MANAGEMENT CONSTRAINTS OF SIDO-SUPPORTED SMALL SCALE ENTERPRISES IN LUSAKA

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By

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DECLARATION

I **DERRICK CHITALA** do hereby solemnly declare that this dissertation or any part of it has not been submitted for a degree to the University of Zambia or to any other University or Institution.

Signed: ....D. Chitala....................

Date: ....17 November, 1988....................

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All in all, I hold myself responsible for the final document of the study and any errors of fact or of reasoning are solely my responsibility.

ABSTRACT

This study provides, first, a critical analysis of Small Scale Enterprises promotion in Zambia. Secondly, the study provides a survey of the administrative and institutional constraints of Lusaka based small enterprises supported by the Small Industries Development Organisation.

The study was conducted in 39 enterprises in Lusaka from November, 1985 to March, 1986. The methodological framework of the study includes literature review, use of offical documents and interviews.

The study reveals that Small Scale Enterprise Promotion after 1983 was introduced for progmatic reasons. The evaluation shows that the institutional framework though existing still has to be grounded in practice. Furthermore, the study shows that the main constraints faced by SIDO supported small enterprises are in the regions of management, procurement, finance, factory space and government bureaucracy. Lack of trained personnel is a national problem in Zambia. Trained personnel migrate to the better paid and socially better assured positions in the parastatal concerns. Procurement of materials and spare parts also relects the dependency on imports that the country has continued to experience. Finance is accounted for by the lack of savings and access to credit. Lack of factory space is accounted for by the zoning regulations while the lack of appropriate government intervention is explained by the lack of proper articulation of policy.

The study contends that, the universal merits of small enterprises in providing the basic supportive structure to industrial growth and development have in theory been recognised by the government which has since established an institutional framework. This regognition, however, will remain without social value unless specific intervention is done by the government. Four intervention mechanisms relating to the SIDO programme the institutional environment, finance, entrepreneur development and input provision have been suggested as being vital.

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ABBREVIATIONS

BOZ	Bank of Zambia
CSO	Central Statistics Office
CUSA	Credit Unions and Savings Association
DBZ	Development Bank of Zambia
IBRD	International Bank for Reconstruction and Development (World Bank)
IFCO (IFC)	Industrial Finance Company
ILO	International Labour Organisation
INDECO	Industrial Development Corporation
MDAS	Management Development and Advisory Service
MSB	Management Services Board
NCDP	National Commission for Development Planning
NORAD	Norwegian Agency for Overseas Development
RUCOM	Rural Commercial Industries Limited
SEP	Small Enterprises Promotion Limited
SIDO	Small Industries Development Organisation
TNDP	Third National Development Planning
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
UNZA	University of Zambia
VIS	Village Industry Service
ZCF	Zambia Co-operative Federation
ZIMCO	Zambia Industrial and Mining Corporation

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CHAPTER 1

INTRODUCTION

The Research Problem

Recent analysis of the main macro-economic variables of African Countries show that economic development during the past two decades led to a number of disturbing issues characterized by a wide gap between the capacity of production of basic goods and the needs of the majority of the population.[1] The benefits of large scale capital intensive business operations as occurred during the Industrial Revolution in Western Europe during the last century has not induced economic development in many developing countries. The paradox that can now be observed in many developing countries is that despite the high rates of economic growth immediately after attaining political independence, most of these countries failed to raise labour productivity to appreciable levels.[2] The realities have necessitated many countries to shift emphasis from heavy industrial development to small enterprise development.

Several benefits have been advanced by researchers who have argued for the relative economic advantage of promoting small scale enterprises in developing countries. Mureithi[3] for instance has argued that small enterprises have the ability to generate employment from a given stock of capital at a greater rate than the 'modern' sector because of its lower capital intensity. Small scale enterprises are also justified in the sense that they allow a lower capital investment per worker compared to the modern sector industries.

The small scale industry sector also serves as a training ground for supervisory and skilled labour. In this way, it creates a basis for technological adaptation to actual circumstances.[4] Other recognised benefits of small scale industries include their contribution to removing regional disparities in economic growth and their ability to exploit local raw materials and thereby reduce on imports.

It is because of some of these merits that many developing countries have developed policies that provide support to small enterprises. The support rendered is aimed at assisting small industries to be able to survive and expand inspite of financial and other management limitations. The support schemes have tended to provide protection for the adverse effects small industries face and also provide development incentives. Such incentives may include the reservation of certain products for small scale sector; the provision of physical infrastructure and financial assistance on concessional terms; fiscal reliefs; training and consultancy service and so on.[5]

However, despite the may perceived merits of small scale industrial promotion, there are certain managerial as well as promotional factors that affect their performance. With respect to Zambia, there has not been any noticeable research in this field. It is because of this that this study attempts to find out to what extent managerial factors affect the performance of small scale enterprises in Zambia.

<u>Objectives</u>

The specific objectives of this study are as follows:-

1. To critically assess the major internal factors that affect the management of SIDO-supported small scale enterprises.

2. To critically analyse the major external constraints that affects the management of SIDO-supported small scale enterprises.

3. To make recommendations for improving small scale enterprise management.

<u>Rationale of the Study</u>

This study is very important for various reasons. Firstly, there is a dearth of analytical studies that have attempted to analyse the management of Zambia's small scale enterprises. The few attempts have concentrated on surveys of informal operations of marketeers, street vendors and to a lesser extent small manufacturers. Many of these studies have on the other hand been descriptive and formalistic.

The study by Beveridge and Oberschall (1979)[6] based on fieldwork carried out between 1970 and 1972 is the only notable enquiry into small scale business operations in Zambia. Being a general expose of the situation in the early 70's and also have been done before the Third National Development Plan (TNDP) (1979-83) period in which a specific promotion programme for small scale enterprise emerged, the study is therefore outdated. A recent study by Fundanga (1985)[7] also has the same pitfalls. Fundanga's study attempted to provide a strategy (on the basis of largely library research) for the dispersal of small scale enterprises in the rural areas. The emphasis of the study was on theory building. It took a marco approach and was therefore unable to analyse in concrete terms the management problems of small enterprises and the promotional agencies.

The rationale of this study also stems from the fact that it is important to ascertain the management constraints that hinder both the small scale enterprises and the promotional institutions before any appropriate correctional programmes can be suggested. There is an inherent danger that the government and other agencies may continue investing on small scale enterprise promotion while unnoticed constraints continue limiting the cost effectiveness of such programmes.

The results of this research is therefore of great value to officials involved in the management and promotion of small scale enterprises in Zambia and also to students of Development Administration. This is because findings from studies like this could help us build better and useful middle range theories on small scale enterprises.

Methodology

The Research Area

The research area for this study covered Lusaka Urban District Council where all the enterprises and the promotional agencies that were investigated are located.[8]

The City of Lusaka as the Capital of Zambia is the biggest administrative, commercial and industrial center in Zambia. The achievement of political independence in 1964 gave a tremendous impetus to the development of the city. Its population increased from 126, 146, (1963) to 262, 425 (1969) 538, 469 (1980) and over 700 000 (1985).

The fast growth of the City forced the planners to make extensions to the creation of 'Greater Lusaka' in 1970. This increased the city area from 36 to 139 square kilometres.

In respect to Industry, a study by ZIMCO (1976)[9] showed clearly the dominance of Lusaka as the hub of industrial activity in Zambia.

TABLE 1: Distribution of Industry in Zambia, 1976

Location	Number	%
Lusaka	483	33.3
Kitwe	310	21.4
Ndola	298	20.5
Luanshya	58	4.0
Chingola	75	5.2
Mufulira	63	4.2
Chililabombwe	17	1.2
Line of Rail	99	6.8
Other Rural Area	52	3.6
TOTAL:	1 451	100.0

Source: ZIMCO: Directory of Zambian Industry
ZIMCO Information and Publicity Unit,
June, 1976.

Table 1 indicates that of the total 1451 Industrial establishments, 817 (56%) were located in the Copperbelt towns with a high concentration in Kitwe and Ndola while 483 (33%) were located in Lusaka alone. Only 52 (3.6%) establishments were disbributed over the remaining rural towns and 99 (6.8%) on the remaining line of rail.

Though the ZIMCO Directory did not indicate the size of the various enterprises, whether in terms of capital investment or numbers employed, it can be assumed that most of the firms listed were relatively large. It is most likely that artisan craftmen and very small enterprises in the 'informal' sector were not included. This perhaps explains why for instance there is a small number of establishments given for furniture making (only 23 establishments for Lusaka). On the whole however, as Table 1 shows, the dominance of Lusaka as the hub of industrial activity is most glaring.

Design of the Study

There are no official baseline data on small scale industry from the relevant Zambian institutions from which characteristics such as numbers and so on can be obtained. In the absence of this, most research on small enterprises utilize the survey method. Experience shows that surveys are a useful way of filling the gap in identifying useful characteristics of small scale enterprises. This is why the survey method has been the most widely used method in research on small scale enterprises.[10] This is inspite of criticisms levelled against the method by researchers such as Schmitz (1982)[11] and Paraiso (1985) who have argued that it is inappropriate to analyse enterprises together since the enterprises are placed differently in the economy and are subject to different types of constraints. In other words, the various industries that make up the small enterprises sector are far from being uniform. Only an empirical study based on reliable data can clearly bring out the differences in behaviour of the various small industry sector activities.

The above arguments against surveys are quite plausible though randomization to a greater extent reduces the problems identified above. Notwithstanding the problems of the survey method, it nonetheless if well conducted could provide useful information about small Scale business.

In this study, research work was based on a survey of a number of small scale industries. In addition to the questionnaire which was administered to 39 firms in the sample, library research was also conducted to supplement fieldwork. The library research involved the analysis of studies carried out by various institutions and researchers. The most notable institutions included the World Bank, the International Labour Organisations, the United Nations Development Programme, and the Institute of African Studies. Reference work was also done at collections held by the University of Zambia Library and other professional libraries at the Bank of Zambia, Ministry of Commerce and Industry, Central Statistics Office, INDECO, SIDO, Management Service Board, Development Bank of Zambia, Village Industry Services and the Lusaka Urban District Council.

Furthermore, unstructured interviews were conducted with responsible project officers at the three promotional agencies for small industries - SIDO, VIS and SEP. In addition, a senior official in charge of project development was interviewed from such institutions as the Development Bank of Zambia, the Bank of Zambia and other supporting institutions such as the Zambia Cooperative Federation, Credit Union and Savings Association, Management Services Board (MSB), Ministry of Commerce and Industry, National Commission for Development Planning (NCDP), and Multilateral Agencies such as the International Labour Organisation (ILO), United Nations Development Programme (UNDP) and the World Bank (IBRD) were also conducted.

In January, 1986 when the sample was made, there were 314 applicants in Lusaka who had applied for assistance from the Small Industries Development Organisation (SIDO). Of this, only 45 enterprises had met the requirements for SIDO registration and were duly registered. It was this figure (45) representing 32.4% of all duly registered small scale enterprises (138 in total) in the country that formed our study sample. The records at SIDO showed that these 45 entrepreneurs were scattered all over Lusaka and were of many kinds, namely, 8 chemical enterprises, 8 carpentry workshops, 7 clothing enterprises, 6 millers, 6 engineering companies, 4 companies making food products, 2 companies making paper products, 2 companies cutting precious stones, 2 companies making leather shoes and handbags and one company making building products. On further examination of the sample, it was found that six (6) companies had already wound up their business and owners could not be traced. In all, therefore, only proprietors of (39) small scale businesses were interviewed. Appendix I shows the composition of the sample by industry sector.

For all the 39 small scale enterprises in the sample, one interview format shown in Appendix 3 was used. The first part of the questionnaire was concerned with the business itself its formal structure, kinds of goods manufactured and whether it owned the premises it operated from. The second part asked about the origins of the enterprise while the third part was concerned with the financial matters of the enterprise. The fourth and fifth parts were concerned with the management and Marketing matters respectively. The sixth section was concerned with the general personnel administration while the last section of the questionnaire concentrated on the respondent's views on what he considered were the greatest obstacles to small business promotion and how the government might help to overcome them.

The interviews which were structured were conducted in English when the interviewee could speak it, otherwise, the schedules were translated into the languages the respondent understood.

Chapter Outline

This study is organised into five Chapters. Chapter one presents the problem statement, objectives of the study, rationale and methodology of the study.

Chapter two reviews the state of the art on Small Scale Enterprises.

Chapter three critically evaluates the institutional framework for small enterprises promotion in Zambia. A special emphasis is given to the Small Industries Development Organisation (SIDO).

Chapter four examines the management constraints that small enterprises face. The first section analyses the internal management constraints while the second section analyses the constraints related to the external enviroment or organisations such as access to credit, markets, factory space, and government regulations.

Chapter five makes recommendations for building an enviroment conducive to promoting small scale enterprises.

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CHAPTER 2

SMALL SCALE INDUSTRIES AS A DEVELOPMENT STRATEGY

Studies on Small Scale enterprises generally identify a number of growth constraints (such as inaccessibility to financing, problems of procurement and other external constraints such as administrative inadequacies) which affect the potential growth of small scale enterprises and the informal sector in general.[1] In Zambia, several studies and surveys, have been done which have recommended that Zambia's industrial policies should give equal stress to small enterprises.

These studies included those sponsored by the United Nations Development Programme (UNDP) such as those by Christie (1970)[2], De Tullio (1970)[3], Habsurgh (1978)[4] and Zimmermann (1981)[5]. The Di Tullio report based on data gathered in 1973 emphasized the relatively restricted economic role of the small sector in Zambia's economy. The report described the structure of such state corporations as ZIMCO, INDECO, FINDECO and specifically provided critical assessments of RUCOM and IFCO.

The Christie report related almost exclusively to the informal sector and artisans in urban areas. It showed how since 1970, it was the informal sector and not the formal sector which absorbed new entrants to the labour force. The report suggested direct assistance to Small Scale enterprises by availing them financial assistance as well as training and technical assistance.

The Habsburgh report gave an overview of the government's small scale industry policies and agencies while the Zimmermann report presented recommendations for the implementation of a small scale enterprises credit project.

Apart from the above studies which had been commissioned by the Zambian government, there was another study sponsored by the Indian government[6] which recommended the establishment of a number of industries and the creation of a Small Scale Industries Development Corporation to be the apex institution in small business promotion.

Since the above surveys were conducted, other works have been done which have also attempted to highlight the status of Small Scale enterprises in Zambia.

The study by Beveridge and Oberschall (1979)[7] already referred to above was the first serious academic attempt to survey the characteristics of small enterprises on a national scale. The study was conducted during the early 70's when Zambia's economy was booming and when the small enterprise sector was essentially a neglected area. Its major weakness therefore, is that at present (1987) it does not represent the real situaltion.

The study by the Institute of African Studies[8] attempted to explore from a general point of view, Zambia's policies and performance of small scale enterprises in specific sectoral situations. The studys' main objective was to contribute to the evolution of public policy on small scale industrial development in Zambia and to stimulate reaction and response on the extent and scope of the small-scale industries. The volume contained eight contributions. The first contributions were basically theoretical. Kaye Turner surveyed the national debate on the urban informal sector in which she discussed two viewpoints. One viewpoint regards the "informal sector" as a discernible sector involved in economic activities characterized by such features as their small scale, low level of technology and operations on the margins of legality. The other viewpoint argues that there is no 'informal sector' as such but simply small-scale economic activities linked in a variety of ways to other large-scale ones.

Patrick Ncube and Chiselebwe Ngandwe outlined in their contributions, their visions for the future. Ncube argued that in view of the industrialization led by multinational companies, small scale industries were a missing link in the industrialization of Zambia.
There was need to institue a system of sub-contracting to small scale enterpreneurs by parastatals to allow for balanced growth in the economy. Ng'andwe on the other hand put the case for the Small Industries Development Organisation arguing that the institution required better funding to enable it provide workshop space, finance, inputs, training and marketing assistance to small scale enterprises.

John Mulwila and Kaye Turner suggested the need for law reform to facilitate the development of small scale industries. They contended that the SID Act of 1981 be amended to allow for the following issues: "The formulation of specific incentives especially aimed at small scale industrial development...; the rationalization and codificaion of the existing great variety of regulations relating to small scale manufacturing enterprise licencing and registration; the issuing of clear directives on the implementation of planning and public health regulations so that realistic standards are set..., the evaluation of socially, economically and politically appropriate modes of organisation to serve as a framework for Small Scale Industrial Development...".[9]

Wim Hoppers examined the Lusaka Clothing Industry in which he revealed the internal differentiation of enterprises and complexity of economic relationship which, from his point of view, pointed to wide variations in prospects for advancement and their capacity to absorb would-be entrepreneurs and job seekers.

