

**EFFECTIVENESS OF THE CITIZENS' ECONOMIC EMPOWERMENT
COMMISSION IN THE DISBURSEMENT OF LOANS TO SMALL AND
MEDIUM SCALE ENTREPRENEURS**

By

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AUTHOR'S DECLARATION

I, Cassidy Phiri, do declare that this dissertation represents my own work and that it has not been presented, either wholly or partially, for any other degree at this or any other University. Where people's work has been drawn upon, acknowledgements have been made.

Signature of Author.....

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CERTIFICATE OF APPROVAL

This report has been approved in partial fulfillment for the award of Masters of Public Administration by the Department of Political and Administrative Studies. University of Zambia, Lusaka, Zambia.

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ABSTRACT

The desire to empower citizens in Zambia has been a common call for all successive governments (Seglin, 1990). Loan financing is the major source of external finance amongst entrepreneurs in Zambia. This can be accessed through the Citizens' Economic Empowerment Commission, Commercial Banks, Micro Financing Institutions and other non-bank institutions that provide assistance to entrepreneurs.

Many studies carried out in other countries, both developed and underdeveloped, have validated this problem of lack of access to finance among entrepreneurs and have attributed various factors to it. Countries worldwide, including Zambia, the trend has been to try and better the access to finance by Small medium Scale enterprises. Against this background, the Citizens' Economic Empowerment Act was enacted in 2006, among its main objectives was to enable the most vulnerable in society have access to empowerment funds.

Conclusions and recommendations were derived from the findings of the study which were in line with the research objectives. Conclusions revealed that though SMEs are still faced with lack of access to finance, the support that the SMEs are getting from the Commission is still minimal. Small Medium Enterprises are unable to access loans due to harsh conditions, such as the requirement to produce collateral and documentary requirements prior to loan approval.

The study concludes with some recommendations to help the Commission improve its operations in the disbursement of loans to SMEs. The following are the recommendations: the Commission should relax collateral requirements and charge lower interest rates; scale down standard requirements before loans are disbursed and increase Public Awareness. The government should provide adequate financial resources to CEEC and increase the independence and autonomy of the Commissioners.

DEDICATION

This dissertation is dedicated to my wife, Daphne, My sons, Kondwani, Muchimba, and Temwani. Their encouragement has been a great inspiration.

Also in loving memory of my late aunt, **Mrs. Edna P Mupimpila**, I will, forever, profoundly treasure and cherish the love and encouragement that you gave me. You always wanted me to succeed. How I wish you were here to witness your wish come true.

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LIST OF ABBREVIATIONS

CEEC	CITIZEN ECONOMIC EMPOWERMENT COMMISSION
CSO	CENTRAL STATISTICAL OFFICE
CNIC	NATIONAL INNOVATION FOR COMPETITIVENESS COUNCIL
ECA	ECONOMIC COMMISSION FOR AFRICA
GDP	GROSS DOMESTIC PRODUCT
GNP	GROSS NATIONAL PRODUCT
ILO	INTERNATIONAL LABOUR ORGANISATION
LDC	LESS DEVELOPED COUNTRIES
MCTI	MINISTRY OF COMMERCE TRADE AND INDUSTRY
MSME	MICRO, SMALL AND MEDIUM ENTERPRISE
OECD	ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
SAP	STRUCTURAL ADJUSTMENT PROGRAMME
SED	SMALL ENTERPRISE DEVELOPMENT
SEDB	SMALL ENTERPRISE DEVELOPMENT BOARD
SIDO	SMALL INDUSTRIAL DEVELOPMENT ORGANISATION
SME	SMALL AND MEDIUM ENTERPRISE
UNIDO	UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION
ZDA	ZAMBIA DEVELOPMENT AGENCY

CHAPTER ONE

INTRODUCTION AND BACKGROUND

Introduction

This dissertation provides information about the effectiveness of the Citizens' Economic Empowerment Commission. The first chapter provides information about the background, statement of the problem, objectives of the study, research questions, significance of the study, conceptual framework, literature review, the methodology used, research design, sources of data, population sample, data collection, data analysis, and limitation of the study. Last, but not the least, the organisation of the dissertation.

Background

History and Context of SMEs and the CEEC

Small and Medium Sized Enterprises have, over the years, become a significant part of most economies in the world. Policy makers, economists, and business experts all agree that, Small and Medium Enterprises (SMEs) are drivers of economic growth. A healthy SME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills (Van Praag and Versloot, 2007). The SMEs in developing countries play the role of engines to propel the growth of economies and the achievement of other desirable objectives (OECD, 2004).

In Zambia, SMEs play a dominantly important role in the national economy by making up over 90% percent of industrial enterprises, providing employment and contributing to over one-third of industrial enterprises value added to gross domestic product (GDP) (MCTI, 2004 and 2006). Further, SMEs are important sources of new business creation and developing new entrepreneurial talents. These enterprises provide the much needed dynamism and vitality to the national economy. The significant role played by the SMEs in the growth of the economy has made governments come up with policies that support access to finances for these SMEs, mainly because the private financial institutions may not have favourable lending

terms (OECD, 1996). The government of the Republic of Zambia has formulated SME policies, such as, the Micro Small and Medium Enterprise Development Policy through which the Citizens' Economic Empowerment Commission (CEEC) has been mandated with the issuing of financial assistance to SMEs, to assist with SMEs growth in the country. The government established the Citizens' Economic Empowerment Fund in 2006 as one of the financing avenues for the development of the SME sector. It is against this background, that, this study aimed to establish the effectiveness of the CEEC in the disbursement of loans to SMEs in Zambia.

Until the early 1960s, many economists viewed the continued existence of Small-Scale industries in less developed countries as justified by scarcity of capital and administrative experience. It was often argued that with economic growth, the small, traditional type of enterprises would, in one sector after another, be superseded by modern forms of large scale production. In order to ensure an orderly transition, small industries were seen to deserve support, but mainly financial support. Access to finance was identified as a dominant constraint facing SMEs (Lader, 1996).

In the mid-1960s, a new approach to Small-Medium-Scale Enterprises (SMEs) development began to emerge due to a number of factors. First, there was growing concern over low employment elasticity of modern-large-scale production. It was claimed that even with more optimal policies, this form of industrial organization was unable to absorb a significant proportion of the rapidly growing labour force (Chenery et al, 1974: ILO, 1973). Second, there was wide spread recognition that the benefits of economic growth were not being fairly distributed, and that the use of large- scale, capital-intensive technology was partly to blame (Chenery et al., 1994). Third, empirical diagnosis showed that the causes of poverty were not confined to employment, and that most of the poor were employed in a large variety of small-scale low productivity activities. Thus, it was thought that one way to alleviate poverty could be to increase the productivity of those engaged in small-scale production (Aflab and Rahim, 1989).

After Zambia gained its independence in 1964, the government paid very little attention to the SME sector as the economy was doing fine due to the high copper prices at the time. However, after the collapse of the copper prices in the 1970s, the government decided to foster the SME sector as a means of sustaining the economy

(O.E. Olsen et al, 1993). Though, it was only until the early 1980s, that the government formally recognized the importance of the SME sector and its contributions to the urban and rural economy. In the same token, the Government recognized the challenges that the sector was facing and through the Small Industries Development Organisation (SIDO) Act of 1981 made an attempt to enhance the contribution of the sector to national development. Emphasis was placed on collective enterprise rather than individual ownership. Private enterprises were not encouraged. The resources that the Government allocated to the small enterprises sector were reported to be inadequate and the role of public institutions such as the Small Industries Development Organization (SIDO), the Development Bank of Zambia and the Village Industries Services (VIS)), which were the primary source of small enterprises support, was not defined, except in the broad of terms. Moreover, these organizations faced serious financial and organizational constraints even at that time.

The Zambian government initiated the pro SME policies as far back as 1981, and came up with the Small Industries Act of 1981. This was succeeded by the Small Enterprises Development (SED) Act of 1996 (Chisala, 2008). Both policies had little impact on the development of SMEs.

However, with the introduction of Multi-Party Democracy in 1990, the environment became more business friendly, particularly towards small enterprises. The introduction of structural economic reforms and the country's transition to a market economy in 1991 saw an increase in activities in the SME sector. The Zambian economy experienced significant institutional and policy reforms in the early to mid-1990s. The various structural reforms were aimed at transforming the planned, state – centered economy to one with market-based institutions and policies (OECD, 2003). The policy framework in the 1990s was designed to encompass the structural adjustment programmes, and included trade and financial liberalization, privatization of some state-owned companies, and general macroeconomic stabilization programs. These reform programmes were broadly aimed at improving economic growth, and contributing to poverty reduction in Zambia (Mulwila and Turner, 1982). Between 1995 and 1998 alone, 20,000 formal sector jobs were lost due to reforms brought by the Structural Adjustment Programme (SAP). The loss of jobs was due to

privatization of major parastatal companies and downsizing in the civil service, (ECA, 1999). This led to 4.1 percent decline in the formal sector employment. In 1998, 88.5 per cent of employment was in the informal sector, while the formal sector accounted for 11.5 percent (ECA, 1999). Most of the small businesses, however, fall into the informal sector, while the Medium Size Businesses fall into the formal sector. These statistics suggest that the Zambian government must take a deliberate stand to assist the sector by putting in place policies that will enable Small and Medium Size Business Enterprises to thrive.

This is demonstrated by the establishment of the Industrial, Commercial and Trade Policy in December 1994 with pronouncements that were subsequently followed by the establishment of the Small Enterprises Development (SED) Act of 1996 as successor to the Small Industries Development Act of 1981. Despite the many efforts by government to try and help SMEs to grow so that they can contribute meaningfully to the economy, SMEs have, however, struggled to graduate and have remained stagnant. Even after the expiry of the Poverty Reduction Strategy Paper (PRSP, 2000 – 2004) (which ran in tandem with the Transitional National Development Plan, 2002 – 2005) that placed the SMEs as one of the instruments to economic recovery, employment creation and poverty reduction, the SME sector has remained marginalized and poverty levels are still high.

SMEs are still facing a horde of business constraints that include inaccessible markets, shortage of inputs, inaccessible finance, poor transport facilities and lack of appropriate tools and machinery, anti SMEs government regulatory barriers, lack of skilled labour, shortage of shop/rental space, unavailable utility services, and technical problems (Aterido et.al, 2011). Working conditions are also usually poor as certain production areas are considered health hazards. Further, the researcher found out that, workers are subjected to long working hours, and unstable income. According to a World Bank Report of 1997, Zambian firms of all sizes identified the lack of access to credit, excessive competition from imports, insufficient demand and infrastructural weaknesses as their most pressing constraints.

The Citizens' Economic Empowerment Commissions

In response to the enactment of the Citizen Economic Empowerment Act in 2006, the Citizens' Economic Empowerment Commission was established in accordance with section 4 (1) 4 of CEE Act of 2006. The Citizens' Economic Empowerment Commissions' main objective include facilitating and increasing the levels of citizen participation in all facets of the Zambian economy in order to improve their own lives. As the preamble of the Act states;

The functions of the Commission shall be to promote the empowerment of citizens that are or have been marginalized or disadvantaged and whose access to economic resources and development capacity has been constrained due to various factors including race, sex, educational background, status and disability.

The Citizens Economic Empowerment Act No. 9 of 2006 is aimed at uplifting the targeted citizens who have suffered marginalization. It is meant to level the playing field and raise the citizens to a position where they can effectively participate in the economy. The objectives of the Act include among others:

- 1 The establishment of the Citizen Economic Empowerment Commission.
2. Establishment of the Citizen Empowerment Fund.
3. Promoting the empowerment of targeted citizens.
4. Promoting investment through fostering joint local and foreign ownership of companies

The CEEC's mandated is to empower all its citizens, particularly targeted citizens. The Act defines targeted Citizens as, "person who is historically marginalized or disadvantaged and whose access to economic resources and development capabilities have been constrained due to various factors including race, sex , educational background, status and disabilities.

There has been growing concern in modern times to link the wealth and poverty of developing countries to the entrepreneurial nature of their economy. Many governments, including that of Zambia, are coming up with policies to support the growth of SME, as it is seen that entrepreneurship is playing an important role in

economic growth, innovation, and competitiveness, and may also play a role over time in poverty alleviation (Landes, 1998). Although it was recognized in the early 1980s that small and medium size businesses require financial support from commercial banks, the lending terms prescribed by financial lending institutions are not favorable to the sector. The criteria used to lend to small and medium size business are still the same as for large industries (Binks et al, 1992). The resultant effect is that, there will be very little or no economic development in Zambia.

The government of Zambia identified, among other things, lack of capital or financial support to SMEs as one of the major challenges that impinge on the development of SMEs. In order to solve the preceding challenges, government was to provide adequate and appropriate financial credit at affordable terms. This was aimed at helping SMEs lacking collateral have access to funds through loans to enable them grow and expand their businesses.

The Zambian government recognized the importance of the Micro, Small and Medium Enterprise sector and its contribution to economic development (Sowa et al., 1992). At the same time, Government recognized the challenges that the sector was facing and through an Act of Parliament, it established the Small Industrial Development Organization (SIDO) to promote the Small and medium enterprise sector. SIDO was constituted to cater for financing needs of small scale companies and adopted an operational definition of Small and Medium Enterprises (SMEs). In 1996 SIDO was transformed into small enterprises development board (SEDB) through the 1996 Small Enterprise Development (SED) Act, and in 2006 it was amalgamated into the Zambia Development Agency (ZDA under the ZDA Act No. 11 of 2006). The CEE Act was also passed in 2006 and one of its many objectives was to provide adequate and appropriate financial credit facilities at affordable terms. Government's effort to develop the MSMEs sector has continued and in 2006, through the ZDA Act, the Small Enterprises Development Board, (SEDB) was dissolved and its activities were incorporated into the Zambia Development Agency (ZDA) under the SME Division. In 2009, the MSMEs Policy was implemented and it was discovered that, an appropriate and facilitative regulatory framework is a prerequisite to the successful implementation of the MSMEs Policy. The ZDA Act of 2006 provides legal provision for the development of the MSME sector in Zambia and is the principal legislation under which the MSME development policy shall

operate. The following are some of the Acts and Policies that were put in place to help foster growth in the SME Sector.

- The Industrial, Commercial and Trade Policy in 1994.
- Small Enterprises Development Act of 1996.
- Zambia Development Agency Act of 2006.
- Citizen Economic Empowerment Act of 2006.
- The Micro, Small and Medium Enterprise Development Policy Act of 2009

According to the report by OECD (2006), SMEs are vital for economic growth and development in both industrialized and developing countries by playing a key role in creating new jobs. The development of micro, small and medium enterprises (MSMEs) is viewed as one of the sustainable ways of reducing the levels of poverty and improving the quality of life of households in wealth and job creation in Zambia. MSMEs are believed to deepen the manufacturing sector, foster competitiveness and help in achieving a more equitable distribution of the benefits of economic growth and thereby alleviating some of the problems associated with uneven income distribution. (CSO, 2003 and MSE 1996).

The value of the small business sector is recognized in economies worldwide, irrespective of the economy's development stage. The contribution towards growth, job creation and social progress is valued highly and small a business is regarded as an essential element and a successful formula for achieving economic growth (Vosoloo, 1994). It is estimated that SMEs employ 22% of the adult population in developing countries (UNIDO, 1999) estimate that SMEs represent over 90% of private business and contribute to more than 50% of employment and of GDP in most African countries. According to a 1996 Baseline Survey on micro and small enterprises in Zambia, the sector consists of approximately 97% of all enterprises in the country and employ 18% of the labour force of whom 47% are women (Parker, 1996).

The government, through the Ministry of Commerce Trade and Industry, realized the need to have a more focused approach to the development of the MSME sector. The MSME development policy was formulated to provide direction on all activities

related to MSMEs and the Ministry would serve as the government institution responsible for the implementation of the MSME policy.

