings on the characteristics of micro enterprises,

according to Clarke et al (2010, p. 3) is that about 81 % are involved in agricultural production, 70% in wholesale trade with 21% being involved in retail trade.

### **3.6 Constraints to growth**

A number of researchers that have carried out studies on the MSME sector discovered a number of challenges that constrain the growth of micro, medium and small enterprises. Below is a discussion of the factors that were identified taking different contexts such as sub Saharan Africa, South Africa, Tanzania, Kosovo and a few other countries into consideration.

#### *Lack of access to finance*

One factor that has been identified as a constraining factor is lack of access to finance. This resource access factor is among the interim growth drivers identified in Perren's framework discussed in chapter 2. Finance is very important in a business for reasons of survival and growth, it is used to buy supplies, making capital investment and making payments for business related costs, for example, wages and rentals to mention but a few.

To appreciate the gravity of the problem of lack of finance among MSMEs, findings from researchers both from Africa and around the world need to be examined. Taking a worldwide perspective, the findings on MSMEs in Kosovo are examined and it was

reported by Soini and Veseli (2011, p. 49) that of the enterprises studied; 100% had used their own finance to start their businesses due to the difficulty of accessing finance from outside sources at startup, 66.67% used finance such as loans from banks to expand their business and it was in this case concluded that lack of access to finance was a major problem in Kosovo largely in the start up phase.

This situation is also present in Zambia, according to the MCTI 2003 survey cited in Chisala (2008, p. 12) it was discovered that only 7.2 % of SMEs in Zambia were privileged enough to access credit at start up with the majority 92.8 % being denied this necessary facility. Furthermore, authors such as Konge (2011, p. 225) are of the view that lack of finance in order to boost business operation is also a challenge among Zambian enterprises.

Coming to other African countries, and taking a Tanzanian perspective; it was found by Nkonoki who studied factors limiting the success and / or growth of small businesses (2010, p. 40) that 44.44 % of the respondents reported that lack of access to finance was a major constraint faced by them. To be more specific, Nkonoki mentions factors such as inadequate collateral to declare as a security in acquiring loans from the banks, poor or lack of a business plan to be used during the loan application process, poor state of the economy and bureaucracy in the loan application as the main reasons that made access to finance difficult in this case.

In contrast, another study done by Fjeldstad et al (2006, p. 7) also based in Tanzania looking at constraining factors being faced by micro enterprises found that access to finance was only a minor challenge as only 12.9 % of the enterprises studied reported it as negatively affecting their business. This contrast in findings is baffling because such a disagreement of findings is expected when conditions in different countries are examined but not if the examination is carried out in the same country.

Differences in findings may be attributed to varying economic situations prevailing in the different countries, also bringing to light that the prevailing economic climate in a country may pose a constraint as well because sectors such as the financial sector are affected by the economic climate therefore affecting businesses. On the other hand, such a contrast in findings between studies undertaken in the same country may serve as a confirmation of the assumption that discrimination among firms may exist within a country due to factors such as exact location (i.e. Rural area or urban) of the particular enterprise within the same country.

Other work that is referred to here is that done by Olawale and Garwe (2010) which focused on determining the obstacles to the growth of small enterprises in South Africa. With regard to the lack of finance constraint, it was found in their study that this constraint was the highest ranked carrying a factor load of 0.920. Olawale and Garwe (2010, p.733) seem to agree with Nkonoki above and their finding just shows how serious and rampant the problem of lack of finance actually is.

Furthermore, taking a wider Sub Saharan perspective, the work of Fjose et al (2010, p. 21) conducted to identify the SME roles and obstacles to SME growth based on data from the world bank enterprise survey of 2010 concluded that lack of access to finance was the second most serious obstacle faced by SMEs standing at 48% only being outdone by the electricity factor (lack of infrastructure). It was also found that nations located in Sub Saharan Africa had lower access to credit.

Referring to the above, Fjose et al (2010) concluded that two of the top obstacles being faced were poor electricity supply (being the top factor) followed by lack of access to finance. This is in contradiction with Olawale and Garwe (2010) who found that the top factors that constrain the growth of SMEs in South Africa (a country in sub Saharan Africa) were lack of access to finance which was top most followed by lack of collateral being the second top factor. This shows a slight contradiction.

This slight contradiction was cleared by the findings of this particular study focusing particularly on a Lusaka perspective (discussed in chapter 6).

Still examining the Zambian business landscape, in a research carried out by Clarke et al (2010, p. 14) taking a Zambian perspective, Clarke et al (2010, p.14) found that there was a lack of access to finance among MSMEs which in turn acted as a constraining factor to growth. Their survey results were that 11% of businesses had cheque accounts or used money transfer services, 2.3% used credit products, less than 1% had insurance,

only 20% of enterprises were privy to receiving financial services from banks and only 8% had received services from micro finance providers. Among the reasons for poor access to finance, it was found that only 10% of the businesses were banked leaving a larger 90% being unbanked. The fact that such a large percentage was unbanked meant that they did not have access to banking facilities such as loans or overdrafts. Another reason that was brought up in the existing literature was that access to banking infrastructure was poor and banking products available to the public had a high cost, making them largely inaccessible to the small businesses that already have financial constraints.

Also, a survey carried out in America found that 41% of the small business owners were of the view that lack of finance was somewhat an obstacle to their growth, 19 % thought lack of finance was the most serious obstacle to their growth while 49% consider it as a minor obstacle and the remaining 10% didn't know if it was an obstacle or not. (NFIB, 2011, p. 5)

From the above findings, it is clear that lack of access to finance is quite a rampant constraint, this sentiment is also shared by Shah (2012, p. 18) who presented data collected during the Zambia Business Survey, 2008 and World Bank Enterprise Survey, 2007. Shah specifically stated in his report that only very few informal microenterprises have access to financial services. For instance, only 41% had access to bank accounts, 3% had access to overdraft and only 5% had access to current loans. Shah (2012) here

shows how serious the access to finance constraint is to micro enterprises. On the other hand, Shah (2012) made a very interesting but a contradictory observation that small firms usually have better access to finance and many other necessities for business growth.

Another research that was carried out in Zambia that is a point of comparison is that done by Mbuta (2007, p. 47) which identified lack of access to finance as the highest ranked constraint being faced by the MSME sectors standing at 21%. The specific financial elements mentioned here were as follows; lack of pre start-up capital, working capital, investment capital, poor customer repayment, high and varied interest rates and fluctuating foreign exchange rates.

In addition to some of the above authors, Bowen et al (2009, p.23) who also studied small and micro enterprises in Kenya seems to concur with the notion that lack of finance (lack of working capital) was a constraint among these establishments as he discovers that 53% of the business owners reported this factor as a constraint. It was also discovered in the same study that debt collection was a challenge to micro enterprises. Bowen reports that 54.5% of business owners found debt collection a challenge as some of their customers who had gotten goods on credit were defaulting on payments therefore leading to poor cash flow in the business and in some instances these debts have to be written off because they cannot be recovered.

As much as offering credit to customers may help in building a relationship with them, it can also contribute to factors constraining micro enterprise growth. This means that care must be taken by small businesses all rather all businesses when deciding to extend credit facilities to their customers as such an act comes with considerable risk.

#### *Lack of infrastructure*

Another factor that has been identified as one of those constraining the growth of micro enterprises is lack of infrastructure, and the two amenities mentioned here are water and electricity. Both water and electricity are important factors of production and a problem when accessing either one could cause a disruption to business productivity and ultimately growth.

It was discovered by Clark et al (2010, p. 11) that in Zambia, only 24% of urban MSMEs have access to electricity, leaving the majority 76% without access and when it comes to water only 30% of urban MSMEs had access leaving the majority 70% without access.

This state of affairs is worrying because if an enterprise that depends on electricity to operate its electronic equipment such as cellular phones, printers and computers has a problem with electricity access it then means that business operations will be severely disrupted causing a drop in earnings hence negatively affecting growth.

Furthermore, according to Clarke et al (2010, p. 19) given adequate access to infrastructure such as electricity and water, MSMEs reported higher output per worker. This finding just goes to show the gains that could be attained if access to infrastructure could be improved for those MSMEs that are lacking these important infrastructures. In agreement with Clarke et al above, Shah (2012, p.11) also wrote in his report that Zambian micro enterprises did in fact face a constraint of lack of access to electricity and water.

Shah wrote that only 36% of micro enterprises had access to water, leaving 64% without access. But surprisingly he says that 76% of micro enterprises had access to electricity with only 24% not having access, this is surprising because information used by Shah was collected between 2007 and 2008 and shows a higher percentage of enterprises having access to electricity. Whereas Clarke's study was conducted in 2010 which is more recent and it shows that the percentage of enterprises having access to electricity had dropped from 76% to 24%. This substantial drop is shocking as the expected trend is that the percentage of access should increase with time as more power stations have been commissioned in the country and the national electricity provider is continuous undergoing upgrading exercises aimed at increasing output so as to improve electricity access and supply.

In addition, Olawale and Garwe (2010, p. 734) who took a South African perspective found that poor water and electricity supply as inhibitors of growth were ranked very

low. This showed that poor infrastructure in South Africa was not an important factor that constrained the growth of enterprises. In other words, it can be said that in South Africa, lack of access to water or electricity did not pose a threat to the growth of enterprises. Findings by Olawale and Garwe (2010, p. 734) are consistent with those of Fjeldstad et al (2006, p .7) who stated that infrastructure in the form of utilities was not a serious constraint to micro enterprises as only 40% of these enterprises mentioned it at all. Fjeldstad et al (2006, p. 7) goes on to state that the problem with infrastructure where it was cited as a constraint tended to dwell around the actual quality and price of this amenity.

On the other hand, one study that focused on identifying factors that constrain the growth of SMEs in sub Saharan Africa done by Fjose et al (2010, p. 20) concluded that two of the top obstacles being faced were poor electricity supply (being the top factor) followed by lack of access to finance. This is clearly in contradiction with Olawale and Garwe (2010) who identified poor access to electricity as a very minor factor. Another study that seems to contradict with Olawale and Garwe (2010) is Bowen et al (2009, p. 21) who states that a rather high 44.9% of micro enterprises found that power outages was one of the challenges that they faced in their daily business. The differences in findings here may be attributed to the level of infrastructural development and service provision in the respective countries.

The above shows how the factor of lack of access to infrastructure in one locality can come among the top major constraints while in another locality come as a minor constraint. It is because of differences like this that studies that focused on whole country or continent cannot be relied on, this further stresses why region specific studies like this one within a country are vital rather than a generalized approach.

### *Transport*

Another constraint to the growth of enterprises is transportation. According to Olawale and Garwe (2010, p. 734) taking a South African perspective, a constraint such as the high transportation cost of supplies to the business location or of products to the final buyer is somewhat significant. On the other hand a constraint such as poor roads which is a factor in transportation was low in their study.

Findings like the above by Olawale and Garwe (2010) mean that in South Africa because of the good road network, poor roads do not pose a constraint to the growth of enterprises there but high transportation costs are a cause for concern. Somewhat echoing the findings of Olawale and Garwe (2010). Taking a more general perspective, researchers Fjose et al (2010, p. 21) using secondary data collected during the World Bank Enterprise Survey in 2010 concluded that transportation as a constraint among enterprises in Sub Saharan Africa was not that serious as only 4% of enterprises cited it as a perceived obstacle to growth.

Focusing on Zambia now, the situation is not very different. According to Mbuta (2007, p. 47) it was discovered that only 4.1% of enterprises cited transportation as a constraint. Some of the factors that were mentioned were that fuel was usually expensive and its price was prone to fluctuation, also public transportation was not always easily available and when it was indeed available its cost was high.

Other researchers in Zambia such as Clarke et al (2010, p. 12) found that 35% of micro enterprises were of the view that transportation was a constraint in their businesses. What can be seen by the above studies is that even though transportation is not much of a constraint in South Africa and Sub Sahara Africa, it is a bit of a constraint in Zambia as a slightly higher number of Zambian enterprises cited it as a business constraint. This is not surprising because the road network in Zambia is quite poor and fuel prices are among the highest in the region despite the country having its own fuel refinery.

Also in line with the above authors, Bowen et al (2009, p. 14) found that in Kenya 16.7% of the micro enterprise owners considered high transportation costs to be a challenge in their business. What can be gathered here is that in terms of transportation, the challenge usually comes in because of costs associated with moving the goods rather than the availability of the means to transport the goods. This could be due to the high fuel costs in countries such as Zambia, where subsidies on fuel were removed in the year 2013, a move that has proved to be retrogressive in different sectors of the economy.

### *Competition*

Competition is also another factor that has the potential to have an effect on the firm's growth and was identified in Perren's framework under external influences necessary to support the interim drivers of enterprise growth. This factor can be looked at in two different ways, for instance competition can be good and hence promote economic growth as it may encourage firms to produce better products or employ better customer service so as to stand out from its other competitors. On a negative side though, competition, especially unfair or excessive competition can have detrimental effects in the economy as it may cause those young micro firms that are still suffering from high business costs to be forced out of the market. This could happen because young micro firms may have not yet started enjoying economies of scales and so they have to charge higher prices than larger firms that are enjoying economies of scale and hence can afford to sell their commodities at lower prices.