Andrew Kamya and Edwin Bbenkele studied the charateristics of five small scale enterprises located on the Copperbelt in which they found that the enterprises were constrained by the following obstacles: poor quality of employees; the reliance on one-person management; lack of complimentary factors of production such as raw materials and foreign exchange; lack of marketing knowledge; lack of research facilities; and the adverse fiscal and monetary policies of the government.

Karen Hansen put a case for small scale handicrafts for married women while Peter Hayward provided an assessment for the future development of Small Scale Enterprises in Zambia.

The major thesis from all the studies was that small scale enterprises in Zambia hold the key to industrialization and needed to be supported. Such support should include training, financial support and providing a conducive political, legal and economic climate in the country. By and large, the studies highlighted the general situation of small enterprises in Zambia.

The study by Fundanga (1985)[10] is one of the most recent studies which attempted to examine the promotion of rural small scale industries as an alternative strategy for ensuring equitable development. The study analysed the programme to promote small scale industries in Zambia, the position of rural small scale industries in the programme and the problems the programme was encountering. The study's major conclusions were that, whereas small scale industries are the best way of decentralizing industry, the promoting organisations such as SIDO had to be decentralized. Similarly, it argued for a decentralization of other institutions such as commercial banks, and CUSA and the strengthening financially of local councils to enable them articulate the needs of the local people than having to depend on bureaucrats far away in the capital.

Outside Zambia, there has been many studies that have attempted to highlight management constraints faced by small scale enterprises. Kilby (1969)[11] in his study on Nigeria argued that the most significant constraints of small business was the lack of managerial skills. He observed that many small enterprises could not adequately plan, organise or control the activities which were directed towards the promotion and development of their enterprises. Watanabe (1970)[12] strengthened this argument by arguing that, for Japan, its rapid industrialization was largely due to widespread enterpreneurship in the country. On the basis of his studies, he suggested that the problem of industrialization in developing countries was therefore, in the first place, one of creating conditions which could activate existing entrepreneurial resources that are currently lying dormant. This viewpoint was also advanced by Stepanek (1970)[13] who contended that lack of entrepreneurial managerial ability was a major bottleneck and suggested that this could be rectified by entrepreneurial training. His recommendation has been supported by other studies notably by Nihan (1979)[14] on Togo, Schmitz (1970)[15] on Brazil, and King (1979)[16] on East African countries who have observed that in these countries, lack of traditional skill specialization and formalized apprenticeships were major obstacles to the development of small scale industries. They therefore suggest that in the absence of the above, government must institute specific training programmes for entrepreneurs.

Researchers, such as Lipton (1980)[17]; have argued that it is factors internal, namely, the ability to manage an enterprise and not external to small enterprises that are the major constraints to their growth. Without doubt, management is a key factor in a firm's ability to grow and progress. Koontz et al (1982)[18] indicated that perhaps there was no more important human activity than managing. All managers at all levels and in all kinds of enterprise have the basic task of designing and maintaining an enviroment in which individuals, working together in groups, can accomplish selected missions and objectives. In fact it is the critical issue for economic growth. All resources whether of a firm or a country are under the day-to-day control of Managers. How well the resources are used, and with what results in terms of human welfare depends largely on how well Managers do their jobs[19].

There is of course no doubt that Managers are not the only important factor in designing an internal environment for performance. The ability for a firm to grow and expand also depends on how the state succeeds in creating or maintaining conditions in which Managers can do a good job. It also depends on the co-operation of workers, though success in enlisting co-operation of workers it itself a test of management.

There are other researchers who contend that factors external to the organisation, are more important in determining the performance of organisations. Leys (1975)[20] for instance has on the basis of economic theory, argued that by and large, small producers are at a disavantage when they compete with large enterprises on the market determined by competition criteria. Schmitz (1980)[21] also contended that during crises of overproduction particularly, small scale enterprises would be the first to suffer as they take the brunt of market flactuations. Le Brun and Gerry (1975)[22] and Bose (1978)[23] have shown clearly the relationship of dependence and exploitation that exists between small enterprises and large firms particularly in the form of sub-contracting and shown the vulnerabilities of the small enterprises. This line of thought follows closely on the Maxist thesis of centralization and concentration of capital. Concentration occurs when an individual enterprises's appetite to accumulate results in the expansion of capital under his control. Centralization on the other hand occurs when capital which is already in existance is combined. The net effect of this development leads to monopolisation and the ruin of small businesses which are taken over by the monopolies[24].

Researchers who stress the role of external factors as forming the major constraints on small enterprise development also point to the issue of markets, access to credit and raw materials as problem areas. Bienfield (1975),[25] Langdon (1975)[26] and Kaplinsky (1979)[27] in their studies on East Africa found that small enterprises were being squeezed out by larger firms from competing successfully on the market. The most frequently used methods were advertising and pricing. Furthermore, studies by Steel (1977)[28] on Ghana and Gerry (1974), (1978)[29] on small scale enterprises in Senegal, have shown that scarcity of raw materials was the singlemost important constraint to the development of small scale enterprises. Other studies by Dhar and Lydall (1961),[30] Fisher (1968)[31], Marris (1977)[32] and Ng'andwe (1982)[33] have shown that access to credit by small entrepreneurs was a very significant growth constraint.

Several other studies have shown that while several thousand small enterprises were being set up every year in both developed and developing countries, several of them go bankrupt and were liquidated. James Bates (1964)[34] for instance reported that in Britian, some 2,000 private individuals go bankrupt each year and a further 300 to 400 small firms were compulsorily liquidated.

The above literature review has attempted to provide the general growth constraints that small scale enterprises face. It is obvious from the studies that the major categorization of the contraints as provided by Schmitz (1982)[35] are in the main correct. Schmitz grouped the constraints faced by small scale enterprises in developing countries into two categories.

1. Internal constraints or problems relating to the absence of enterpreneurship, poor management skills due to lack of training.

2. External constraints or problems related to lack of access to credit facilities, lack of access to technology, markets, inputs and restrictive state regulations.

If one looks at this literature review, none of the two approaches above can give us a true picture of the constraints facing small scale enterprises. In this study, our approach is to look at both internal and external constraints and to examine how the interplay or relationship of these factors determine the constraints facing small scale enterprises in Zambia.

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CHAPTER 3

AGENCIES INVOLVED IN SMALL INDUSTRY PROMOTION IN ZAMBIA

This chapter evaluates the institutional framework in which Small Scale Industry promotion in Zambia has been based. Zambia's industrial policies are first discussed to give the background of the industrial climate before analysing the situation of small enterprises.

Zambia's Industrial Policies

The economy inherited at independence in 1964 was heavily dependent on the contribution from the mining sector.[1] About 50% of the Gross Domestic Product in 1964 came from this sector while only 5.9% was contributed by manufacturing and 13.2 and 25.3% from agriculture and the tertiary sector respectively. As regards exports, the mining sector contributed 95.5% while the rest contributed only 4.5%. Furthermore, the mining sector's contribution to government revenue averaged over 50% annually as Table 2 below shows.

Table 2: Contribution of the Copper Industry to Gross Domestic Product, Revenue and Exports, 1965-1975

Year	Gross Domestic Product	Contribution to GDP		Government Revenue	Contribution to Government Revenue		Value of Domestic Exports	Copper and Cobalt	
								Value of exports	Contribution to exports
	(K Million	(K Million)	%	(K Million)	(K Million)	%	(K Million)	(K Million)	%
1965	711	290	40	189	138	71	351	323	92
1966	848	379	44	255	163	64	490	465	95
1967	957	379	39	276	146	53	467	440	94
1968	1062	411	38	306	183	60	541	519	91
1969	1314	637	48	401	237	59	754	729	97
1970	1258	457	36	432	218	52	710	687	97
1971	1178	293	24	309	114	38	480	454	95
1972	1312	318	24	315	69	22	536	499	92
1973[a]	1601	562	35	386	108	28	738	703	95
1974[a]	1820	616	33	650	341	34	900	846	94
1975[a]	1436	145	10	448	59	13	516	479	93

a) Provisional figures

Source: Zambia, Central Statistics Office, Mining Years Books, Lusaka.

A report of the UN ECA FAO Economic Survey Mission on the economic development of Zambia summed up Zambia's inherited economy in the following manner: "It is a peculiar economy, the economy of Zambia. Half dozen copper mines turn out over a hundred million pounds worth of copper a year, but, apart from a few hundred commercially run tobacco and maize farms, there is hardly anything that could be called a basic source of employment. (The government sector, commerce and the professions are really dependent ultimately on mining and agriculture). One fact alone reveals the picture - copper accounting for over half the total commercial product, i.e. over half the total value of all goods and services produced in the country and sold for cash".[2]

Until the slump in copper prices in the 1970s, the pattern of consumption largely followed that of the colonial era, namely high import of both consumer and capital goods and limited development of a few industries on the basis of import substitution.

In 1964, Zambia's manufacturing sector contribution less than 7% of the total gross domestic product. In a study based upon Chenery's patterns of industrial growth, Young, A. (1973) has shown that in newly independent Zambia, only the metal working sector (supplying inputs to the copper mines) among all manufacturing sectors had relatively been developed.

Young observed that "among the 64 manufactured goods of which Zambia imported... from Rhodesia during 1965, all but three will probably be produced on a large scale in Zambia in 1975"[3].

Table 3 below shows the state of affairs regarding retained imports and domestic production in 1964. Domestic production supplied only 31% of the total market and local producers were dominant in only 4 of the ten categories listed, that is, in food; beverages and tobacco, wood and furniture; and in non-metallic minerals.

Table 3: Retained Imports and Domestic Production of Zambia's Manufacturing Sector in 1964 (£ Million)

	Imports C.I.F.	Local Production for domestic use*	Total Market	Local Production as % of marked
Food	5.0	11.1	16.1	69
Beverages & Tobacco	1.5	6.1	7.6	80
Textiles and clothing	11.9	1.4	13.3	11
Wood & Furniture	1.6	1.9	3.5	54
Paper and Printing	2.3	1.3	3.6	36
Rubber & Chemicals	11.3	1.5	12.8	12
Petroleum	44.4	-	4.4	-
Non-Metallic Minerals	2.4	3.1	5.5	56
Metal and Machinery	29.6	5.7	35.3	16
Other	2.5	0.1	2.6	4
TOTAL:	72.5	32.2	104.7	31

*After deducting exports, which amounted to 5% of total domestic production.

Source: Zambia, National Accounts and Balance of Payments 1954-1964 (Lusaka, 1964) Inputs-Outputs Matrix and Supplementary Tables.

As regards the value added by the various sectors of the manufacturing sector to the gross value of the domestic production, this too was dominated by beverages and tabacco. Table 4 shows the state of affairs where food, beverages and tobbaco accounted more than 55% of the value-added.

Table 4: Value-added* in manufacture in Zambia 1965 and 1972

	1965		1972	
	K million	% of total	K million	% of total
Food	6.6	13.7	23.6	14.3
Beverages and Tobacco	13.0	27.0	67.9	40.7
Textiles & wearing apparel	3.9	8.1	12.6	7.6
Timber & Furniture	2.4	5.0	3.3	2.0
Paper products	2.1	4.4	6.5	3.9
Rubber products	0.8	11.6	5.4	3.2
Chemicals	2.8	5.8	7.6	4.6
Non-metallic Minerals	6.1	12.7	10.6	6.4
Basic metals	5.8	12.0	2.3	1.3
Fabricated	4.4	9.1	24.4	14.8
Other	0.1	0.2	0.3	0.2
TOTAL:	48.0	100	164.5	100

* Value added in the table to the gross value of the Output of domestic manufactures minus the value of imported inputs.

Source: Zambia: Central Statistics Office, Monthly Digest of Statistics

It was therefore understandable when Zambia's industrial operations underwent a series of reforms after independence. The basic principle of the country's industrial policies after attaining independence in 1964 was to adopt the import-substitution strategy.[4] The post colonial government's aim was to ensure its participation in the commanding heights of the economy.

The major instrument which was re-organised for import-substitution was the Industrial Development Corporation (INDECO). The company was a descendant of the Northern Rhodesia Industrial Board established in 1951 and re-organised in 1960 as the Northern Rhodesia Industrial Development Corporation. The name was later changed in 1970 to the Industrial Development Corporation (Zambia) Limited and the share capital increased from K50 million to K100 million. Among the major objects of the company were "to establish, conduct, promote, guide and assist by finance or otherwise, industries, industrial undertakings and ancillary enterprises for advancing the economic requirements of the country".[5]

The role of INDECO in the manufacturing sector became very dominant as a result of the economic reforms of 1968 in which the state sought to directly participate in the major industries. In 1968, Indeco's net group assets totalled K35.5 million which rose to K223 million in 1973 and reached K436 million in 1980. The company plus its subsidiaries since then employ over 55% of all manufacturing sector workers in the country.

Its profits increased almost ten times from K283,000 on a turnover of K1,863,000 in 1968 to K27,086,000 on a turnover of K286,002,000 in 1973. It has since grown tremedously as Table 5 below shows. Its 1985 turnover was K972,650,000 and made a total pre-tax profit of K12 million.

Table 5: Some Statistics of INDECO

Year	Total Output (Turnover) (K'000)	Group Net Assets	Number of Employees
1971	183,084	45,892	26,000
1973	286,022	223,193	21,917
1975	292,414	189,615	22,558
1977	347,637	233,204	24,468
1979	406,013	478,723	24,727
1981	526,928	487,466	24,330
1983	713,178	527,277	24,284
1985	972,650	643,222	26,259

Sources: Indeco Annual Report 1972-1985

In addition to the takeovers, in 1969, the government took a 51% share in the two mining companies - RST and NCCM and created ZIMCO which is now the holding company in Zambia. Furthermore, though the government failed to nationalize all the foreign-owned commercial banks, it acquired full control of the National Commercial Bank which later merged with the Commercial Bank of Zambia to form the Zamia National Commercial Bank. At the same time, in 1970 FINDECO was created as a ZIMCO subsidiary to manage nationalised financial institutions which included the Zambia National Provident Fund, the Zambia Naitonal Building Society and the Zambia State Insurance Corporation.

Up to the late 1970's the government's industrial policy emphasized import-substitution industries at the expense of small scale industries. It was not until the Thrid National Development Plan (TNDP) (1979-83) that the government recognised the important role that small scale enterprises could play in industrial development. Explaining this new approach, the government commented in the following manner: "The main reason for the failure of the development of small scale industries in the past has been a lack of any consistent policy in this particular field. The development of small scale industries, particularly in rural areas, is designated as one of the priority objectives. The successful achievement of that objective will require the establishment of the Small Industries Development Corporation with a well thought-of organisational structure, and sufficient financial and manpower resources".[6]

For a long time therefore, the small scale maufacturing sector has hardly received much encouragement from the government. The two institutions (as will be discussed later) RUCOM and IFCO were for various reasons unable to promote small scale enterprises effectively.

It is probably the recession that set in after the late 1970's and saw the problems of the various import-substituion industries such as Livingstone Motor Assemblers, Zambia Breweries and so on[7] that re-oriented the government to appreciate the benefits that could be derived from small scale industry promotion if appropriate government intervention was facilitated.

Small-Scale Industries Promotion

Zambia has experimented with various promotion schemes with respect to small scale industries. A historical evaluation of the various schemes is discussed below.

RUCOM Industries Limited

The Rural Commercial Industries limited was incorporated in 1961 with the main objective of promoting rural industrialization.[8] Five key roles were assigned to it: Supporting factory-based industries likely to be profitable; factory-based industries needing financing inducement in the early stage; industries which are necessary but unattractive to private enterprise; industries organised by groups ot local craftsmen as co-operatives, or cottage industries; and individual craftsmen. To this end, the company established a few small scale projects. These projects included developing eight bakeries, eleven metal and wood-workshops, three garages, two block-making plants, eight hardware distribution depots, an egg tray plant, two dry cleaners, two restaurants, a game skin tannery, a cannery, and a coffee mill.[9]

RUCOM's promotional activities after independence in 1964, involved "build - equip - and rent out" approach. Under this policy, it built sheds which provided factory space to a variety of small scale industrial, commercial and business activities. These premises built by RUCOM were then equiped and later rented to tenants. The idea was to allow tenants to operate independently, but with a back up fiancial and managerial support given by RUCOM. RUCOM's staff were supposed to work as extension workers to provide assistance in such fields as marketing, production techniques, book-keeping, stock-control and cost-accounting.