The ZDA Act of 2006 is the legislation under which the MSME policy operates and, therefore, serves as the legal framework for the development of the MSME sector. The ZDA Act is supplemented by other pieces of legislation which may also contribute to the successful implementation of the MSME policy. Notable among these is the CEE Act of 2006 which provides for economic empowerment of Citizens through the practice of enterprise and provision of the empowerment fund (MCTI, 2009).

Statement of the Research Problem

In Zambia SMEs lack access to credit to help them boost their businesses. The Citizens' Economic Empowerment Act was established in 2006. Its aim was to uplift the economic welfare of the targeted citizens who have suffered marginalization. It also aimed to level the playing field and raise the citizens to positions where they can effectively participate in business and contribute to the economy. From inception to date, the Citizens' Economic Empowerment Commission has disbursed loans to citizens and to targeted groups and continues to give loans to citizens in an effort to achieve its objectives. The primary goal of the CEEC is to empower the marginalized and economically disadvantaged citizens in the nation. This brought out the need for the researcher to investigate if the CEEC loans are actually benefiting the citizens, more especially the targeted citizens. The big question is has the Citizens' Economic Empowerment Commission been effective in its mandate to uplift the economic welfare and raise the standard of living of the targeted citizens, as well as, that of doing business through the disbursement of loans?

It is, therefore, against this background the study assesses the effectiveness of the Citizens' Economic Empowerment Commission in the disbursement of loans to citizens, particularly the targeted groups.

Objectives of the Study

General Objective

To assess the effectiveness of the CEEC in the disbursement of loans to Small and Medium Scale Entrepreneurs.

Specific Objectives

1. To investigate the extent to which the CEEC loans have benefited/empowered the SMEs (targeted citizens).
2. To identify the challenges faced by SMEs (targeted citizens) in accessing the CEEC loans.
3. To investigate the challenges faced by the CEEC in the disbursement of loans to SMEs.
4. To propose ways for improving the disbursement of loans to SMEs (targeted citizens).

To investigate this problem, the study was guided by the following questions.

Research questions

1. To what extents have the CEEC loan benefited the SMEs (targeted Citizens)?
2. What challenges does the CEEC face in the disbursement of loans to SMEs?
3. What challenges do the SMEs (targeted Citizens) face in accessing the CEEC loans?
4. What should the CEEC do to improve its operations?

Significance of the study

This study would contribute to the existing knowledge on SME, funding/loans, supposed and practicing role of the government in Zambia. The study also clarifies issues related to disbursement and promotion of funds to small and medium scale enterprises in Zambia. It is, therefore, anticipated that this study brings about

information that would help the CEEC improve the way funds are disbursed to SMEs. It is further anticipated that the study also brings out information that should help the government come up with suitable policies. This is expected to serve as a basis for policy implementation in the economic and financial sector.

Conceptual Framework

In promoting the economic empowerment of its citizenry, the Zambian government has put in place laws fostering the said empowerment. The CEE Act is one such law that the Government has put in place. The CEEC Act of 2006 provides for economic empowerment of citizens through the practice of enterprise and provision of the empowerment fund. The CEEC loans is meant to benefit disadvantaged groups such as youths, women, disabled and citizens living with HIV and AIDS. Therefore, the implementation of various empowerment strategies by the CEEC then ought to benefit the intended beneficiaries who, according to the CEE Act, are those citizens with little or no access to the economic resources and developmental capacities available to other Zambians. This study attempted to assess the effectiveness of the CEEC in the disbursement of loans to Small and Medium Scale Entrepreneurs. It remains to be seen from the findings whether or not the CEEC was effective in the disbursement of loans to SMEs.

Empowerment: is simply to increasing the social, economic and political strength of marginalized individuals. Economic empowerment thus means enhancing the strength of the marginalized by ensuring that they gain more control of their lives by deliberately supporting the efforts they make in their self-help economic projects.

Employment creation for citizens in any country is a duty of government. It is a known fact that no government in the world, Zambia included, is able to employ and give jobs to all its citizens. However, the government can fully support the growth of SMEs and recognize their importance in the economy as they are the main drivers of job creation. The CEEC loans ought to benefit the intended beneficiaries, beneficiaries who, according to the CEEC Act 2006, are citizens with little or no access to the economic resources and developmental capacities. SMEs in Zambia fall in this category. Whether or not citizens, targeted citizens, do in fact benefit from the CEEC loans is the basis of this study.

The CEE Act, No. 9 of 2006 defines '*empowerment*' as:

'An integrated broad-based and multi-faceted strategy aimed at substantially increasing meaningful participation of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in the economy and decrease income inequalities.'

The above definition implies that, the primary reason the Act of 2006 was established, was to empower the citizenry, it is for this reason that every intervention that the CEEC puts forward must have economic and social benefits for its citizens, particularly targeted citizens.

The CEE Act defines a '*targeted citizen*' as: 'A citizen who is or has been marginalized or disadvantaged and whose access to economic resources and development capacity has been constrained due to various factors, including race, sex, educational background, status and disability'.

This means the Act recognizes the existence of marginalized people in Zambia and is, therefore, in place to rectify this anomaly. This is also evident that the Act has put in place several provisions to ensure that all SMEs (targeted citizens) in both the formal and informal sectors of the economy benefit from its Fund.

The marginalized citizens usually suffer discrimination in society. They lack the power to access economic opportunities that would propel them towards personal development. Governments in many countries have taken up the challenge to see to it that the marginalized or the targeted citizens have equal opportunities and the ability to take advantage of these opportunities.

Small Enterprises: is any business enterprise registered with the registrar of Companies: Whose total investment, excluding land and building, in the case of manufacturing and processing enterprises, shall be between eighty thousand and two hundred thousand kwacha (K80, 000 - K200, 000) in plant and machinery; and In the case of trading and service providing enterprises shall be up to one hundred and fifty thousand Kwacha (K150, 000). Whose annual turnover shall be between one hundred and fifty thousand kwacha and two hundred and fifty thousand kwacha (K150,000 – K250,000); and Employing between eleven and fifty (11 – 50) persons (MCTI, 2009).

Medium Enterprise: is any business larger than a small enterprise registered with the registrar of companies. Whose total investment, excluding land and building, in the case of manufacturing and processing enterprises, shall be between two hundred thousand and five hundred thousand Kwacha (K200, 000 – K500, 000) in plant and machinery; and In case of trading and services, shall be between one hundred and fifty one thousand and three hundred thousand Kwacha (K151, 000 – K300, 000). Whose annual turnover shall be between three hundred thousand and eight hundred thousand kwacha (K300,000 - K800,000); and Employing between Fifty One and One Hundred (51-100) persons. (MCTI, 2009)

The Government, through the CEEC Act of 2006, recognizes that SMEs are key in providing employment to the citizens. This is why the Government runs a private sector-led economy, which focuses on nurturing SMEs. SMEs are vital in the creation of employment and economic independence for the citizens.

The CEEC, therefore, has the mandate to ensure that SMEs have a chance to benefit from the national resources. This is meant to give business opportunities to all citizens.

Effectiveness: is the extent to which the objectives of an organization are achieved, in this case, the extent to which the objectives of the CEEC have been achieved.

Effectiveness in the disbursement of loans to the intended beneficiaries is important, as this helps in the growth of SMEs, empowerment of the citizenry, ultimately leading to job creation and national development.

The online dictionary defines '***disbursement***' as the process of paying out money from a fund.

The disbursement of loans gives an insight as to who might have been the beneficiaries of the loans, and how these loans were paid out.

Literature Review

This section of the dissertation endeavours to review, and where necessary, compare published literature on disbursement of loans to Small and Medium Enterprises

globally. The literature is presented under the following headings. *Zambian Context*, *African Context* and *Global*.

Zambian Context

In Zambia volumes of literature exist on Small and Medium Enterprises (SMEs) written by various authors, in different languages and for various purposes. This fact underscores the importance and relevance of this sector in the development of any given economy.

The experiences of developed economies in relation to the roles played by SMEs buttresses the fact that the relevance of SMEs cannot be overemphasized, especially among the less Developed Countries (LDC) or rather Developing Countries like Zambia. In order to point out the significance of SMEs in relation to the growth and development of a given economy, SMEs have been variously referred to as the ‘engine of growth’. This stems from the fact that almost all countries that have focused on the SMEs sector and ensured its vibrancy have ended up succeeding in enhancing the quality and standard of living, reduction in crime rate, increase in per capita income, as well as rapid growth in GDP among other salutary effects. “The private sector is the engine of growth of the economy. Therefore, it must be given the necessary tools to increase its growth” (Anyima- Ackah, 2006).

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 enterprise and the informal sector in general.

In Zambia, several studies have been done which have recommended that Zambia’s industrial policies should give equal stress to small enterprises. These studies included those done by Chisala, (2008), Sipemba, (2002), Miya (2002), Christie (1970), DeTTulio (1970), Habsurgh (1978) and Zimmermann (1981). The DeTTulio report based on the data gathered in 1973 emphasized the relatively restricted economic role of the small sector in Zambia’s economy. The Christie report related almost exclusively to the informal sector and artisans in urban areas. It showed how since 1990 it was the informal and not the formal sector which absorbed new entrants to the labour force.

The report suggested direct assistance in formal finance, as well as training and technical assistance if the informal sector was to grow. The above studies bring out scant literature as most of the data on the reports concentrated on the economic role of the small sector in Zambia's economy, little if not non research was conducted to investigate the importance of SMEs and the benefits that comes with giving financial support to the SME sector. This study will try and bridge this gap by investigating factors that help and hinder both the SMEs and the CEEC perform effectively to the benefit of economic growth.

The Habsurg report gave an overview of the government small scale industries policies and agencies. This analysis was incomplete because it only concentrated just finding an overview of government policies and agencies. The study did not show how effective these policies are and how effective these government agencies are in the disbursement of funds to SMEs. The Zimmermann report on the hand presented recommendation for implementation of small scale enterprises credited project. This report also lacked much needed literature to show effectiveness of the CEEC in the disbursement of funds.

Other works have been done which have also attempted to highlight the status of small scale enterprises in Zambia.

The study by Beveridge and Overcall, (1979), was conducted during the early 70s when Zambia's economy was booming and the small enterprises sector was essentially a neglected area. The study was based on field work carried out between 1970 and 1972 on small scale businesses in Zambia in which a specific promotion program for small scale enterprise emerged. This study was also incomplete as it provided scanty literature on small scale business in Zambia. The literature was based on field work carried out between 1970 and 1972 during this period the Zambia government did not really pay attention to developing the SME sector as the economy was doing well. The study by Beveridge and Overcall concentrated on coming up with the programs that would help promote the emergency of small scale enterprises in Zambia, as such the literature in this study did not bring out the much needed data to help understand the effectiveness of the government lending institutions such as the CEEC.

Mulwila and Turner, (1982) 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 the following issues “The formation of specific incentives especially aimed at small industrial development, The rationalization and codification of the existing greatly variety of regulation relating to small scale manufacturing enterprise, licensing and regulation, the issuing of clear directives on the implementation of planning and public health regulation so that realistic standards are set, the evaluation of socially, economically and politically appropriate mode of organization to serve as a frame work for small scale-industrial development”.

The study by Fundanga, (1985), Fundanga’s findings are significant to this research, his study reviewed wide areas to ascertain the promotion of SMEs. One important issue that came out of his study is the confirmation that lack of financial support to SMEs is one of the many challenges that hinder SMEs growth. Fundanga’s study also attempted to provide a strategy (on the basis of largely library research) for the dispersal of small scale enterprises in rural areas. The emphasis of the study was on theory building, it took a macro approach and, therefore, unable to analyze in concrete terms the management problems of small enterprises and promotional agencies.

Sule (1986) states that there is evidence around the world that small and medium scale enterprises provide an effective means of stimulating indigenous entrepreneurship, enhancing greater employment opportunities per unit of capital invested and adding development of local technology. While reflecting the global trends in “downsizing of enterprises,” Several benefits have been advanced by researchers who argue for the relative economic advantage of promoting small scale enterprises in developing countries.

Sule (1986), further, argues that small enterprises have the ability to generate employment from a given stock of capital intensity. Small Scale Enterprises are also justified in the sense that they allow a lower investment per worker compared to the modern sector industries.

Recent studies have been conducted which include studies done by Evans Kachungu in 2011, Ackson C. Simpemba, 2002, Andrew Kamya and Edwin Ebenkele 2002, Peter Haymond (1999), and Mabuta (2007)

There is scanty information on the effectiveness of the CEEC in the disbursement of funds to SMEs. Evans Kachungu (2011) studied the impact of the Citizens Economic Empowerment Commission in Zambia from Inception to date. The study by Kachungu focused on establishing the impact the CEEC has had since its inception. This analysis is incomplete because it only focused on reviewing literature on the CEEC and its operations. The study didn't investigate the views of the SMEs as there is actually the affected sector. This study will try to explore both the views of the SMEs and the CEEC as the lending institution in this case, and find out challenges SMEs face or encounter in accessing funds and also challenges faced by the CEEC in disbursements of funds to the SMEs.

The study by Simpemba (2002) on Funding Problems of Small and Medium Sized Enterprises in the Copperbelt demonstrated that SMEs fail to get financial assistance due to lack of collateral and lack of proper financial statements demanded by lending institutions. This analysis was incomplete because it concentrated only on establishing the factors that prevent SMEs from accessing funds from financial institution and how to overcome such factors. However, the study did not bring out the challenges that the CEEC as the lending institution face in the disbursement of funds to the SMEs. This study will investigate the challenges that both the SMEs and CEEC face respectively. It will also further investigate the benefits that come with the SMEs accessing funds in order to grow their business.

The study by O.E. Olsen, et al (1993) shows how the Government of Zambia attaches great importance to the development of the micro and small scale business sector because of benefits associated with the development of this sector, including employment and income generation

A number of institutions such as the CEEC and the ZDA have been established to provide specialized services to the SME sector. However the impact of these institutions has been minimal largely due to a number of factors. Olsen and others in their study argue that if regulatory framework are put in place and implemented could constitute a big impediment to the development of the SME sector. However, studies have shown that regulatory laws do not constitute a major threat to the SME sector development. Lack of credit has been found to be the major constraints. As a

result, the Government has through the CEEC established the CEE fund to support the growth of the SME sector.

This study is relevant to the study undertaken by this author as it brought out insight on the importance of SMEs to the growth of the economy through job creation and income generation. Hence the need by government to pay particular attention to this sector by implementing policies that support the growth of SMEs. The study also highlighted the fact that credit was an important aspect to the development of SMEs.

Research by Kamya and Ebenkele (2002) concentrated on identifying characteristics of SMEs and the challenges SMEs face in starting up their businesses, very little research, if any, has touched on the challenges that institutions such as the CEEC face in the process of disbursement of funds to SMEs. It is against this background that the researcher sought to evaluate the challenges faced both by lending institution (CEEC) and the SMEs.

Andrew Kamya and Edwin Ebenkele (2002) studied the characteristics of five small scale enterprise 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.

Peter Haymond (1999) provided an assessment for the future development of small scale enterprises in Zambia. The major outcome from all the studies was that small scale enterprises in Zambia hold a key to industrialization and needed to be supported, support should include training, financial support and providing a conducive political, legal and economic climate in the country.

This study by Haymond brought the important aspect of providing financial support among other things to SMEs. This is evidenced in the efforts made by the Government of Zambia to provide funds through the CEEC and other government agencies such as ZDA, Ministry of youth and sport, with the hope of assisting SMEs access funds easily (MCTI, 2009). However, this analysis is incomplete because it didn't highlight how effective the CEEC is in its disbursement of funds to SMEs and what hinders the development of SMEs in Zambia. In Zambia, a number of funds

have been made available to SMEs through various agencies such as the CEEC, but there is little evidence on the effectiveness of these agencies in the disbursement of funds. For this reason the study aims to evaluate the effectiveness of the CEEC in the disbursement of funds to SMEs.