Researchers such as Nkonoki (2010, p. 46) found that in Tanzania, competition was a major constraint as 55.6% of the respondents mentioned this factor as a constraint to their growth. In agreement with Nkonoki (2010), another Tanzanian study looking at micro enterprises done by Fjeldstad et al (2006, p. 7) found that competition was the number one most serious constraint with about 49.6% of enterprises surveyed citing it as a major constraint. Also concurring with Nkonoki and Fjeldstad et al, Bowen et al (2009, p. 21) found in their study that among Kenyan micro enterprises competition was the top most challenge being faced as it stood at 89.4%.

In addition to Fjeldstad et al and Nkonoki's findings, Soini and Veseli (2011, p. 50) who studied the Kosovo situation found that 100% of the respondents were of the view that unfair competition was a serious constraint to their enterprise growth. In Kosovo, the unfair competition stemmed from outside the country as the domestic consumers preferred to purchase products from outside the country than local products. This shows a problem of perception held by domestic consumers, a phenomenon common in Africa also.

In South Africa, Olawale and Garwe (2010, p. 734) through their study found that high competition was ranked number 10 out of 30 obstacles to the growth of SMEs. In Zambia, it was found by Mbuta (2007, p. 47) that 20.5 % of the respondents felt that unfair competition in the form of subsidized goods and smuggled imports were a major constraint. Other factors related to competition that posed a constraint are inaccessible government tenders and high number of competitors leading to supply exceeding demand.

#### *Cost of raw materials*

According to Fjeldstad et al (2006, p. 7) it was found that the cost of raw materials was the second most serious factor constraining micro enterprise in Tanzania with approximately 43.4 % of enterprises citing this factor as negatively affecting their business. But in contradiction Bowen et al (2009, p. 14) found that the cost of raw

materials as a constraint came lower on the list as only 37.5% of micro enterprises in Kenya were of the view that this factor posed a challenge to their businesses.

### *Regulations*

Perren (1999) in his theoretical framework discussed in chapter 2 mentions that with regard to state of the economy, legislation should present enabling policies that support enterprise growth.

According to Fjeldstad et al (2006, p. 7) regulations such as licenses and permits were found to be the third most serious constraint among micro enterprises in Tanzania with 42.2% of the enterprises citing this factor as a serious constraint. Although in contrast, this factor of restrictive regulations does not seem to be much of a challenge among Kenyan micro enterprises as only 19.2% of these enterprises saw it as a challenge (Bowen et al, 2009, p. 14).

On the same, the National Federation of independent Business (NFIB) survey conducted in America found that 40 % of the small business owners thought regulatory issues presented an impediment to their business growth whereas 11 % saw this factor as a major impediment to growth (2011, p. 8).

It is important to note that every country has laws and regulations aimed at ensuring that the rule of law prevails in the economy, however, some of these laws may in some cases pose a problem to micro enterprises and therefore contribute to the growth retardation.

For instance, the *Zambian local government Act* in section 69 (p. 7) states that by virtue of its mandate, the council shall require every person with a business or trading within the boundaries of Lusaka to pay a stipulated levy fee to cover the necessary license or permit, for example, trading license or business levy. As much as such fees assist in revenue generation for the council, they can also be detrimental to a micro enterprise that is struggling to expand if such fees are pegged at a higher level.

With regard to licensing laws, the main legislation in Zambia is the *trade licensing Act*, cap 393 of the laws of Zambia which requires that the following licenses be acquired by business owners.

#### *Types of licenses*

- a) Trading (wholesale) license
- b) Trading (retail) license
- c) Hawker's license
- d) Peddler's license
- e) Peddler's (restricted) license
- f) Stall license
- g) A restricted license

h) Agent's license

i) Manufacturing license

Length of time taken to process a license, cost and inefficiencies in the local government departments are some issues that could negatively affect businesses. (Friedrich Ebert Stiftung, 2000)

In addition, the local authority also insists that certain types of businesses be carried out in stipulated areas, for example, meat trading should only take place in an area approved by the council for such activities. Enterprises carrying on this business shall by law require a valid certificate that can be obtained after certain conditions have been satisfied, for example, medical examinations of all staff, and hygiene standards at locations. These provisions on hygiene all fall under public health regulations (Public Health Act). This process of allocating specific areas for activities is called zoning.

In addition, the Act (street vending and nuisances CAP.281) states that the sale of products in the street or public place other than in the markets is prohibited and any person guilty of this offense is liable to pay a fine. On this point, it is important to remember that in Lusaka it is common to see micro enterprises operating on the street in makeshift stores because of lack of space in markets or the high cost of levies charged in markets or shopping centers. It is therefore important to determine to what extent such laws are enforced and if they affect the growth of micro enterprises in the city. (GRZ, 1995)

Furthermore, it is important to note here that it may not be a single regulation that is a constraint to business growth, but rather in most cases it may be the overbearing number of regulations that seems to be the major problem. This could be because if there are too many regulations imposed on enterprises, the cost of doing business may also increase, therefore putting a struggling micro enterprise in a difficult position. This stance seems to be supported by studies such as the NFIB survey.

Further dwelling on the spacial issues affecting micro enterprises in the country, it is important to look at the Zoning policy that is meant to regulate the city of Lusaka. The Zoning policy clearly puts forward designated areas where certain activities may be carried out. In Zambia, the zoning laws and licensing regulations seem to be complementary in that for someone to be given a trading license one of the conditions is that the proposed business be located in an area that conforms to what the law stipulates therefore indicating how zoning regulations also come into play. It also states that a license to trade shall not be given if the granting of such a license would come into conflict with any approved town planning scheme of zoning areas.

Friedrich Ebert Stiftung (2000) are of the view that in terms of compliance to zoning (spacial) regulations and requirements, a lot of micro businesses undertaking activities such as hair salons, shebeens, schools, garages and small groceries are in breach. In terms of enforcement, many small businesses operate without licenses and in

undesigned areas and it can be said that the local authority may be deemed ineffective in this regard.

Since most micro enterprises are largely informal, they do not register with any government agency. According to Clarke et al (2010) only about 18% of such enterprises have operating licenses from the local government authority. This means that trading licenses and such regulations may not have any effect on micro enterprises.

Clarke et al (2010) are of the view that it is the same informality that may act as a constraint to growth. (p. 10)

#### *High tax rates*

According to Fjeldstad et al (2006, p. 7) the factor of high tax rates was found to be the fourth most serious constraint among micro enterprise in Tanzania with 41.8 % of enterprises surveyed mentioning it as a serious constraint. The NFIB survey is also in agreement with the above as it found that uncertainty, especially with regard to political issues was a constraint to enterprise growth, factors such as implications of future tax obligations tend to be the major problem.

#### *Insufficient demand*

Demand is another interim growth driver that Perren (1999) mentions in his enterprise growth framework as necessary for growth.

According to Fjeldstad et al (2006, p. 7) a factor such as this one was found to be a serious constraint as 38.7% of micro enterprises saw this as being a serious constraint on their business. Whereas in the study by Bowen et al (2009, p. 14) , this factor came number ninth as only 22.7% of the micro enterprises in Kenya mentioned this as a challenge. Here it can be seen that this factor is a more serious challenge in Tanzania than it is in Kenya, this difference could be due to the difference in size of the available market in each respective country.

In addition, the NFIB survey (2011, p. 4) found this factor to be the top most ranking constraint to growth as 53% of small business owners thought it was a constraint and 32% thought it was not, while the remaining 14 % cited a middle ground. It was also found that business owners were of the view that market for the goods had taken a downward spiral. This finding could be due to the negative effect on purchasing power of economic pressures such as unemployment rates and the level of disposable income in the economy that can be spent on these goods.

Another possible reason for the change in the demand level could be the change in population make up and consumer behavior, for instance given the increasing obsession with living a healthier lifestyle consumers are now drifting towards buying organically grown products or products made from organic produce than genetically modified products.

### *Corruption*

According to Fjeldstad et al (2006, p.7) a factor such as corruption was found to be the sixth most serious constraint as 33.2 % of micro enterprises cited this as negatively affecting their business. Corruption, especially among public officers has the potential of raising business costs for enterprises as they may be asked to pay bribes in order to obtain necessary business documents such as licenses quicker and avoid the red tape that still exists in most public institutions.

### *Lack of skilled employees*

Perren (1999) in his framework discussed in the earlier chapter mentions that key employees are among the independent factors vital in ensuring that interim growth drivers initiate and sustain enterprise growth.

This factor was identified in the NFIB survey, which found that 5 % of small business owners thought that the lack of skilled workers was the most serious constraint to their growth, whereas 27 % thought it presents somewhat of an impediment and 11% thought it was a severe constraint while 13 % of the respondents did not answer the question (2011, p. 7).

The above finding is rather strange because given the high unemployment levels around the world; one would be of the view that a skilled workforce is readily available. The reason that some businesses cite this as an impediment could be that the skills available

are not compatible with what these businesses are looking for or the people that poses the required skills are expensive hires (NFIB, 2011, p.7).

### *Family demand*

This factor was also identified in the NFIB survey where it was found that 22% of the survey population identified family demands as a constraint to growth, 8 % identified this as a serious constraint to growth, 8% were undecided and 2% said this was the single most serious constraint they were facing (2011, p. 8).

### *Informality*

Informality in this case refers to businesses that sale goods to the public with the aim of gaining an income but is not registered with any government body.

It should be noted that Nicher & Goldmark (2005, p.20) stated that;

*“Not only does informality in itself reduce the chances for growth, it is associated with several other characteristics that make growth difficult.*

*It is commonly believed that informal firms frequently face growth-inhibiting disincentives and costs. Although small informal MSEs may be able to circumvent government regulations and taxation, as they grow they risk becoming more visible, creating disincentives to expand beyond a certain size (Snodgrass and Biggs, 1996). Informal firms may therefore need to “keep their heads down,” ruling out large size and rapid growth, as well as close relations with formal firms (Winter, 1995). Contracts with*

*international or government buyers, for example, are off-limits for informal firms because they require legal documentation that these MSEs lack. And while formal MSEs in developing countries may have problems accessing financial and legal systems, informal enterprises face even greater difficulties in obtaining formal credit and assistance from law enforcement agencies and courts.*

*For these and other reasons, informal MSEs appear to grow more slowly than do their formal counterparts. A particularly rigorous econometric study in Côte d'Ivoire found that even while controlling for efficiency, size, and age of firms, formal status has an additional positive effect on the growth of the firm (Sleuwaegen and Goedhuys, 2002).<sup>16</sup> Analysts at McKinsey and Co. argue that because “informal companies operate fully or partially outside the formal fiscal and legal environment, they tend to be subscale, subinvested and subskilled, they also tend to produce substandard products and services” (Capp, Elstrol, and Jones Jr., 2005, p. 2).”*

According to the above text from Nicher & Goldmark (2005), it can be concluded that informality may be one of the constraints to growth of micro enterprises in Lusaka. So in short, informal micro enterprises may be constraining their own growth by operating informally without even knowing.

### *Gender*

In some cases it has been found that there are fewer females than males in the micro enterprise sector. The reasons why there are few females than males in the sector are plentiful but as Nicher & Goldmark (2005, p.17) state, female entrepreneurs face challenges such as illiteracy, innumeracy and inadequate business skills and these challenges may negatively affect their participation and survival in the sector. Females according to Hassan & Mugambi (2013) tend to be less confident and more unwilling to take risks, thereby affecting their drive to grow to a larger enterprise classification.

Skills such as literacy and numeracy may be obtained through formal education. With regard to this, Clark et al (2010) found that most micro enterprise owners have only primary or secondary school education with less than 1 % having attained university education therefore reflecting a less educated population of enterprise owners.

### *Other minor constraints*

Other constraints identified as minor in the Fjeldstad et al (2006, p. 7) study were property rights, contract enforcement, crime, political instability, tax administration, import and export regulations, uncertainty about tax policies, lack of business support services, exchange rates and lastly, interest rates. Surprisingly, whereas in Tanzania crime was cited as a minor constraint in Kenya it was ranked as the second most serious constraint being faced by micro enterprises with a very high 68.2% of them mentioning

this factor. Another minor factor identified in the Bowen (1999) study was that of hawkers, although this factor somewhat falls under competition. Other minor constraints identified by the NFIB study are the lack of a strong management team and lack of access to the necessary technology.

In conclusion, it can be seen from the above that micro enterprises face a lot of challenges that negatively affect their ability to grow. These constraints are not static but are bound to change according to the location of the business and stage of development therefore stressing the point that region specific constraints be pin pointed and addressed accordingly in order to encourage micro enterprise growth.

## **CHAPTER 4**

### **4. RESEARCH DESIGN AND METHODS**

#### **4.1 Introduction**

This chapter presents information on the following elements; firstly the research design that was used in this study is described, and the use of both quantitative and qualitative research approaches is explained. This chapter gives a description of the main population of this study (namely micro enterprise owners within Lusaka). Key informants such as micro enterprise sector experts and council officials were also interviewed to obtain supporting information, although the primary respondents in this research study were the micro enterprise owners themselves. This chapter also describes the sample that was used in this study, and how this sample was reached in terms of sampling procedures.