From the very begining, the promotional programme of RUCOM was replete with problems. When the economy was buoyant, it was possible to run uneconomic and sub-economic projects becuase of the government's assistance to the company in form of susidies. Since the 1974/75 financial year however, it started experiencing severe operational difficulties as Table 6 and 7 below shows.

Table 6: RUCOM Turnover and Profit (Loss)

(1973 - 1983)

Year	Turnover (K)	Profit (Loss) Before Tax (K)	Government Subsidy (K)
1982/83	903 198	+ 20 315	
1981/82	581 166	-438 781	
1980/81	805 513	-666 455	
1979/80	1032 381	-833 011	
1978/79	1980 457	-1003 649	
1977/78	2585 821	-819 605	
1976/77	2742 057	-590 508	
1976/76	2668 490	-350 020	100 000
1974/75	2008 023	- 32 706	250 000
1973/74	863 070	- 52 780	250 000

SOURCE: Indeco Annual Report 1974 - 1982

Table 7: RUCOM Liquidity Position

Year	Internal Generation (K)
1982/83	181 910
1981/82	-308 623
1980/81	-391 882
1979/80	-838 554

SOURCE: Indeco Annual Reports 1979-1982

Table 7 shows RUCOM's liquidity postion for the four year in which data was available. The table shows that internal generation started going down in the 1981/82 financial year. Coupled with the fact that the reduced government subsidy, it was apparent that severe operational problems would afflict RUCOM if no restructuring of its activities was done. In 1977, the government discontinued giving subsidies to RUCOM. This forced the company to restructure its activities in order to devote its available resources on projects which were viable or had potential for rehabilitation. As on 1st April, 1981 the company operated only three projects: Mwinilunga Cannery, Kasama Coffee Mill and Chati Wood Workshop. The remaining thirty-seven projects were either closed or leased to various "entrepreneurs"

In fact, it can be argued that RUCOM's promotional role was there in name only. The severe operational problems prevented it from playing an effective role. The study found that though subsidies from government offered some relief in reducing the company's losses up to 1976, overall however, each succeeding year added to the accumulated debts resulting from running uneconomic and subeconomic projects.

The accumulation of debts each year meant that the company had all the time a negative working capital. As shown in Table 8 below, the company relied heavily on using bank overdraft facilities, suppliers credit facilities short-term borrowings from other Indeco group companies and withdrawing payments of statutory deductions from salaries and wages of employees and also withholding payments of sales tax and other government taxes with no immediate source from which to meet enforced payments.

Table 8: RUCOM Industries Limited Schedule of Sundry Creditors as at 1st January, 1986

CREDITORS	AMOUNT IN KWACHA
Statutory Deductions	
Zambia Natioanl Provident Fund	19 673
Income Tax	391 980
Compensation Board	24 947
Sales Tax Withholding Tax	277 544
ZIMCO GROUP	
Zambia Natioanl Commercial Bank	
Bank Overdraft	291 201
Zambia State Insurance Corporation	46 337
Other ZIMCO Creditors	12 669
INDECO GROUP COMPANIES	355 248
Third Parties	
Development Bank of Zambia - Loan	330 454
Sundry Trade Creditors	328 375
TOTAL:	2 078 434

SOURCE: RUCOM MANAGEMENT

Inspite of all this, the company continued to operate until 1979 when it restructured its activities. The restructuring entailed discontinuation of unviable projects and disposal of property related thereto in order to recoup the investment sunk therein. As already indicated above, RUCOM continued to operate only three projects and all others were closed or leased to private entrepreneurs. This state of affairs continued until 1984, when, faced with demands from the creditors that it settle its debts, the company conducted an evaluation of its assets which it wanted to sell. The valuation of sixteen of its projects amounted to K1,628,639 as shown in Table 9.

Table 9: Valuation of RUCOM Property Advertised for Sale by RUCOM, December, 1985

Situation	Valuation in Kwacha
Choma - Plot 258	81 000
Mongu - Plot 326	57 780
Mumbwa - Plot 141	37 916
Chipata - Plot 401 402	70 875
Petauke - Plot 234	49 500
Petauke - Plot 235	44 500
Sowezi - Plot 947	60 615
Zambezi - Plot 456	57 173
Kasempa - Plot 279	87 750
Kawambwa - Plot 258	67 500
Mansa - Plot 448	67 500
Kasama - Plot 569	54 000
Kasama - Plot 602	47 250
Isoka - Bakery	105 000
Lusaka - Plot 1607	315 280
Lusaka - Plot 721	420 000
TOTAL	1 628 639

SOURCE: RUCOM Management

RUCOM then approached the Small Industries Development Organisation (SIDO) to see whether SIDO would be willing to purchase the properties. The properties were subsequently advertised in the national press after SIDO had allegedly failed to pursue its offer to purchase the properties. However, before the tenders were opened, SIDO intervened through the Ministry of Commerce and Industry that the property be transferred to them free of charge. At the time of this research, the matter had culminated in the establishment of a Ministerial Committee to supervise the transfer or sale of the properties to SIDO.

We found out that, RUCOM's promotional activities were hampered for various reasons. Firstly, tenants were selected on the basis of their technical skills and not on their business experience. The failure rate probably would have been lower had the tenants been self-employed artisans with some business skills. Secondly, the RUCOM workshop managers often had little or no previous practical business experience and were not able to give advice to tenants. Thirdly, rented machinery was too sophisticated and lending rates too high. Fourthly, the workshops were located in urban industrial zones away from the main markets. Fifthly, after the closure of the Industrial Finance Company (IFC), the RUCOM tenants found themselves constrained by lack of finance and extension advice.

The problem of RUCOM as a small enterprise promoter shed light as to the extent of how an ill-conceived project could be. Most

RUCOM officials interviewed argued that RUCOM was a glaring example of an ill-conceived project whose projects were replete with in-experienced management, lack of entrepreneurial skills on the part of both general management and the managers of the individual enterprises.[10] Because of the major problems faced by RUCOM , by 1981, it had stopped existing as a promotional agency for small scale industries.

Management Services Board (MSB)

The Management Services Board is a descendant of the Management Development and Advisory Service (MDAS) set up in 1971 jointly by the Zambian government, UNDP and ILO.[11] Its objectives were to offer management consultancy, training and counselling services to both the government and the large and medium enterprises.

Generally, the MSB promotional role with respect to small enterprises has been negligible. Though it diversified its activities in 1978 to include management consulting, training and counselling services to small enterprises, hardly any promotional service has been rendered. Perhaps the major reason for this is that it has continued to emphasize assistance to relatively larger parastatal and private enterprises who can afford to pay for the tuition. This perhaps explains why it has continued to have in its establishement only one small business specialist.

The Industrial Finance Company (IFC)

The Industrial Finance Company (IFC) was established in 1969 as a subsidiary of INDECO. The objective of the company was to rationalise the lending activities of INDECO. One major objective was to act as the major state enterprise in financing small businesses. The company operated a Hire Purchase Department whose objective function was to finance commercial motor vehicles, industrial plant and other types of equipment and machienry. The company was also used by the government to take over expatriate businesses and hand them over to Zambians.

The company, however, did not last long. It went into self-liquidation in 1978 with debts amounting to over K7 million.

A study[13] by a joint UNIDO /IBRD team published in 1981 has contended that the IFC's failure was essentially an example of what had been happening to other like lending organisations in Zambia. The study identified seven reasons for its failure.

1. The target population of borrowers was one which would not normally be acceptable to prudent commercial houses. This made the likelihood of bad debts higher than ususal, yet at the same time provision for bad debts was inadequate.

2. IFC was under-capitalized. It started with capital of one million kwacha, which was later raised to 1½ million Kwacha. More than 5 million Kwacha were lent, which meant that IFCO had to obtain the difference from commercial bank. Three million Kwacha was borrowed from the National Commercial Bank alone.

3. The interest was too low (8½) and made no provision for covering bad debts. When the original capital was exhausted, money had to be borrowed at 9½-10 per cent, leaving no margin to pay current expenses and operating costs. In some cases, money was borrowed at even higher rates.

4. Many small businessmen went under in the recession after 1973. A major factor was their inability to obtain supplies, and, because of the breakdown in transport, this particularly affected rural areas. Very few defaults were the direct result of misappropriation of funds.

5. In some cases, loans were approved because of political pressure and IFC management was overruled. Loans were obtained by influential people either for themselves or to set up relatives in business.

6. One of the causes of failure to collect interest and, later, debts is the sheer size of the country and the inaccessibility of many rural areas.

IFC 's head office was in Lusaka and there was a branch office in Mansa, but the company would have needed an office in each provincial capital in order to make personal visits to borrowers. The staff was too small to allow this to be done.

7. Inadequate general management.

In general, the IFC could function to some degree when the economy was buoyant. However, faced by multiplicity of management and operational problems, its demise was a foregone conclusion.

The Development Bank of Zambia

The Development Bank of Zambia was established by the government in 1972 with the objective of providing development finance on medium and longterm basis to Zambian enterprises. It commenced operations in 1974. Until very recently, the bank was oriented towards lending to large and medium-sized enterprises to the virtual exclusion of small industries. The lower limit of lending was fixed at K25,000 which was far mush higher than loans that would normally be needed by small enterprises.

In 1982, the Development Bank of Zambia Act[14] was amended to allow small scale units to get smaller loans, though not smaller than K5,000. In addition the Bank set up a rural small scale industries fund at allegedly concessionary terms. The loans advanced on this scheme was limited to a maximum of 90% of the cost of any project with the balance 10% being the minimum promoter's equity contribution. Furthermore, up to mid January, 1986 the loan terms demanded for 12% interest rate per annum and repayment was decided on the merits of the project. The grace period on principal repayment did not exceed three years. Such conditions reflected the theoretical situation in which the bank attempted to provide development finance to small business. Between July, 1983 when the Bank started lending to small enterprises and July 1986, the bank had disbursed a cummulative total of K8 550 300[15] including initial working capital to fifty three (53) projects in various economic subsectors including textiles, leather goods, metal works, carpentry, agro-processing, soap manufacturing and saw-milling.

Table 10: Development Bank of Zambia Lending to Small Scale Enterprise 1984-198

Year	No. of Projects	Total Amount lent (K'000)
1984	9	1 133
1985	18	1 710
1986	25	3 701

SOURCE: DBZ Annual Reports 1984, 1985, 1986

Table 10 above provides the number of projects financed since 1984 and the corresponding amounts by year. Generally, there has been an increase in funding of small enterprises indicating a change in attitude by the bank.

The bank claims that its financial assistance is provided at concessionary interest rates which remain fixed during the entire period of loan amortisation. Repayment periods average 8-10 years with the minimum being 2 years, but can be extended where necessary to 3 years. Furthermore, small entrepreneurs are not charged commitment fees on the loans granted and that the assistance is given as a complete package comprising credit, technical assistance, and advisory services.

However, in spite of the above seeming liberal terms, many people consider the bank very loathful in disbursing credit.[16] The Small Industries Development Organisation (SIDO) for example consider the centralized structure of the DBZ as not being conducive to the administration and supervision of small capital loans. This, perhaps accounts for the relatively low number of small scale projects it has so far funded as Table 10 above shows.

Secondly, the Development Bank of Zambia has also very strict security standards which cannot be met by many aspiring Small Scale entrepreneurs. Its normal security requirements include one or a combination of the following; First mortage on land and building;

specific floating charge on the company's fixed assets, pari-passu charge with other lenders; joint and several guarantee of the share-holders; unnumbered property or assets to the bank; and commerical bank guarantees. In addition, a borrower has to comply with any other special requirements or conditions prescribed by the bank from time to time.[17]

<u>The Small Enterprises Promotion (SEP) Limited</u>

The Small Enterprises Promotion (SEP) Limited was established in January, 1983 on the initiative of the Development Bank of Zambia and the Frederich Ebert Foundation - a private foundation registered in the Federal Republic of Germany. Its ownership pattern changed in January 1986 to allow for 51% ownership by Zambian institutions who collectively possessed a share capital of K867 000 out of the total K1 700 000 share capital as Table 11 below shows.

Table 11: The Shareholding Structure of SEP as from January, 1986

	Share captial 'K'	Percentage
Development Bank of Zambia	425 000	25.0
Zambia Congress of Trade Union	255 000	15.0
Zambia National Commercial Bank	170 000	10.0
Village Industry Service	17 000	1.0
Frederich Ebert Foundation	411 500	24 5
Netherland Development Finance Company	516 500	24.5
TOTAL:	1 700 000	100.0

SOURCE: SEP Report and Accounts, 1985, p. 13

The company's main objective was to provide equity funds for small scale manufacturing through the instrument of joint ventures with small entrepreneurs involved in the manufacturing sector. This objective has since January, 1986, been widened to allow the company to operate as a financial institution which could in addition to providing equity funds also provide the normal banking loans. Up to July, 1986, the company had given financial assistance to 91 small scale projects. Table 12 summaries the financial assistance rendered.

Table 12: Financial Assistance Provided by SEP to Small Enterprises up to 198

Sector	No. of Projects	Commulative Amount (K)
1. Equity Investment		
Agro Industry	2	22 000
Service	2	28 000
Constructing Industry	1	12 000
Wood processing	4	65 000
Metal workshop	1	30 000
Real Estate	1	185 710
Other manufacturing Industry	7	87 500
TOTAL:	18	430 210
2. Long Term Loans		
Agro Industries	3	280 585
Wood processing	3	398 000
Textile	3	235 000
Metal workshop	2	214 000
Other	5	472 000
TOTAL:	16	1 599 585
3. Medium Term Loans		
Agro Industries	3	17 100
Services	4	16 070
Wood processing	7	31 095
Textile	8	63 450
Construction	2	14 800
Other manufacturing	21	90 385
TOTAL:	45	232 900
4. Guarantees for DBZ Long Term Loan	2	106 000
Agro Industries	2	106 000
Wood Processing	2	678 000
Services	2	92 000

contd.

Sector	No of Projects	Cummulative Amount
Guarantee for DBZ Long Term Loans		
Metal Workshop	1	150 000
Textile	1	38 000
Other Manufacturing	4	369 000
TOTAL:	12	1 433 000
GRAND TOTAL:	91	3 695 695

SOURCE: SEP 1986 Report and Accounts, p. 19

All the enterprises which received assistance were located in Lusaka or the Copperbelt towns and none from any rural area location.

As a promotion agency, the company still faces major problems. Its size in July, 1986 comprised of 18 employees of whom only eight were professionals. As a promotional agency, its capacity to be accessible to all parts of Zambia is greatly inadequate. Significant in its operations, is that though its capacity to promote small enterprises is still limited, it, however, is the only institution specialised in offering an integrated service to small scale enterprises (financial and non - financial services) in the country.