SMEs in Zambia constitute more than 95 percent of all firms and hence play an important role in job creation, poverty reduction and economic development. They also help create an environment for innovation and entrepreneurship. Since 1991, the SME sector population has experienced exponential growth. It is estimated that only 500,000 (12.5%) of the potential labor force of 4,000,000 Zambians are in formal employment. The remaining 3,500,000 (87.5 %) are engaged in informal employment (SMEs). The predominance of SMEs is also translated into their contribution to the production value in the manufacturing sector unfortunately, due to scanty information, the author could not quantify the current value added created by SMEs, however,

Mbuta (2007) indicated that in 1996, the SME sector produced value added amounting to K 85.7 billion (constant 1994 prices) out of the total GDP of K 2,328.1 billion representing 3.7 percent. He also estimated that the sector contributed 4.7 percent of the total GDP in the same year. Actually most of the SMEs in Zambia are in an informal state and hence are not captured by the Central Statistics Office therefore, their contribution to national GDP may somewhat be under estimated. In spite of the significant role that SMEs have come to play in the economy, most of the policies have tended to favour large-scale enterprises.

Just like the developed countries, Zambia is still faced with several barriers. The major barriers include insufficient access to finance, high transportation costs, lack of technology and unfair competition from foreign and Multi- national companies with huge capitals. Poor management competencies, lack of skilled manpower, deficiencies in marketing strategies, low efforts on Research and Development and lack of innovative technology.

African Context

Successful, growth- oriented enterprises invest to improve productivity and employ people, in Africa (Africa Commission, 2009). Africa's small enterprises, from traders

to farmers, contribute to more than 80 percent of output and jobs in most African nations (African Commission, 2009). They offer the best opportunities for growth, diversification and job creation. But SMEs are constrained by limited access to stable energy services, business management skills, skilled labour, and especially finance for investment. Almost 50 percent of African companies identify lack of access to finance as a major constraint to doing business, which is higher than in any other part of the world according to the World Bank Enterprise Surveys (2009).

Research also shows how financial market failures hurt small firms (Beck and Demirguc- Kunt 2006). According to the ECA (2001) survey in Senegal, high interest rates and collateral requirements are among the constraints that SMEs face. The high interest rates increase the cost of doing business and reduce competitiveness. The survey further found that the private sector remained handicapped by the fact that most financial institutions were ill-equipped to serve the SME sector.

This literature showed how high interest rates and collateral requirements are among the constraints that SMEs face. The study was necessary for this study, as it helps in bringing out information that the government through CEEC can use to come with proper ways of improving on the requirements that they provide for SMEs to qualify for loans.

In addition, SMEs also find challenges in the loan application procedures, such that, most of them are defeated, even before they complete the loan application forms. The study shows that application procedures should be revised as they act as a hindrance to many SMEs to apply for loans as many of them do not have the necessary education to understand the application procedures.

In order to address the challenges the SMEs face, there is need to level the economic playing field by ensuring dynamic markets; strengthening weak market-support institution; and removing key constraints to entry, exit, and growth. SMEs are confronted with unique problems including heavy costs of compliance resulting from their size. Other constraints include insufficient working premises and limited access to finance. In addition, Business Development service, namely services related to entrepreneurship, business training, marketing, technology development and

information are underdeveloped and not readily available. On the other hand, SME operators lack information as well as appreciation for such services and can hardly afford to pay for the services. SMEs have difficulties obtaining the required licenses' as they needed capital to reach the prescribed standards are high. Other constraints experienced relate to the areas of taxation, labour law, business trade, and many more (NTSIKA, 1999).

The World Bank survey on access to finance of Nigerian firms demonstrated that banks are reluctant to provide long-term credit to small and medium scale industries in Nigeria because of the high risk nature of that SMEs possess. Kilby, (1983) in his study on Nigeria argued that one of the most significant constraints of the small business was lack of managerial skills and access to finance. Researchers also stress the role of external factors as forming the major constraints on small enterprises development also point to the issue of markets, access to credit and raw materials as problem areas (Bienfield 2002). To address the constraints faced by the SME sector, governments have increasingly begun focusing on those sectors with prospects for employment generation and economic growth and development.

The study above like many other studies revised already shows that lack of access to finance by SMEs is one of the major constraints. This clearly shows that SMEs worldwide need financial support from the government. In case of Zambia the government through the CEEC should be able to provide funds to SMEs with lower interest rates. It is therefore, important that governments provide an enabling environment for SMEs to flourish.

South Africa, it is estimated that 90% of all formal businesses are small, medium or micro enterprises (Rwigema and Karungu, 1999). The SME sector is one of the largest contributors to the South African economy. The SME is not only seen as an employment creator, but this sector also acts as an absorbent of retrenched people coming from the private and public sector have education and training beyond the primary school level (Rogerson, 2001).The merit of this finding is based on the argument that entrepreneurs with a greater level of education and training are more able to adapt their business to the ever changing business environment.

Research conducted on SME failures in South Africa revealed that failure was primarily caused by a lack of credit, management skill and training. This finding is confirmed (Rogerson, 2008) by 90% of a sample of 1000 entrepreneurs who believe that SME failure is due to a lack of managerial skills, training and credit. It can be gleaned from various literature sources (Berger and Udell, 2001; Reynolds and Lancaster, 2006; Bank of England, 2001) that a high percentage of small organizations fail in the first five years of trading, often as a result of over trading and financial strain. Access to finance has therefore featured prominently in a number of studies as a constraint on SME development.

Mozambique, the small enterprises are those with less than ten employees and medium enterprise with employees between 11 and 50. The large enterprises are those which have more than 50 employees. It is observed that 98.6 % of Mozambican firms are composed of SMEs. They provide more employment, diversification, and stimulus for innovations, mobilize social and economic resources, and provide a greater level of competition. In this regard, the government needs to employ suitable strategies in order to minimize the scarcity of bank financing for SMEs in the country and drive the national economic development (MIC, 2007).

According to findings of a research conducted by (MIC, 2007) states that many of the SMEs in Mozambique finance their projects through their own funds, family funds, and friends' funds due to a number of difficulties in accessing bank financing (MIC 2007). The constraints faced by SMEs are associated with the lack of clear financial plans, the accounting documentation, higher rate of interest, and the lack of collateral requirements (MIC, 2007). There remain in the country important policy challenges on the lending side.

The above literature was necessary to the study as it investigated the factors influencing access to finance by SMEs in Mozambique in order to set some light on how the problem of access to finance would be addressed to reduce the number of SMEs collapsing.

According to Beyene (2002), SMEs can immensely benefit from a conducive policy and regulatory environment. Absence of such an environment can force SMEs to exit early from the market. Government genuinely committed to the promotion and

developments of SMEs have to make sure that an enabling policy and regulatory framework is in place.

Beyene (2000) further suggests that governments should introduce the establishment of a one-stop facility for processing of all permits, licenses and approvals which would guide and connect entrepreneurs through the process of registration; set the targets for maximum permission time to process applications; require local authorities to publish annually their plans for the provision of sites, premises and other infrastructure to support small business; develop long term plans for municipality and township requiring that specific provision be made for small business.

Furthermore, Beyene (2000) alludes to the fact that Governments should commit themselves to simplifying the reporting requirements for SMEs; harmonizing and streamlining the approval procedures for loan applications. For example, Kenya, with the help of DFID, has managed to improve their legal and environmental policy. It introduced a single business permit contributing to lower costs of operating business. Mauritius and Tunisia can also be cited as providing an appropriate and conducive environment for business operations. The government has, by and large, been proactive in creating a conducive policy environment for the effective operation of SMEs, particularly for those in the export sector. Equally the government of Zambia through the CEEC can learn lessons from the above study. This study is necessary to the study, as it brings out information that can be used by the government and the CEEC in particular in the hope providing a conducive environment for business operations in Zambia.

Global Contexts

The SME sector is considered very important in many economies because it provides jobs, pay taxes, are innovative and very instrumental in countries participation in the global market.

The United States of America, SMEs are often called foundation enterprises; they are the core of the country's industrial base (Piper, 1997). Looking statistically at the scenario of the USA SMEs, it is noted in the Commission's first report on SMEs (2010) that more than 99 percent of U.S. businesses are SMEs. There are several

barriers that the USA SME sector faces, especially in exports. The major barriers to export include; insufficient access to finance, high transportation costs, problems with domestic and foreign regulations, the small scale of SME production, burdensome foreign customs procedures, tariff and nontariff barriers, language and cultural differences, and lack of knowledge of foreign markets.

The research brings the importance of providing finance support to SMEs. Providing finance support to SMEs is one of the important measures that any government can put in place in order to improve effectiveness of institutions such as the CEEC in the disbursement of funds to SMEs.

Japan, the contribution of Small or Medium-Sized Enterprises is more than 99% of total business. This has resulted in employment for the majority of the Population and accounted for a large proportion of economic output. Though Japan is a developed country, SMEs face several problems like: securing finance, finding the right employees, lack of export orientation, and lack of innovation, (Economist Intelligence Unit, 2010). One can very well note from the brief analysis that despite the high SME growth, both the USA and Japan are facing various problems related to SME sector.

The study also shows that just like USA, SMEs in Japan face problems in accessing funds for their development. This clearing shows that there is need for governments in the world to provide finances to SMEs as it is evident from many researches that SMEs do help in creating jobs in a country. Therefore, helping SMEs growth helps in the eradication of poverty through job creation.

The SME sector contributes to the Gross National Product (GDP) of nations. Stevenson, (1997), established that a high level of business start-up activity and growth in the SME sector correlates positively with increase in the Gross National Product. In addition, recent empirical studies, such as, the one by Ayyagari, Beck and Kunt (2003), show that SMEs contribute to over 55% of GDP and over 65% of total employment in high-income countries.

The extant literature is clear on the fact that small businesses mostly have problems accessing funds from finance providers to finance fixed assets and working capital for their operations (Tucker and Len, 2003). The presence and nature of a financing gap for small firms has been debated for decades

This literature showed that lack of access to loans by SMEs is one of the many reasons why fail to grow into big businesses and as such many of the SMEs are unable to expand and die in their infant stages. The research, however, only brings out the effect of lack of access to loans by SMEs but does not provide a comprehensive approach to how SMEs can actually access these loans.

India, as other developing countries, the contribution of small and medium enterprises (SME) sector to manufacturing output, employment and exports of the country is quite significant. It is noted that in terms of value, the SME sector of India accounts for 45 per cent of the manufacturing output and 40 percent of the total exports. Also, the SME sector employs around 42 million people in over 13 million units throughout the country (Ghatak, 2010).

The study shows that encouraging funding of entrepreneurs is one way to ensure that more SMEs are created and sustained, thereby, creating jobs in a nation. The study was necessary for this study, as it brings the importance of setting government funds through institutions such as the CEEC through which these funds can be disbursed to SMEs.

As a part of the government's strategy to promote economic growth, Chile established a National Innovation for Competitiveness Council (CNIC) in 2005. This was further strengthened in 2006, when a new pro-innovation law was passed, whereby mining companies are charged a royalty which is intended to feed an Innovation and Competitiveness Fund.

This fund supports numerous programmes, including the promotion of entrepreneurship and innovation among private companies. In order to specifically target SMEs, the government launched in 2007 an ambitious entrepreneurship agenda, Chile Emprende Contigo (Chile undertakes with you). It contains 21 specific measures, which are divided into five areas: institutional development to create an environment favourable to SMEs; funding; entrepreneurship; innovation and training;

and support to indebted entrepreneurs. The total resources committed for the period 2007-2010 amounts to USD 620million.

Lessons can be learnt from the studies above on how mining companies in Zambia can use some of the mining money to promote SMEs in the country. Funds collected can be used to improve the SMEs sector. This study is necessary as it would provide institutions such as the CEEC the much needed funds required for disbursement.

In a nutshell, based on the brief analysis above, it can be concluded that whether the country is developing or developed in status, the role the SME sector is very significant for overall health and growth of the economy. Hence it becomes important for policy makers to analyze the major factors contributing to positive growth of the sector. Following the analyses, the author, thinks that the most important element responsible for sustainable development of the SMEs, be it in a developed or less developed country, is easy access to finance.

It is noted that the main constraints faced by small entrepreneurs are lack of finance, low human resource capabilities, and absence of technological capabilities. Apart from this, poor management competencies, lack of skilled manpower, deficiencies in marketing strategies, low efforts on Research and Development and lack of innovative technology are also prominent factors responsible for unstable growth of SMEs. The researcher also discovered that another similarity between SMEs in developed countries and developing countries is lack of corporate governance structure. It is noted that usually, there is a lack of awareness among these enterprises regarding significance of corporate governance. If awareness is there, there is a general aversion to adopting these practices because of high cost of implementation. On the other hand, looking at specific factors hampering the growth of SMEs are competition, corruption, barriers to trade. Also the role of the government and specifically bureaucracies in the legal and regulatory framework are other important factors hindering the growth of SMEs (Aikaeli, 2007).

It is evident from the discussion above that SMEs contribution is considerably high in economic development, irrespective of whether it is a developed or developing country. Not only financially subsidized promotion, but also the strategic

implementation becomes very important for sustainable development of SME sector. Strategic implementation takes care of financial aspects, human resource, marketing, research and development, technology and corporate governance in SME sector.

There are several lessons to be learned from developed countries' SME sector. It can be concluded from the analysis that SME sector in developed countries is not only relying on credit availability or technological innovation, but also on implementation of all possible strategies for development of SMEs. Hence, there is need for policy makers of developing and under developed countries to focus on as many aspects as possible that help the SME sector to become the real back-bone of countries and fuel economic growth.

A number of pertinent factors had emerged from the studies reviewed. The emerging issues were an eye opener and were beneficial to this research. Most of the studies reviewed, however, focused on the challenges SMEs face in starting up their businesses. Very little was highlighted on the challenges that lending institutions such as the CEEC face in the process of disbursement of funds to SMEs. It was therefore, essential to specifically investigate the Zambian case because different countries had varying challenges.

Further, most of the studies concentrated on the benefit SMEs have, once they have had access to funds and particularly in Zambia, a number of funds have been made available to SMEs through various agencies, but there is little evidence on the effectiveness of these agencies in the disbursement of funds.

The findings of most studies reviewed that funding helps start- up businesses, but there is little research with respect to Zambia on whether the benefits are sustained. It is because of this that this study attempted to assess the benefits of funding the SME sector.

The literature also revealed that many governments, including those of African countries have shown commitment to the development of the SME sector by way of formulating policies and establishing funding agencies. Some research surveys have, however, revealed that the funds disbursed by these public funding agencies have not

reached the intended groups- the vulnerable. This research aimed at establishing if the funds disbursed by the CEEC have reached the intended groups.

This research therefore, attempted to fill the gap by researching on various issues affecting both the CEEC and the SMEs. It was hoped that this approach was going to be a representative of the sector as a whole.

Methodology

This Section looks at the data collection, processing and analysis techniques used. More specifically, the following will be given consideration, the research design, population and sample, the procedure and analysis, validation and rehabilitee, ethical issues and the chapter summary. The researcher collected and applied both quantitative and qualitative research approaches in order to compensate any inadequacies that may inherently be embodied in any one of the two approaches. The research was evaluative in nature.

Research Design

The researcher applied both quantitative and qualitative research approaches in order to compensate for any inadequacies that may inherently be embodied in any one of the two approaches. Quantitative approach was used to collect data on demographic profile and characteristics of SMEs. As advanced by Cooper and Schnidler (2008), a quantitative method was selected to allow for the generalization of the findings among SMEs and provide a framework for carrying out an extensive research. A qualitative approach was used to collect data on the benefits of SMEs accessing loans from CEEC, challenges the SMEs face when accessing loans from CEEC and challenges the CEEC face in the disbursement of loans to SMEs. The reason for using qualitative approach was to enable the researcher understand the context in which certain events occurred in order to interpret the findings accurately. The qualitative approach enabled the respondents to “tell their story” thus giving the researcher an opportunity to examine and make clarifications (Yin, 2009).