This chapter will also provide information about the instruments that were used during the study. These instruments included a questionnaire and an interview guide, the questionnaire was used on micro enterprise owners and the interview guide was used on micro enterprise sector experts and officials.

Furthermore, this chapter also discusses the response rate that was recorded during the course of this study; the non response rate is also presented here. In addition, this chapter also discusses the procedure that was used during the study, activities such as the pilot test and actual study activities are indicated.

This chapter also discusses how data was analysed, making mention of the main computer programs that were used during the analysis stage. Other items also discussed in this chapter are the reliability aspect of the questionnaire which was essential in order to prove the accuracy of the findings. Reliability in this case was determined through the test- retest method that was carried out by the researcher in the early stages of the study.

This chapter also discusses the various limitations that were encountered during this study. A section on ethics is also included in this chapter, this section was very important as it guided the research study by ensuring that ethical procedure such as ensuring privacy and anonymity of respondents was adhered to.

## 4.2 Research Design

According to Kothari (2004, p. 31) *“A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.”*

The main objective of this study as outlined in Chapter 1 was:

To identify the main factors that negatively affects the growth of micro enterprises in Lusaka.

The nature of the above objective can be classified as one that falls within the realm of a descriptive research study. According to Kothari (2004, p. 2) descriptive research is described as one that indicates characteristics which are inherent of a particular situation, or individual as well as a group. It goes further by describing the frequency with which something happens.

Given the above, this study was descriptive in nature as it aimed at describing the factors that constrain the growth of micro enterprises through the identification and listing of the said factors and determining the frequency with which these said constraining factors were mentioned by the micro enterprise owners therefore depicting the seriousness of the constraints in this particular group.

Given that the research problem guiding the study was descriptive in nature, it was only appropriate that the research design used be suitable for the research problem characteristics. According to Kothari (2004, p. 37) the best research design for a descriptive study must;

- i. Use the survey method
- ii. Use a structured questionnaire, or interview guide in an interview
- iii. Use a sample
- iv. Use probability sampling technique to arrive at the sample
- v. Data analysis should include coding of the interview responses, tabulating data and statistical computations such as percentages, frequencies etc.

A descriptive research method is said to use both qualitative and quantitative approaches. The study aimed to collect non numerical data, such as growth constraining factors and it was also quantitative in that it aimed to report the prevalence rate / frequency of the identified factors among the study population. Furthermore, frequencies were also determined to show which one of the identified constraints was leading, thereby presenting a quantitative aspect. In addition, enquires into the number of employees in an enterprise presents another quantitative aspect.

The fact that descriptive research is both qualitative and quantitative makes it even more suitable for this study. According to Kothari (2004, p. 3) both qualitative and quantitative aspects are most suited in the following situations:

- a) Quantitative research is suitable when quantity, amount or frequency is desired. For example, how many workers do you currently have? Or how many workers would you like to have in the next 5 years. These are questions that were used in this study to determine growth orientation of the small enterprise owner. Whereas Quantitative approach generates numerical data, Qualitative research generates non numerical data.
- b) Qualitative research is suitable when the objective is to determine the opinions of particular individuals on an identified phenomenon, that is; what factors would you say are constraining the growth of micro enterprises.
- c) Qualitative research dictates that data collection techniques such as interviews be used, whereas Quantitative research usually uses a questionnaire. In this study an interview guide was administered during a one on one interview with key informants whereas a questionnaire was administered to micro enterprise owners.
- d) Quantitative approach tends to concentrate on identifying and measuring the phenomenon and Qualitative approach concentrates on describing a phenomenon based on peoples' opinion.

Obviously, this study leaned more towards the positivistic methodology (Quantitative) rather than the phenomenological methodology (Qualitative). Quantitative methodologies include survey, experimental studies, longitudinal studies and cross sectional studies.

The survey method which was favored for this study according to Sedgley (n.d, p.7) is mainly concerned with administering a structured questionnaire or interview guide to a randomly selected sample. In addition to Sedgley, Waters (2010, p. 42) states that one of the reasons for which surveys are conducted is to get people's views about specific points in an issue.

In relation to this particular study, the issue in this case was constrained growth of micro enterprises and the aim was to get people's views as to what factors were the main constraints to the said growth.

As has already been stated, a sample survey approach was chosen for this study as it is recommended in a descriptive quantitative study (Kothari, 2004, p. 120). A survey, according to Kothari (2004, p. 121) is mainly concerned with collecting data pertaining to a state of affairs that exists or existed in a particular situation, data on people's opinions are usually collected. Of the two types of survey (descriptive and analytical

survey) the descriptive survey was deemed more appropriate as it seeks to identify and count the frequency of a particular response among a survey group, whereas the analytical survey is best in situations where a relationship between variables is being studied. It is worth noting that this study aimed at identifying the main factors that constrain the growth micro enterprises and to determine which the most serious constraint was by counting the frequency with which certain factors are mentioned by micro enterprises as constraining their growth (Sedgley, n.d., p. 7).

In addition, council officials and experts on the MSME sector were also interviewed. Council officials were interviewed so as to collect information on certain provisions of the Zambian law, such as the certain sections of the local government Act (Town and Country planning Act, Public Health Act, Food and Drug Acts and Licensing) to determine the compliance level of micro enterprises, the impact of the legislation and enforcement challenges. Questions directed at the local authority dealt with spacial and legal elements of micro businesses in Lusaka.

The advantages of the survey method were another reason this method was selected for this study. According to Kothari (2004) these advantages are:

*Advantages of the Survey method*

- i) Survey method is ideal in the case of descriptive research.

- ii) Surveys are mainly aimed at giving a description of, recording and analysis of a prevailing or past state of affairs.
- iii) Surveys do not require manipulation of the variable being studied.
- iv) Surveys focus on things such as people's opinions and relationships that exist between conditions as well as established trends.

Lastly, the above methodology was chosen because of the nature of the topic at hand, that is, the topic simply required that factors constraining the growth of micro enterprises be identified without having to establish any form of relationship between variables.

The two types of data that made up the foundation for this study were primary and secondary data, secondary data that was collected to give an indication of the findings of other researchers and the work of various authors with regards to this topic.

Secondary data was collected through published books, published journals and online books as well as journals and theses.

#### *Advantages of secondary data*

- i) It was already collected by someone else, so it is readily available.

- ii) It is cheap
- iii) Provide guidelines as to what others have done in the particular field of study and therefore will act as a guideline to the collection of primary data.

In addition to secondary data and as a way to counter the disadvantages posed by secondary data, it was thought prudent that the researcher also collect primary data. According to Kothari (2004, p.112) the nature, scope and object of enquiry are some of the important factors that determines which method to use for data collection. Therefore, as previously stated, secondary literature on growth constraints being faced by micro enterprises in Lusaka is in short supply this is one of the reasons that prompted the researcher to collect primary data in order to generate specific information on the area of study.

Primary data was collected through questionnaires administered on a one on one basis with the micro enterprise owner and also through semi structured interviews conducted with key informants. Waxman (1998, p. 199) has described primary data, as that which has been originally sourced from a survey. He further mentions that this kind of data has some advantages.

#### *Advantages of Primary data*

- i. It is more dependable

- ii. It is more helpful
- iii. It is usually more relevant to the topic under investigation as it is collected specifically.

Kothari (2004, p.112) goes on to state that in a case where people's attitudes in psychological/ social survey are being studied, a non projective questionnaire is appropriate especially if the respondent is aware of the reason (for the phenomenon) being studied and is able to disclose when asked. This study aimed to collect data on the reasons (in terms of factors) micro enterprises thought were constricting their growth, these are issues that the micro enterprise owners are aware of and are able to disclose when asked to do so.

A non projective questionnaire according to Kothari (2004) produces more than adequate results as it uses direct questions (such as question 2 section B of this study's questionnaire which states "if the answer to question 1 above is "yes" please indicate the specific challenges you have/ are facing.") and is appropriate in the case of an attitude survey such as this one.

#### **4.3 Data collection instruments**

As has already been mentioned, this study was mainly descriptive in nature, therefore data collection instruments had to be those suitable for such a research design. It is

Kothari's view that in a descriptive study structured instruments must be used (2004, p. 38). He also states that "*a questionnaire is considered as the heart of a survey operation*" (p. 101).

Furthermore, as earlier stated this study used a descriptive survey method. And as Kothari (2004, p. 121) writes, surveys usually use projective techniques for data collection, these include techniques such as observation, interview or questionnaire and opininonnaire. In this case, a questionnaire was administered to micro enterprise owners on a one on one basis and an interview guide was administered to key informants during a scheduled interview.

The one on one administration of the questionnaire during a personal interview or meeting with the micro enterprise owner was favored because it is the most reliable way of collecting data and is usually accompanied by a very high response rate as only about 10 % of the people are likely to refuse to answer questions. Waters (2010, p. 46)

As shall be seen later in this chapter, the response rate in this study was very high. A high response rate according to Waters (2010, p. 46) is very important if the data collected are to be considered typical of the population studied.

The questionnaire/ interview guide administered to the sample were both designed specifically with the research objective extracted from the research problem in mind. The main objective was to identify the main factors that negatively affect the growth of micro enterprises in Lusaka. As Kothari (2004, p. 118) states;

*“The researcher must keep in view the problem he is to study for it provides the starting point for developing the questionnaire/ schedule. He must be clear about the various aspects of his research problem to be dealt with in the course of his research project.”*

This instrument has been described as follows;

*“A questionnaire consists of a number of questions printed or typed in a definite form or set of forms”* (Kothari, 2004, p. 100)

The questionnaires used in this study comprised of both closed and open ended questions which were characterized with predetermined answers and non predetermined answers. These closed ended questions were appropriate and desirable as they made coding and analysis easier. Whereas open ended questions were used in both the questionnaire and the interview guide in order to accord the respondent the opportunity to give fuller and more detailed answers so that the researcher could make a deeper analysis of the micro enterprise growth constraining factors.

Use of a questionnaire has both advantages and disadvantages but the advantages were another reason why this instrument was used in this study. Some advantages, according to Waxman (2010, p. 381) and Kothari (2004, p. 100) are;

*Advantages of Questionnaires*

- i. Results in reliable data since it is from a primary source.
- ii. Data is collected in a structured and organized manner.
- iii. Allows recording of data from respondents.
- iv. Respondents are able to answer in their own words or select an answer that best matches their intended response.

To counter limitations of questionnaires, the questionnaire was administered to the respondents to allow for a high response rate. Questions were clearly stated to avoid misinterpretation and some questions were open to avoid limiting responses.

The questionnaire used was largely structured as it featured already pre determined questions and these questions were posed to the respondent in the exact manner, wording and order as they appeared to all respondents. The structured nature of the questionnaire meant that analysis and administration was made easier, this was an advantage. But a disadvantage of this structured nature is that respondent's answers are limited to what is stipulated in the questionnaire. It is important to note that some important aspect of the questionnaire such as section B (2) where left unstructured. This

allowed respondents to give a brief explanation of a particular constraining factor therefore countering the limitation alluded to above.

Lastly, just as a way of good practice, question wording and sequencing were carefully considered in the construction of the questionnaire to increase its effectiveness.

The interview guide was used on the key informants. This guide was semi structured to allow maximum information to be derived from the respondent. The interview method according to Kothari (2004, p. 98) involves a verbal exchange between the interviewer and key informant where questions are posed and answers given. Kothari (2004) continues to mention that the personal interview has advantages and disadvantages. It is important to state at this point that the advantages on personal interviews were also another reason why this method was chosen in this study.

#### *Advantages of Personal interviews*

- i. A greater amount of information may be obtained.
- ii. There is usually low non response rate therefore allowing for effective control of samples.
- iii. The level of control allows for the right person to answer the questions therefore providing the desired information.

As can be seen, the above instruments feature an acceptable level of structures, and were non projective. All these are requirements of the research design used.

#### **4.4 Study population**

The main universe of this study was composed of micro enterprises located in Lusaka. Other parties contacted for additional information were micro enterprise sector experts and council officials. This universe was finite seeing as the number of study items was known as opposed to being infinite which would mean that the number of study items is unknown. The area where this study took place composed of a total of 120 micro enterprises although only 80 of these met the requirements, and therefore it can be said that the population of this study was 80 micro enterprises. Therefore, from a total of 80 eligible respondents a sample of 66 respondents was selected for inclusion in this study.

The criterion used for the selection of micro enterprise respondents was the number of employees in the enterprise. Eligible enterprises had less than ten employees and ownership was by a single proprietor, or at least two to three partners.

According to Kothari (2004, p. 55) it is sometimes not possible to survey every member of the universe, in such a case a sample survey is advised. Caution is however given that for the results to be reliable; the sample chosen must be representative of the population under study.

Given the large population, time restriction and resource constraints a sample survey had to be undertaken in this study.

#### **4.5 Sample size**

Proper sample size determination is very important as was noted by Kothari (2004, p. 175);

*“ if the sample size (‘n’) is too small, it may not serve to achieve the objectives and if it is too large, we may incur huge cost and waste resources.”*

The sample size should be appropriate by giving the desired confidence interval. Kothari (2004) is of the view that small samples are appropriate if the universe is made up of homogenous items which was the case in this study.