Commercial Banks

There has not as yet been a survey that highlights the extent credit is availed to small enterprises by commerical banks. The only study of significance in this regard was the World Bank UNIDO co-operative programme report which detailed the roles of Barclays Bank and the Credit Union and Savings Association of Zambia.[18]

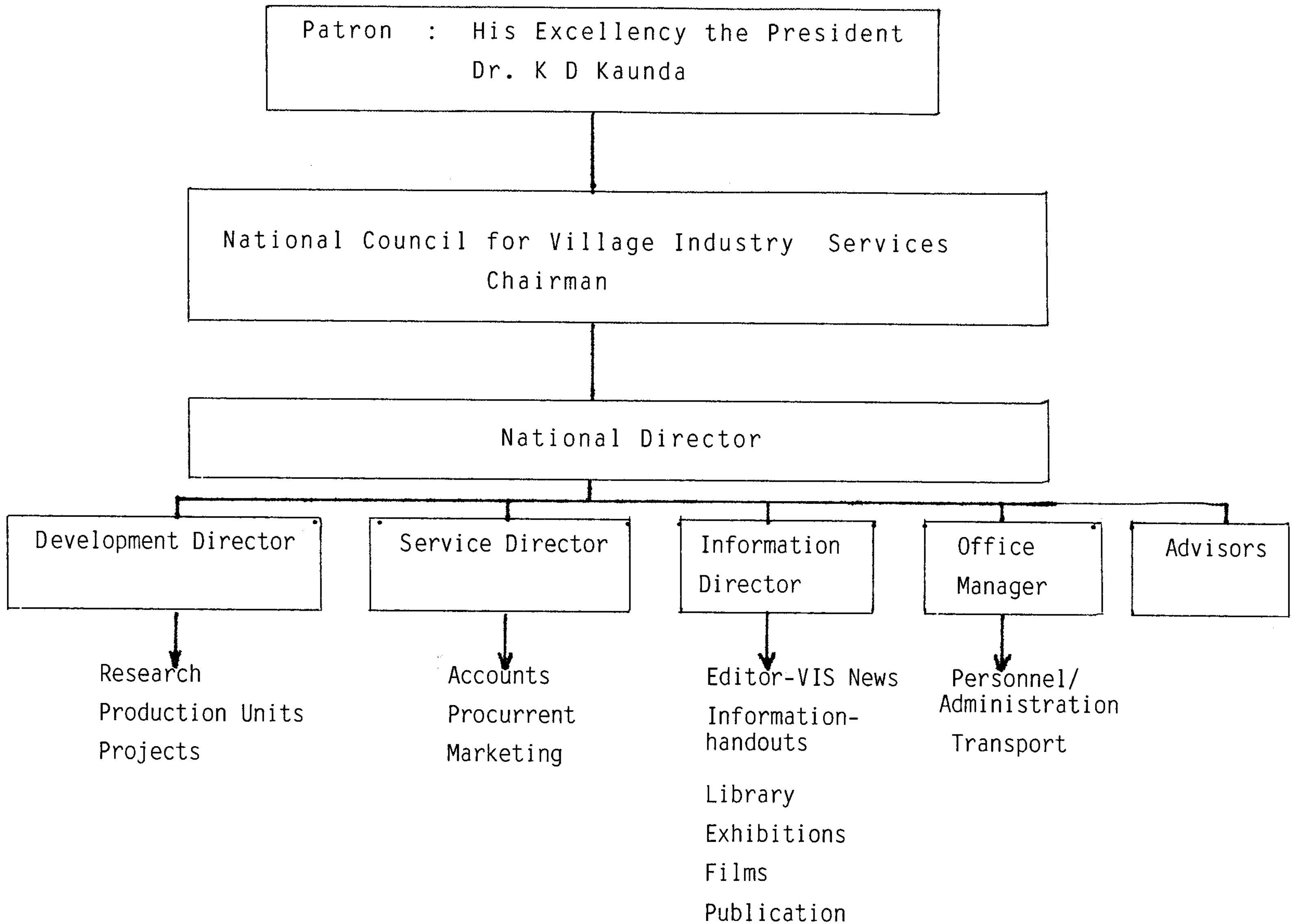
Generally, however, a general conclusion is that commerical banks in Zambia have not been very liberal in providing credit to small scale enterprises essentially because they are limited by their dependence upon deposits for their source of funds. Furthermore, in the absence of collateral, their traditional conservatism would not provide credit where profits would be compromised by risk. At the time of research, this general situation had not changed.

It was the view of the Zambia National Commercial Bank Officials that this phenomena will continue until structural re-alignments in regard to project supervision and guarantees are instituted. The bank indicated in an interview that lending to small scale industries as a separate sector will be given the necessary consideration as soon as the Credit Guarantee Scheme becomes fully operational and when they are satisfied that SIDO can provide effective project supervision.

The Village Industry Service (VIS)

The Village Industries Service (VIS) was formed in 1978 under the Societies Act as a Charitable Organisation. Its objective was to promote labour intensive agro-based cottage and village enterprises. It encourages enterprises that utilize appropriate technologies. It is also supposed to promote adaptive research and institute necessary consultancy and training.

Figure 1 below shows its official organisational structure. Its council consisting of 15 members are empowered by the Society's constitution to function as the institution's policy making and advisory body.[19] Below the Council are two Committees - the Projects Committee and the Administrative Committee. The Projects Committee approves projects for development and financing while the Administration Committee supervises the day to day activities of the organisation, This is the formal structure of the VIS as provided for in its constitution.


Patron : His Excellency the President
Dr. K D Kaunda
National Council for Village Industry Services
Chairman
National Director
Development Director
Service Director
Information Director
Office Manager
Advisors
Research
Production Units
Projects
Accounts
Procurrent
Marketing
Editor-VIS News
Information-handouts
Library
Exhibitions
Films
Publication
Personnel/
Administration
Transport

SOURCE : V I S

The real structure of the organisation somewhat differs from its formal structure. As at January, 1986, the organisation was composed of 35 fulltime employees. It had no organisation chart as such but after discussing with senior officers, it emerged that the organisation had six sections - all reporting to the Chairman. There was the Field Section, the Administration Section, the Marketing Section, the Information Section, the Project Section and the Engineering Section. There seemed to be little cohesion between the various sections. For instance, each section operated its own training programme and there were no records for the training done. This, perhaps could be explained by the calibre of the staff members. There were only two Officers with University degrees. One had adegree in Development Studies while the other was a Mechanical Engineer. Both of them were new graduates and had no experience at all in small enterprise promotion. There were six field officers with some background in social work. The organisation had no employees with qualification in business studies.. These organisational weaknesses had prevented the VIS from filling the minimum positions provided for in its organisation chart in figure I above. Such key post as those of a Natioanl Director, Service Director and Development Director were still vacant.

Furthermore, its financial resources continue to constrain its capacity to operate effectively as a Small Industry Promotion Agency. Its major source of revenue is the government grant amounting to K40 000 annually though its required yearly budget is estimated at K300 000.[20] In order to operate, it therefore depends on grants and donations from charitable institutions. We were informed that the major institutions that have provided assistance to the VIS whether in kind or as finance have been the UNIDO, NORAD, SIDO, ZFE, and the SEP. The VIS officials were unable to specifically provide statistics of the various froms of assistance the organisation had received.

The legal status of the VIS has also limited its capacity to mobilise resources. It has no collateral securities and therefore cannot get bank overdrafts easily. This structural handicap had limited the extent to which it could be effective as a promotional agency.

Regardless of these constraints, by July, 1986, the VIS has 46 on-going projects in various parts of the country where it provided consultancy as Appendix 4 details. It also ran 29 skills courses which included 9 "Improve your Business" management courses, five soap-making courses, six courses in handicrafts, production and marketing five promotional seminars and three courses in Tailoring, knitting and home-economics. Altogether, more than 300 entrepreneurswere were provided with essential skills through workshops and short-term courses.

The significance of Appendix 4 is that, it characterises the performance of the VIS and shows that most of the projects are very small and located diversely in all parts of the country. It is interesting to note that almost all of the projects that VIS has so far assisted were of a tertiary nature involved in the processing of raw materials.

<u>The Small Industries Development Organisation (SIDO)</u>

The Small Industries Development Organisation (SIDO) was set up by the Zambian Government in 1981 to encourage and foster the development of small and village industries. The organisation was given all embracing powers by the SIDO Act of 1981 which made it the apex organisation for promoting and fostering small scale industries in Zambia.[21] Its terms of reference included undertaking feasibility studies and surveys; providing advice to small scale entrepreneurs on investments, industrial possibilities, choice of plant and machinery, and credit sources. The government also empowered the organisation to run a hire-purchase scheme for raw materials and machinery, provide marketing services, undertake quality control, provide common facility services, set up industrial estates, undertake publicity and sales promotion and run an entrepreneur development scheme.[22]

Table 13 below summarises the various assistance programmes that SIDO has been able to offer to small scale enterprises up to July, 1986.

Table 13: Project Development Characteristics of SIDO up to July, 1986.

CATEGORY	NUMBER
Project Submitted to Banks	55
Project Files Closed (for various reasons e.g., unviability or loss of interest by promoters)	44
Projects Rejected (as being non-viable)	8
Projects re-directed to SIDO by Banks for adjustments	4
Projects approved and funded by Banks	6
Short-term projects funded from SIDO Experimental revolving fund	12
Total Number registered by SIDO	138
Total Number of Applications received by SIDO	1 015
Consultancy and Training Service offered by SIDO (number of Clients)	3 415

SOURCE: SIDO Management

The table shows that 1,015 projects had been received. The projects were regionally distributed in all the Provinces. The majority of the projects were low cost and basically in the tertiary sector. None of the applicants were involved in the production of capital goods. The category of general engineering involved repairs and small implement manufacturing. This situation is plausible in an economy where there is no production of iron and steel and where the major industries are of a service nature.

Table 13 also provides the specific project development characteristics that SIDO has undertaken. Up to July, 1986, 55 projects had been submitted to the banks for financing. Out of this only six had so far been approved by the banks for funding while eight projects had been rejected and four projects had been redirected to SIDO for reappraisal. In other words, as at July, 1986, 37 projects had met the criteria required by the banks and six of them had been funded while 31 were being actively considered for funding. Furthermore, in an attempt to experiment with a revolving fund, SIDO had disbursed short-term interest free loans to fourteen small scale enterprises to enable them purchase essential raw materials. Table 14 below summarizes the characteristics of the enterprises. Altogether K23 084.53 was disbursed and the returns on the loans according to SIDO justified the need to liberalise credit in the whole economy.

Table 14: Short- Term Working Capital Funded by SIDO Up to July, 1986

Project	Loan Amount	Amount Repaid	Balance Outstanding
Tailoring	3 754.60	-	3 754.60
Wine	440.00	-	440.00
Tailoring	2 164.50	721.50	1 443.00
Sweets	692.00	320.00	272.00
Food Processing	150.00	150.00	-
Shoes	1 000.00	1 000.00	1 000.00
Soap	1 000.00	1 000.00	-
Engineering	2 537.50	-	2 537.50
Pottery	1 000.00	1 000.00	-
handbags	1 967.00	-	1 967.00
Carpentry	3 000.00	-	3 000.00
Tannery	3 906.06	600.00	3 306.06
Tannery	1 222.87	-	1 222.87
Tailoring	250.00	-	250.00
TOTAL:	23 084.53	3 791.50	19 293.03

SOURCE: SIDO Management

Table 13 above also shows that SIDO provided forms of consultancy and training to more than 3 415 entrepreneurs. This consultancy service involved conducting several skills training workshops, business consultancy, assistance to secure credit, marketing services, and entrepreneur development which involved conducting five Improve your Business Workshop, three skills training courses and four leathercraft and tannery courses.

In regard to Research and Development, SIDO co-operated with the University of Zambia in initiating six projects which included design of bakery ovens, charcoal blaziers, charcoal processing retort, cashew-nut processing machinery, honey and beeswax processing machinary and technology for salt processing. We found that though the techology had bee designed, appropriate enterpreneurs to fabricate the machines could not be found.

In its industrial projects promotion and development, the organistion had prepared a project mannual and evaluated 37 project proposals comprising of eight food processing projects, 10 textile and garment manufacturing projects, five wood based industries, five engineering firms, six chemical enterprises, three leather based enterprises, three building products enterprises, one ceramics enterprise, and five maize milling enterprise.

Though the Development Bank of Zambia(DBZ) was supposed to be the main funding agency to small scale enterprises, it was apparent that there had been little co-ordination betweeen the DBZ and SIDO. All projects appraised by SIDO and referred to the bank had again to be appraised by the DBZ. Though SIDO has to a large extent adopted DBZ appraisal standards and some of its officers had been seconded for intervals at the bank, the unnecessary overlaps continued to plague the two state institutions.

It seemed the DBZ mistrusted the capacity of SIDO to appraise projects and this could be verified by the views of SIDO Managers who considered most of the comments advanced by the DBZ as unnecessary.

The capacity of SIDO to appraise projects was certainly not in question. Three UNIDO experts had been seconded to the institution. In addition, five Indian experts and a Japanese had been assisting SIDO establish its project development capacity for two years. This, in theory would have appeared that SIDO's project development could be unfailing. This, however, was not the case. We found out that most of the experts were grossly under utilized. The UNIDO production Engineer and the Japanese Mechanical Engineer could not relate adequately to the low level of operation of the industrial units in Zambia. They had been trained on sophisticated plants of the developed countries and were absolutely at a loss to apply their experience to the cottage-level industries found in Zambia. As regards the five experts from India, who left SIDO in September, 1985 it seemed, too, that they had been under-utilized. Except for the tannery expert, the rest had never been integrated into SIDO or its activities. SIDO Management blamed the experts on their lack of initiative. From a Management point of view, the Indian experts presented an unnecessary cost to SIDO which was required to top their salaries and pay for their international and local travel and provided them free furnished houses.

SIDO's operations have also been hampered by other structural difficulties. The organisation had only eight vehicles. Four of them were permanently held by the Senior Officers and only four were used in extension work. Considering the number of professional staff and the functions and activities assigned to SIDO, four vehicles were not sufficient to conduct project development in the whole expanse of Zambia.

The above state of affairs were worsened by SIDO's liquidity problems. The organisation's operations depend entirely on an annual allocation from the government which has been grossly insufficient. Table 15 below details the money given to SIDO. Most of its funding goes to pay for salaries and other operating expenditure. Its capital budget is only sufficient to finance the cost of depreciation.

Table 15: SIDO Recurrent and Capital Budget Allocation from the Central Government, 1982-86

Year	Recurrent Budget	Capital budget
1982	110 000	0
1983	1 000 000	200 00000
1984	900 000	50 000
1985	1 000 000	45 000
1986	800 000	50 000

SOURCE: Republic of Zambia: Annual Estimates of Income and Expenditure, Government Printers, Lusaka 1982-186

In general, SIDO extension capacity was still hampered by lack of resources. Its capacity therefore remains inadequate if it is to provide the range of services falling within its mandate. Provision of marketing services is a neglected area though the need for marketing assistance has been recognised. Furthermore, because of lack of funds, the organisation can n neither run a material procurement programme nor establish industrial estates and common facility centers.

In regard to its administration, Figure 2 below shows the structural relationships that exist between departments. Leadership of the organisation was in the hands of a Director who was also a Chief Executive.

In July, 1986 when data was collected,the organisation had a staff of 73 employees of whom 31 were professionals comprising economists and engineers. What was significant however, was that a large proportion of the staff had little professional work experience. Except for the four managers all the project staff were new graduates from Universities. About 50% of the professional staff had also been retrained. Up to April, 1984, the organisation had four departments - Administration, Accounts, Project appraisal and Technical Departments. The key promotional departments were the Project Appraisal and Technical Departments which were in-charge of project developments and extension services. However, being a new organisation, problems of coordination were rampant.

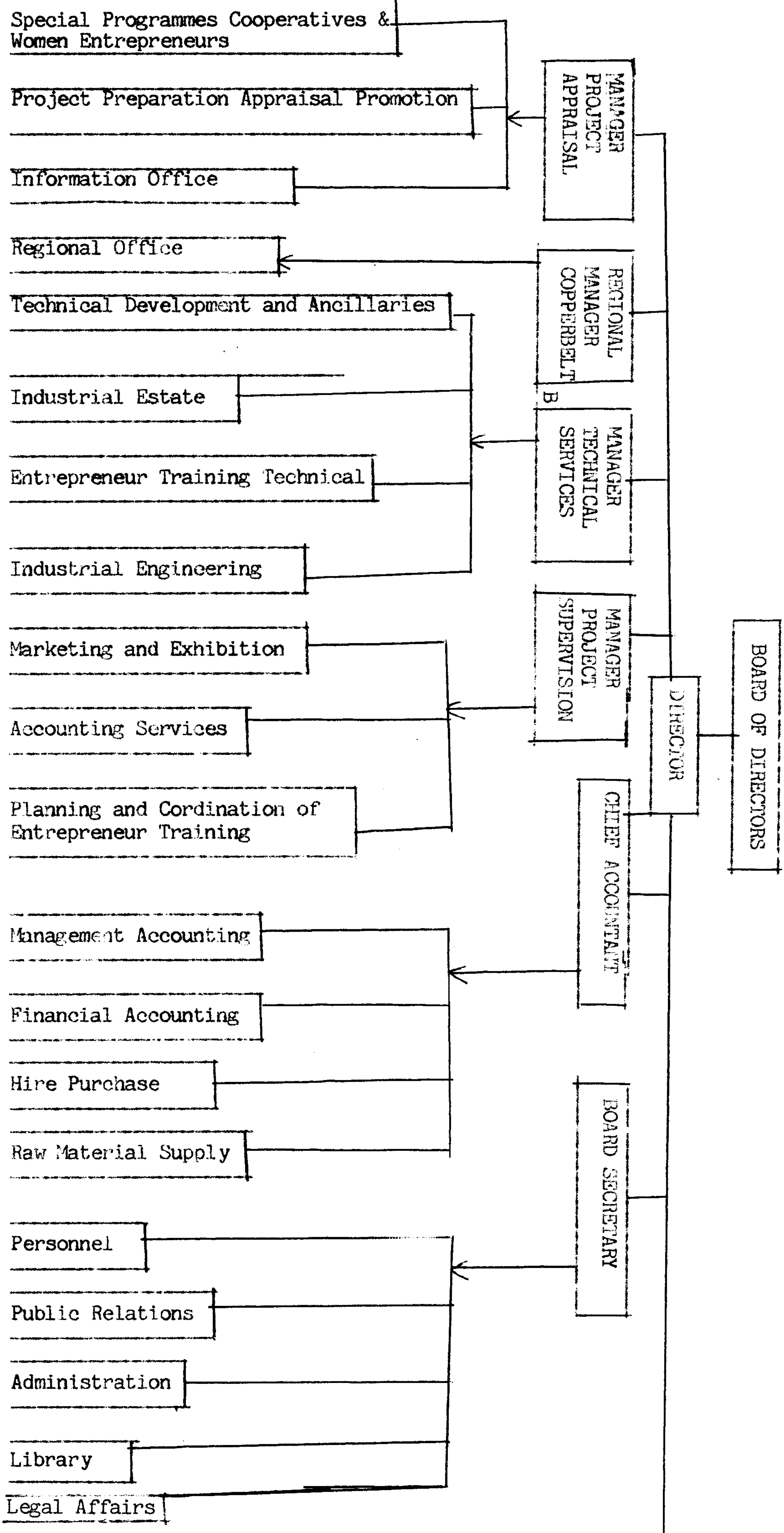


Figure 2: SIDO Organisation Chart

This, to a large extent explains why there was hardly any project development during the first year of the organisation's operation. It was therefore, understandable when in 1984 the two departments merged into one. This ad-hoc situation continued until mid 1985 when on the advise of a UNIDO team of experts, the departments reverted to their former status and another department called the Project Supervision Department was established.