Source of Data

This study used both primary and secondary data. Primary data was collected through the use of personal interviews, observation and questionnaires administered to both the CEEC and the SMEs. Primary data formed the crux of this study because it afforded the opportunity in obtaining at first hand, relevant responses.

Secondary data was obtained from reviewing journals and literature relevant to the subject matter of this research. Newspaper sources and official policy documents of government of Zambia with relevance to the subject were also consulted. The electronic search site: www.google.com was employed extensively for up-to-date materials on the topic. The two types of data were used to complement each other

A pre-test of the questionnaire was administered to a total of ten (10) respondents to establish its limitation before the entire 250 questionnaires were printed.

Population and Sample

According to Castillo (2009), population refers to the entire group of individuals or objects. The Universe Population has varying characteristics and it is also known as the theoretical study population. In this case the total population was 847; it included all the SMEs that applied for loans from CEEC from the year 2008 to 2010.

The Headquarters of CEEC is located in Lusaka District. With the objectives of the study in mind, selecting this region afforded the researcher the opportunity to contact SME operators who have made numerous contacts with the CEEC and, therefore, have a lot of experience to share. Secondly, it was easier for the researcher to approach these SMEs operators since the researcher was also resident in the same region. Choosing any other region would have meant travelling a long distance just to make contact with the SMEs operators, which would have been very difficult, considering the time frame of this thesis.

The study used purposive method. Purposive sampling is a method where units in the sample are selected purposively for judgement by the researcher. The method was used to select SMEs who had a chance to have applied for a loan from CEEC. A sample size of 250 was seen as representative of the SME population and participants were targeted for responses and a total of 250 questionnaires were distributed out of

which 200 were responded to. This represented about 80% of the response rate which was deemed to be impressive for this study.

This study was limited to Lusaka District. Lusaka was targeted because it was convenient to the researcher. The researcher faced challenges when trying to trace the SMEs since most of them were not in one place. The SMEs respondents also delayed in answering the questionnaire and others never returned the questionnaire. For those who did not return the questionnaire, the researcher overcame this challenge by reprinting and redistributing the questionnaire until at least 200 SMEs responded.

Data Collection

The main data collection instruments used in this research were questionnaires (see Appendix 1 and 2) personal (oral) interviews and observations. Two types of questionnaires were designed for the study; one for the SMEs and the other for the Senior Officers working at CEEC Headquarters in Lusaka. The researcher also conducted some observation on the operations of the SMEs and the work culture of CEEC official when attending to SMEs.

The researcher also carried out some oral interviews through focused Group Discussions (FGDs) on the SMEs. (See appendix (III) for interview guide). FGDs were used to enable respondents to freely and easily express themselves in their own language.

The questionnaires were personally administered to selected respondents according to the selected sampling method stated above. Discussions from focus groups were recorded on a tape recorder and later on translated from the various Zambian languages into English (where necessary) for analysis.

Data Analysis

The study used manual analysis for data collected from observation and personal oral interviews. For data collected through questionnaires, the Statistical Package for Social Sciences (SPSS) was used for analysis. Data analyzed using SPSS has been presented using frequency tables. Frequency tables present counts and percentages of variables. However, because this was an evaluation research, it involved a

comparison on whether the findings showed or did not show the expected results in the effectiveness of the CEEC in the disbursement of loans to SMEs.

Limitation of the Study

The study was limited to Lusaka Province due to the limited amount of time required to carry out the research. Furthermore, the researcher did not manage to collect data from the targeted two hundred and fifty SMEs because of challenges in tracing them. Some SMEs who were called on phone refused to answer the questions. Most of the respondents did not answer the questions on time. Some would take ten or more days to respond. This delayed the process of data collection. Other respondents went with the questionnaires and never returned them, hence the researcher had a challenge of looking for extra money to print more questionnaires. Financial constraints were a limitation which also led to the delay in completion of the entire research. The above mentioned challenges to some extent affected the quality and validity of the research results but as in every research endeavor, they were unavoidable.

Organization of the Dissertation

The dissertation is organized as follows: Chapter one presents introduction to the topic, it outlines the background information on the disbursement of loans to SMEs. Among other issues presented include the statement of the problem, study objectives, methodology used and the significance of the study. The chapter also presents the conceptual framework, literature review, and the limitations of the study. Chapter two presents demographic data and characteristics of the SMEs. Chapter three is an investigation of the extent to which the CEE Fund has benefited/empowered the targeted citizens. Chapter four discusses the challenges faced by targeted citizens in accessing the citizen economic empowerment fund. Chapter five gives an analysis of the challenges faced by the Citizen Economic Empowerment Commission. Chapter six provides the main conclusion of the study drawn from the findings and recommendations are made thereafter.

CHAPTER TWO

DEMOGRAPHIC DATA AND CHARACTERISTICS OF THE SMEs

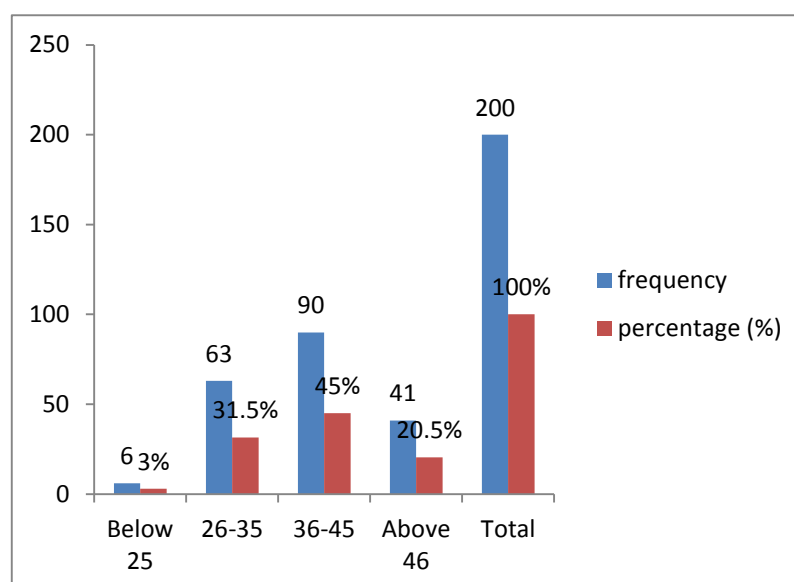
Introduction

This chapter presents findings on and discusses the demographic data of the respondents and characteristics of the SMEs. The main results derived from the research are explained with the aid of tables and figures.

Age Distribution

Fig 2.1

Age distribution of SMEs



Source: Compiled from the field Survey data.

NOTE: The percentage figures in all the tables and figures have been rounded off.

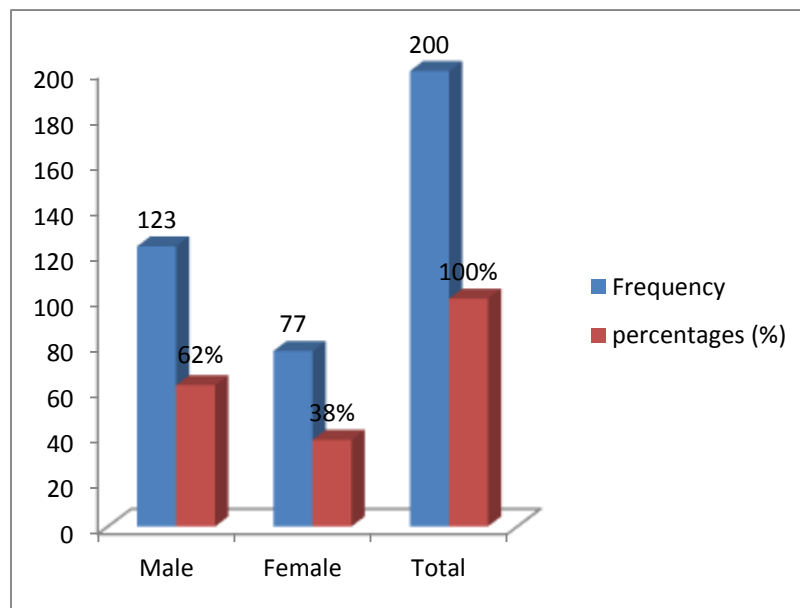
Figure 2.1 on age distribution shows that 45 percent of the respondents were aged between 36 – 45 years, while as 32 percent were between the ages of 26 – 35 years. Twenty percent are in the range of 46 years and above. Respondents aged 25 years and below were represented by 3 percent. The results indicate that most SMEs are neither too or too young.

The results further indicate that people rarely go into business when they are very young. Age is important, as it is one of the determining factors of entry into business. It also correlates with the amount of responsibility in the management of the business and maturity in decision making.

Gender of Entrepreneurs in SMEs

In figure 2.2, 62 percent of respondents were male, while 38 percent are female.

Figure 2.2 Genders of SME Owners



Source: Compiled from the fied Survey data.

The majority of the respondents were male. It can be assumed here that males are more likely to own more collateral than women, hence in a position to access funds or to apply for loans. Also men may have more knowledge in the requirements of loan applications than females.

Marital Status

109 of respondents were married as shown in figure 2.3, representing 54 percent. Twenty four percent of the respondents were single, twelve percent of the respondents were divorced, seven percent were widowed and three percent were on separation.

The research showed that there is a prevalence of married people in business due to the need to support their families. Marital status relates to the amount of time and resources that go into the running of the business.

Table 2.1 Marital Status

Marital Status	Frequency	Percentage (%)	Cumulative (%)
Single	48	24	24
Married	109	54	79
Divorced	24	12	90
Windowed	14	7	97
Separated	5	3	100

Source: Compiled from the field Survey data.

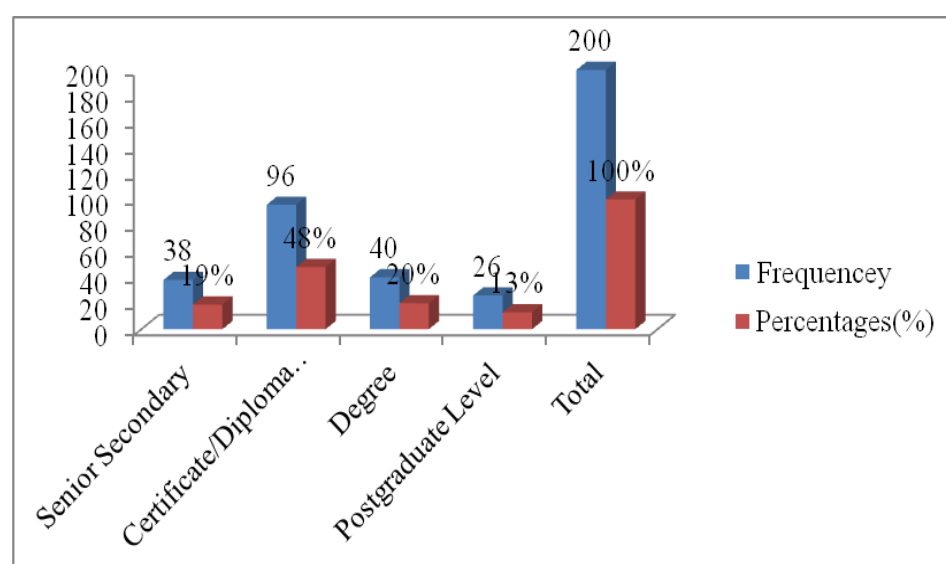
Level of Education

Forty eight percent of the respondents had either a Certificate or a Diploma, twenty percent had degrees, nineteen percent had reached grade twelve and thirteen percent had post graduate qualifications. The results show that most SMEs have either a Certificate or a Diploma; the study revealed that with the high levels of people attaining formal education and the lack of job opportunities on the market, many people are now resorting to entrepreneurship as a way of creating employment for themselves. This is supported by the research done by Rogerson (2001), which states that the SME sector acts as an absorbent of retrenched people coming from the private and public sector have training beyond primary school level. The merit of this finding is based on the argument that entrepreneurs with a greater level of education and training are more able to adopt their business to the ever changing environment. The study also revealed that the level of education attained matters in the running of business, as it enhances business management and helps in the procedures of securing finance such as loan applications and the preparations of business plans, which both the CEEC and other lending institutions request for.

In as much as the above argument is correct or not, it is important to note that most targeted groups in this case the women and youths do not have the education that could enable them meet the needed loan application requirements by the CEEC and as such most of them fail to meet these requirements. Government through the CEEC should put in place measures that would see to it that marginalized people are able to meet the CEEC requirements for loan approval and one way to do this is by simplifying the loan application procedures.

Figure 2.3

Education levels of SMEs



Source: Compiled from the field Survey data.

Forms of Participant SMEs

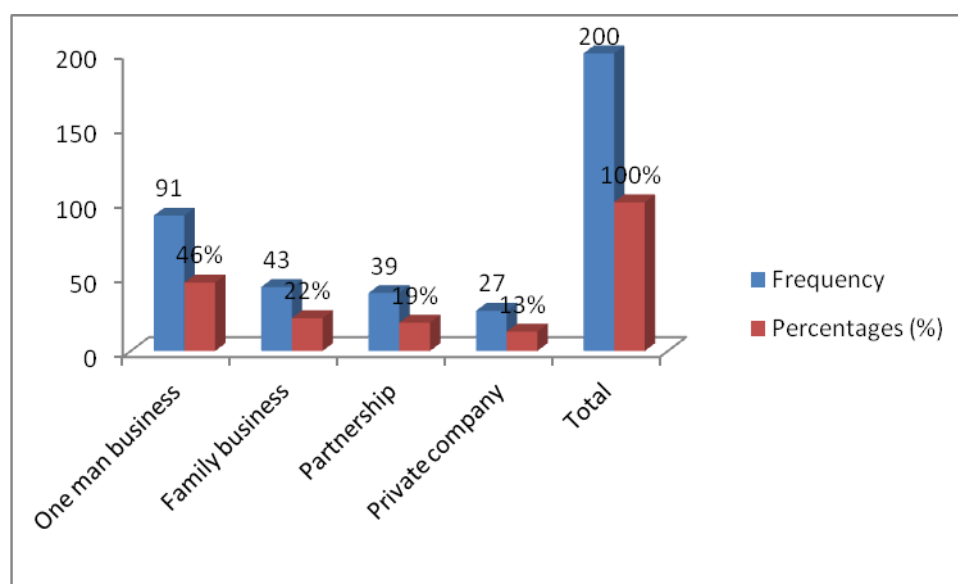
Figure 2.4 indicates that most of the respondents were running one man businesses, representing forty six percent, followed by those who are running family business, representing 22 percent, while those in partnership were represented twenty percent and those with private limited companies were fewer, represented by fourteen percent.

Usually, for one man businesses the source of funding was from personal savings, alternative sources of start-up capital were uncommon among entrepreneurs in SMEs. The findings of this study agrees with study done by the MIC which revealed that many of the SMEs in Mozambique finance their projects through their own funds,

family funds due to a number of difficulties in accessing credit from lending institutions.

Figure 2. 4

Forms of Participant SMEs



Source: Compiled from the field Survey data.

Type of business

Most of the respondents were in trade industry, as it can be seen in table 2.2, representing a percentage of twenty eight, followed by the agriculture industry at eighteen percent, service and hospitality were both at ten percent, manufacturing is at nine percent, transport at seven percent, catering and ICT both were at five percent, construction is at four percent, while education and other was at three percent.