To determine the appropriate sample size, this researcher referred to the work of Krejcie & Morgan (1970, p. 610).

Krejcie & Morgan (1970) produced a table which clearly stipulates what sample size should correspond with a given population based on a formula. It assumed standard error at .05 and confidence level at 95%.

The above authors state that for a population of 80, the sample size must be 66. Therefore the agreed sample size for this study was 66 micro enterprise owners.

In the world of research it is usually advised that confidence level of 95 % and Margin of error of 5% should suffice in any credible research study. It was for this reason that the table created by Krejcie & Morgan (1970) was followed in this particular study.

#### **4.6 Sampling technique**

As has already been stated, this research used the survey method. A survey, according to Kothari (2004, p. 121) can either be a census or sample survey. A census would mean that every member of the universe would have to be included in the study whereas a sample survey involves only a portion of the whole universe been included in the study. Given time and resource constraints, this study was a sample survey using only 66 micro enterprise owners as opposed to using the entire population of 80 micro enterprise owners.

The first step taken to arrive at the sample was the development of a source list. The source list was developed by the researcher as there was on such list available. Here all the micro enterprises located in the Lusaka city market area were noted down. And from this list elimination was then conducted, all the micro enterprises that did not meet

the prescribed requirements were omitted; only leaving the ones that did (80 micro enterprises).

Step two involved the determination of the appropriate sample size given the above universe. Determination of this sample size has been explained in the above text. After the required number was determined (66 micro enterprise owners), a probability sampling method was then employed.

Given the descriptive nature of this study, Kothari (2004, p. 38) states that a probability sampling method must be used. A probability sampling method is one where each member of the universe has an equal and known chance of being selected whereas a non probability sampling method is one where not every member of the universe has an equal and known chance of selection.

The main limitation of non probability sampling methods is the degree of biasness that it inherent. Since Kothari (2004, p. 37) is of the view that descriptive studies must have adequate guards against bias, probability sampling in this case was the most appropriate.

From the available probability sampling methods, the simple random sampling method was used for this study. Names of the 66 Micro enterprises included in this study were drawn in a “raffle” type exercise.

#### **4.7 Procedure**

The procedure of data collection consisted of a number of stages. The first stage was to determine the validity and reliability of the instrument to be used by conducting a pilot study. Here the questionnaires were administered to five different respondents at different occasions. Micro enterprise owners were asked to provide responses to the questionnaire, then after ten days the same respondents was asked to complete the same questionnaire again. This stage was in response to the test- retest method that was chosen for this study to check reliability.

A pilot test was conducted on the first draft questionnaires and interview guide. This draft was administered to chosen test respondents with characteristics resembling those of the intended respondents. This was done to assess the overall quality of the questionnaire in terms of characteristics such as completeness and accuracy.

Stage two was an interview with the particular MSME sector experts and council officials. The interview guide was administered during a structured interview between the researcher and the key informant, a semi structured interview was deemed appropriate in this study. An interview was held with the MSME experts and council officials in an attempt to get a deeper perspective on the legal and special element that affected micro enterprises. The questionnaire was also administered to the micro enterprise owners.

#### **4.8 Data analysis**

As has already been mentioned, this research featured elements of a descriptive study and therefore data was analysed descriptively. It aimed at identifying the factors that constrain the growth of micro enterprises (thereby describing the characteristics of the “stagnated” growth among Micro enterprises situation- descriptive research) and to quantify in terms of frequency the number of times identified constraints are mentioned by the micro enterprise owners.

Questionnaires and interview guides were the main instruments used for the collection of data in this study. The data collected was coded, tabulated and finally frequencies and percentages were derived. Statistical package for social sciences (SPSS) was the main computer program used; specifically descriptive statistics were the main area of

concentration. Microsoft excel was also used to derive visual aids such as graphs and charts for data presentation.

The method chosen to analyse data gathered through the interview was qualitative content analysis which was done manually.

The procedure used to undertake the qualitative content analysis is that put forward by Mayring (2004) cited in Flick (2006, p.319) and it is outlined as follows;

- a) Step one; only the essential parts of the entire interview with the MSME expert and council officials were selected. These essential parts are those critical to answering the questions posed during this research.
- b) Step two; the situation in which the interview took place was then considered. This interview was held during office hours. The researcher posed open ended questions to the expert involved. The interview situation was free from any sort of disturbances. The interview was conducted on a one-on- one basis; therefore there was no undue influence from other people.
- c) Step three; material generated during the interview was recorded by the researcher through the taking of notes as the respondent spoke.
- d) Step four; Direction of the analysis was then determined. This direction referred to what the researcher hoped to discover from the interview. In the

case here, the researcher aimed to find out the special and legal elements that affected micro enterprises in Lusaka.

- e) Step five; during the actual analysis, the technique that was chosen was paraphrasing the data provided by the expert that had been recorded in the form of a transcript. Paraphrasing helped to reduce the data to only the essential items.

#### **4.9 Response rate**

This response rate was used in order to determine the total survey non response rate. According to Gilbert (2008, p. 173) *“low response rate does not automatically mean that a sample estimate will be biased.”*

Micro enterprise response rate

A= 70 (total number of attempts / questionnaire distributed)

B= 66 (total number of questionnaires completed)

Therefore  $66/70 = 0.94$  or 94% response rate.

And  $100 - 94 = 6\%$  non response rate.

Key informant response rate:

A = 5 (total number of attempts/ interviews administered)

B= 5 (total number of interviews completed)

Therefore  $5/5 = 1$  or 100% response rate

And 0 % non response rate.

The above depicts a very good response rate.

#### **4.10 Research ethics**

In observing ethics, the author did not force any person to participate in this study, all participants did so voluntarily. With regard to the interview, the researcher began by explaining the gist of the study to the respondent after which the researcher then requested for consent on whether the particular respondent wanted to continue with the study or opt out. Confidentiality of respondents was also upheld.

Furthermore, the author did not in any circumstance falsify data or make claims that are not adequately supported by the finding of the research study. All secondary data sources were properly cited and acknowledge as prescribed by the APA guidelines.

#### **4.11 Validity, Objectivity and Reliability**

As Kothari (2004) states, any research which follows a descriptive design must ensure that reliability in the evidence collected is upheld. The concepts of reliability and validity here refer to the instrument used to collect data.

An instrument, observation or whatever measure is employed may be considered reliable if it produces the same results when used again under the same conditions.

The three types of reliability according to Miller (n.d.) are equivalence, internal consistency and stability. Stability was the main type of reliability used in this study.

### *Stability*

An instrument is considered stable if upon a repeated test with the same group of respondents, the scores or responses obtained are similar or exactly the same. The scores should therefore be relatively consistent from the first time the test is done to the next. The procedure used to determine stability is the test- retest method which involves subjecting the same group of respondents to the same instrument a short while after the same instrument was administered on them.

### *Conditions for administering the test- retest procedure*

- a) *“The characteristic that is being measured does not change over the time period.*
- b) *The time period is long enough that the respondents memories of taking the test at time one does not influence their scores at the second and subsequent test administration.” (Miller,n.d,p.2)*

Both the above conditions were met in this study

This study used stability as the main approach to determine reliability of the instrument. The test retest reliability was determined through correlation (Pearson's correlation coefficient) of scores obtained in the first administration and those obtained when the instrument was administered 10 days later. The reliability of the instrument was calculated to be .78 which is obviously higher than the recommended .70. In this regard, the instrument used in this study was deemed reliable.

### *Validity*

The importance of validity of the instrument used cannot be over emphasized. Validity is essentially as it determines whether or not the instrument used measures what it is intended to measure. Miller (n.d) goes on to state that the four main types of validity are content validity, criterion related validity, construct validity and face validity. The type of validity used in this study was face validity.

#### a) Face validity

Involves the scrutiny of the instrument being used, the person that scrutinizes the instrument then concludes if the said instrument is appropriate to measure the characteristic of interest. The instruments used were presented to one

academic and two industry experts for scrutiny and suitability was agreed, after which the instruments were finalized.

In addition, as was already stated by Mishler (1990) cited in Flick (2006, p.417) validity in any study is very important as it seeks to confirm the dependability or trustworthiness of the observations that the researcher puts forward, the interpretations drawn from the collected data and lastly the extent to which the reported findings can be said to apply to populations that resemble the sample studied.

Schutz (1962) cited in Flick (2006, p.369) described validity as *“how far the researcher’s constructions are grounded in the constructions of those whom they studied.”*

This statement above in simple terms just means that the researcher’s perception and interpretations must be guided by the (sample unit) or subject’s perceptions and interpretation. A researcher should not be swayed by their own convictions. Therefore, basing on the author Schutz’s description of validity above, the researcher ensured that all the information in the form of findings of the study, perceptions and interpretations were guided mainly by the recorded responses of the respondents and available literature. This was done to avoid the possible influence of biasness on the part of the researcher.

Furthermore, the researcher ensured that validity was upheld by making sure that the findings of the study and the assumptions drawn from them were made without the biased interference of factors such as social constructions. The social constructions that were avoided were issues of biased perceptions of the researcher, unsupported interpretations of findings and presentation of data. This was in line with what was propounded by Flick (2006).

Still on the subject of validity with respect to the interviews held with the MSME experts and council officials, the researcher ensured that the interview was held with only individuals who had vast knowledge of the MSME sector and city council operations. Information given by them was free of any sort of distortion or cheating that might be present in the interview situation. This ensured interview validity and was done because it is advised as being prudent by authors such as Flick (2006).

Moreover, in an attempt to increase the validity in this study, the researcher did call upon the work of Wolcott in the form of his “nine points to ensure procedural validity” cited Flick (2006, p. 417). Among the points selected are as follows;

Firstly Wolcott suggested that a researcher should concentrate more on listening to their subjects under study and should avoid talking more than is expected to get a question

across. Following this, the researcher did not voice her opinion during interviews, but paid more attention to what was being said by the interviewee. Doing this also avoids leading or influencing the respondents answer.

Secondly, it was suggested that the notes taken down should be as accurate as possible to what was originally said by the interviewee. With regard to this, the researcher made it a point to listen attentively and only write down what the interviewee presented as responses to the questions asked.

Lastly, it was proposed that after data was compiled and analysed appropriately, the resulting report of findings should be presented in such a way that the information showed characteristics such as comprehensiveness and truthfulness. With regard to this, the researcher did ensure that all the relevant findings were reported in this thesis and those findings and interpretations thereof were not distorted in any way.

### *Objectivity*

Objectivity is described as the extent to which different individuals can arrive at similar conclusions if they all analyze a particular set of data (Flick, 2006, p. 417). Following this, to ensure that objectivity was upheld in this study, any sort of subjectivity on the

part of the researcher was completely avoided. Also, the triangulation method was used to confirm the reported findings. Analyzing the work of other researchers that have previously conducted research on issues of factors constraining the growth of enterprises in the MSME sector was also done.

This analysis mentioned in the above paragraph was a way of triangulation which was aimed at comparing results of this study and that of other researchers. All this was done as it is advised by authors such as Flick (2006).

A few limitations were encountered during the course of this study. Some of these are as follows;

*Limitations of the study*

- a) Limited literature – There was very limited literature on studies done in Zambia concerning micro enterprise growth constraints.
- b) Selection-bias - This occurred because of the spacial composition of the population (micro enterprises that this study focused on were those located in a particular part of Lusaka city only). This affected generality of findings given that business in different locations face different and sometimes unique challenges to growth.

## **CHAPTER 5**

### **5. PRESENTATION AND ANALYSIS OF DATA**

#### **5.1 Presentation of Findings**

This chapter has the main aim of presenting the primary data that was collected during this study. This primary data was collected in order to answer the main objective of the study, which was to identify the main factors that negatively affect the growth of micro enterprises in Lusaka.

As is evident from previous chapters, this research was a descriptive study. Inherently, descriptive studies use methods of analyzing such as correlation (Pearson's product moment correlation, regression or multiple regression analysis) or in other cases such a research may just report the percentage summary of a single variable which is the case here. In short, the data collected was analysed descriptively and presented using figures, tables, percentages and frequencies.

The data collected will be presented in a summarized format. The analysis according to (Kothari, 2004, p. 122) should be undertaken so that the collected data may be organized in such a manner as to provide answers to the research questions. A descriptive analysis providing descriptive statistics such as percentages and frequencies was undertaken so as to give a description of the population under study in terms of demographic

composition and opinion of challenges faced to attain business growth. Primary data was collected from micro enterprise owners and key informants.

As has already been mentioned, the statistical measures that were used to summarize this research study are;

- a) Measure of central tendency (arithmetic mean of the age distribution)
- b) Frequencies
- c) Percentages
- d) Measures of asymmetry (Skewness and Kurtosis) of the population

Even though the calculated sample size for micro enterprise owners was 66, the researcher included 4 extra respondents therefore bringing the total sample to 70. Of the 70 only 66 (a number that is equal to the appropriate sample size) showed a desire to grow their business and it was the responses of these 66 that was taken into consideration therefore the response rate was 94 %. This high response rate ensured the elimination of biasness that is inherent when response rate is low.

*Descriptive statistics of micro enterprises*

The following illustrates the presentation and analysis of the collected primary data.

Table 1: Presentation of age distribution data (n=66).