The organisation as at July, 1986 constituted of six departments (as shown in figure 2) headed by dpartmental managers who were all answerable to the Director/Chief Executive.

As a concluding remark we also found that the composition of the SIDO Board of Directors was not conducive to making effective decisions. The Board which was composed of seven civil servants, and seven others from Parastatal institutions and the private sector was weighed in favour ex-officio interests.

It is obious that a Board of Management constituted with busy civil service members is most likely to be slow moving. The SIDO Management conceded that other official duties of the Directors often made it difficult to schedule meetings. They also noted that many members had obviously little time to familiarize themselves with the work operations of the organisation. The totality of all these factors no doubt comprised the extent of effectiveness that the organistion could be.

CONCLUSION

This chapter has attempted to analyse the institutional framework in which small scale enterprises has been fostered in Zambia. The chapter has shown that earlier government policy emphasized the development of large parastatal companies and that the field of small industry promotion was largely a neglected area. The Industrial Development Act of 1977 failed to foster small scale industry development because it did not offer suitable incentives to small enterprises.

Following the failure of the RUCOM and IFCO a new approach was worked out by the government. This approach involved the establishment of the Village Industry Service in 1977 as an indepent trust and to be financed mainly from voluntary contributions. We found out that VIS's effectiveness has been hampered a great deal and that the organisation is still plagued by many operational difficulties.

The government had also set up the Management Development and Advisory Service in 1971 which after 1978 included in its work consultancy and training for small business operators. We found that the Management Service Board as it is now known, hardly offers this service to small business. It continues to concentrate its operations on big parastatal organisation and the civil service.

The study has also discussed the problems of disbursing finance to small enterprises. It has been shown that appreciable credit has not been advanced to small enterprises because of lack of collateral.

The IFC set up in 1969 was forced to close down in 1978 with a debt of K7 million. The reason for its failure are multiple and have been discussed in the chapter. Furthermore, the DBZ has not been equiped to deal with small loans. This resulted in the formation of SEP in 1983 to undertake this task. Its performance so far has been modest because of its small establishment.

From the foregoing, it is obvious that a more pragmatic approach is required to institutionalize small industry promotion in Zambia.

After 1981, the government set up the Small Industries Development Organisation (SIDO) to foster the development of small enterprises. The organisation started on a modest scale and has been developing organically as chapter three had highlighted. To what extent SIDO has been able to provide its support to small enterprises is detailed in the next chapter where the Management of SIDO - supported enterprises is discussed.

FOOTNOTES

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3. Young, A., Industrial Diversification in Zambia (Praeger Publishers, New York, 1973), p. 27-28

4. Zambia, Outline of Government's Industrial Policy (Lusaka: Government Printes, 1964).

5. See INDECO Articles and Memorandum of Association held by Ministry of Commerce and Industry, Lusaka.

6. Zambia: Third National Development Plan, 1979-83. (NCDP, Lusaka, 1979), p. 250.

7. Chitala, D.,"Import-Substitution Industrialization in Zambia and Its Role in the International Division of Labour", (paper presented at UNITAR Seminar, Dakar, May, 1984).

8. See RUCOM, Articles and Memorandum of Association - File held by Ministry of Commerce and Industry, Lusaka.

9. World Bank / UNIDO Zambia: Report on Small Scale Industry (Report No. 12, Rev. 1, May 1981), p. 78

10. See World Bank (Mimeo) UNIDO Report on Small Scale Industry Report No. 1R, 1981. see also

    Kani, F., "The Development and Financing of Small Industries in Zambia: The Case of RUCOM Industries" (University of Zambia). Business and Economic Association, 1980 MIMEO, pp. 10-28., and

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14. Development Bank of Zambia, Annual Report (1974).

15. Development Bank of Zambia, The Bank's Assistance to Small Scale Industries in Zambia (paper presented at a conference on: The funding and Co-ordination of Small Industries Development Programmes in Zambia, Lusaka, 28th July - 1st August, 1986) p.2.

16. See Ng'andwe Chiselebwe, "Development of Small Industries in Zambia: Search for an effective Macro Support System", paper presented at Conference on "Funding and Co-ordination of Small Industries Development Programme in Zambia", Lusaka, July 28 August 1, 1986, p. 10.

17. Development Bank of Zambia, op. cit.

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19. Village Industry Service, Annual Report for the year 1985.

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CHAPTER 4

MANAGING SMALL SCALE ENTERPRISES IN ZAMBIA

This chapter presents data from the findings of the researh done on SIDO supported Lusaka based Small Scale enterprises. The chapter presents the general characteristics of enterprises before analysing the specific problems encountered by the small scale enterprises. These problems are analysed in two sections. The first section analyses internally induced constraints organised in terms of five basic functional areas, namely: planning, organizing; staffing; motivational processes; and controlling of human and material resources. The third section discusses the external constraints that affect small scale enterprises in Lusaka in terms of five identified areas, namely: access to credit, procurement; marketing, factory space and government regulations. In the last section, an attempt to relate all these management constraints to organisation performance is made.

General Characteristics of Enterprises

We found that most of the firms are of recent origin having been formed in the 80s. Table 16 below shows that 63.3% of the enterprises in our sample were formed after the Third National Development plan (TNDP) (1979-83) and particularly after the formation of SIDO in 1982.

Table 16: Date of Foundation Business in the Sample

Date of Foundation	Number of Firms	% of Total
1968	1	2.6
1972	1	2.6
1977	1	2.6
1979	2	5.1
1981	4	10.3
1982	3	7.7
1983	10	25.6
1984	10	25.6
1985	6	15.4
1986	1	2.6
TOTAL:	39	100.1

SOURCE: Interview data

Furthermore, as Table 17 below shows, the study revealed that over 69% were started by people whose only motivation was to make money. Furthermore 52% of the sample had experience in their lines of business before they went into small business.

Table 17: Reasons Advanced for Engaging in Small Enterprise Operations

Reason	No.	%
To make money	27	69.2
To contribute to the development of Zambia8	2	5.1
Other (e.g) only thing I can do, no reasons advanced	10	25.6
TOTAL:	39	99.9

SOURCE: Interview data

Apart from three respondent who Inherited their businesses, all the other interviewees (36) Indicated that they started their projects from personal savings. It was clear from the answers that the Initial Investment In the projects were meagre . The oldest enterprise in the sample started with about K600 in 1968. The most capitalized enterprise had invested about K200 000. Table 18 below shows the range in invesmtment.

Table 18: Range of Investment in Machinery (in Kwacha Approx.)

Range in K	No.	%
Below 1,000	3	7.6
K1 000 - 10 000	15	38.4
11 000 - 20 000	5	12.8
21 000 - 30 000	2	5.1
31 000 - 40 000	3	7.6
41 000 -100 000	5	12.8
Above 101,000	6	15.4
Total:	39	99.7

SOURCE: Interview data

In general terms, an enterprise investing less than K50,000 in Zambia is clearly undercapitalized. At 1986 prices, this amount could not even buy a lathe or a van.

The data on capitalization indicates that the capital invested in small enterprises is relatively very small. More than 46% of the enterprises in the sample had investments averaging below K20,000 in machinery.

The study also showed that except for three (3) enterprises, the other thirty six (36) enterprises did not commence business with the assistance of bank loans. The initial investment were derived from personal savings.

Furthermore, only 31% of the respondents received some form of technical and managerial assistance at the beginning.

Among those who indicated that they had received technical advice or assistance, ten (10) mentioned SIDO or the VIS while the rest mentioned colleagues.

We also found that only 23% of the respondents inicated that they knew exactly the legal and other procedures required in forming a business and, only 21% of the respondents had suitable premises to locate their businesses.

It is also interesting to note that the pattern of organisation of the enterprises were predominantly of private family firms: 59% of the firms interviewed, were essentially family firms registered under the Business Names Act while 41% were normal corporate bodies formed between people who either had been school mates or knew each other before commencing business.

In the family type of business, there was in all cases one member iof the family acting as owner/manager and acted as the overall supervisor. If other members of the family were involved, they were generally subordinates. One soap manufacturer emplyed a nephew and a distant cousin. Though part of the extended family, they were completely surbordinate to the soap manufacturer.

In the 41% non-family firms, where the enterprises had been formed by either schoolmates or people who had worked for some Industries where the idea of pooling the experience

Into business ventures had been muted, the administration of the business was shared between the partners/ Owners - one supervising production, another sales and accounts. Generally this lack of complexity refected the small size of the firms.

Internal Constraints

Planning

The study investigated whether after formation, the enterprises were able to establish formally, organisational objectives, forecast the envirenment and datermine the ways in which objectives were to be accomplished.

We found that all the enterprises had objectives which they desired to accomplish. When asked whether, they made any forecasts by utilizing such tools as the monthly cash budgets and annual estimates, 74% of the respondents did not forecast their business activities while only 26.0% prepared monthly cash budgets and annual estimates.

Table 19: Enterpirses Practicing Budgeting

Responses	Number	%
Prepare no budgets	29	74
Prepare monthly cash budgets and annual estimates	10	26
Total:	39	100

SOURCE: Interview data

We also found that none of the enterprises could tell with any exactitude the quantity it had projected to manufacture during any one period. The reasons advanced for lack of forecasting were many and ranged from basic macro economic issues such as the unstable prices of raw materials as a result of inflation to internal constraints of the enterprises. Table 20 below summarises the reasons advanced for lack of forecasting.

Table 20: Reasons Advanced for Lack of Forecasting in Enterprises

Reasons Advanced	No. of	%
1. Reliance on experience	3	
2. Lack of funds to ensure continuous production	17	43.7
3. Other (eg) lack of knowledge of technique for forecasting	19	48.7
TOTAL:	39	100

SOURCE: Interview data

We also found that, in spite of the constraints to planning, all the enterprises still had devised methods of insuring solvency of their companies. In other words, though it was not possible to forecast the source of their inputs and the market, they had unwritten methods of fulfilling their objectives.

Planning is undoubtedly an essential organisational requirement. In this study, we tried to relate three categories of planning, namely, objective setting, forecasting and methods preparation to organizational performance to determine its effects, Performance was defined in terms of capacity utilisation of the firms as we were able to infer from the SIDO appraisals of the firms. This relationship is summarized in Table 21 below.

Table 21: Relationship Between Forecasting (budgeting) and Capacity Utilisation

Capacity Utilisation in %	Forecasting	
	Number	%
0-19	7	17.9
20-40	26	66.6
Above 41	6	15.4
TOTAL:	39	99.9

SOURCE: Interview data

We found that only 15.4% of the firms in the sample operated at above 40% capacity utilization. All the firms in this category were from the 26% that prepared monthly budgets.

The bulk of the firms (66.6%) that operated between 21-40% capacities included the remaining four firms (10.2%) who prepared budgets and those who did not prepare budgets. The other 17.9% whose capacity utilization was below 20% was wholly composed of those who did not prepare budgets at all.

It is obvious from the above that proper budgeting practices did relate positively to organizational performance. Generally, in firms where trends are not forecast, it is not possible to pursue many organisational goals.

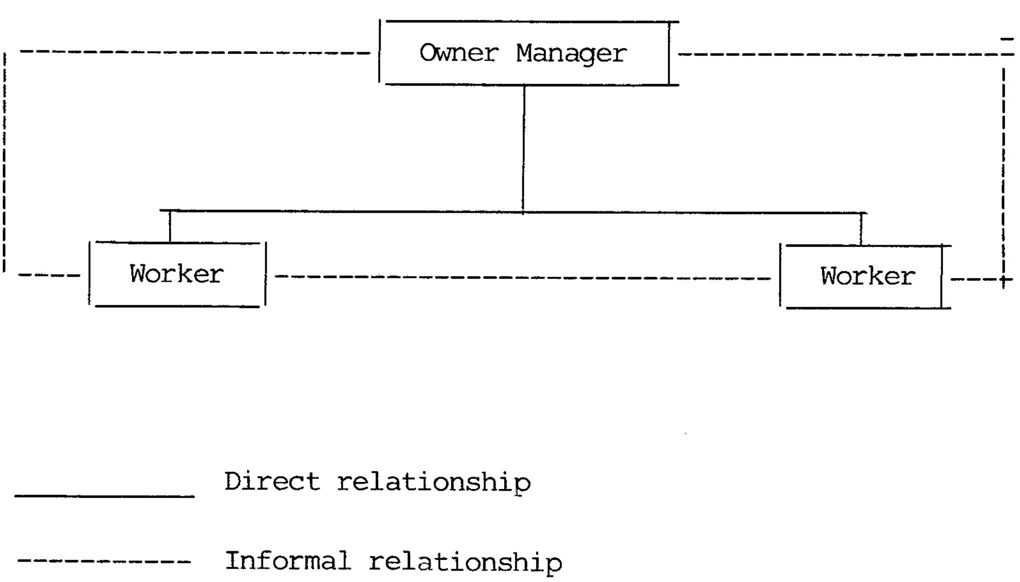
Organising

Organising is a process that involves the ability of an entrepreneur to articulate effectively business objectives in terms of marketing money, men, methods and materials. It involves determining activities and roles for people to achieve goals, grouping of these activities into sections, assignment of such activities to a manager/supervisor, delegation of authority to carry them out and provision for co-ordination of activities in the enterprise.

The study revealed that because the equity of all the enterprises were owned by one or very few persons the businesses tended to be managed directly by their owners who had high degree of independence in the sence that they had ultimate authority and control over the business. Furthermore, since management was personalized, the managers/owners in each firm knew all the employees personally. The owners/managers participated in all aspects of managing the business and it was obvious that there was no sharing in the decision making process.

The study also revealed that the formal organisational structure of all the firms in the sample were very simple comprising of only one arrangement of relationship between the owner/manager and the workers as shown in figure 3 below.

Figure 3: Typical Organisation Chart



The channels for responsibility, authority and power could only be inferred. Generally, each worker was given complete charge of the work assigned to him subject only to the authority of the owner/manager. This set up of organisation has many advantages. There is a possibility of developing well-rounded owner/managers since they were expected to be familiar with all business operations. Furthermore, there is a tendency for decisions to be quickly reached since there is limited bureaucratic hierarchy. On the other hand, the line organisation practiced in the enterprises of our study has also inherent disadvantages. There is a danger that one single individual as owner/manager may develop a feeling of self-righteousness in all his decisions and make him think that he can do the job. Furthermore, the centralisation of the decision making process sometimes may cause problems when none of the workers can decide and act on problems if the owner/manager is away. In the study, there was no formalised level of supervisors as such in 92% of the enterprises and any delegation done did not involve major operational decisions.