The high figures of SMEs in trade and agriculture industries are due to fewer barriers to entry into these industries and the same can be said for those SMEs in the Service and Hospitality industries. However, most SMEs have difficulties entering the manufacturing and the constructions industries owing to their technological capabilities and the high capital required. The education industry is avoided by most SMEs, as most do not have the ability and capability to run this industry.

Table 2.2 Type of Business Engaged In

Nature of business	Frequency	Percentages (%)
Trade	55	27
Education	6	4
Manufacturing	18	9
Catering	9	5
Service	20	10
Hospitality	20	10
Construction	7	3
Transport	14	7
Agriculture	36	18
ICT	9	4
Other	6	3
Total	200	100

Source: Compiled from the field Survey data.

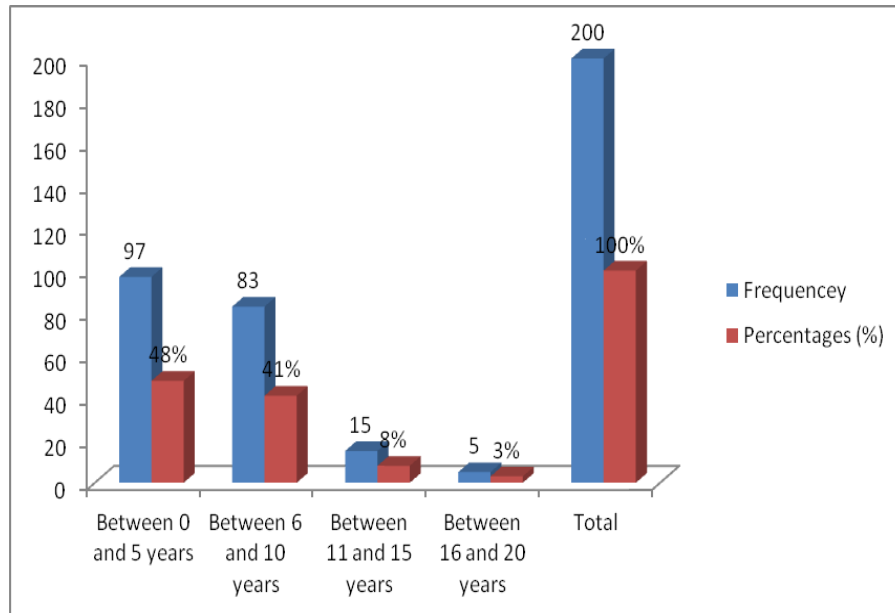
Years of Operation

Most of the respondents had been in business for less than 5 years, as indicated in the Table 2.5, representing a forty nine percent. Forty two percent were in business for 6 to 10 years, eight percent had been in business between 11 and 15 years and three percent had been in business between 16 and 20years.

Most of the SMEs fall between 0 to 5 years. This is as a result of the fact that the majority of SMEs were one man businesses, easy to start and quick to die also, as they was no continuity. Mostly, they lacked expertise and the much needed financial capital. The years of operation coincided with the kind of SMEs. The results signify that most SMEs were run as one man businesses.

Figure 2.5

Years the SMEs have been in operation



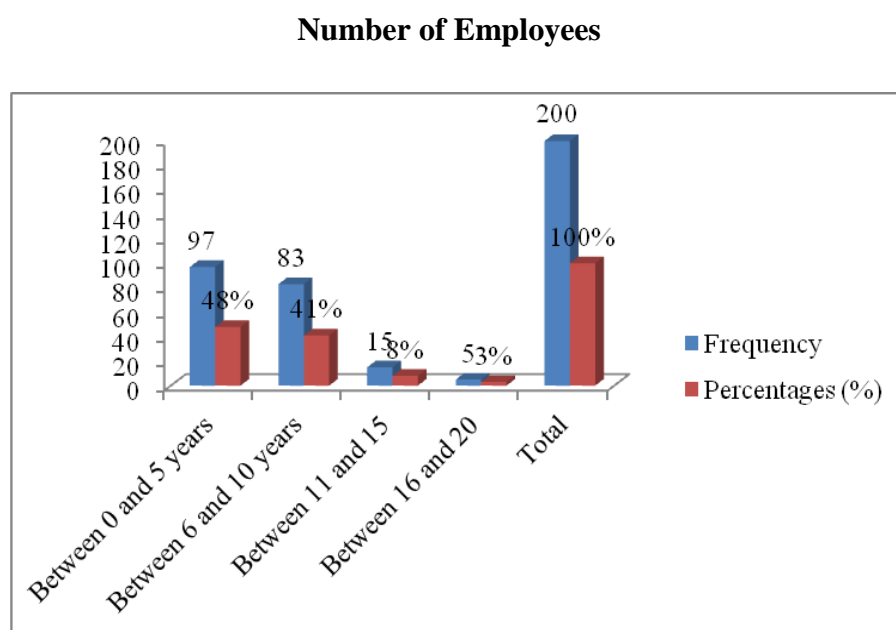
Source: Compiled from the fied Survey data.

Number of Employees

Figure 2.6 shows that the majority of the respondents were able to employ between 0 and 5 employees, representing forty six percent. Forty percent of the respondents were able to employ between six and ten employees. Nine percent were able to employ between 11 and 15 employees and four percent were able to employ between 16 and 20 employees.

The results reflect that most of the SMEs employed between 0 and 5 workers. This is attributed mostly to lack of financial capital. Nonetheless, reasons for the low number of workers employed by SMEs are varied, and coincide with the decision to start business.

Figure 2.6



Source: Compiled from the fied Survey data.

Number of SMEs Funded

Below is the information on the number of SMEs that applied for funds from the CEEC, number of SMEs that were funded, funding by sector and the amount which was actually disbursed by the Commission.

Table 2.3 shows the number of SMEs that were funded by sector between 2008 and 2010.

Table 2.3: Number of SMEs Funded by Sector

Sector	Applied	Percentage (%)	Funded	Percentage (%)
Agriculture	154	18.2	18	15
Construction	39	4.6	9	7.5
Education	38	4.5	8	6.7
Health	7	0.8	1	0.8
Hospitality	39	4.6	13	10.8
Information Communication Technology	20	2.4	1	0.8
Manufacturing	109	12.9	17	14.2
Service	130	15.3	22	18.3
Tourism	8	0.9	1	0.8
Trading	216	25.5	19	15.8
Transport	52	6.1	8	6.7
Other	35	4.1	3	2.5
Total	847	100.0	120	100.0

From the above table, it can be seen that SMEs that applied for funds represent a wide spread of sectors in the economy. The majority of the SMEs were from Agriculture, Manufacturing, Service and Trading. Those in the Trading sector represented 25.5, the Agriculture sector represented 18.2%, the Service sector represented 15.3%, and Manufacturing represented 12.9%, while the Health sector only accounted for 0.8%.

CHAPTER THREE

THE EXTENT TO WHICH THE CITIZENS' ECONOMIC EMPOWERMENT FUND HAS BENEFITED/EMPOWERED THE TARGETED CITIZENS

Introduction

This chapter presents findings on and discusses the extent to which the CEE Fund has benefited/empowered the targeted citizens. The chapter analyses information obtained from the small and medium- sized entrepreneurial borrowers from Lusaka district and the CEEC which is the lending institution. The main results derived from the research are explained with the aid of tables and figures.

Access to CEEC loans

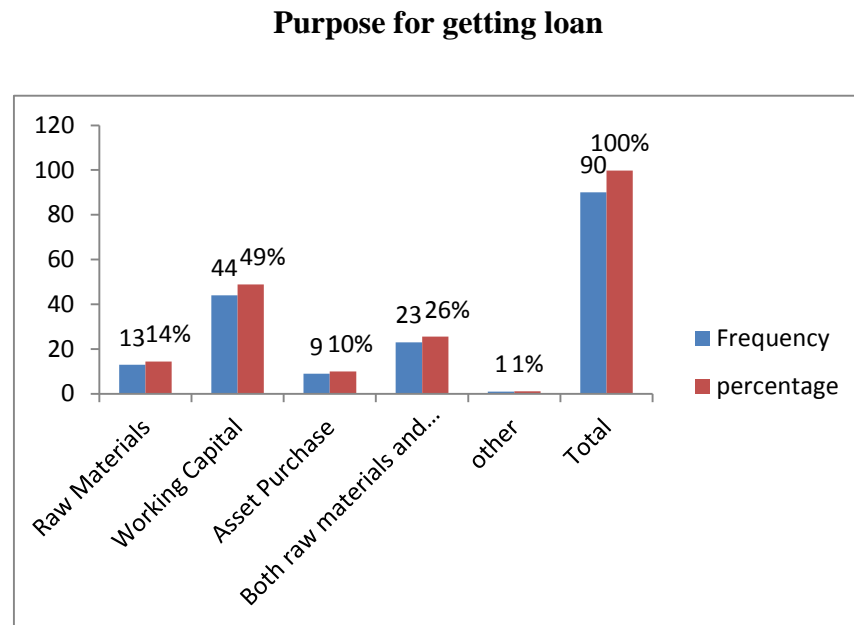
The CEE Act of 2006 calls for equal opportunities for all, and where necessary, ensures preferential treatment to targeted citizens, citizens empowered companies, citizens influenced companies and citizens owned companies, in accessing procurement contracts and other services of any institution.

This research revealed that, SMEs that applied for loans during the period under survey did so for various reasons. The majority of the SMEs (49%) needed the loans for working capital, 14% for raw materials, 10% for asset purchase and 23% for both working capital and raw materials as indicated in figure 3.1. Therefore, this is evident that SMEs whose loan applications were successful benefited from the loans as they were able to boost their businesses.

There are various factors that prompt SMEs to look for alternative sources of funds besides their own savings. Other than using the loan for start-up, some of the reasons given for getting a loan were, among others: expansion purposes, and for the purchase of material resources such as equipment and machinery.

Extra finance is critical in the running of business because it can enhance growth. It is clear that SMEs require funds for working capital, meaning that without access to finance, SMEs would not survive.

Figure 3.1



Source: Compiled from the fied Survey data

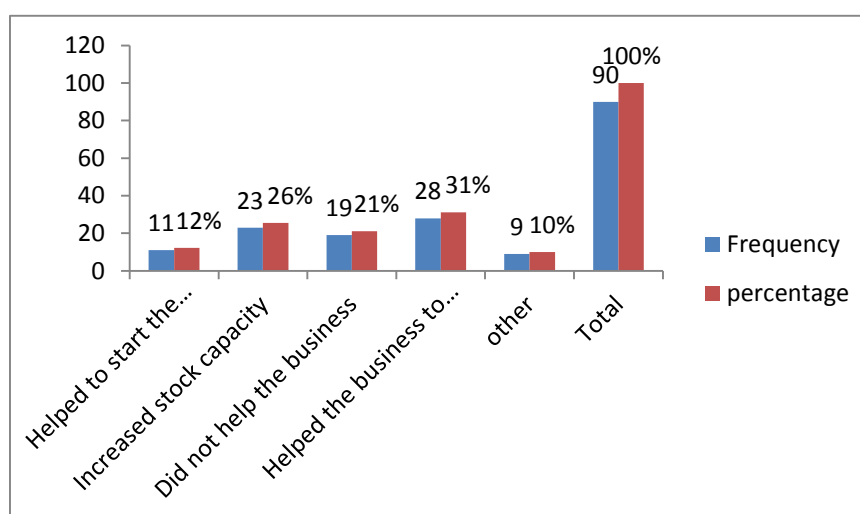
Benefits to citizens

Access to finance is necessary to create an economic environment that enables firms to grow and prosper. This is supported by The Investment Climate Surveys of the World Bank, which shows that access to finance improves the firms' performance. It not only facilitates market entry, growth of companies and risk reduction, but also promotes innovation and entrepreneurial activity. Further, firms with greater access to capital are more able to exploit growth and investment opportunities.

Figure 3.2 shows information regarding the benefits of the funds for the SMEs. As can be seen, upon receiving the funds, out of 90 respondents, 11 attested that they were able to start their businesses, 23 said that they were able to increase their stock capacity and 28 said the funds helped to expand their businesses. However, 19 said the funds did not help their businesses in any way.

Figure 3.2

Frequency distribution of SMEs benefits from Loans



Source: Compiled from the field Survey data

There was pressure on the repayment of the loans because the grace period given before repayments started was too short, and as such they were unable to invest the loans properly. The other reason is that funds were given in piece meals and not as a lump sum. This really affected the operations of their businesses, as they were unable to invest properly. They were also unable to take advantage of bulk buying because they did not have all the funds at once.

Benefits to targeted citizens

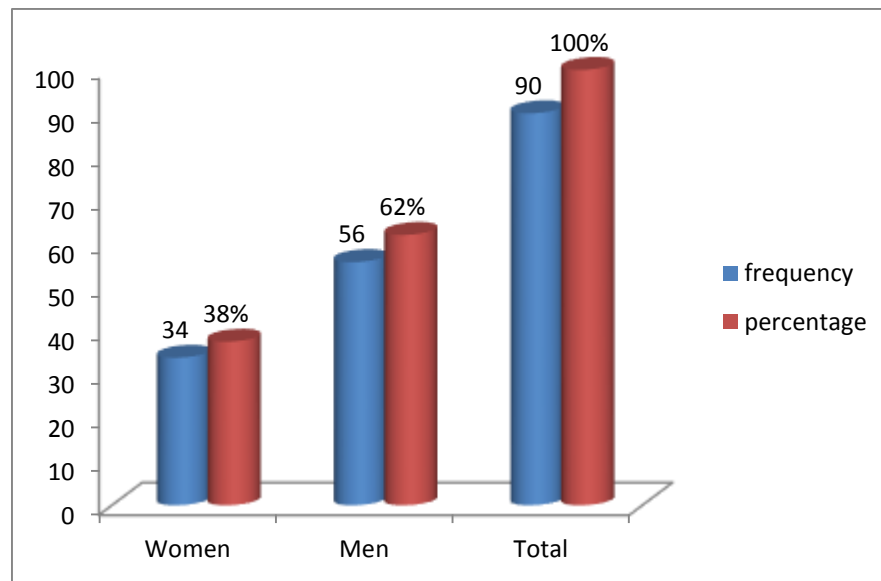
The CEEC loans are meant to benefit disadvantaged groups such as women, youth, disabled and citizens living with HIV and AIDS, commonly referred to as targeted citizens.

Women

The CEEC Act of 2006 is absolute in section 6 (2) (b) in its provision to promote gender equality in accessing, owning, controlling, managing and exploiting of economic resources. The gender comparison helped to check and verify whether there was a fair distribution of the available financial and developmental services offered by the CEEC to women and men.

Figure 3.3

Frequency distribution of women who accessed loans



Source: Compiled from the field Survey data

The CEEC Act is absolute in section 6 (2) (b) in its provision to promote gender equality in accessing, owning, controlling, managing and exploiting of economic resources. The gender comparison helped to check and verify whether there was a fair distribution of the available financial and developmental services offered by the CEEC to women and men.

This type of analysis was cardinal to the study in that during the analysis of data collected from the field, it helped to bring out what the nuances that surround the sharing and distribution of national resources meant for poverty reduction and economic development strategies in Zambian society.

The researcher discovered through a focus group discussion that there are other women who applied for loans from the CEEC but were not given. Respondents were asked to state reasons as to why they were not given the loans most of them cited that the form of accounting that is required by CEEC as complicated and expensive. Respondents said engaging of accounts experts was very expensive and that most of them could not afford to pay them. As such most of them opted to use their own accounting system which they said works very well for them because it was simple enough for any person to understand.