Age	Frequencies	Percentage
15-24	11	16.7
25-34	28	42.4
35-44	22	33.3
55-64	17	7.6
Total	66	100

**(Source: Fieldwork, 2013)**

Table I shows that the total sample consisted of 66 micro enterprise owners.

From the table it can be seen that the majority of the micro enterprise owners that were included in this study were between the ages of 25-34 years old. This presents an arithmetic mean age of 33.43 years using the formula:

$$\text{Arithmetic mean} = \frac{\sum fx}{n}$$

n

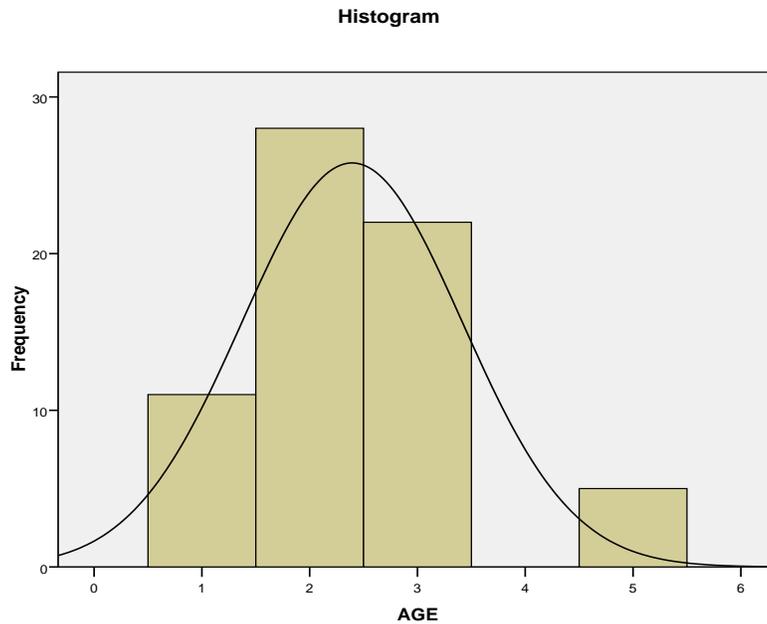


Figure 1: Population distribution based on age (n=66).

The above diagram shows the population distribution of the sample. To determine the characteristics of the data collected, Skewness and Kurtosis were calculated. Skewness measures the lack of symmetry and it was found that the distribution of the sample had a Skewness of 0.923. In a normal distribution, skewness should be 0 but as many statisticians' state; it is almost impossible to have a perfectly normal distribution using real world data. Kurtosis in this case was 1.139, Kurtosis measures how tall and sharp the central peak of the distribution is.

Given that the skewness has a positive value, this means that data are skewed to the right because of the higher ages that pull the mean upwards therefore making the median less

that the mean. The Skewness of 0.923 therefore means that the distribution is moderately skewed; this is good as it shows that data in this study was almost symmetrical.

Given the Kurtosis in this case is 1.139; it is obviously different from the Kurtosis of a normal distribution which is 3. The Kurtosis indicates a flat distribution (Platykurtic) meaning that in comparison to the normal distribution, this case has a lower and broader central peak. Its tails are also shorter and thinner.

To determine the dispersion, standard deviation was calculated as follows:

$$S = \sqrt{\frac{\sum f(m - \bar{x})^2}{n-1}}$$

S = Standard deviation of the sample

$\bar{x}$  = arithmetic mean for the sample

n-1 = Number of observations in the sample minus one

m = Midpoint of each class

f = Frequency

$\Sigma$  = Summation

And it was found that standard deviation for the sample was 10.20. The standard deviation in this case is fairly low; this means that the mean age calculated earlier is reliable as it is truly typical of the population.

Table 2: Presentation of education level among micro enterprise owners (n=66).

Level of Education	Frequencies	Percentage
Primary	5	7.6
Junior Secondary	11	16.7
Senior secondary	33	50.0
College/ University	17	25.5
Total	66	100

**(Source: Fieldwork, 2013)**

From the above table, it can be seen that the majority of micro enterprise owners had attained senior secondary education followed by college/ university, junior secondary and lastly primary education.

Table 3: Presentation of cross tabulation of education level and age among micro enterprise owners.

Age	Frequencies				
	Primary	Junior secondary	Senior Secondary	College/University	Total
15-24	-	1	7	3	11
25-34	-	9	11	8	28
35-44	-	1	15	6	22
55-64	5	-	-	-	5
Total	5	11	33	17	66

**(Source: Fieldwork, 2013)**

From the above table, it can be seen that the age group 35- 44 was the most highly educated (senior and university level combined) followed by the age group 25-34 years. The least educated is the age group 55- 64 years old.

Table 4: Presentation of Gender composition (n=66)

Gender	Frequencies	Percentage
Female	27	40.9
Male	39	59.1
Total	66	100

**(Source: Fieldwork, 2013)**

The table above shows that the sample was made up of a larger percentage of males than females.

Table 5: Presentation of cross tabulation of education level and gender among micro enterprise owners.

Level of education	Frequencies		
	Female	Male	Total
Primary	3	2	5
Junior Secondary	3	8	11
Senior Secondary	15	18	33
College/ University	6	11	17
Total	27	39	66

**(Source: Fieldwork, 2013)**

The above table shows that males were more educated than their female counterparts.

Table 6: Presentation of nature of business (n=66).

Nature of business	Frequencies	Percentage
Retail/ Wholesale	66	100
Total	66	100

**(Source: Fieldwork, 2013)**

The above table shows that the entire sample of micro enterprises included in this study were involved in the retail trade of stationary items.

Table 7: Presentation of number of years in operation (n=66).

Number of years in operation	Frequencies	Percentage
1 Year	11	16.7
2 Years	5	7.6
4 Years	12	18.2
5 Years	38	57.6
Total	66	100

**(Source: Fieldwork, 2013)**

The table above shows that larger percentage of micro enterprise owners have been running their business for 5 years followed by 4 year, 1 year and lastly 2 years.

Table 8: Presentation of number of people currently employed in the business (n=66).

Number of employees	Frequencies	Percentage
0	33	50
1-4	33	50
Total	66	100

**(Source: Fieldwork, 2013)**

The table above shows that an equal number of micro enterprise owners reported having 1-4 employees and 0 employees.

Table 9: Presentation of date relating to registration with government agencies (n=66).

Business registration	Frequencies	Percentage
No	66	100
Total	66	100

**(Source: Fieldwork, 2013)**

The above table shows that none of the micro enterprises that were included in this study was registered with any government agency such as PACRA, ZRA, or Local government authority.

Table 10: Presentation of data on why the micro enterprises are not registered with any government agency (n=66).

Reasons for not registering	Frequencies	Percentage
Business doesn't have enough money	32	48.5
Don't need to be registered	20	30.3
Don't know how to register	9	13.6
Not able to comply with requirements	5	7.6
Total	66	100

**(Source: Fieldwork, 2013)**

The above table show that a larger number of micro enterprise owners do not register their business because they feel that businesses do not generate enough money, followed by the reason that they feel their businesses do not need to be registered. The third reason is that they do not know how to register and the last is that the enterprise owners feel their businesses would not comply with the requirements.

Table 11: Presentation of data on future desired number of employees (n=66).

Number of desired future employees	Frequencies	Percentage
1- 4	39	59.1
5- 9	17	25.8
10- 14	5	7.6
Above 30	5	7.6
Total	66	100

**(Source: Fieldwork, 2013)**

The table above shows that the majority of micro enterprise owners wanted to have no more than 4 employees, followed by no more than 9 employees, no more than 14 employees and lastly above 30 employees.

Table 12: Presentation of data on cross tabulation between gender and future desired number of employees (n=66).

Gender	Frequencies				
	Number of desired future employees				
	1- 4	5- 9	10- 14	Above 30	Total
Female	17	9	1	-	27
Male	22	8	4	5	39
Total	39	17	5	5	66

**(Source: Fieldwork, 2013)**

Table 13: Presentation of data on cross tabulation between number of current employees and future desired number of employees (n=66).

Current number of employees	Frequencies				
	Number of desired future employees				
	1- 4	5- 9	10- 14	Above 30	Total
0	19	11	1	2	33
1- 4	20	6	4	3	33
Total	39	17	5	5	66

**(Source: Fieldwork, 2013)**

Table 14: Presentation of data on desire to grow the business (n=66).

Desire to grow the business	Frequencies	Percentage
	Yes	66
Total	66	100

**(Source: Fieldwork, 2013)**

The above table shows that all the micro enterprise owners that were included in this study did have the desire and intention to grow the business.

Table 15: Presentation of data on the challenges faced by micro enterprise owners in the attainment of growth (n=66).

Faced challenges to grow the business	Frequencies	Percentage
Yes	66	100
Total	66	100

<b>Lack of Market/Demand</b>	Frequencies	Percentage
Not Selected	33	50
Selected	33	50
Total	66	100

<b>Lack of Finance</b>	Frequencies	Percentage
Not Selected	5	7.6
Selected	61	92.4
Total	66	100

<b>Uncertainty over Business Conditions</b>	Frequencies	Percentage
Not Selected	60	90.9
Selected	6	9.1
Total	66	100

<b>Legal/ Regulatory issues</b>	Frequencies	Percentage
Not Selected	60	90.9
Selected	6	9.1
Total	66	100

<b>Family demands</b>	Frequencies	Percentage
Not Selected	44	66.7
Selected	22	33.3
Total	66	100

<b>Competition</b>	Frequencies	Percentage
Selected	66	100
Total	66	100

<b>Cost of raw materials/ stock</b>	Frequencies	Percentage
Not Selected	55	83.3
Selected	11	16.7
Total	66	100

<b>Corruption</b>	Frequencies	Percentage
Not Selected	55	83.3
Selected	11	16.7
Total	66	100

<b>Crime</b>	Frequencies	Percentage
Not Selected	22	33.3
Selected	44	66.7
Total	66	100

<b>Import/ Export regulations</b>	Frequencies	Percentage
Not Selected	55	83.3
Selected	11	16.7
Total	66	100

**(Source: Fieldwork, 2013)**

The above table shows the challenges that micro enterprise owners face when trying to growth their businesses.

*Micro sector experts*

Table 16: Presents data on the status of the micro enterprise sector in Lusaka.

Describe the current status of micro enterprises in Lusaka  Respondent 1	Respondent 2
i) Micro enterprises in Lusaka despite having the potential to grow are not growing into a bigger enterprise classification because of challenges that they face.  ii) These enterprises have stagnated for quite a period of time.	i) The micro enterprises in the country are growing in terms of sheer population but they are not growing into a bigger enterprise classification.  ii) These micro enterprises are stagnated.

**(Source: Fieldwork, 2013)**

The above table illustrates answers given by the two micro enterprise sector experts that were included in this study. The data above shows the general agreement between the view held by the distinguished experts with regard to micro enterprise status in the city of Lusaka and the country at large.

Table 17: Presents data on the challenges that constrain the growth of micro enterprises.

Constraining factors			
Respondent 1		Respondent 2	
i)	Poor management of the business	i)	Lack of business mentoring.
ii)	Poor financial record keeping (which prevents them from getting loans from the bank)	ii)	Lack of coaching and skills training.
iii)	Use of business working capital to attend to personal matters depicting poor financial discipline ( which reduces the capital at hand)	iii)	Lack of funding.
iv)	Lack of access to finance ( because of no collateral, high interest rates charged by money lenders)	iv)	Lack of government support in terms of business knowledge dissemination to micro enterprises.
v)	No coaching or skills training from government.	v)	Lack of business infrastructure
vi)	Poor credit recovery from clients (especially government).	vi)	Poor financial discipline (affecting cash flow).
		vii)	No training from government.
		viii)	Lack of management skills.

**(Source: Fieldwork, 2013)**

The above table shows the common constraints to micro enterprise growth from an expert's perspective.

Table 18: Presenting data on the spacial elements of micro enterprise.

Spacial elements (Zoning regulations on micro enterprises) Respondent 1	Respondent 2
i) Micro enterprises are located everywhere in Lusaka, in residential areas, outskirts and the central business district.  ii) Even though Zoning restrictions exist to maintain order in the location of such businesses, their enforcement is nonexistent because of political interference in the duties of the local authority.  iii) The local authority does not currently enforce the Zoning restrictions because they do not want to come into conflict with the government. Lack of enforcement therefore means such spacial restrictions do not impact micro enterprises in any way.	i) The fact that zoning regulations are not being enforced in the city has led to a chaotic state of affairs where micro business are located everywhere thereby having a detrimental effect on the aesthetic beauty of the city in addition to being a safety hazard.

**(Source: Fieldwork, 2013)**

The above table presents data on the special elements (zoning regulations) in the city of Lusaka.

Table 19: Presentation of data on the growth drivers with regards to micro enterprises

Enterprise growth drivers			
Respondent 1		Respondent 2	
i)	Financial record keeping	i)	Funding coupled with the necessary skills and training.
ii)	Offering quality goods	ii)	Business mentoring and coaching.
iii)	Good marketing	iii)	Positive perception
iv)	Financial discipline	iv)	Branding
		v)	Good customer service
		vi)	Good marketing
		vii)	Good business management
		viii)	Good business plan

**(Source: Fieldwork, 2013)**

The above table presents data on enterprise growth drivers according to the sector experts interviewed.