It was obvious that informal relationships were predominant. Employees in the enterprises knew one another well enough to pass on information to each other. That is why there was no formal departmentalization in almost 80% of the firms. In these firms, assignment of personnel according to such criteria as capability, skill and motivation was done by the manager. This was possible because of the small nature of staffing in the enterprises. It was only in about 20% of enterprises which had a relatively large labour force that some form of departmentalization was seen. Table 22 below categories the range of employees in the sample.

Table 22: Range of Employees in Enterprises

Range	No. of Enterprises	%
1 - 3	7	17.9
4 - 7	12	30.8
8 - 11	8	20.5
12 - 15	4	10.2
16 - 25	8	20.5
TOTAL:	39	99.9

SOURCE: Interview data

The study revealed that the firms in the sample had narrow spans of control primarily because they had very few employees. About 80% of the firms had less than 15 workers each. There was therefore no need for supervisors because the managers could supervise the workers. A general inference on the effects of organising processes in small enterprises could not be made because of the smallness of the enterprises.

Staffing

In an ideal organisational setting, staffing involves filling the roles/tasks within an organisation structure in such a way as to ensure that an enterprise can be operated completly.

It involves setting requirements for the job to be done. Furthermore, staffing includes such roles as invetorying, appraising and selecting candidates for positions, and if necessary , developing job holders so that they can accomplish their policy tasks effectively.

We found that in small enterprises, recruiting staff was not such a haphzard affair. Table 23 shows that frequency of responses in regard to the methods of recruitment used.

Table 23: Frequency of Responses by Enterprises Regarding Methods used in Staff Recruitment

Methods Used	No. of Firms	%
Advertising	7	18
Contact Labour exchange or colleges	10	6
Own contacts	22	56
TOTAL:	39	100

SOURCE: Interview data

Table 23: shows that 44% of enterprises used modern methods of staff recruitment while informal methods of recruitment were still used by 56% of respondents.

A synopsis of the recruitment among those who used their own contacts would run like this: "I started with my nephew who came to live with me from Samfya. After we started to make money, I asked my elder brother to join me, Later, I employed three other boys and a sales girl from the neighbourhood. The three boys were grade seven dropouts while the girl was introduced to me by a friend of mine. I have trained them all and I am happy with their work." In another case, a building contractor who really was an exception to the rule informed us in the following manner: "I just send my boys into the city with my Toyota Van and let them know that there are vacancies, and they just come, just like that. I ask for references and go through recommendations. Then I take the lucky ones to the building site and give them trials. The foreman interviews them and then recommends some to me for appointment".

As regards measuring work, the study found that small enterprises did practice some forms of measuring work. 95% of the respondents indicated that they had some gauges for measuring work as it was carried out. They, for instance indicated that they kept records in items of money spent, units expended, customers contacted, activities completed and so on. This however, was not as could be expected in a modern enterprises written down. In more than 70% of the enterprises, such record keeping though kept by the Manager/Owner was not available for scrutiny by any other person.

As regards employee appraisal, 82% of the repondents indicated that they appraised their workers annually and on the basis of such appraisal, members of staff were given bonuses or merit increments.

With respect to training, non ofthe enterprises had any formalized training scheme as such but largely relied on-the-job-training for new members of staff on the basis of apprenticing.

With respect to whether staffing did affect the performance of enterprises in the sample this scenario could not be derived from the data. It was however obvious that better training schemes could provide better performance.

Motivational Processes

The study also looked at the type of incentives that Small Scale enterprises provide to their workers. We found that material incentives were the most often used in motivating workers. Table 24 below categorizes the barious incentives offered.

Table 24: Frequency of incentives Provided as Perceived By Respondents

Incentives	No. of Firms out of 39 using incentives	As % of the Total (39)
Bonuses	36	92
Promotions	20	51
Salary Increments	39	100
Day Off	2	5
Others (moral)	6	15

SOURCE: Interview data

By and large, salary increments and bonuses at the end of each financial year were the most widespread forms of material incentives practiced by the Small Scale enterprises 100%. And 92% of the sample, respectively indicated use of those two material incentives. 51% of the respondents indicated that they used promotions while 5% indicated that they gave days off as forms of motivational process. Only 51% of the respondents indicated that they also used moral incentives such as giving praise to effective workers or awarding merit certificates.

As regrads the chain of communication, all the respondents indicated that they had evolved channels of communications as a form of worker participation which in turn was an incentive for the workers when they felt that their viewpoints could be considered seriously by their employers. Table 25 below shows the forms of communication channel practiced by our responents.

Table 25: Forms of Communication Practiced

Form of communication Skill	No. of Firms out of 39 sample Practicing communication skills	A % of sample (i.e. 39)
Meetings	39	100
Notice Board announcements	27	69
Regular circulars	4	10
Suggestion Box	2	5

SOURCE: Interview data

Table 25 shows that 100% of the enterprises held meetings with their employers. 69% of the repondents also communicated with their emplyees through noticeboard announcements while only 10% and 5% had regular information circlars and suggestion boxes respectively. It is obvious from this data to conclude that motivational processes did affect the performance of enterprises. All the reponents interviewed viewed an award of salary increments and bonuses very favourably and inducated that refusal to award such would most probably lead to bad labour relations.

Control of Human and Material Resources

The study also attempted to analyse the methods in which the small enterprises measured and corrected activities of workers to make sure that objectives and plans to achieve them were being accomplished. Three widely used devices for determining managerial control were used in this respect. These devices were budgeting, discipline control and work assessment.

As regards to budgeting, it was interesting to note that, inspite of the universal merits of keeping such books as monthly cash budgets and providing annual estimates, only 21% of the respondents indicated that they prepared any budgets at all. A monthly cash budget for instance is an essential tool to business/management regardless of the scale of operation of an enterprise.

When asked to present final accounts only 8% of the respondents produced them: 41% indicated that they could not produce them because they were confidential while 51% indicated that they had never prepared any final accounts.

A summary of the final accounts of the three enterprises that provided us with accounts are provided in Table 26 below. We were not able to get 1984 performance data for two companies. All in all, the three firms in the table represented those that were well organized.

Table 26: Final Accounts of three Firms in the Sample (in K)

	Firm 1		Firm 2	Firm 3
	1984	1985	1985	1985
Sales	12 150	14 210	175 916	217 401
Gross Profit	1 412	5 105	43 396	155 552
Capital employed	12 592	28 334	37 295	92 876

SOURCE : Iterview data

For the three firms, it was obvious that their operations were profitable. The three firms were also among those that were well organised. All had plans of their operations and all their employees had job descriptions which allowed for relatively good communication. Capacity utilization in the three firms was above 40%.

As regards to the problems encountered by the firms, the majority as table 27 below shows complained of absenteesm followed by theft.

Table 27: Breakdown of Problems Faced by Small Enterprises

Problem	No. of firms in sample (39) who reported problems	As % of Sample
Stealing	24	61
Absenteesm	35	90
Strikes	0	0
Others (Drunkeness) Sicknesses Incompetence)	12	31

SOURCE: Interview data

Table 27 above shows that 90% of the respondents complained of absenteesm. Equally a large percentage (62%) complained of theft while 31% of the respondents complained of other problems such as drunkeness and incompetence. It was obvious however that small enterprises did face some personnel problems.

When we related the case of absenteeism as a problem encountered by Small Scale Enterprises to performance, we found that all the enterprises complained of absenteeism except 4 (10%) which also happended to operate at above 40% capacities. We also found that all the twelve firms that complained of such problems as incompetence of employees included those 17.9% who operated at below 19% capacities and another 5 who operated between 20-40% capacities.

The instance of theft is even more glaring. Only one of the firms which operated above 40% capacity reported this problem while all those firms that operated below 40% reported experiencing problems of employee theft.

When asked how, as a result of these problems, they organise their work, 36% of the respondents indicated that, to prevent theft, they checked stocks daily, tallied deliveries with materials issued. In some cases, traps were set for employees under suspicion.

As regards disciplinary measures practiced, 20 of the 24 respondents who complained of theft indicated that employees caught stealing were dismissed. For other breaches of discipline, the punishment depended on frequency and gravity of the offences. In all the firms, workers who were erring were first warned and dismissed if they did not improve.

The above management constraints do not exist in a vacuum. A well run business must also meet a number of other requirements which we have characterized in this study as external management constraints. A discussion of these follows.

ENTERNAL CONSTRAINTS

The Financial Constraints

We found that access to credit by small scale enterprises was a very abstruse problem. The majority of enterprises' initial investment came from personal savings. Table 28 below shows this situation. 100% of the small scale enterprises in our sample did not enjoy the facility offered by established banks initially but relied heavily on other sources of funds. 56.4% relied on personal savings while 43.6% relied on such other sources as equity contributions or sale of other assets.

Table 28: Source of Original Capital

	No.	%
Personal Savings	22	56.4
Contribution from partners	4	10.4
Issue of shares	1	2.5
Assets of previous business	6	15.3
Sale of assets such as cattle	6	15.4
Bank Loan	0	0.0
TOTAL:	39	99.7

SOURCE : Interview data

This data shows, in general, the absence of bank credit to small scale enterprises during the formative years.

Even after operating for some time, it was still difficult for respondents in our sample to obtain credit from the banks. We found that 43.5% of the respondents had never applied for bank loan assistance because they either did not possess acceptable security or just lacked confidence and personal acquaintance with Bank bureacrats while 56% of the respondents had applied for term loans. Of these who applied 41% had been refused and only 15.4% had obtained overdrafts. With respect to performance, all the respondents who had received bank loans indicated that they were operating profitably and their capacity utilization had improved. This was not the case with respect to those who had been denied bank loans.

Table 29: Availability of Bank Loan

	No.	%
Had obtained bank overdrafts	6	15.3
Applied for Bank loan but refused	16	41
Never applied	17	43.5
TOTAL:	39	99.8

Source : Interview data

It was clear from the findings that many firms in our sample had been excluded from obtaining loans from banks. Although Altogether, 84.6% of our respondents had not availed themselves bank assistance. This finding corresponds to the findings of Ng'andwe (1982)[1] who argued that Small Scale Enterprises in Zambia face serious difficulties in obtaining credit to allow them to invest and develop on an expanded level. In our study, the six enterprises that had obtained bank overdrafts were obviously doing well as could be infered from the SIDO project appraisals. Their capacity utilization were above 40% and the three of them who provided us with final accounts made gross profits at the end of 1986.

As a rule, credit must be provided at two points. Firstly, to enable start an enterprise, and secondly, once started, to avail an enterprise accessibility to working capital to allow the production process to continue uninterrupted. In our study, these two conditions were absent at both points to the majority of enterprises. James Bates (1964) has defined this problem in the following terms: "put at its crudest, the financial problems of the small firm is that of finding funds for expansion at the right time or the right type, and in the right quantities at various stages of development. All firms, even the giants of private industry and the nationlised industries have problems of some sort with finance; but big firms have access to sources denied to the smaller and medium-sized concerns and they frequently have specialised finance departments which give them further advantage."[2]

It was clear from our study that there has been a clear unfavourable credit climate for small scale enterprises in Zambia. The Commercial Banks and the Development Bank of Zambia have continued to be conservative and very loath in disbursing credit to small enterprises. They demand the

Lodging of security and collateral which many small enterprises cannot supply. In this study, we found that only eight respondents out of 39 respondents could be said to have securities that could be accepted by banks. At the same time, when asked whether they needed outside funds for short term working capital, all the respondents (39) answered in the affirmative.

We also found that almost all of the enterprises had no reserves to finance further investment out of future profits even among those, who operated above 40% capacity and made marginal profits. The implications for this is that since small enterprises are largely unable to create appreciable surpluses from their production and also that they do not qualify for bank loans, it follows therefore that, in general terms, their capacity to expand is very constrained. This, to a large extent explains why more than 84.5% of our respondents were operating below 40% capacity.

Procurement Problems

The study vindicated the assertions of many other researchers on Zambia's small scale enterprises notably Ng'andwe (1982)[3]. and Kamya (1982)[4] that provision of inputs such as raw materials, implements, tools and spare parts is a problem area. The metal and wood working enterprises, and to some extent, some garment manufacturing industries have to contend with the problems of acquiring materials. Furthermore, metal working enterprises also experienced difficulties in acquiring such materials as steel sections, sheet steel, hardware, springs, nut and bolts and even chains. These materials could not be found in local hardware stores nor could they be imported because of lack of foreign exchange. Similarly, the chemical enterprises also complained of lack of such items as caustic soda and tallow while others complained of scarcity of various raw materials.

As alluded to earlier, the scarcity of materials since the early 1970s can be attributed generally to government restrictions on imports due to lack of foreign exchange. 25.6% of the respondents, complained that the scarcity of foreign exchange meant that they could not import the necessary raw materials and inputs to meet demand.

The wood-based industries had different problems. The basic material-wood, was available within easy reach but did not have machines to plain it to needed sizes. They also found problems in obtaining goods made of metal such as nails and metal fittings. They also complained of transport costs of wood from the plantation to their workshops.

As regards the clothing enterprises, they generally complained of the non-availability of credit to enable them buy cloth from textile factories. Generally, it was clear from the findings in the study that small scale enterprises in the sample were affected by various procurement constraints.

Marketing Problems

In this study, 28.2% of the respondents considered selling their commodities a major constraint. They complained of competiton from large parastatal and private companies. One soap manufacturer complained of competition from ROP Zambia and other brands of soap imported from South Africa.

By and large however, the majority of the enterprises (71.8%) indicated that they could not satisfy the demand for their products and that the issue was how to increase their output.

Factory Space Problems

Inadequate factory space also presented a clear constraint to small scale enterprises. 56.4% of the respondents conducted their businesses in backyards or residential areas. A proportion of them (33.3%) had shelter but of very simple structure. 10% rented the factory shelters from which they operated on their businesses.

Table 30: Location of Industries in Sample

	No.	%
Backyard of residences	22	56.4
Industrial Area	13	33.3
Other (e.g) Markets	4	10.2
TOTAL:	39	99.9

Source : Interview data

The significance of the above findings is that, because of their location, many of the small scale enterprises cannot expand appreciably because they are constrained by civic requirements in the communities they are located. There is an intrinsic limit to the extent the factories can be allowed to expand without exhibiting an unpleasant presence in the local communities. As a result of this, the enterprises are limited in the extent they can develop, It is therefore understandable when of those interviewed, only 20% of the respondents indicated that they were satisfied with the current location of their enterprises while 80% were disatisfied. Of the 31 respondents who were disatisfied with locations of their factories, 20 had applied to the City Council and the Ministry of Lands to be allocated their own factory premises, 6 wanted to rent bigger premises and 3 prespondents indicated that they had been promised industrial sheds by the small Enterprises Promotion Limited who at the time of our research were constructing an industrial estate.

In general, it was obvious from our study that many small scale enterprises were clearly handicapped by lack of adequate factory space. The often rudimentary environment in which more than 66% of our sample conducted their business could not be conducive to good business practice.

<u>Government Regulations</u>

The study revealed that there was an urgent need for appropriate state intervention to be provided to small enterprises.

Firstly, though some writers have argued that licencing regulations affect adversely the development of small enterprises, the study did not support this assertion.

Only 17.9% respondents indicated that they had problems in renewing their licences while the rest had none.

In other words, though in theory the government's zoning regulations would seem to be a hindrance to small enterprise growth, 56.4% of the enterprises were located in residential areas and had in fact been ligitimized in terms of their being located in those theoretically illegal locations by the Ministry of Commerce and Industry and the Local Authorities who had provided the enterprises with licences to enable them operate in a legal atmosphere.

As regards consultancy, all the enterprises indicated that they at times sought advice on business matters from SIDO, VIS and SEP.

In respect to SIDO, of those interviewed, 36% indicated that though they were registered with SIDO, they had never been assisted as much as they would have wanted. 16 of the respondents indicated that they had recieved advice from SIDO but complained that the advice could not be fruitfully utilised because of the financial problems. Overall, only 23% (9 out of 39) of the respondent were satisfied with the SIDO assistance programme.. Eight of these had attended the "Improve Your Business Courses" organised by SIDO, two had been advanced with raw materials worth K1,000 and K1,800 each respectively while two had been sponsored to Germany and Swaziland for tours respectively.