The researcher also encountered a number of women who said they felt that the CEEC did not support their line of business. Most of the women interviewed said that despite making follow-ups over their loan application forms and had been told to wait for the time when funds would be available for their line of business. Most of the respondents felt that the CEEC only concentrated on certain line of business which is agriculture. This argument made the researcher to inquire further into the categories of business that the CEEC purports to support. From the home page of the CEEC on the internet it showed that The CEEC did have categories of business that they have prioritized in terms of offering financial assistance. It was further stressed by the respondents that lack of feedback from CEEC was also another discouraging thing. Most of the women interviewed said that the CEEC did not provide feedback to them as such they did not know where they went wrong in their application.

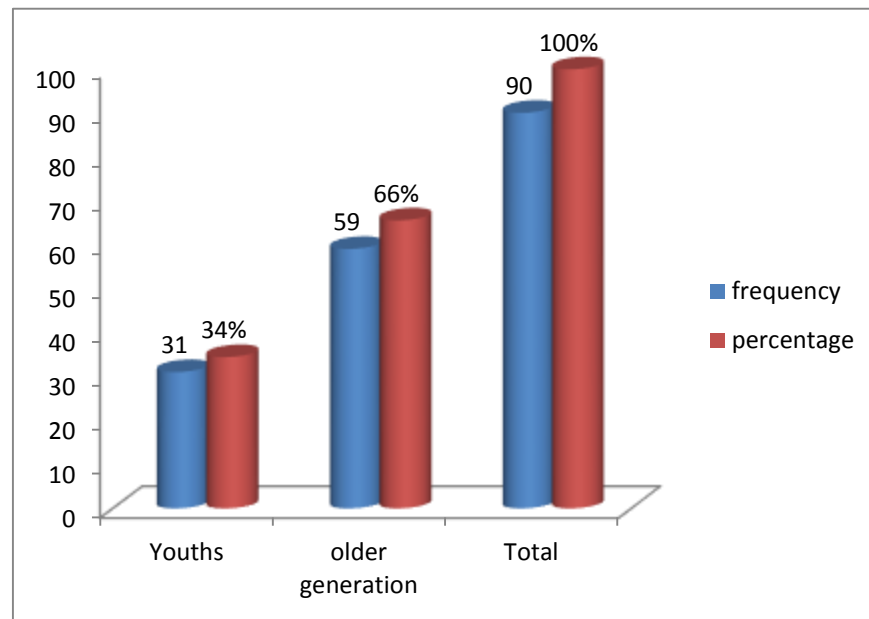
From the information in figure 3.3, shows that the CEEC in this regard did not fulfill its mandate of empowering women as it can be seen that more men actually benefited more than the women. This goes against their objective of empowering equally men and women in the hope of promoting gender equality in the country. This data is in line with the study done by Schauer, (1993), which says that a number of women entrepreneurs have suffered gender discrimination in their entrepreneurship. Men have always dominated in this sector. This is clear indication that fewer women benefited from the empowerment funds.

Youths

The other objective of the CEEC is to empower the youths. From the data in figure 3.4, it can be seen that out of 90 successful applicants, 66% were older than 35 years. These are outside the brackets of a youth. The youths were represented by 34% only. This data clearly shows that the CEEC did not fulfill its objective of empowering the youths.

Figure 3.4

Frequency distribution youths who accessed loans



Source: Compiled from the fied Survey data

Level of Education

Part of the CEEC's mandate is to ensure that even those without formal education receive a fair share of government resources. The research revealed that those with formal education had more access to CEEC loans compared to those with none. This was because they had the capacity to meet the CEEC loan requirements. This is a clear cut indication that the CEEC loan did not actually benefit the targeted citizens.

Figure 2.3 in chapter 2 revealed that Forty eight percent of the respondents had either a Certificate or a Diploma, twenty percent had degrees, nineteen percent had reached grade twelve and thirteen percent had post graduate qualifications. The results show that most SMEs have either a Certificate or a Diploma; the study revealed that with the high levels of people attaining formal education and the lack of job opportunities on the market, many people are now resorting to entrepreneurship as a way of creating self-employment. This is supported by the research done by Rogerson (2001), which states that the SME sector acts as an absorbent of retrenched people coming from the private and public sector have training beyond primary school level. The merit of this finding is based on the argument that entrepreneurs with a greater

level of education and training are more likely to access loans. The study also revealed that the level of education attained matters in the running of business, as it enhances business management and helps in the procedures of securing finance such as loan applications and the preparations of business plans, which both the CEEC and other lending institutions request for.

In as much as the above argument is correct or not, it is important to note that most targeted groups in this case the women and youths do not have the education that could enable them meet the needed loan application requirements by the CEEC and as such most of them fail to meet these requirements.

Conclusion

The CEEC has been, to a larger extent, less effective in the disbursement of loans to SMEs looking at the number of SMEs that have benefited in three years. The research revealed that the few SMEs that had access to loans attested to the fact that their businesses were boosted in one or the other. This goes to show that if SMEs are supported through loans, they have the potential to contribute to national development through job creation.

CHAPTER FOUR

CHALLENGES FACED BY TARGETED CITIZENS IN ACCESSING THE CITIZEN ECONOMIC EMPOWERMENT FUND.

Introduction

This chapter is a discussion of the challenges faced by targeted citizens when accessing loans from CEEC. Information presented in this chapter centers on the challenges that SMEs face when trying to access loans from CEEC. The main results derived from the research are explained with aid of tables and figures.

Loan Application Procedure

Figure 4.2, it shows that SMEs had problems with the loan application procedure. For instance, those SMEs whose loans were successful, 40 out of the 90 said the loan procedure was too long, 25 out of the 90 said the loan procedure was complicated and the other 25 out of 90 said that the loan procedure was simple and straight forward. On the other hand, those whose loan applications were not successful, 54 out of the 110 said the procedure was complicated, 34 out of the 110 said it was too long and 22 out of the 110 said it was simple and straight forward.

From the above information, the researcher found out that SMEs still face challenges in accessing loans from CEEC, because of the long and complicated procedures that are required by the commission.

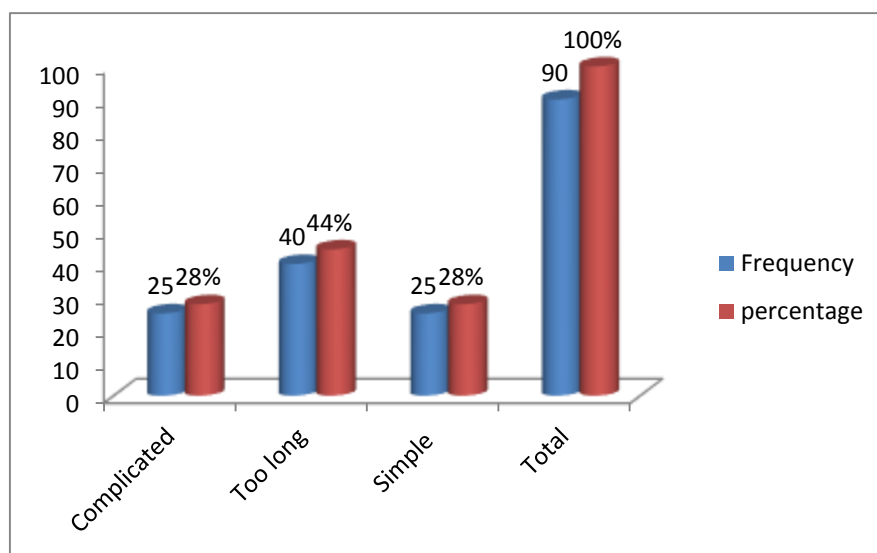
In addition to the above information, it was discovered that respondents whose qualifications were a minimum of a certificate, or diploma or degree and postgraduate degree had no difficulties with the loan procedures, but those respondents with less qualifications, such as senior secondary, had difficulties with the loan application procedure.

Worldwide it has further been observed that many poor people have relatively low levels of literacy and numeracy which made it difficult for them to overcome even the procedural barriers of taking out formal loans. In Africa, both men and women educational attainment is still low (Blumberg (1989). As a result, many people still have trouble completing the complicated application forms and the financial statements that the banks and other lending institutions require.

SMEs are unable to overcome procedural barriers, as most respondents felt that the application procedure was either too long or complicated. There are numerous complaints by SMEs regarding the tough qualification criteria for accessing these funds and the bureaucracy in SME related agencies such as the CEEC itself. Besides difficulties in meeting the requirements for these funds, SMEs also have difficulties because of transparency issues. For the CEEC to be more effective, however, more flexibility should be applied in the application process to enable more SMEs access CEE Fund.

Figure 4.1

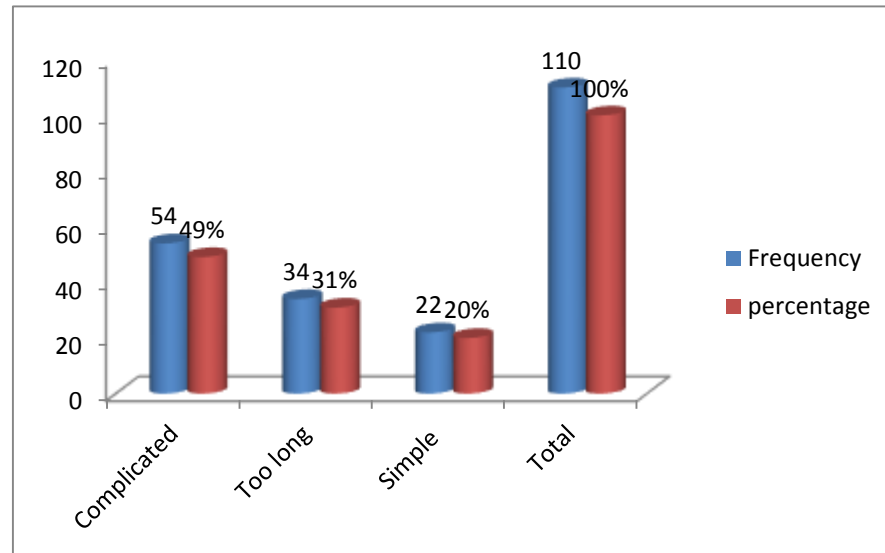
Frequency Distribution of reasons why SMEs application for loans were successful



Source: Compiled from the field Survey data

Figure 4.2

Frequency Distribution of reasons why SMEs application for loans were unsuccessful



Source: Compiled from the field Survey data

Documentary requirements prior to loan approval

The Commission's loan application forms for Small and Medium sized Enterprises (SMEs) are complicated and too long. The Credit application form requires one to complete an eleven paged application. One is required to provide all details requested. The details include the following. Part one requires one to provide business details such as Business name, address, Business location, name of contact person, when the business was registered, ownership of the business whether Limited Company, Partnership, Sole trade, Club/ Association or cooperative. This means that only registered SMEs are able to access the empowerment funds.

Part two of the application form requires one to state the major activities of the business, major products, major markets, major business suppliers, major customers, major competitors, networks and associated businesses. Part three of application requires provision of management and employees' information and it is mandatory that applicants provide details. Part four of the application calls for one to provide a detailed financial analysis which should include a five year projection of Sales, Gross

Profit, as well as net profit. A cash flow analysis and a detailed balance sheet are required to be submitted at the point of application.

Once the applicant has satisfied the above requirements, he or she is then required to prepare and submit a detailed Business Plan. The business plan should contain the following; Business description, Back ground, objectives, Company History, incorporation, shareholders, target market, product/Service description, unique services, Market potential, organisation and management structure, Critical Risks, loan benefits, amount of application and security information.

The above procedures apply to all applicants whose amounts range from fifty one (51) million above.

Clearly, some of these requirements which the Commission has embedded in their application forms are too long and complicated. This defeats the purpose for which the CEEC was established, that is to empower the targeted Citizens, who are marginalized in society. It is clear that one needs to have money to access money from the Commission. Opening a Business account in Zambia is still stringent, providing a financial statement requires the services of an accountant or financial advisor who requires to be paid. The provision of fixed assets as security acts as challenging for startups later on its registration procedures which require one to seek representation before registering security. It is, therefore, very difficult for an average SME to meet these challenging requirements, especially if they are a start-up businesses.

Business Plan

The results indicate that preparing a detailed business plan, together with the cash flow projections, posed as another challenge as is evidenced in table 4.3. In addition, the provision of financial records was another challenging part of the requirements. This goes to show that most respondents lacked knowledge in business proposal preparation and accounting aspect. When asked how they managed, most of them said they had to hire experts to help them write the business proposals. These situations are usually faced by start- up SMEs which have no organized and established financial records.

Since a business plan is sometimes a prerequisite for lending, it can be noted from the results that most entrepreneurs in SMEs have had no experience in preparing one for the purpose of funding. The ability to provide a business plan is comparable to business education.

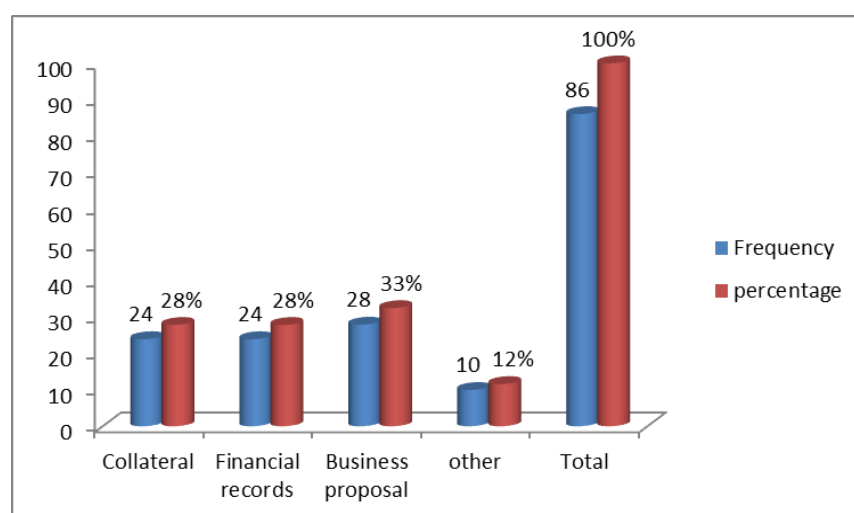
Collateral Requirements

Many poor people do not have enough collateral and as such have trouble meeting this requirement.

The CEEC requires that an SME provides collateral, which can either be in form of landed property, plant and equipment or group security/ guarantee. This study found that this was a challenge for most SMEs, as they were unable to meet these requirements, especially for startup SMEs. Studies have shown that problems encountered by small businesses indicated that the main reason for their limited access to credit is the inability to provide collateral. This is supported by (Krasniqi, 2010) who claimed that financial institutions normally require collateral as an indicator of ability to pay back, and as a protection against the risk of dealing with troubled lenders.

Figure 4.3

Frequency Distribution of the challenging part of the loan application procedure



The CEEC uses security in form of fixed assets as a pre-requisite to giving loans. SMEs are unable to provide this kind of security. In this context, lack of collateral may lead to a firm being denied access to funds. Small firms possess less collateral

than large firms, they may face yet greater difficulty raising capital than do large firms. Therefore, there is need for lending institutions to make the Eligibility criteria a bit more flexible so as to enable more SMEs to access funds from the CEEC. As it is evident from figure 4.3 from the findings, most of these SMEs that could not access funds from CEEC gave collateral and writing of a business proposal as the most challenging part of the loan application procedure. This information is supported by Lader (1996) who said that access to finance has been identified as a dominant constraint facing SMEs. Levy (1993) also found that SMEs have limited access to financial resources due to lack of the much needed collateral, perception of higher risk, information barriers and higher cost of intermediation for smaller firms.

The CEEC should accommodate borrowers in SMEs by relaxing collateral requirements and charging lower interest rates. The commission should also consider adopting collateral substitutes for SMEs such as group lending.

The study recommends that the funds disbursement criteria should include provision of concrete and proven identity data by receipts of the said funds. A business support mechanism is cardinal, as well as mentoring and monthly inspections projects by the Commission.