Table 20 : Presentation of data on legal aspects and micro enterprises in Lusaka.

Legal regulations in Lusaka ( business licensing etc)	
Respondent 1	Respondent 2
<p>i) I haven't seen any local government restrictions that have negatively affected micro enterprises to a large extent.</p> <p>ii) The local government has been very lax in the enforcement of any legal restrictions in Lusaka generally. For example, it is Law that second hand underwear should not be sold in the country and yet you see especially micro enterprises trading in such. Also, a large number of these enterprises are informal therefore they are not registered and in many cases do not even pay any taxes relating to their business i.e. business levy to the local government. Business licensing would negatively affect the micro business struggling to survive if enforcement was very strict.</p> <p>iii) Legal regulations and restrictions are there but are not being enforced by the authority.</p>	<p>i) The general and most common situation is that most of these enterprises are operating without licenses. And when they find themselves in a rare situation where they are being persecuted by a council officer, they simply offer a bribe to the official and everything is forgotten.</p> <p>ii) In an ideal world you need licenses but in the Zambian situation, because of the corruption and the bureaucratic nature of obtaining them, they tend to be counterproductive.</p> <p>iii) In the case of micro enterprises that deal in food stuff, there are legal issues such as the Food and Drug Act and the Public health laws. But these micro enterprises do not have the ability to comply with such regulations. Anyone in Lusaka even micro enterprise owners can open a restaurant anywhere with coach roaches running around and no one will do anything about it. In a perfect world, health and safety is a very important topic and businesses must comply to set regulations. In my opinion, the public health department is not doing anything to enforce laws.</p>

**(Source: Fieldwork, 2013)**

Table 21 : Presentation of data on Government Policies and micro enterprises in Lusaka.

Policies and micro enterprises in Lusaka	
Respondent 1	Respondent 2
<p>i) Some good policies that have a positive impact on micro enterprises are the allowing of small businesses to register with PACRA in an easy and quick manner. The lax investment policy that allows micro finance institutions such as PULSE finance to set up in Zambia. PULSE is helping by providing loans to micro businesses.</p>	<p>i) Policies such as the Micro, Small, Medium Enterprise Policy and Citizens Empowerment policy both of which were supposed to assist the micro enterprises by providing funds have had absolutely no impact on micro enterprises. For instance, the Citizen's empowerment fund was a joke! Because of corruption, the funds were given to relatives of those charged with the responsibility of implementation and these funds have not been recovered after disbursement.</p>
<p>ii) A bad policy is NAPSA, which requires employers to contribute towards their worker's pension. When a small enterprise graduates to a level where they have to make such contributions and because of the various financial constraints that they face fail to make contributions, the punitive measures are too severe and end up choking such businesses.</p>	<p>ii) In my opinion, no policy driven by the government has had any tangible impact on micro enterprises.</p>
<p>iii) Another good policy is the youth empowerment fund, which makes finance available to youth below the age of 35 for business. In spite of this policy being good in theory the situation is such that once such loans are disbursed, there is no follow up from the government to see how the money is being used by the beneficiary and in addition no technical help in terms of knowledge is given to the beneficiary and at the end of the day this money is lost and does not come back to the revolving fund. So a good policy such as this one has a negative impact in the end.</p>	<p>iii) Policies are created but nothing is done. Government departments charged with the implementation do nothing but talk. These policies are a waste of time.</p>

(Source: Fieldwork, 2013)

The above table present data on some government policies and the impact they have had on micro enterprises in the city of Lusaka.

*Council officials*

Table 22: Presents data on adherence level of micro business to the prescriptions of the Public health and Food and drug Acts.

Respondent	Adherence level of micro businesses to the prescriptions of the Public health and Food and drug Acts.
Public health department representative	In terms of adherence, I can say its poor especially among these micro businesses. But some do adhere to the requirements as stipulated in the Acts. In most cases the lack of adherence is due to lack of knowledge and understanding about what should be done.

**(Source: Fieldwork, 2013)**

Table 23: Presents data on perceived impact of the Public health Act and Food and drug Act on micro enterprises.

Respondent	Perceived impact of the Public health and Food and drug Acts on micro enterprises.
Public health department representative	The impact of these laws only becomes negative when the business is not complying. When a business is found not complying, it is closed and the responsible person is charged accordingly.

**(Source: Fieldwork, 2013)**

Table 24: Presents data on implementation challenges of the Public health and Food and drug Acts.

Respondent	Implementation challenges of the Public health and Food and drug Acts.
Public health department representative	The council, just like all institutions in the public sector faces a lot of challenges when it comes to operating effectively. In this department we have a shortage of staff. Even the few staff that we have cannot go around to enforce the Laws because of lack of vehicles. So, you find that we cannot be everywhere and as a result you find a lot of lawlessness.

**(Source: Fieldwork, 2013)**

Table 25: Presents data on Town and country planning Act.

Respondent	Town and country planning Act.
Planning department representative	Briefly, this Act is meant to ensure there is order in the Country. For example, it stipulates where residential, commercial, grave yards etc should be located. There are specific areas where business should be located, for example a manufacturing business cannot be located in residential areas and people cannot erect their infrastructure on land reserved for roads.

**(Source: Fieldwork, 2013)**

Table 26: Presents data on adherence of micro enterprises to the Town and country planning Act (zoning restrictions).

Respondent	Adherence of micro enterprise to the Town and country planning Act.
Planning department representative	If you move around Lusaka or whichever town you go to, you will find that these small businesses have mushroomed everywhere. They set up their business by making makeshift stores or use storage containers in any place regardless of what the Law says. Adherence is generally bad.

**(Source: Fieldwork, 2013)**

Table 27: Presents data on perceived impact of the Town and country planning Act on micro enterprises.

Respondent	Perceived impact of the Town and country planning Act on micro enterprise.
Planning department representative	For those that adhere to the Act and get planning permission from us before building and setting up their business the impact is good because they will be located in the right areas for their business activities. But in cases where they build their business premises in the wrong place, their structures risk being razed to the ground so the impact will be negative in this case.

**(Source: Fieldwork, 2013)**

Table 28: Presents data on micro enterprise adherence to the Zoning restrictions.

Respondent	micro enterprise adherence to the Zoning restrictions
Planning department representative	As I have already stated, these micro business are coming up everywhere. They do not follow the zoning restrictions. Because of certain issues such as political interference, we as a council cannot move in to correct the situation. For example you can see the indiscriminate vending situation in the streets of Lusaka especially.

**(Source: Fieldwork, 2013)**

Table 29: Presents data on implementation challenges associated with zoning restrictions.

Respondent	Implementation challenges associated with Zoning restrictions.
Planning department representative	Challenges are many. Staffing is low here and we do not have the necessary equipment such as motor vehicles. Secondly, the extent to which we can enforce this law when it comes to businesses or street vending is very restricted.

**(Source: Fieldwork, 2013)**

Table 30: Presents data on adherence levels of micro businesses to business levy payment.

Respondent	Adherence levels of micro businesses to business levy payment
Revenue department representative	Small businesses in this country are a special case, you find that a business is located here today and the next day it has moved. It's very hard for us to track these businesses to see if they have valid licenses or not. Secondly, adherence is much better when it comes to the bigger more established businesses than these small businesses. A lot of them try to trade without obtaining the appropriate license just because they don't want to pay.

**(Source: Fieldwork, 2013)**

Table 31: Presents data on perceived impact of business levies on micro businesses.

Respondent	Perceived impact of business levies on micro businesses
Revenue department representative	Businesses must pay taxes. The impact becomes bad if a business is found operating without a license as this is an offence.

**(Source: Fieldwork, 2013)**

Table 32: Presents data on implementation challenges with regard to business levy

Respondent	Implementation challenges with regard to business levy
Revenue department representative	Enforcement is a challenge because of staffing levels, we cannot go everywhere to see which businesses have paid levies or are operating without licensing. There are so many businesses in Lusaka, located everywhere.

**(Source: Fieldwork, 2013)**

## **CHAPTER 6**

### **6. DISCUSSION OF FINDINGS**

The following chapter will present a detailed discussion of the results obtained during this study.

#### *Age of entrepreneurs*

The results show that the majority of the micro enterprise owners were between the ages of 25- 34 years (42.4%), secondly was the age group 35-44 years (33.3%), thirdly came the age group 15-24 years (16.7%) and lastly came the age group 55-64 (7.6 %). The mean age of this sample was 33.34 years old, showing a relatively young and youthful population of micro enterprise owners. This finding is consistent with Bowen et al (2009, p.18) who found that most micro businesses were run by individuals within the age bracket 25- 34 years old.

#### *Level of education*

The results show that the majority of micro enterprise owners had attained senior secondary school education (50%), secondly (25.8%) had attained university/ college education, thirdly (16.7%) had attained junior secondary school education and lastly (7.6%) had attained primary school education. These results show that the education

level of the micro enterprise owners is relatively high with the majority having been educated from grade 12 to university/ college.

The higher levels of education may be due to the fact that this is a predominately youthful population, confirming that the youth of nowadays tend to be more educated than before. This better education also means that literacy levels in this group are higher and would allow these micro enterprise owners to be able to write and keep basic business records. Business records are essential to business operations and are almost always a requirement when one is trying to access finance from a lender. The findings here contradict those of Clark et al (2010 ) who found that most micro enterprise owners have only primary or secondary school education with less than 1 % having attained university education therefore reflecting a less educated population of enterprise owners. The results of this study highlight to some extent the high level of lack of formal employment in the country, at present a lot of university graduates are unable to find formal employment and therefore end up setting up their own micro enterprises just to sustain their lives.

#### *Gender and its impact on enterprise growth*

The results show that the majority of micro enterprise owners were male (59.1%) and females represented a smaller (40.9%) group. This result is consistent with the findings

of Clarke et al (2010, p.24) who found that females tend to be fewer than males in the MSME sector. The reasons why there are fewer females than males in the sector are plentiful but as Nicher & Goldmark (2005, p.17) states, that female entrepreneurs face challenges such as illiteracy, innumeracy and inadequate business skills. It is these challenges that end up negatively affecting their participation and survival in the sector.

Skills such as numeracy and literacy are primarily obtained through formal education. Results in this study showed that females were relatively less educated than their male counterparts. For instance, 18 males had gone up to secondary school whereas only 15 females had gone up to grade 12. Furthermore, only 6 females had gone up to university/ college whereas 11 males had gone up to university/ college education. A more highly educated enterprise owner is more likely to have a positive impact on enterprise growth.

When gender and growth orientation (number of employees desired) were tabulated, the results showed that 4 male micro enterprise owners wanted to have more than 10 employees whereas only 1 female micro enterprise owner wanted to have more than 10 employees. Furthermore, only male micro enterprise owner (5) wanted to have more than 30 employees. This means that gender of the owner in itself is a constraint to the enterprise growing to a larger enterprise (that is; with above 10 employees). Males tend to want to grow their businesses larger than females.

Females according to Hassan & Mugambi (2013) tend to be less confident and more unwilling to take risks thereby affecting their drive to grow their businesses into larger enterprises. Results of this study confirm Hassan & Mugambi's findings.

*Number of years in operation*

Results of this study show that the majority of micro enterprises had been in existence for not more than 5 years (57.6%), followed by those that had been in existence for not more than 4 years (18.2 %). Those that had been in existence for not more than 1 year accounted for 16.7% of the sample and lastly those that had been in operation for not more than 2 years accounted for 7.6% of the sample. These results show that this sample was made up of young firms, firms having not been in existence for more than 5 years were deliberately chosen because as Nicher & Goldmark (2005,p.19) state;

*“Young MSEs grow substantially more rapidly on average than their older counterparts”.*

Therefore to get a good view of growth constraints only young firms needed to be included in the study.

*Analysis of enterprise size and orientation toward growth.*

The results of this study showed that the micro enterprises included in the sample had employee numbers ranging from 0 to no more than 4. This finding is consistent with Clarke et al (2010, p.1) who found that micro enterprises in Zambia were mostly informal with less than 5 employees. This finding means that these enterprises were very small and coupled with the above young firm age had a huge potential for growth. To determine the micro enterprise owners' dedication to enterprise growth 2 main questions were asked.

Firstly, the enterprise owners were asked if they wanted to expand their business operations and 100% of them stated that they did in fact want to grow their business. This means that drive for success and ultimately growth as mentioned by Perren (1999) in chapter 2 as one of the independent factors that impact interim growth drivers was present in the case of the sampled enterprise owners.

Secondly, to ascertain the level of growth desired, the enterprise owners were asked the number of employees that they wanted to have in the next 5 years. Results of this study showed that 59.1 % wanted a maximum of 4 employees, 25.8 % wanted a maximum of 9 employees, and 7.6 % wanted a maximum of 14 employees whereas 7.6 % wanted more than 30 employees. It can be seen here that most of the enterprise owners wanted

no more than 14 employees (59.1% + 25.8%); this can be interpreted as a desire for growth but in a more gradual manner rather than rapid growth. The fact that these enterprises showed a desire to increase their number of employees proves that they are indeed growth oriented enterprises as Perren (1999) states, growth oriented enterprises are those that exhibit the desire to increase employee number among other factors.