The findings generally vindicated the view that some mediation or government intervention is necessary in order to assist small enterpreneurs improve their production and management capabilities. It would appear that it is vital for institutions such as SIDO, SEP and the VIS in general to systematise their roles as intermediaries or interventionists particularly in the field of entrepreneural development.

Furthermore we found that there were hardly any incentives provided. One common andcritical incentive used in many countries involves tax regulations.[5] In Zambia, every enterprise if not exempted, is required to pay 45% of its net profits to the state. In the study, 51% had applied for exemption from company tax but none had yet been exempted. From a theoretical point of view, just by nature of their operations, small enterprises are often subjected to far higher effective tax rates than the larger companies, and they are subjected to serious disadvantages in raising or saving the capital needed to finance growth[6]. Furthermore, for Zambia, this situation was worsened by the auctioning of foreign exchange andthe decontrol of interest rates after October, 1985 which, in addition to other factors, imperiled start-ups and may have contributed to blocking expansion in the critical early years for some innovative enterprises in general.

FOOTNOTES

1. Ng'andwe, C. "The Small Industries Development Organisation in Zambia" (in) African Social Research (NO.33, June , 1982).

2. Bates, H The Financing of Small Businesses (Sweet and Mara, London, 1964), p.9.

3. Ng'andwe, C, (1982), Ibid

4. Kamya, A. and Bbenkele, F. "Small Scale Industries in Zambia: A Case study of Selected Enterprises on the Copperbelt". African Social Research (No. 33, June, 1982), pp.

5. Nanjappa, K.L. Modernisation and Development of Small Scale Industries (NSIC, New Delhi, 1972), pp. 1-20.

6. Mundea, K.M. "Small Business Deserve a Tax Break" (The CACA Zambia Branch, Annual Review, 1984), p.17

7. Hicks, H.G. and Gullett, C.R., Modern Business Management (Mograw-Hill, Inc, New York, 1976, p. 469.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

From the data presented above, it is clear that most of the small scale enterprises are plagued by many managerial constraints. The study identified two broadly defined areas of problems. Firstly, there are structural weaknesses of the pronotional agencies and, secondly, ther are specific internally and exernally induced problems that afflict small scale enterprises. It is from this basis that the study arrived at the following conclusions. Though there is a policy for small scale business promotion in Zambia, the promotional agencies have not yet made an impact of their activities. The SIDO and VIS have been plagued by internal management problems. It is therefore imperative that financial support is given to these institutions and that the management systems of these institutions are revamped.

Credit to small enterprises is a critical factor for growth. This has been absent and hence the need to liberalize lending policies banks by the state providing some form of credit guarantees.

The Management of Small Enterprises was largely not efficient and there is need to improve it if small enterprises are to succeed.

External problems faced by small enterprises such as marketing zoning regulations and lack of factory space ought to be looked at and resolved to allow for expanded performance of small enterprises. From the foregoing conclusions, it is obvious that appropriate mediatory measures have to be instituted in order to initiate effectively the development of small scale industries, to keep the already existing enterprises running and to compensate the structural disadvantages that other small scale enterprises may have. It is in the above light that we make the following recommendations.

Small Industry Promotion

The study has shown that early policies of the Zambian Government focussed on the promotion of relatively large import-substitution industries. Until the Third National Development Plan, there were no effective concerted effort aimed at promoting small enterprises. Following the failure of RUCOM Industries and the Industrial Finance Company, a new approach was introduced in the Third Natioanl Development Plan.

The Plan saw the creation of the small industries development organisation as the apex government institution that was given the task of fostering the development of small enterprises. Furthermore, other non-governmental institutions such as the Village Industry Service and the Small Enterprises Promotion Limited came on the fore to promote small scale enterprises. The study, however, has shown that despite the formation of SIDO, VIS, SEP and the coming to the fore of other institutions such as the Development Bank of Zambia and the Management Services Board, there has not as yet been any drastic change in the development of small enterprises.

This study is recommending that small business policy be systematized and that the government undertake to do the following:

1. ensure a social and economic climate conducive to the creation of small enterprises. Such measures should insure that there is a stable currency, low rate of inflation, availability of finance at appropriate interest rates, and insure fair levels of taxation for small scale enterprises.

2. the government must build a climate conductive to growth by providing incentives to enhance the creation and growth of small enterprises. In this respect, it is recommended that SID Act or the Investment Act be amended to allow for specific incentives to be included in the following areas.

   a. Small enterprises must be given preferential treatment with respect to government and parastatal purchasing. This treatment should also include exemption of small enterprises from registration fees, security deposits, and free supply of tender forms.

   b. Small Scale enterprises must be given relief from income tax for a period of at least five years.

   c. In order to encourage re-investment in the enterprises, small scale enterprises must be given come capital and investment allowances. For capital allowances on industrial buildings, wear and tear should be raised to 50% (currently 5%) on written down value each year while on plant, machinery and equipment, it should be raised to 70% (currently 30%). As regards investments allowances, it should be raised to 70% on cost in the first two years (currently 20% in the first year only).

Rationalisation of Promotional Effort

The study has highlighted the problems of co-ordination of the promotion activities by the various institutions such as SIDO, VIS, SEP, the DBZ and other governmental institutions. We are proposing a way that would allow for the harmonious co-ordination of effort and resources.

We are proposing that SIDO be the apex institution serving small business operation supported by a network of institutions and roles. This places SIDO at the centre of operations. SIDO has direct links with Research and Development Institutions such as the National Council for Scientific Research and the University of Zambia, which, together work out mechanisms for technology transfer and adaptations. SIDO will also have a direct link with the Development Bank of Zambia which will provide the long-term finance for development projects.

Furthermore, all non-governmental institutions such as the Village Industry Service will relate to SIDO before any government assistance can be advanced. SIDO is also the only link between the government institutions such as the Ministry of Commerce and Industry andthe Bank of Zambia's Credit Guarantee Sceme. Such an arrangement will also entail making effective the directorate of SIDO by appointing to Its Board, individuals with clear visions of industry unlike at present when its Board is composed of inexperienced civil servants.

The significance of this model is that, unlike the present haphazard manner in which small enterprise promotion is subjected to the arrangement will make it possible for the planned development to,small scale industries. Furthermore, it will reduce duplication of effort and rationalise the investment of resources and effort.

Management of Small Scale Enterprises

Internal Constraints

The study revealed that inadequate management practices affect the management of small firms. We found the following conditions existing in the small firms which in turn are inversely related to their success.

a. Adequate records were absent in many of the firms. This as would be expected leads to a situation wherethe entrepreneurs lack the information required to make sound decisions and direct the company's future activities.

b. The study showed that the organisational set up in many of the firms could be said to be haphazard, namely, that responsibilities were given to people as need arose with the control and administration centralised in the owner/manager. This may at times mean in effect that the continuity of management is not provided for. In other words, management may be un-productively confined to the day to day problems at the expense of planning and real control.

c. Tied to the above, it was also clear that in many firms, many essential aspects of administration such as quality control, cost control, and inventorying were over looked . It is obvious that this approach to management may lead to unpleasant consequences such as delivery schedules not being met, accounts payable being unpaid and so on. The promoter depends on guessing and this may place a heavy burden on the enterprise.

d. The undue centralization of authority and the absence of a training programme in almost all the enterprises may impair the efficiency of production.

e. The recruiting procedures in many of the firms were not good The prevalence of workers recommended by relatives or friends who may not necessary be qualified or trainable could obviously be a liability to enterprises.

f. Even if financial problems are overcome through easy access to credit, many enterpreneurs may still lack managerial competence to use the money wisely for the attainment of company objectives.

It is apparent that managerial competence plays a major role in the success of small enterprises. It is imperative that skills among entrepreneurs are developed to enable them cope with small business management problems and improve the effectiveness of the firms.

This study is recommending that entrepreneur training be given at a wide variety of institutions. SIDO could establish a specialised institution supported in terms of trainers, consultants and teaching aids/facilities. The principal types of training needed should include technical and vocational training for managers and workers and management training for managers and owners. In management training, special emphasis should be placed on business plannning, work organisation, loan negotiations purchasing and inventory management, marketing , financial control, personnel, production management and occupational safety and health.

Furthermore, small enterprise managers and entrepreneurs should be helped to learn from successful managers in both industrailised and developing countries through case materials, workshops, factory visits, study tours, business clinics and so on. In this lies the solution to the management constraints of small enterprises.

External Constraints

The study identified five external difficulties that impinge on the growth of small scale enterprises. These factors included inaccessibility to credit, lack of inputs, maketing, factory space and some government regulations.

In regard to credit, almost all the respondents felt that in-accessibility to credit posed a big management problem. It was obvious from the study that small enterprises needed credit at two crucial points: at the beginning to buy essential tools and raw materials and at the stage when they have accumulated enough and need to expand production. The majority of entrepreneurs interviewed felt that they could use credits to buy raw materials and capital equipment and were ready to run risks. Many of them had been refused by the commercial banks because of lack of acceptable securities. It was obvious that there was need to create a liberal environment for credit to be advanced to small enterprises. This is a key element if rapid and sustained growth of small scale industries is to materialise. There is also a need to re-orient the lending policies of financial institutions so that availability of credit on concessionary rates of interest to small enterprises in available.

It is therefore recommended that, with a view to encouraging the financial institutions to lend to small enterprises, the government must establish a credit guarantee scheme in which bad debts incurred by the lending institutions in respect of their advances can be recovered. In other words, a formula must be worked out whereby there can be a sharing of the losses between the lending institutions and the government. Such a scheme is not only a type of security which facilitates the disbursement of credit more easily but is also a measure of insurance against possible default in respect of loans granted to small enterprises and hence gives an incentive to lending institutions to liberalize their lending criteria.

Furthermore, it is abvious that unless a separate financial agency specializing in lending to small firms is established, orderly development of small scale enterprises may not occur. It is recommended that the government create a financial institution to provide credit to small enterprises.

It would certainly be cost effective if such an institution was directly related to SIDO so that SIDO's extension work is integrated with the finance objective.

It is also recommended that SIDO should be allowed to enter into equity participation with small enterprises. This would enable the government to compensate for its support of relatively unsuccessful ventures by its share in the profits of others. It would entitle the government through SIDO's participation to advise more effectively the management of small enterprises through its representatives and to act with its private partners in negotiations with banks and suppliers.

As regards the input problems, it is clear from the study that small enterprises face many problems. Firstly, though marketing is not a big problem, it is important that a department is created in SIDO to advise small entrepreneurs on the markets that they that might enter, whom to contact, how to organise distribution and where to advertise. Such advice is crucial because small enterprises have little knowledge of the market and the potentials of utilizing both the home and International market. It is important that small enterprises are helped to become export-oriented and meet necessary design, quality and cost standards. Legitimate sub-contracting and other forms of co-operation between larger and smaller enterprises should be encouraged through training and information services provided by institutions such as SIDO.

The other structural problems such as transport problems, lack of appropriate factory sheds, inaccessibility to raw materials and tools are essentially problems of credit. It is recommended that adequate grants be disbursed to SIDO to enable it build industrial estates and operate hire purchase and raw material supply programmes.

Problems of the Study and Suggestions for Future Research

This study forcussed on analysing the management constaints faced by a sample of SIDO supported small enterprises in Lusaka. From a methodological point of view, since the sample is restricted to those that have had assistance in some form, the findings may not be necessarily consistent with the general conditions. In this case, it may not be possible to generalize the findings of the research to the whole country.

Future research is necessary to augument this study. It is necessary to conduct research on a wider scale industry by industry to determine the specific growth constraints of small enterprises.

Furthermore it will be necessary to conduct studies on the training needs of small enterprises and the best manner in which technology and skills can be transferred to small enterprises. Furthermore, the efficacy of specific promotional mechanisms such as the hire purchase and credit guarantee schemes should be studied.

APPENDICES

APPENDIX 1

COMPOSITION OF SAMPLE BY INDUSTRY SECTOR

INDUSTRY	INTERVIEWS ATTEMPTED	SUCCESSFUL INTERVIEW
Chemicals, Soap and other	8	7
Carpentry	8	8
Clothing	6	4
Milling	6	5
Engineering	6	5
Bakery products sweet, wine	4	3
Paper products	2	1
Shoes, handbags Manufacturing	2	2
Concrete products	1	1
TOTAL:	45	39

Appendix 2: Selected Information on Sample of SIDO - Supported Small Scale Enterprises in Zambia

	1 Name of Firm	2 Ownership Year of Establishment	3 Branch Products & Capacity	4 Investment in Machinery in K. Approx.	5 Number of Employees	6 Facilities Working Conditions	7 Problems and Weak Points
1.	Tower Soap Products	Private 1981	Soap, Cobra red polish	600	3	Backyard	- Financing equity - Capital - Worker skill - Caustic Soda
2.	Midlands	Private 1982	Leather Shoes 650 pairs per month	48,000	23	Rented Premises	- Working Capital - Procurement: Leather
3.	AAFZAM Wine Limited	Private 1985	Wine 5,500 bottles per month	35,000	4	Own Premises	- Competition with big companies
4.	West Joiners Furniture Manufacture Wooden	Private 1968	Toothpics,shoe shanks, chop sticks wooden spoons & sticks 1,000 applica. per month, 1,000 Tongue Dep. month	10,000	10	Backyard	- Competition from foreigners - Working capital - Better equipment - Spare parts - Transport

	Name of Firm	Ownership Year of Establishment	Branch Products & Capacity	Investment in Machinery in K. Approx.	Number of Employees	Facilities Working	Problems and Weak Points
5.	Musangu Enterprises	Sole owner 1984	Woolen garments garments 122 garments month	5,500	3	Backyard	- Factory Space - Working Capital - Procurement: Cloth
6.	Mwamvayari Enterprises	Private (Family)	Putty 480Kg. Month	2,000	3	Backyard	- Working Capital - Factory - Chemicals
7.	Benmo Small Industries	Sole Promoter 1984	Soap	740	2	Rented Premises	- Working Capital - Caustic Soda Fallow
8.	J.C. Fashions	Private	Garments	2,600	21	Rented Premises	- Working Capital - Forex to buy machinery - Cloth
9.	Touch of Class	Private 1984	Garments 122 month	20,000	15	Rented Premises	- Working Capital - Spare parts

	1 Name of Firm	2 Ownership Year of Establishment	3 Branch Products & Capacity	4 Investment in Machinery in K. Approx.	5 Number of Employees	6 Facilities Working Condition	7 Problems and Weak Points
10.	John Smalls Limited	Private 1984	Wine	20,000	6	Backyard	- Working Capital - Bottles
11.	Mark Products Limited	Private 1983	Chalk 100,000 boxes year	200,000	20	Own Factory	- Spare parts - foreign exchange
12.	Masi General Dealers	Private 1983	Wooden pegs 5,000 pegs per day 15,000 tongue dep. per day	37,000	22	Backyard	- Equipment - Training in Accounts - Nails and springs
13.	Mube Products Limited	Private 1984	Soap 7.5mt month	58,000	7	Owned jointly with SEP	- Tallow - Materials
14.	Zejo Sweet Manufacturing	Sole Owner 1983	Sweet	2,000	7	Rented	- Working Capital - Spare parts

	1 Name of Firm	2 Ownership Year of Establishment	3 Branch Products & Capacity	4 Investment in Machinery in K. Approx.	5 Number of Employees	6 Facilities Working Conditions	7 Problems and Weak Points
15.	Euge Machine Shop	Private 1983	Engineering 7,500 Sweets per month	26,000	8	Own premises	- Spare parts - Factory space - Nuts & Bolts, Springs, Chains etc.
16.	Linda Furniture	Private 1985	Furniture 990 pieces per month	15,000	4		- Working Capital - Metal fittings - Transport
17.	Mutengo Wanga Joiners & Furniture Limited	Private 1985	Furniture	200,000	12	Owned jointly with SEP	- Transport costs - Nails, metal fittings
18.	Bee Dee Trading & Manufacturers	Private 1981	Garments 450 per month	20,000	8	Rented	- Cloth - Working capital

	1 Name of Firm	2 Ownership Year of Establishment	3 Branch Products & Capacity	4 Investment in Machinery in K. Approx.	5 Number of Employees	6 Facilities Working Conditions	7 Problems and Weak Points
19.	Katulomya Fashions	Private 1979	Garments 3790 per month	7,500	5	Backyard	- Working capital - Factory space - Cloth
20.	Ka Always Milling	Private 1977	Cassava and Maize Milling	33,160	4	Located on Farm owned	- Financing expansion - Raw materials
21.	Mola Industry Limited	Private 1981	Sports wear	50,000	25	Rented Premises	- Forex to import raw materials - and machinery - spare parts
22.	Maloba Machine Industries Limited.	Private 1985	Circular saws Blockmaking machines etc.14, 344 implements per	175,000	15	Rented Premises	- Materials esp. steel sections - spare parts
23.	Paperman Ltd	Private 1981	Wooden crates 220 pieces per month	200,000	21	Own Premises	- high duties for imports of machinery