There is need for the CEEC Act to be amended so that a percentage of funds is actually disbursed to the targeted group. The Act should further provide a penal clause for default in loan repayment. Robust loan repayment will ensure that more persons benefit from the programme since there will be a systematic roll-over of funds. Proposed amendments will strengthen the commission's capacity to fulfil goals recommended in job creation and empowerment models

Lack of Proper Financial Records

Lack of proper financial statement is another major hindrance and accounts for 16% for micro enterprises, small businesses and for medium size businesses. This percentage is relatively higher because the majority of businessmen do not seem to understand what constitutes a financial statement. They perceive that whatever form of financial record, rightly or wrongly done, is a financial statement. However, this hindrance was under the control of businessmen themselves and can easily be overcome through education. It is incumbent upon the CEEC to organize seminars

and short courses so as to teach the SMEs on the importance of keeping proper records of accounts necessary for the preparation of financial statements.

Most of the respondents expressed concern and the research revealed that contracting someone to write books of accounts is not cheap for small businesses. The lack of appreciation and understanding the importance of financial statements has contributed to poor financial statements. The study agrees with the finding of the study conducted by MIC in Mozambique. The study showed that the constraints faced by SMEs are associated with lack of clear financial plans, and the accounting documentation, requirements (MIC, 2007).

Although most businesses are growing, they have been marred with various problems, the most prevalent ones being those related to lack of proper financial records. The problem of lack of proper financial records has been one of the things that hinder SMEs access to funds. The CEEC usually asks for this as it helps them see if the business an SME is engaged in is a viable one. It helps the CEEC to see the cash flow of the company. The information usually helps them to know the amount of loans an SME can be disbursed with and also if there are able to pay back the loan. this in a way is good, but only to already established SMEs, in other words this disadvantages the startup SMEs as they would be unable to provide the a proper financial records. Earlier, this had been compounded by high rentals and electricity bills. Most SMEs operate from rented premises whose state is not commensurate with the high rentals. What needs to be done by CEEC and the government is to assist through educating the SMEs and this could be achieved if the CEEC could organize workshops and seminars to educate the SMEs

High Interest Rates

The commission offers about three different kinds of loan facilities namely; the Project finance, Micro finance and the Micro Credit and all these attract interest. The funds for project finance, range from K 30,000 to about K500, 000 thousands and attract an interest rate of 12 percent (%) per annum with a repayment period of up to 5years. The funds for project finance can go above K500, 000 depending on the viability of the project. For instance the Mambwe cotton ginnery was given more than 500,000 because of the economic and social value that the ginnery would bring to the economy and the country at large, such as employment creation. Secondly, the

Commission charges an interest of 12% on Micro finance loans which range from K5001 to up to K30, 000 and the repayment period is between 6 to 36 months. Lastly, the commission offers the Micro Credit facility, loans which range from K400 to K5, 000, at 3 percent (%) interest rate per Month, and payable up to 6 Months. The study agrees with the finding of the study conducted by MIC in Mozambique. The study revealed that the constraints faced by SMEs are associated with lack of clear financial plans, the accounting documentation, higher rates of interests, and lack of collateral requirements (MIC, 2007).

Again apart from the collateral issues and other factors, this makes it very difficult for SMEs to access the maximum amount needed for various expansion projects. The interest rates charges on the loan facilities by CEEC are outrageous and also unattractive for most SMEs to access these funds. The other category of respondents expressed an opinion on the level of interest rates charged by the CEEC facilities received, to be extremely high while others said the rates are just high.

One significant thing is that among the respondents, none said the interest rates charged on loans by CEEC are low. SMEs pay between 3% and 12% interest rates, depending on the type of loan as described above. However, it is clear to see that the interest rates being charged by the commission are too high. They make the paying back process for SMEs very difficult. This, to some extent, leads to a lot of defaults by SMEs, as many find it difficult to pay back because of the high interest rate.

Most of the respondents felt that although the commission was among the institutions with the lowest credit interest, the interest rate charged was relatively still high. Some of the SMEs cited high interest rates as one of the prohibitive factors to accessing funds from CEEC. A large proportion of the profits SMEs make from their businesses goes towards payment of interest charges on the loans.

Loan repayment periods

The period in which a loan must be repaid is a hindrance to accessing finances for some businesses owners. According to the study, most respondents felt that the loan repayment periods should not be fixed, but rather negotiated. The negotiated periods may also help to reduce defaulting on loan repayments, as it becomes convenient to both the CEEC and the SMEs.

Most respondents felt that the loan repayment periods should not be fixed, but rather negotiated. The negotiated periods may also help to reduce defaulting on loan repayments, as it becomes convenient to both the CEEC and the SMEs.

The CEEC should accommodate SMEs borrowers by relaxing on the numbers of the things that an SME needs to have in order to qualify for a loan, requirements such as the need to have collateral, this, to some extent, defeats the purpose for which the CEEC was set for, and that is to empower citizens, particularly the marginalized people in society and the disabled. Most of the marginalized people and the disabled do not have the much needed collateral as such most of them are unable to access the funds. It is now a known fact that SMEs have difficulty accessing big capital venture funds from CEEC due to unfavorable loan conditions. This has restricted a lot of SMEs to just accessing small loan amounts with cumbersome repayment schedules. This has further created a problem in that the people who are now having access to the funds are the rich because they are the ones with the needed collateral. Therefore, the CEEC has been less effective in their operations.

Conclusion

Access to Credit is very important if SMEs are to grow. The researcher concluded that business plan, collateral, and proper financial records requirements are some of the reasons that hinder SMEs from accessing loans from CEEC. Furthermore the interest rates charged on the loans are too high. The repayments periods for loans need to be relooked at. For instance the period for repaying the credit finance loan is one year at 3% interest rate. Once one is given the loan they need to start paying back within 3 months before one can even start making profit. Clearly one is able to see that there is need for CEEC to relax and simplify these requirements to enable a lot of the targeted citizen access the loans. A lot still needs to be done by the Commission to have a good and equitable disbursement system.

CHAPTER FIVE

CHALLENGES FACED BY THE CITIZEN ECONOMIC EMPOWERMENT COMMISSION

Introduction

This chapter presents findings on and discusses the challenges faced by CEEC in the disbursement of loans to SMEs. Data presented in this chapter centers on the challenges the CEEC face in the process of giving out loans to SMEs. The information was collected through questionnaires and interviews with CEEC officials.

Inadequate financial resources

The CEEC is a government institution which draws its funding for its operations from three (3) main sources. Section 29(2) of the CEE Act says the CEE Fund shall consist of:

- (a) Such moneys as may be appropriated by Parliament for the purposes of the Fund;
- (b) Moneys received by way of grants, fees, loans or donations for the purposes of the Fund; and
- (c) Interest accrued from any investment made by the Commission or raised through the local stock exchange.

According to an official at the CEEC, the problem the CEEC faces in terms of funding is that, to start with, it is a state institution whose managers are actually public servants. He said:

‘It is common knowledge that public institutions are not well funded. The CEEC is also a public institution. It receives money which is not enough for its operations even after submitting a detailed programme of action for the following year showing exactly how much is required. The money is never enough because the commission is not the only government institution requiring funding.’

Despite the 2008 enabling Act for the establishment of the CEEC, this research revealed that operations of the Commission commenced towards the end of 2008 due to funding constraints. The research revealed that the low number of approved loans was due to inadequate funding, which included both operational and administrative.

The research further revealed that the commission has only achieved a recovery rate of 60% of funds disbursed under the same period mentioned above. A recovery rate of sixty percent is equally low. This implied that forty percent of disbursed funds were defaulted; this really poses a challenge to the Commission to run its operations efficiently and effectively as these funds were supposed to be revolving funds.

The research through questionnaires and interviews held with CEEC officials revealed that the Commission failed to implement some of its plans or programmes because funding is dependent on the government, through the Ministry of Finance. The CEEC officials also said that the amount of funds the Commission receives from the government determines the number of SMEs that would benefit from the CEEC loans. The officials further stated that, it was common knowledge that public institutions are not well funded, due to the limited resources at the disposal of government.

This research brought out two issues: The first one is the small amounts of loans disbursed to a large number of SMEs, and the second, is the poor rate of loan repayments. A disbursement of K66 Billion (un-rebased) to 120 SME applicants in Lusaka District out of the 847 SMEs that actually applied is clearly inadequate because the effect on the nation is minimal to facilitate any multiplier effect. In order for the CEEC to operate effectively and efficiently, it needs adequate funding from the government. The funds, however, are not adequate to implement the planned activities of the commission. The inadequate funding and the late release of funds make it difficult for the commission to meet its planned activities.

The table below shows funding received by each sector between 2008 and 20

Table 5.1 Funding By Sector

Sector	Amount
Agriculture	7,626,757,250.00
Construction	6,887,000,000.00
Education	9,676,030,000.00
Health	250,000,000.00
Hospitality	8,933,751,375.00
ICT	1,172,000,000.00
Manufacturing	7,949,776,436.00
Service	3,769,000,000.00
Tourism	50,000,000.00
Trading	5,482,093,332.00
Transport	11,287,679,704.00
Other	2,999,500,000.00
Total	66,083,588,097.00

Source: Compiled from the CEEC data base.

Lack of Proper Office Space

The commission does not have adequate office space to accommodate all the fifty-six employees based at the office in Lusaka as noted during this research. During many visits to the commission for research purposes, it was clear that the commission needed bigger office space to properly house all its employees. It was observed that many employees performing different functions were housed together in small offices. The building has no rooms to meet customers in privacy, if confidentiality was to be observed.

In its bid to sensitize would-be loan applicants, the commission does carry out workshops at the commission's head office. It was noted that workshops were conducted under erected tents which were mounted within the commission premises. The researcher had an opportunity to attend one such workshop and it was clearly uncomfortable for both the participants and the workshop facilitators.

CEEC officials interviewed said if the commission was to carry out its mandate, there is need to expand its infrastructure at provincial level and should also consider opening offices at district level.

In order for the commission to carry out its operations, it requires the use of equipment such as computers, fax machines, printers, scanners and photocopier machines. However, due to limited funds, not all offices were provided with the necessary equipment. Consequently, the lack of equipment and adequate office space not only delays the processing of work but may also affect the workers' morale.

Inadequate Personnel

Another major factor affecting the operations of the commission is the shortage of staff, especially in nine provinces other than Lusaka Province. To cover all the districts in a given province, the commission only had one provincial empowerment coordinator (PEC) based at every provincial head quarter. The outlying districts were serviced through the district commissioner's office. This renders the performance of the commission susceptible to political interference, as there were no guidelines to guard against political interference since these district commissioners were political appointees, who were bound to favour applicants from the ruling party. These district commissioners also did not have the necessary expertise to provide proper information to the general public. It is a policy of the CEEC to carry out visits to all applicants who have had their loans approved and disbursed but the shortage of personnel at the district and provincial level hampers project monitoring. Project monitoring is one of the duties of the provincial empowerment coordinators. The monitoring visits are required to be undertaken on a monthly basis according to the CEEC policy, but these were taking as long as six months. One would, therefore, be compelled to suggest that the Forty percent default rate can be attributed to lack of close project monitoring.

Information gathered through questionnaires revealed that CEEC has inadequate personnel. This limits the Commission from performing its activities effectively, because the same people who are in the offices processing applications, disbursing loans are also required to go in the fields to sensitize and monitor projects. This was echoed by SMEs when interviewed who revealed that once they are given the loans CEEC does not even come to inspect and monitor

The commission should employ more qualified staff of its own in unmanned districts. Currently, District Administrators are the ones manning the district centres on behalf of the Commission. This will enable citizens to receive information promptly and also to have their application for credit processed timely. By so doing, the District Administrators will be freed to perform their roles. It should be pointed out that Zambia is not short of well trained and qualified accountants to be able to fill positions at district level. Once there is an increase in the staffing levels, it will in turn enhance the rate at which project monitoring is undertaken, thereby reducing the number of defaulters, which is currently standing at 40 percent. This will further enhance monitoring and evaluation by Government of its SME funding programmes on a regular basis. This will also help the Government keep abreast of the applicability of the various programmes and schemes.

None repayments of loans by SMEs

The research revealed further that due to lack of adequate personnel, the commission is faced with challenges when it comes to making follow ups on the SMEs that got the loans. Most of the SMEs that had gotten loans have defaulted. This has made the operation of the CEEC difficult, as these funds are supposed to be revolving. On the other hand, some SMEs expressed concerns over the repayment periods and the high interest rates.

Lack of Autonomy

As earlier pointed out, the commission came into existence following the enactment of the CEE Act 2006. Section 6 of the CEE Act states that;

The president may give to the commission such general or specific directions with respect to the discharge of its functions, as the president considers necessary and the commission shall give effect to such directives.

Section 7 further states that;

The commission may, after the approval of the minister, enter into agreements with any organisation or institution on any matter relevant to the carrying out of the commission's functions under this Act.

The appointing authority of the Commissioners of the CEEC is the country's President. This means that the President controls the Commission and has a direct say in its operations in terms of how the disbursement of the funds is to be done and who the beneficiaries are. This is a disadvantage for the institution because it is difficult for them to operate free of state interference. Section 7 also says: 'The Commission may, after the approval of the Minister, enter into agreements with any organisation or institution on any matter relevant to the carrying out of the Commission functions under this Act.'

Clearly, these two provisions are a demonstration that the commission does not operate or formulate policy decisions without government hindsight. The government shapes its policy directions.

The Commission falls under the Ministry of Commerce, Trade and Industry and, therefore, is accountable to the minister of this ministry. The greatest challenge the commission is experiencing in this respect is that all the commissioners are appointed by the president as per section 7(1) and are accountable to him through the minister, and not accountable to the National Assembly. With the current reporting structure, there is a risk that parliament will fail to appreciate the status and importance of the commission.

The above is another provision that is equally limiting on the CEEC. It gives the Minister of Commerce, Trade and Industry the power to veto any transactions that the Commission may enter into. This may work against the functions of the CEEC in that the Minister may end up derailing a very good programme that may help in improving people's lives. Officials of the CEEC should be appointed away from the interference of government, if they are to work effectively and efficiently.

Lack of CEEC Officials at Districts Level

The Commission's Head Office is located in Lusaka, which is the Capital City of Zambia. The Commission also has Provincial Empowerment Coordinators based at all the nine Provincial Head Quarters. There is no presence of CEEC officials at the district level. The Commission is only accessible by people within Lusaka and the provincial Capitals, thereby limiting access by people from outside these centres. According to the preliminary results of the 2010 National Census released by the

central statistical office (CSO), Sixty- One percent of the total population of 13 million people was based in rural areas, while about Thirty- Nine percent of the population was based in urban areas. These results should, therefore, serve as a wake-up call for the commission in determining where to focus its energies, if it were to make any meaningful impact in terms of enhancing the living standards of the citizens in the country through loan provision.

Due to high illiteracy levels in rural areas, most of the would-be applicants cannot manage to fill in loan application forms. Further, the cost of travelling to provincial capitals is too high for the majority of Zambians. Therefore, in order to increase access to the commission, there is need for the commission to decentralize, in order to have real presence in districts, whose offices are to be manned by qualified personnel. This will enable more people to have access to the commission.

Failure by the commission to carry out consistent provincial and district tours has resulted in only a few people having access to the commission. Therefore, for the commission to make significant impact on the general populace, there is need to fully decentralize up to district level. This will enable people to have access to the commission.

Appointment of CEEC Officials.

The officers who are in charge of making decisions on loan application at CEEC are on contracts of three years. Thus any decision making on loan application is dependent on who is in management at that time. The management is recruited by the Board which is in turn appointed by the President; the tenure of office for Board members is three years. The fact that the Board is appointed by the President to some extent compromises the way the CEEC officials operate, as they fear to lose their jobs. Theoretically, these officials are free from government control but in reality they are dependent on government. When it comes to considerations of loan applications, Management of CEEC has the responsibility of appraising projects and make recommendations to the committee of the Board. The Board approves the applications, though it also has to get permission from the appointing authorities. They have to get permission from government regarding loan disbursement, as such there is a lot of political interference in the running of the Commission.