#### *Legal status of the business*

The results of this study showed that all (100%) of the enterprise owners included in this study were not registered with any government institution such as PACRA, ZRA, or Local government authority. This finding means that these micro enterprises are largely informal in nature, a finding which is consistent with Clarke et al (2010, p.10) who found that micro enterprises in Zambia were mostly informal in nature. Clarke et al found that the majority of micro enterprises were not register with any government institution such as PACRA, ZRA or have operating licenses from the local authority.

And the reasons for not registering with the above institutions given by the micro enterprises in this study were as follows;

- i) Business does not have enough money (48.5 %)
- ii) Business does not need to be registered (30.3 %)

- iii) Don't know how to register (13.6 %)
- iv) Not able to comply with requirements (7.6%)

The results here are consistent with Clarke et al (2010, p.10) who also found the above four to be the most prominent reasons for micro enterprise owners not registering their business.

So, the results of this study have shown that the whole sample of micro enterprises in this study was informal in nature and taking the statement by Nicher & Goldmark (2005) presented in chapter 3 it can be concluded that informality may be one of the constraints to growth of micro enterprises in Lusaka. This finding is consistent with Clarke et al (2010, p.10) discussed in the literature review, stating that most micro enterprises are informal in nature.

#### *Factors constraining the growth of micro enterprises*

Both sector experts interviewed during this study do attest to the fact that micro enterprises in Zambia have stagnated in terms of growth to larger enterprises. This stagnation has been due to a number of factors, data gathered during the study shows the following factors being indicated by micro enterprise owners as inhibitors to the growth of their enterprises.

*Internal factors*i) *Lack of finance*

This study discovered that the lack of finance was the second most serious factor constraining the growth of micro enterprises in Lusaka. The factor was mentioned as a constraint by 92.4 % of the micro enterprise owners. This finding is consistent with many researcher's findings such as Nkonoki (2010), Olawale & Garwe (2010), Fjose et al (2010), Clarke et al (2010), Shah (2012), Mbuta (2007), Konge (2011) and Bowen et al (2009) among others. It is important to note that this factor is twofold.

Firstly, this constraint is as a result of micro enterprises not having adequate working capital in their business. One question here is how does working capital diminish in a business that is still a going concern? And the answer is that business funds are being diverted to other pressing issues such as family demands that the micro enterprise owners face. The habit of diverting business funds has the impact of reducing the available working capital and thereby making it harder to achieve growth. This shows a lack of financial discipline in most micro enterprises and it is also the view of the micro enterprise sector experts interviewed in this study that this lack of financial discipline is a constraining factor to enterprise growth.

Secondly, this factor is a result of lack of access to external finance from lenders such as banks and other institutions. Micro enterprise owners are of the view that access to finance is difficult because lender demand collateral, have high interest rates and have tedious procedures that a business owner has to adhere to in order to access funds. This finding is consistent with Clarke et al (2010, p.14) who found that banking products available to the public had a high cost making them largely inaccessible to the small businesses.

Furthermore, micro enterprise owners are of the view that the fact that some micro finance providers require micro businesses to form groups before being considered for access to loan facilities makes it difficult for them to access funds. And lastly, the micro enterprise owners also stated that they are afraid to access loans because given their low profit margins and the slow business due to few customers/ lack of market demand, they might not be able to pay back the loans.

*ii) Family demands*

This study discovered that high family demands were the fifth most serious constraint to micro enterprise growth with 33.3% of micro enterprise owners mentioning it as a constraint. This finding is consistent with findings of researchers NFIB (2011). These family demands consisted of issues such as having too many dependants, school fees obligations and house rental obligations.

In terms of having too many dependants, it is common practice in African culture to have extended families. These large extended families may at times put extra pressure on the head of the family to put food on the table, pay for school fee and to pay high house rentals for the larger house required for sheltering everyone. In the case where the micro enterprise owner is the main bread winner of the family, he or she may be forced to extract funds from the business in order to sustain their large family therefore reducing the business's working capital. All this to some extent goes back to the lack of financial discipline already discussed. This factor was also mentioned by the sector experts.

#### *External factors*

##### i) *Competition*

This study discovered that excessive competition is the most serious constraint faced by micro enterprise owners in attaining growth in Lusaka with 100% of them mentioning it as a constraining factor. This finding is consistent with many researcher's findings such as Nkonoki (2010), Mbuta (2007), Fjeldsted et al (2006), Soini & Veseli (2011), Olawale & Garwe (2010) and Bowen et al (2009).

Now, it has been written in many books that competition is good and healthy in every economy. If this is so, why then are these micro enterprises mentioning it as a constraint

to their growth? From explanations given by these micro enterprises it was clear that they found this factor to be a constraint because there are too many micro businesses involved in the same kind of trade ( retail trade of stationary) operating in the same locality. Meaning the market was saturated with sellers fighting for a small population of buyers. They also stated that most of their target customers (those found in the office blocks located in the center of town) preferred to buy from the traders that are closer to them and rarely venture to the location of the micro enterprises included in this study. In short competition in this respect was unfair because other traders had more advantageous location than those included in this study and it was also excessive.

ii) *Crime*

This study discovered that vulnerability to crime is the third most serious constraint faced by micro enterprise owners in attaining growth in Lusaka with 66.7 % of them mentioning it as a constraining factor. This finding is consistent with the findings of researchers such as Fjeldstad et al (2006) although in their study crime was found as a minor constraint. This minor contradiction in severity shows the location specific issues in Lusaka.

The details of this constraint as explained by micro enterprise owners were that thefts in the area were rampant with a lot of people having had their shops broken into and stock

stolen during the night after operating hours. Secondly, they stated that security in the area was lacking as the law enforcers such as the police were not doing much in terms of combating crime and also thefts such as pilferage was common among employees in these micro enterprises.

iii) *Lack of market demand/ few customers*

This study discovered that lack of market demand is the fourth most serious constraint faced by micro enterprise owners in attaining growth in Lusaka with 50 % of them mentioning it as a constraining factor. This finding is consistent with the findings of researchers such as Fjeldstad et al (2006) and Bowen et al (2009) but is more in line with NFIB (2011) who found that 53 % of the small businesses studied mentioned this factor as a serious constraint to growth.

According to the micro enterprise owners included in this study, market demand was a challenge because customers did not come to the location where their businesses were situated to buy goods therefore the demand from the customers that came to the location was not enough compared to the supply of these products, reasons have already been discussed under competition.

Furthermore, the micro enterprise owners in this study also stated that they felt that customers did not have enough money to buy their goods. This revelation here is a reflection of the current economic condition. That is, because of the high unemployment levels and low income people do not have enough spending power.

iv) *High Cost of Stock*

This study discovered that high cost of stock is the sixth most serious constraint faced by micro enterprise owners in attaining growth in Lusaka with 16.7 % of them mentioning it as a constraining factor. This finding is consistent with findings of researchers such as Fjeldstad et al (2006) and Bowen et al (2009). Some of the micro enterprise owners included in the study were of the view that stock intended for resale was too expensive for them at times.

v) *Corruption*

This study discovered that corruption is the seventh most serious constraint faced by micro enterprise owners in attaining growth in Lusaka with 16.7 % of them mentioning it as a constraining factor. This finding is consistent with the findings of researchers such as Fjeldstad et al (2006).

Micro enterprise owners included in this study were of the view that administrative corruption is a constraint to growth because for them to acquire loans or in order to solicit business opportunities from larger companies, they are often asked to pay a bribe so that they can be treated favorably. Paying of bribes may have a negative impact on the finances of the business or in the case where the micro enterprise is unable to pay the bribe, it means they won't be able to acquire the much needed loan or business order.

vi) *Constrictive Import/ export regulation*

This study discovered that constrictive import regulations is the seventh most serious constraint faced by micro enterprise owners in attaining growth in Lusaka with 16.7 % of them mentioning it as a constraining factor. This finding is consistent with the findings of researchers such as Fjeldstad et al (2006). This constraint is a minor one in this case based on its ranking.

Details of this constraint as explained by the micro enterprises are that those that import their stock find that they are charged the same import duty as big companies at the border points. This of course is a policy matter that can be done away with by coming up with policies that support micro enterprises.

vii) *Uncertainty regarding business conditions*

This study discovered that uncertainty regarding business conditions is the eighth most serious constraint faced by micro enterprise owners in attaining growth in Lusaka with 9.1 % of them mentioning it as a constraining factor. This constraint is a minor one in this case based on its ranking. This finding is consistent with the findings of researchers such as Fjeldstad et al (2006). Details of this constraint are that uncertainty of the business cycle has a negative effect on the growth of micro enterprises.

viii) *Legal/ regulatory constraints*

This study discovered that legal/ regulatory constraints is the eighth most serious constraint faced by micro enterprise owners in attaining growth in Lusaka with 9.1 % of them mentioning it as a constraining factor. This constraint is a minor one in this case based on its ranking. This finding is consistent with the findings of researchers such as Fjeldstad et al (2006). Details of this constraint according to the micro enterprise owners included in this study are that government policies are not effectively supporting micro enterprises in the country.

*ix) Minor constraining factors*

Other minor constraints mentioned by micro enterprise owners in this study were; lack of infrastructure (buildings), poor credit repayment from customers and stock wastage due to low demand.

On the other hand, sector experts are of the view that the following are the main constraints to growth among micro enterprises;

*Poor management of the business*

This factor is multi faceted and includes issues such as the following;

Enterprise experts are of the view that most micro enterprise are not financial disciplined. The lack of financial discipline manifests when individuals use business funds to pay for personal expenses not connected to the business operations therefore diminishing the available working capital. Secondly, financial record keeping is poor among micro enterprises. The current status quo is that an enterprise owner will only gather together financial records when they intend to apply for a loan as these documents are often required by financiers.

Thirdly, the lack of appropriate business skills and knowledge is negatively affecting the growth of micro enterprises in Lusaka and the country as a whole.

*Inadequate skill and knowledge*

Most micro enterprise owners are not coached or mentored on how to run a successful business and as a result end up failing. Mentoring and coaching may provide enterprise owners with knowledge and skills to help them overcome the day to day business challenges.

*Unsupportive Policy*

The sector experts are of the view that government is not at all supportive towards the micro enterprise sector. Even though government has attempted to come up with various policies, the truth of the matter is that these turned out to be just pronouncement that lacked effective implementation. And as a result such policies haven't had any impact on the sector at all. Therefore, following Perrens' framework, specifically certain pieces of legislation as defined by the government may act as a constraint or catalyst to growth of a micro enterprise and in this case policies such as the Micro, Small and Medium enterprise policy and the Citizens empowerment policy have been a constraint to enterprise growth because of ineffective implementation.

*Spacial and legal elements of micro businesses in Lusaka*

Even though there are a number of spacial and legal restrictions in existent aimed at the business sector with the most prominent ones being zoning restriction, public health laws and licensing laws. It is interesting to note that none of these are being effectively enforced by the relevant authorities and therefore have little if any impact on micro enterprises.

The lack of effective enforcement means that micro enterprises are not affected by these laws in any way as they can get away with not following them. For instance, none of the micro enterprises in this study was registered with any government institutions meaning they were all abrogating tax laws relating to business in the country.

The Local government Act partly enforced by the Local authority (Lusaka city council- for Lusaka) contains various prescriptions that affect businesses. Zoning restrictions, public health issues, business levy (licensing) and food and drug restrictions are all topics that affect businesses small or large and are found within this Act. The above mainly make up the legal and spacial elements affecting micro enterprises in this study.

Zoning restrictions which spell out where businesses, residential areas etc must be located do exist in Zambia. But it is unfortunate that these restrictions are merely on paper when it comes to micro enterprise. The council is of the view that most micro enterprises do not adhere to the restrictions as they set up anywhere and they have been “allowed” to do so because of certain political interference. Negative impact of this spacial restriction is only felt in the rare instances when businesses have their buildings razed because of locating them in undesignated areas.

Secondly, public health as well as food and drug laws among other issues exist so as to ensure businesses carry out their operations in a manner that is hygienic and safe; this is done to safe guarding the health of the general public. In terms of adherence, it was found that many micro businesses do not adhere to these regulations mainly because of lack of knowledge and understanding of the law. When a business is found going against what the law states, it is closed and the owner charged accordingly, this is the negative impact of this law on micro enterprises.

Thirdly, with regard to business levy laws, it was also found that many micro enterprises to don't adhere as a lot of them prefer to conduct businesses without paying the required taxes to the local authority. And again, the negative impact of this law is only felt when a business is caught on the other side of the law, in which case their business in closed and they are charges for operating without a license.

In all the above cases, it was found that implementation and enforcement of the pieces of legislation is a big challenge to the local authority because of constraints such as staffing and transportation. The challenge in enforcements may explain why so many micro businesses are operating informally and are getting away with not following the law.

#### *Framework for micro enterprise growth verses empirical evidence*

Looking back at the framework introduced in chapter 2 (Perren, 1999). It is evident that the situation at hand in Lusaka is in dire straits. For instants, Perren stated that independent factors such as; personality attributes, transferable experience, stakeholder patronage and other external influences to be important to micro enterprise growth. This means that these independent factors must be positive in order to enable the interim growth drivers to initiate and sustain growth of micro enterprise; it therefore follows that the absence of any of these factors will have a negative effect on growth of a micro enterprise.