	1 Name of Firm	2 Ownership Year of Establishment	3 Branch Products & Capacity	4 Investment in Machinery in K. Approx.	5 Number of Employees	6 Facilities Working Conditions	7 Problems and Weak Points
24.	Rhoda Fashions Limited	Private 1986	Baby shoes, hats, 200 shoes per month 50 hats per month	7,000	6	rented Premises	- Working capital - Cloth
25.	Nkandu Coffins Suppliers	Private 1984	Coffins & Furnit-ure	42,000	5	rented premises	- Working capital - Moulds
26.	Alefa Gem & Jewellers Limited	Private	Polishing Gemstones	11,000	5	rented	- Funds to purchase equipment
27.	Mwamuna Metal Works	Private 1983	Dustbin Manufact.	5,000	10	rented	- Working captial - Machinery
28.	Gameco Ltd	Private 1983	Agric. Implements	150,000	19	Own Factory	- Springs, handware - Working Capital - Forex - Spare parts

	1 Name of Firm	2 Ownership Year of	3 Branch Products & Capacity	4 Investment in Machinery in K. Approx.	5 Number of Employees	6 Facilities Working Conditions	7 Problems and Weak Points
29.	Neat Aluminium	Private 1982	Aluminium Products	6,000	25	Owned	- Suitable factory space - Working capital - Material
30.	E.K. Builders	Private 1983	Building Products	5,000	11		- Working capital - Competiton from big firms - factory space
31.	Lusaka Handbags Limited	Private 1984	Handbags 550 bags per month	100,000	7	Rented	- Working capital - inadequate machinery - rexin and leather rivets
32.	Central Chemicals & Educational	Private 1983	Chemicals and Lab apparatus	12,000	10	Rented Premises	- Foreign Exchange to import machinery - chemicals
33.	South Stream Enterprises	Private 1983	Polish precious stones	750	6	Rented premises	- Working Capital

	1 Name of Firm	2 Ownship Year of Establishment	3 Branch Products & Capacity	4 Investment in Machinery in K. Approx.	5 Number of Employees	6 Facilities Working Conditions	7 Problems and Weak Points
34.	Macco Ltd	Private 1984	Joinery Moulding & Fixtures	50,000	6	Rented	- Working capital - Factory
35.	Nsole Enterprises	Private 1985	Soap Shoe Polish	2,000	3	Own premises premises	- Working Capital - Factory
36.	Weyaya Agencies	Private 1985	Glue 2 tons month	2,000	2	backyard	- Factory - Chemcials
37.	Chibunse Tailors & Company Ltd.	Private 1979	Garments 750 per	6,400	10		- Working Capital - Competition from - Cloth
38.	Super Spark Small Scale Industry	Private 1984	Mops and brushes	4,000	8	backyard	- Factory - Working Capital
39.	Cones National Limited	Private 1972	Cones Manuf. egg trays making, coffee roasting, biscuit-making	144,000	13	Own farm Premises	- Working capital

Appendix 3: QUESTIONNAIRE

Survey of Managerial Factors Affecting Growth of Small Scale Enterprises In Lusaka

1. Characteristics of the Firm

   1. Name and address of Establishment

   2. Location of factory/workshop

   3. Kinds of goods manufactured

2. Management Matters

   A. Planning

   1. Who started the firm?

   2. When did the enterprise start?

   3. Why was this business started? (opportunities foreseen)

   4. How was it originally financed?

   5. If funded through a bank, what security did you provide?

   6. Was any technical advise or assistance received in the beginning? Yes/No

      If Yes, from whom? What kind?

   7. Do you prepare budgets or plans to guide your operations annually? Yes/No

      If No, why not?

   B. Organizing

   1. Formal structure (e.g.) sole owner, company partnership

      Please state number of partners or shareholders.

2. Could you please attach your Organisation Chart (give brief descriptio of jobs)

3. Do you often delegate your authority to other persons? How often?

C. Staffing:

1. Total number of persons employed

   Unskilled (primary education or less);

   Skilled

   Managerial

2. How were they recruited?

3. has every employee a job description?

4. Do you appraise your workers annually?

5. Who can be pronoted in your organisation?

6. Manager's education: What kind of school, to what level?

7. Do you have a forma training programme for your staff? Explain.

8. Has any of your workers attended courses organised by SIDO, SEP, or VIS? If Yes, what courses?

D. Leading:

1. How do you motivate your workers?

2. What form of communication mechanism do you use to communicate with your workers? (e,g) Notice Board, Meetings, etc.)

   If through meetings, how oftern do you have meetings?

3. Explain the chain of communication in your firm.

E. Control:

1. Have you had any trouble with employees (e.g.)

   Stealing

   Absenteeism

   Strikes

   Others

   How were the problems resolved?

2. Do you keep any books of account? Yes/No. If Yes, what are the qualifications of the Book-Keeper?

   If No, how do you control your finance)?

3. Who is in-charge of the technical aspects of the business (give brief description of experience).

4. Could you please attach your last year's balance sheet and profit and loss statements.

3. Miscellaneous Matters

1. 1. Do you have any difficulties in renewing your licences?

   2. Do you ever seek advise on business matters? Yes/No.

      If Yes, from whom?

      Are you normally satisfied?

   3. Apart from this business, are you owner or part owner of any other business?

   4. Would you say that in this enterprise, you are up against:

      strong competiton

      moderate competition

      no competition

      What have you done to survive?

   5. What do you think are the outstanding problems of small enterprises

   6. What should the government do to assist small enterprises?

   7. Do you give credit to your customers? Yes/No.

      Have you had trouble with customers? Yes/No

      Why do you think so?

8. Generally, have opportujities for small enterprises improved, worsened or remained the same since 1981?

   Why do you think so?

9. What are the most important factors which you consider have prevented your business from expanding?

10. In all, are you satisfied or disatisfied with this business?

4. Relations with SIDO

   1. When did you decide to seek asssistance from SIDO?

   2. What type of assistance did you want?

   3. have you been assisted? If no, why not?

   4. Can you comment on your experience while with SIDO

      a) Efficiency of SIDO

      b) Capacity of SIDO to assist Small Enterprises

   5. What else can you say about SIDO?

Thank you.

Place	Province	Project	Year	Amount K	Source of Funding
Chipata	Eastern	Carpentry	1980	2,000	V.I.S. Council Member
Lusaka	Lusaka	Tailoring	1981	2,500	Zambia National Commercial Bank
Lusaka	Lusaka	Tailoring8	1981	2,500	Z ambia National Commercial Bank
Kabompo	N/Western	Sale of Honey & Beeswax	1982-84	45,000	VIS (Marketing Section)
Kalomo	Southern	Poultry	1982	2,500	Zambia National Commercial Bank
Lusaka	Lusaka	Food Processing	1982	500	Zambia National Commercial Bank
Kasama	Northern	Fishing	1982	24,000	Zambia National Commercial Bank
Kabwe	Central	Knitting	1982	12,000	Bank of Credit & Commerce
Lusaka	Lusaka	Office Furniture	1982	2,090	Norad
Lusaka	Lusaka	Handbags	1982	8,000	V.I.S.
Mungwi	Northern	Bakery	1982	165	V.I.S.
Mongu	Western	Soap	1982	5,000	WHO/ATC
Limulunga	N/Western	Soap	1982	2,000	WHO
Solwezi	N/Western	Honey/Beeswax	1983	65,000	Z.N.C.B.
Ndola	Copperbelt	Disabled	1983	1,500	V.I.S.
Kasempa	N/Western	Salt Processing	1983	12,000	Z.N.C.B.
Lusaka	Lusaka	Tailoring	1983	3,000	Z.N.C.B.

Place	Province	Project	Year	Amount	Source of Funding
Mumbwa	Central	Grinding Mill	1983	10,500	Z.N.C.B.
Mkushi	Central	Grinding Mill	1983	10,500	Z.N.C.B.
Luwingu	Northern	Grinding Mill	1983	10,500	Z.N.B.C.
Isoka	Northern	Grinding Mill	1983	10,500	Z.N.B.C.
Mulobezi	Western	Training	1982/83	10,500	Shares as Brothers (Belgium)
Monze	Southern	Poultry, Sewing Pottery, Handcrafts	1982/83	10,000	Shares as Brothers (Belgium)
Luwingu	Northern	Carpentry, Bakery	1982/83	10,000	Shares as Brothers (Belgium)
Lusaka	Lusaka	Sale of Handcrafts	1983	6,000	V.I.S
Lusaka	Lusaka	Tailoring	1983	1,400	Bank of Credit & Commerce
Samfya	Luapula	Tailoring	1983	2,500	Z.N.C.B.
Lusaka	Lusaka	Soap	1983	6,000	Z.N.C.B.
Luanshya	Copperbelt	Painting Brushes	1983	3,500	V.I.S.
Ndola	Copperbelt	Glass Products	1983	12,000	Barclays Bank
Lusaka	Lusaka	Wine	1983	2,400	V.I.S.
Mulobezi	Western	Transport	1984	100,000	Z.N.C.B.
Kasama	Northern	Home Economics	1984	$250	U.S.A

Place	Province	Project	Year	Amount	Source of Funding
Mongu	Western	Glue	1984	140,000	Development Bank of Zambia
Nchelenge	Luapula	Fishing	1984	5,460	Norad
Mulobezi	Western	Home Economics & Agriculture	1984	10,000	Norad
Nchelenge	Luapula	Oil Production	1984	15,000	V.I.S. Technical Assistance Promoters Funds
Masaiti	Copperbelt	Grinding Mill	1984	21,100	Z.N.C.B.
Kasama	Northern	Soap	1984	38,000	International Women's Decade
Lusaka	Lusaka	Processed Fruit Products	1984	7,000	V.I.S.
Lusaka	Lusaka	Ready made Garments	1984	19,000	V.I.S.
Lusaka	Lusaka	Watches	-	Proposed	HMT of India
Mumbwa	Central	Soap Making	1985	Not available	Self Help
Chalata	Central	Tailoring, Carpentry & Baking	1985	Not available	Self Help
Chipata	Eastern	Ox-Cart Production	1983	Not available	
Lusaka	Lusaka	Tailoring	1985	Not available	Norad
Lusaka	Lusaka	Metal Fabrication	1985	Not available	UNIDO

Place	Province	Project	Year	Amount	Source of Funding
Kasama	Northern	Soap Making	1985	Not available	UN Voluntary Fund
Kabompo	N/Western	Skills course in soap, candle, oil making	1985	Not available	IRDP/VIS
Livingstone	Southern	Skills course in handicrafts (5 courses)	1985	Not available	VIS
Sichili	Western	Skills course in Tailoring, knitting home Economics	1985	Not available	VIS
Various		Marketing of handicrafts	1985	Not available	VIS/UNIDO
Various		Improve your business skills course (9 courses)	1985	Not available	SIDO/ZFE/SIDO
Various		Skills training (5 courses)	1985	Not available	VIS/UNIDO

Source: VIS Quesitonnaire, a question and answer pamphlet ublished by VIS, Lusaka, 1985

VIS, Annual Report for the year 1985

N/W - Northern Western

Appendix 5: Regional Distribution of Applicants for SIDO Registration Classified According to Industrial Activity (July, 1986)

Type of Industrial Activity	Central Prov.	C Belt Prov.	Lusaka Prov.	Eastern Prov.	Southern Prov.	Luapula Prov.	Northern Prov.	N Western Prov.	Western Prov.	TOTAL
Stock fee	3	-	14	-	2	-	2	-	-	21
Milling	54	7	14	25	29	17	36	5	2	189
Tailoring	8	12	78	9	10	5	10	2	2	131
Carpentry Timber	17	8	56	16	17	9	21	-	34	125
Bakery	6	1	7	3	2	4	7	3	3	36
Cooking Oil	10	3	8	3	9	6	5	3	1	48
Leather Tannery	3	6	47	5	6	-	1	-	3	72
Soap	4	2	25	2	3	-	1	2	-	39
General Engineering Reparis	14	21	59	8	14	3	7	1	1	138
Block Making	6	5	19	1	2	4	3	-	1	40
Ice Blocks	1	1		-	-	1	-	-	-	3
Bandages	1	1	2	-	-	-	-	-	-	4

Type of Industrial Activity	Central Prov.	C Belt Prov.	Lusaka Prov.	Eastern Prov.	Southern Prov.	Luapula Prov.	Northern Prov.	N Western Prov.	Western Prov.	TOTAL
Razor Blades	-	2	-	-	-	-	-	-	-	2
Sanitary ware	-	2	-	-	-	-	-	-	-	2
Creostore oil	-	2	-	-	-	-	-	-	-	2
Guitars	-	1	2	-	-	-	-	-	-	3
Cosmetics	-	1	1	1	-	1	-	-	-	2
Toys	-	2	-	-	-	-	-	-	-	2
Poultry	-	2	-	-	-	-	-	-	-	2
Fish meal	-	1	-	-	-	1	1	-	-	3
Sweet	-	-	1	-	-	-	1	-	-	1
Printing	-	-	13	-	-	-	1	-	2	16
Putty	-	-	3	-	-	-	1	-	-	4
Chalk	-	-	3	-	-	-	1	-	-	4
Honey and Wax	-	-	-	-	-	-	-	2	-	2
Cashewnuts	-	-	-	-	-	-	-	-	1	1

Type of Industrial Activity	Central Prov.	C.Belt Prov.	Lusaka Prov.	Eastern Prov.	Southern Prov.	Luapula Prov.	Northern Prov.	N Western Prov.	Western Prov.	TOTAL
Sports Equipment	1	-	-	-	-	-	-	-	-	1
Jam & Food, Fish Processing	1	-	15	-	2	3	2	1	-	24
Pottery	1	1	4	-	-	-	1	-	-	7
tea Blending	-	1	-	-	-	-	-	-	-	1
Biscuits	-	1	1	-	-	-	-	-	-	2
Oxide	-	2	-	-	-	-	-	-	-	2
Hardware Murs Brooms Brushes	-	1	6	1	-	-	-	-	-	7
Candles	-	2	4	1	-	-	1	-	-	7
Glue	-	2	2	-	-	-	-	-	-	4
Copperware	-	1	-	-	-	-	-	-	-	1
Wine	-	1	3	-	-	-	-	-	-	4
Glass Products	-	1	-	-	-	-	-	-	-	1
Zip Buttons	-	1	-	-	-	-	-	-	-	1
Fish Nets	-	1	-	-	-	-	-	-	-	1
Boats	-	1	-	-	-	-	-	-	-	1

Type of Industrial Activity	Central Prov.	C.Belt Prov.	Lusaka Prov.	Eastern Prov.	Southern Prov.	Luapula Prov.	Northern Prov.	N Western Prov.	Western Prov.	TOTAL
Ink Production	-	-	1	-	-	-	-	-	-	1
Charcoal Burning	-	-	1	-	-	-	-	-	-	1
Carpet Mat Marking	-	-	1	-	-	-	-	-	-	1
Paint	-	-	2	-	-	-	-	-	-	2
Football	-	-	1	-	-	-	-	-	-	1
Pencil	-	-	2	-	-	-	-	-	-	2
Tiles	-	-	5	-	-	-	-	-	-	5
Peg	-	-	2	-	-	-	-	-	-	2
Paper products	-	-	5	-	-	-	-	-	1	6
Polishing of Precious stones	-	-	6	-	-	-	-	-	-	6
Spectacles frames	-	-	1	-	-	-	-	-	-	1
Mining	-	-	5	-	-	-	-	-	-	5

Type of Industrial Activity	Central Prov.	C.Belt Prov.	Lusaka Prov.	Eastern Prov.	Southern Prov.	Luapula Prov.	Northern Prov.	N Western Prov.	Western Prov.	TOTAL
Apparatus Chemical Products	-	-	7	-	-	-	-	-	-	7
Soldering	-	-	5	-	-	-	-	-	-	5
Ice-Cream Egg trays	-	-	2	-	-	-	-	-	-	2
	131	96	431	69	94	53	102	19	20	1,015

SOURCE: SIDO

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