#### *Personal attributes*

100% of the micro enterprise owners stated that they did in fact want to grow their business. This means that drive for success and ultimately growth as mentioned by Perren (1999) in chapter 2 as one of the independent factors that impact interim growth drivers was present in the case of the sampled enterprise owners. But on the other hand,

active risk taker tendencies were found lacking and therefore posed a constraint to growth especially among the female enterprise owners.

*i) Transferable experience*

This also was found lacking seeing that all the micro enterprises in this case were young enterprises largely lacking experience.

*ii) Stakeholder patronage*

With regard to creditors it was found that some micro enterprise mentioned poor credit repayment from customers and other micro enterprises mentioned that access to finance is difficult because lender demand collateral, have high interest rates and have tedious procedures that a business owner has to adhere to in order to access funds. Because of the above mentioned, stakeholder patronage was found lacking in this case.

*iii) External influences*

The micro enterprise sector experts and some micro enterprise owners did mention that they felt that some government policies were ineffective in supporting micro enterprises. Competitive dynamics were also found to be unfavorable in addition to the

product sector also being highly saturated therefore posing a constraint to growth of these micro enterprises. This aspect was also therefore found lacking in this case.

*iv) Resource access*

Resource access was also found lacking in this case and therefore posed a constraint to growth. For instance, lack of finance was mentioned as a constraint by 92.4 % of the micro enterprise owners.

*v) Demand*

Demand which is an interim growth driver was also found lacking in this case. For instance, this study discovered that 50 % of micro enterprise owners mentioned that lack of demand was a constraining factor.

*vi) Owner's growth motivation*

This aspect was found to be good. As all the micro enterprise owners showed high motivation towards growth.

vii) *Expertise in managing growth*

This aspect was not mentioned by any micro enterprise owner as factor to their growth. And therefore it could not be established whether or not this factor was an issue in the case at hand.

So, in conclusion the frame work devised by Perren may be applied in the Zambian context as most of the categories it addresses are present as factors in the realm of micro businesses growth in the country.

*Enterprise growth drivers*

The sector experts interviewed in this study are of the view that to achieve growth, 4 main areas need to be addressed:

1. Management: here issues such as financial record keeping, financial discipline and having a sustainable business plan have to be considered.
2. Mentoring and coaching: In order to impart business skills and knowledge into the enterprise owners.
3. Marketing: an enterprise needs to have a proper brand name, good customer service and must portray a professional outlook in order to build a positive perception in the mind of the customer.

4. Access to finance: Adequate funds need to be provided to the micro enterprises owners but this should not end at mere provision of funds. Funds need to be accompanied by skills training to ensure that the business owners utilize the funds well.

## **CHAPTER 7**

### **7. CONCLUSION**

#### **7.1 Conclusion**

Economic changes such as the ever increasing unemployment level have lead to a lot of people starting up their own micro enterprises in a bid to make ends meet. The contribution of micro enterprises to the economy of any country has over the years been receiving increasing recognition.

Many African countries rely heavily on micro, small and medium enterprises, collectively known as MSMEs, to help stimulate their economies. Given this fact, it is unfortunate that many enterprises in this sector do not develop. Specifically in the Zambian context, Chisala (2008, p.1) mentions that these enterprises have a tendency to remain stagnated in terms of growth due to various constraints.

This study employed a descriptive research approach featuring both qualitative and quantitative methods following a non experimental design (one-shot survey) to establish the main factors that negatively affects the growth of micro enterprises in Lusaka. A questionnaire was administered to a randomly selected sample of micro enterprise owners located in the Lusaka central business district during a one to one interview. An

interview guide was administered to sector experts and council officials during a scheduled interview.

Data gathered during this study showed that these relatively young informal micro enterprises did face a number of challenges in their attempts to achieve enterprise growth.

Firstly, the primary challenges faced by these enterprises are excessive 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 micro enterprise located in Lusaka.

Secondly, the secondary challenges faced by these enterprises are high cost of stock, administrative corruption, constrictive 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.

Thirdly, the minor challenges faced by micro enterprises in attaining growth are lack of infrastructure (buildings) from which to operate from, poor credit repayment from customers and stock wastage due to low demand from customers.

Fourthly, the expert view is that factors such as poor management of the business because of lack of business financial records, lack of financial discipline and lack of the appropriate managerial skill are posing a challenge to enterprises in attaining growth. Other challenges are lack of business skill and knowledge as well as lack of supportive government policy.

This research was aimed at determining the main internal and external factors that constrain the growth of micro enterprises in Lusaka and it therefore suggests that internal factors are lack of finance, family demands, gender (risk averseness of females), and informality. Whereas external factors are excessive competition, crime, lack of demand, cost of stock, corruption, import/ export regulations, legal/ regulatory constraints, lack of infrastructure, poor credit repayment and stock wastage due to low demand.

In a nutshell, this research study suggested that the top 5 factors constraining the growth of micro enterprises in Lusaka are excessive competition, lack of finance, vulnerability to crime, lack of market demand and high family demands respectively.

From the City Council's point of view, spacial restrictions such as zoning regulations and legal restrictions such as the compliance to public health rules and licensing requirements have greatly been ignored by micro enterprise owners in the City of Lusaka. Lack of adherence is largely due to lack of knowledge and understanding as well as lawlessness.

Furthermore, these officials are finding it hard to enforce the above regulations due to a number of internal challenges such as inadequate staffing levels and transportation as well as external challenges such as political interference. It is important to remember that these laws are in place in order to ensure law and order prevails in the country so an ideal situation would be where everyone including businesses adheres to the laid down regulations unlike the current state of affairs. Enterprise growth is greatly desired but growth must occur in an orderly manner in accordance with the laws of the land.

In conclusion, it is evident that micro enterprises in Lusaka are facing a lot of challenges that are hindering their growth and there is a serious need to address these challenges so that these enterprises are encouraged and supported to grow into larger enterprises thereby making a bigger contribution towards the Zambian economy.

It can also be concluded that most of the challenges that are currently being faced by micro enterprise owners are a matter of inadequate government policy whereas it should

also be recognized that a few such as informality and risk averseness due to gender orientation are self inflicted constraints to enterprise growth.

## **7.2 Recommendations**

Given the high levels of informality, micro enterprises need to be educated about the benefits of registering their business by making it clear that all business need to be registered and that a business does not need to have a huge reserve of funds for it to register. Registration and formality is a step towards enterprise growth.

Secondly, given the low female representation, there is a need for deliberate policies aimed at increased business ownership by females. This may be done by firstly alleviating the constraints faced by females such as illiteracy, lack of business skills and innumeracy. In addition, there is a need to extensively train these female business owners in a bid to increase their business confidence thereby eradicating their risk averseness and increasing their confidence levels when it comes to hiring more employees and growing their businesses.

Thirdly, there is need to encourage micro enterprises to adhere to the laid down rules and regulations through increased awareness campaigns. And also, the city council that

is charged with the responsibility of enforcing these regulations should be given enough support in terms of staffing and equipment to enable them to effectively carry out their mandate. As earlier stated, growth of businesses in the economy is good but this growth should take place in an orderly and legal manner to have the greatest impact.

Fourthly, with regard to the excessive competition that these micro enterprises are facing, a measure would be for them to improve the customer service, try and implement competitive pricing strategies or relocate to a less congested location. Preferably, this location should be closer to the target market thereby eliminating the other challenge of low demand due to poor location.

With regards to crime, the micro enterprises located in the same location could come together and contribute funds so that they can hire a reputable firm to guard their businesses both during and after operating hours. Doing this is likely to reduce the number of break-ins and loss of property due to criminal activity.

Micro enterprise owners should also be encouraged to join professional organizations which are run by experienced business owners and trainers. These organizations should offer mentoring and coaching to new start ups, they should impart skills training and knowledge especially regarding proper business management, writing and keeping of financial records and writing of sustainable business plans. Furthermore, these sorts of

organizations should provide a revolving fund to the members, funds for this can be raised through payment of a monthly membership fee or from grants given by government. Government can be more supportive by providing infrastructure and funds for such positive initiatives. Also, financial management skills training must be offered in these forums to counter the challenge of lack of financial discipline that arises when the enterprise owner extracts funds from the business to attend to family demands. Good financial discipline will address the problem of family demands hindering growth.

The above mentioned organizations may also teach micro enterprise owners how they can accurately forecast demand, collect relevant market intelligence and analyze market behavior so as to counter or at the most reduce the impact of the challenge of uncertainty over business conditions on enterprise growth.

In addition, those institutions that come into contact with micro enterprises should ensure that services are provided in a fair and transparent manner. Tenders should be awarded on merit and things like licenses should be easy and straight forward to get. Doing the above will reduce corruption and hence its effect on micro enterprises will also diminish.

Micro enterprises should also consider bulk buying when ordering their stock. A collective of micro enterprises may buy their stock together in order to reduce the purchasing price as they can bargain for quantity discounts. Transportation and importation costs may also be reduced significantly through economies of scale associated with bulk buying. This will help alleviate that challenge of cost of stock and import regulations where small businesses are charged the same rate as bigger businesses when bringing in goods into the country. The government can also play a role here by coming up with deliberate policies that reduce import taxes for goods being imported by micro enterprises at the various border entry points. Of course this can only be possible if these micro enterprises are properly registered with the various government agencies.

Lastly, it is very important that the government comes up with effective means of ensuring that the already existing policies aimed at the micro enterprise sector are properly and fully implemented. There should be accountability and ownership attached to these policies rather than just being mere documents and pronouncements.

### **7.3 Critique of the Research Approach**

Even though this study was more than sufficient for the intended purpose as it met all its set out objectives, there is a need for a more detailed study into each of the constraining factors to enterprise growth that this study has brought to light. A more detailed research

study using different methodologies should examine the intricacies of each factor individually.

Other studies may also be done to test the relationships that exist between constraining factors and enterprise growth using complex statistical techniques.

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**APPENDIX A****SMALL BUSINESS OWNER QUESTIONNAIRE****SECTION A**

1. Age
  - A. Less than 25
  - B. 25-34
  - C. 35-44
  - D. 45-54
  - E. 55-64
  - F. 65-74
  - G. 75 and above
  - H. Refuse
2. What is the highest level of education you have attained?
  - A. None
  - B. Primary
  - C. Junior secondary
  - D. Senior secondary
  - E. College/ university
3. Gender
  - A. Female
  - B. Male





C. I don't know

**N.B: if the answer to question 8 is “yes”, then proceed to section B.**

**SECTION B**

1. Have you faced any challenges in attempting to grow your business?

A. Yes

B. No

C. I don't know

2. If the answer to question 1 above is “yes” please indicate the specific challenges you have/ are facing. Place an “X” in the appropriate box.

Challenge		Description
	Lack of market/ demand	
	Lack of finance	
	Lack of skilled employees	
	Lack of strong mgt/ advisory team	

	Uncertainty over business conditions	
	Legal/ regulatory issues	
	Family demands	
	Lack of access to technology	
	Lack of access to electricity	
	Lack of access to water	
	Transportation	
	<b>Challenge</b>	
	Competition	
	Cost of raw materials	

	High tax rates	
	Corruption	
	Political instability	
	Crime	

	Import/ export regulations	
	Lack of business support services	
	Exchange rate	
	Other	

3. From the constraints you have mentioned, which one would you say is the most serious?

**END.**

**KEY INFORMAT INTERVIEW****TOWN AND COUNTRY PLANNING (ZONING)**

1. Are there any restrictions imposed on businesses in the town and country planning Act with regards to location of business activities? Why is this so?
2. What effect do you think the zoning restrictions have on small business?
3. How would you describe adherence to zoning restrictions especially by small businesses in the city of Lusaka? Are there a lot of businesses that are closed because of lack of adherence?
4. Are there any challenges in the implementation of the zoning restrictions within the city of Lusaka?

**TRADE LICENSING/ BUSINESS LEVY ACT**

1. What in your opinion is the impact of the current licensing regulations on the growth of micro enterprises?
2. How would you describe the adherence level of small businesses to licensing regulations? are there a lot of small businesses that are closed due to lack of adherence?
3. Are there any challenges in the enforcement of licensing regulations?
4. How would you describe the response of small businesses towards business levies?

**PUBLIC HEALTH AND FOOD AND DRUGS ACT**

1. How would you describe the adherence level of small businesses to the prescriptions of the public health cap 295 and food and drugs Act cap 303? Are there a lot of small businesses that are closed due to lack of adherence?
2. Are there any challenges in the implementation of the above mentioned Acts?

**SECTION B: FOR MICRO ENTERPRISE SECTOR EXPERTS ONLY**

1. How would you describe the status of micro enterprises in Lusaka in terms of growth and graduation to a higher enterprise classification e.g. medium scale? If not growing why?
2. Do you think local authority restrictions on location of small businesses have any effect on enterprises in Lusaka?
3. What is the impact of business licensing regulations on micro businesses?
4. What government policies do you think affect micro enterprise, either positively or negatively?
5. What legal restrictions do you think are affecting micro enterprises either positively or negatively?