In order to increase the independence and autonomy of the Commissioners, Parliament should be given the role of ratifying the appointment of Commissioners. It is thus recommended that the current Act be amended so as to give Parliament the responsibility of ratifying appointment of Commissioners to ensure that they work independently. This will erase the prevailing suspicion that the party in power has more of its people accessing funds, as opposed to other citizens. For example, during the reign of MMD it was believed that there were more MMD sympathizers accessing funding as opposed to the general populace. The same can be said of the PF government. The general feeling is that they, too, are giving the CEE fund to their cadres than the actual target groups.

Financial Capital Base of CEEC

The main funder for the CEEC is the government and is employer of its workers. The commission raises funds from government grants and also money collected from the borrowers. Parliament approves funds from the national budget. The fact that the main funder is the government, is a clear cut sign that the commission cannot operate independently without government interference in its operations. This has seen a lot of cadres benefiting from the CEEC funds more than the intended targeted groups. This happened in the MMD government so many times and is also happening during the current government.

One of the major challenges affecting the commission is poor funding. It needs no emphasis that the sole purpose of this institution is the provision of funding to the targeted citizens. As noted by Tung & Aycan (2008), insufficient access to financial resources and investment capital are significant barriers to growth for SMEs. These are the major challenges that have accounted for the high rates of failure among SMEs. It is worth noting that in a developing country like Zambia, in the first 3 years of operation only, 80% of ventures failed due to this reason. However, the author recommends that various initiatives be put in place by policy makers in Zambia to support and develop SMEs, such as the New Ventures Investor Forum. This forum brings together financial, government, and business communities to generate mechanisms to actively support SMEs. It does not add any value in having application yet remaining on the shelves waiting for funding from the treasury. Poor or low funding makes project implementation difficult to attain. Thus funding must

be increased, as well as released on time, if the commission is to effectively carry out its mandate.

Conclusion

The CEEC is one of the many state institutions that deliver economic empowerment to Citizens. In trying to do so the commission is faced with many challenges. The concluded that inadequate financial resources, lack of proper office space, inadequate personnel, non-repayments of loans by SMEs, lack of autonomy, lack of CEEC officials at district levels, appointment of CEEC officials and political interference are some of the challenges that hinder the commission from doing their job efficiently and effectively.

Clearly one is able to see that there is need for CEEC to increase funding and recruit staff at district levels. There is also need by the government to let an independent body appoint the commission unlike the current trend where the commissioner are appointed by the President of the Republic of Zambia to serve a three year term on a part time basis. A lot still needs to be done, the government needs to let the commission operate freely without any political interference and the only way this can happen is by setting up an independent body to appoint commissioners of the commission.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

Introduction

This Chapter concludes the entire report of this research. It suggests what can be done to improve effectiveness in the disbursement of loans by the CEEC to SMEs. The main objective of this research was to assess the effectiveness of the CEEC in the disbursement of loans to Small and Medium Scale Entrepreneurs.

Summary of Conclusions

The first objective of this research was to investigate the extent to which the CEE fund has benefited/empowered the targeted citizens. From the information obtained in this research, it is apparent that the CEEC has not been effective in their disbursement loans as very few of the targeted citizens benefited from the CEE fund. For instance only 38% of women and 35% of the youths benefited from the fund. Further only 120 (14%) SMEs out of a total of 847 that had applied were given loans. Therefore, it can be concluded that the commission was less effective in the disbursement of loans to SMEs.

The second objective was to identify the challenges faced by targeted citizens (SMEs) in accessing loans. The researcher identified the following as the challenges that targeted citizens face when accessing loans from CEEC; Business Plan, Collateral requirement, requirement of proper financial records, high interest rates and loan repayment periods, Loan application procedures, and Documentary requirements prior to loan approval, The third objective was to investigate challenges faced by the CEEC in the disbursement of funds to targeted citizens. The following were the challenges identified by the researcher; inadequate funds, improper office lay out , inadequate office space, inadequate personnel, none repayment of loans by SMEs, lack of autonomy, lack of CEEC officials at district level, appointment of CEEC officials, and Political Interference.

Finally, the fourth objective was to propose ways for improving the disbursement of funds to targeted citizens. The following recommendations were made;

Recommendations

The CEEC should accommodate SME borrowers by relaxing on the requirements for loan application, it is a requirements by the commission that applicant provide collateral, proper project proposals, and financial statements which the majority of the SMEs are unable to meet. The following paragraphs present the recommendations made by the researcher on the basis of observation and research findings at the institution;

Documentary Requirements

The commission should consider scaling down on the standard requirements before loans are disbursed. This is because, many of the applicants may not understand these requirements, due to their level of education. Just a mere glance at these requirements discourages them to apply. The commission should be lenient on such applicants and provide some training so that they understand the procedure.

Loan application procedures

CEEC should consider shortening the loan application procedures. Subjecting citizens to comply with the current long and complicated procedures may not be fair thing to do. Most SMEs are unable to overcome procedural barriers, as most respondents felt that the application procedure was either too long or complicated. The commission should consider relaxing the qualification criteria for accessing these loans. One way the CEEC can shorten the loan application procedure and make the process even more flexible is to simplify the application form.

From the researcher's analysis, the business com

Business Plan

The CEEC should consider employing experts in business proposal writing. Experts who would provide free training to SMEs on business proposal writing. Most of them are usually forced to hire experts in this field and those without the money are disadvantaged. It would be better if the SMEs were trained and educated in business proposal writing as the majority of the SMEs (targeted group) do not know how to prepare a business plan. There is need for the CEEC to ensure that they train and

educate SMEs so that they can be conversant in business proposal writing. This training should be on a continuous basis.

Collateral Requirements

One of the major objective of the CEEC is to empower the targeted citizens (women, disabled, youths). Most of the targeted citizens do not have the needed collateral and as such have trouble meeting this requirement. Collateral requirement to some extent, defeats the purpose for which the CEEC was set for, and that is to empower citizens, particularly the marginalized people in society.

The researcher recommends that commission consider adopting collateral substitutes for SMEs such as group lending. The researcher also recommends that the funds disbursement criteria should include provision of concrete and proven identity data by receipts of the said funds. In addition monitoring and inspections of projects by the Commission should be done on a regular basis.

Proper Financial records

Lack of proper financial records is among the many things that hinder SMEs access to loans. The researcher recommends that the CEEC consider organizing seminars and short courses to train and educate SMEs on the importance and maintenance of proper records of accounts.

This requirement usually favours only those already established SMEs, in other words this disadvantages the startup SMEs as they would be unable to provide the a proper financial records. The researcher also recommends that, for startup businesses, the commission should organize seminars to train and educate SMEs on how to estimate cash flow projections. Workshops and seminars should be done on a regular basis.

Loan repayment periods

From the researcher's analysis, CEEC should consider the following; one extending the loan repayment period. Extending it would help reduce on the huge monthly instalments. SMEs at the moment are required to start paying back within 3 to 6 months depending on the amount given; two, to increase period before 1st installment is paid. The challenge here is that most SMEs are forced to start paying back the loan

before they even start to make profits. First Repayment instalment is paid at least 6 to 12 months.

Further CEEC should consider changing the fixed loan repayment periods. The researcher recommends the flexible and negotiated repayment terms should be introduced. The negotiated periods may also help to reduce defaulting on loan repayments, as it becomes convenient to both the CEEC and the SMEs.

The CEEC

The CEEC should accommodate borrowers in SMEs by relaxing collateral requirements and charging lower interest rates. The commission should also consider adopting collateral substitutes for SMEs as group lending.

The study recommends that the funds disbursement criteria should include provision of concrete and proven identity data by receipts of the said funds, as proof address amongst other necessities. A business support mechanism is cardinal, as well as mentoring and monthly inspections projects by the Commission.

There is need for the CEEC Act to be amended so that a percentage of fund is actually disbursed to the targeted group. The Act should further provide a penal clause for default in loan repayment. Robust loan repayment will ensure that more persons benefit from the programme since there will be a systematic roll-over of funds. Proposed amendments will strengthen the commission's capacity to fulfill goals recommended in job creation and empowerment model.

Recruitment of more staff by the Commission

From the researcher's analysis the commission should consider employing qualified staff of its own at district level. Currently District Administrators are the ones manning the district centres on behalf of the Commission. Employing staff will enable citizens to receive information promptly and also to have their application for credit processed timely. The District Administrators will be freed to perform their roles. It should be pointed out that Zambia is not short of well trained and qualified accountants to be able to fill positions at districts level. Once there is an increase in the staffing levels, it will in turn enhance the rate at which project monitoring is undertaken, thereby reducing on the number of defaulters, which is currently standing

at 40 percentages. This will further enhance monitoring and evaluation by Government of its SME funding programmes on a regular basis. This will also help the Government keep abreast of the applicability of the various programmes and schemes.

Appointment of Commission

In order to increase the independence and autonomy of the Commissioners, Parliament should be given the role of ratifying the appointment of Commissioners. It is thus recommended that the current Act be amended so as to give Parliament the responsibility of ratifying appointment of Commissioners to ensure that they work independently. This will erase the prevailing suspicion that the party in power has more of its people accessing funds, as opposed to other citizens. For example, during the reign of MMD it was believed that there were more MMD sympathizers accessing funding as opposed to the general populace. The same can be said of the PF government. The general feeling is that they too are giving the CEE fund to its cadres than the actual target groups.

Provision of adequate financial resources

One of the major challenges affecting the commission is poor funding. It needs no emphasis that the sole purpose of this institution is the provision of funding to the targeted citizens. As noted by Tung & Aycan (2008), insufficient access to financial resources and investment capital are significant barriers to growth for SMEs. These are the major challenges that have accounted for the high rates of failure among SMEs. It is worth noting that in a developing country like Zambia, in the first three (3) years of operation only, 80% of the ventures failed due to this reason. However, the author recommends that various initiatives be put in place by policy makers in Zambia to support and develop SMEs, such as the New Venture Investor Forum. This forum brings together financial, government, and business communities to generate mechanisms to actively support SMEs. It does not add any value in having application yet remaining on the shelves waiting for funding from the treasury. Poor or low funding makes project implementation difficult to attain. Thus funding must be increased, as well as releasing it on time, if the commission is to effectively carry out its mandate.

Increase Public Awareness

Lack of public awareness is one of the major problems; therefore, in order to clear this problem, the commission should design programmes to increase awareness about its existence and the service it provides. This can be done by translating its single paged brochures into local languages, placing adverts in print and electronic media, posters, introduce into radio awareness programmes, among others. The commission can also create awareness through the publication of newsletters. Once this is done, the author believes that there would be an increase of general participation and awareness from members of the public. Further, Members of Parliament can equally be used when they visit their constituencies to disseminate information.

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APPENDIX I

Questionnaire

ID.....

**EFFECTIVENESS OF THE CITIZEN ECONOMIC EMPOWERMENT
COMMISSION IN THE DISBURSEMENT OF LOANS TO SMALL, AND
MEDIUM SCALE ENTREPRENEURS**

INTRODUCTION FOR RESPONDENTS

My name is Cassidy Phiri, a postgraduate student at the University of Zambia (UNZA) conducting a study on the effectiveness of the CEEC in its disbursement of loans to SMEs in Zambia. The purpose of this study is to enable me, in part, fulfill the requirements for the award of a Master of public administration at UNZA. You have been sampled as a respondent in this study and the information you provide will be kept strictly confidential and will be aggregated with that offered by other respondents. I, therefore, encourage you to be as open as possible and express yourself freely.

INSTRUCTIONS

1. Please “circle” OR “tick” the answer that reflects your opinion or viewpoint.
2. Where a predetermined set of answers is not given please write the answer that is closest

SECTION A: BUSINESS INFORMATION

Name of Business:

.....

Contact Number:

.....

Fax.....

.....

Email.....

....

Question	Response (tick where appropriate)	For official use only
1. Gender a) Male b) Female	
2. Age range a) below 25 years b) between 26 and 35 years c) between 36 and 45 d) above 46 years	
3. Marital status: a) Single b) Married c) Divorced d) Widowed e) Separated	
4. Highest level of education attained a) Senior Secondary b) Certificate/Diploma level c) Degree level d) Postgraduate level e) Other (specify)	
5. What is the nature of your business a) Trade b) Education c) Manufacturing d) Catering e) Service f) Hospitality g) Construction h) Transport	

i)	Mining		
j)	Agriculture		
k)	Forestry		
l)	ICT		
m)	Health		
n)	Other (specify)		

Question	Response (tick where appropriate)	For official use only
6. What is the type of ownership for your business? a) One man business b) Family business c) Partnership (state how many) d) Private ltd company e) Other (specify)	
7. How long has the business been operating?	
8. What is your basic monthly salary, including allowances? a) Less than K250,000 b) K250,000-K 500,000 c) K500,000-K750,000 d) K750,000-K1,000,000 e) More than K1.000,000	
9. How many employees do you have?	
10. Have you ever applied for loan from CEEC? a) Yes b) No	
IF YOUR LOAN APPLICATION WAS SUCCESSFUL, PLEASE ANSWER THE FOLLOWING QUESTIONS.		
11. How many times did you attempt before you were successful? a) Once only b) Twice c) Three times or more	
12. What was the purpose of the loan? a) Raw materials b) Working capital c) Asset purchase d) Marketing e) Other (specify)	

13. Did you use the loan for the intended purpose? a) Yes b) No	.....
14. If answer to above question is NO, please give reasons	.....
15. What can you say about the loan application procedure a) It's complicated b) It's too long c) It's simple and straight forward	..... .....
16. Explain the most challenging part of the procedure	.....
17. In what way did the loan assist your business?	.....
18. Would you want to get another loan? a) Yes b) No State reasons for your answer	.....
19. What recommendations would you give to CEEC to improve the disbursement of funds?	..... .....
IF YOUR LOAN APPLICATION WAS NOT SUCCESSFUL. PLEASE ANSWER THE FOLLOWING QUESTIONS		
20. How many times have you applied for a loan? a) Once only b) Twice c) Three times or more	.....
21. Would you want to try again? a) Yes b) No	.....
22. What do you think were the limiting factors? a) your gender b) Type of business c) Lack of collateral Other (specify	..... .....

<p>23. What can you say about the loan application procedure</p> <p>a) it's complicated</p> <p>b) it's too long</p> <p>c) it's simple and straight forward</p>	<p>.....</p> <p>.....</p>	
<p>24. What has been the impact of failure to access financial support from CEEC on your business?</p>	<p>.....</p> <p>.....</p>	
<p>25. What recommendations can you make to CEEC to improve their disbursement of loans?</p>	<p>.....</p> <p>...</p>	

Thank you for yThank for your time!

APPENDIX II

EFFECTIVENESS OF THE CITIZEN ECONOMIC EMPOWERMENT COMMISSION IN THE DISBURSEMENT OF LOANS TO SMALL, AND MEDIUM SCALE ENTREPRENEURS

INTRODUCTION FOR RESPONDENTS

My name is Cassidy Phiri, a postgraduate student at the University of Zambia (UNZA) conducting a study on the effectiveness of the CEEC in its disbursement of loans to SMEs in Zambia. The purpose of this study is to enable me, in part, fulfill the requirements for the award of a Master of public administration at UNZA. You have been sampled as a respondent in this study and the information you provide will be kept strictly confidential and will be aggregated with that offered by other respondents. I, therefore, encourage you to be as open as possible and express yourself freely.

INSTRUCTIONS

1. Please “circle” OR “tick” the answer that reflects your opinion or viewpoint.
2. Where a predetermined set of answers is not given please write the answer that is closest

1. What is the outreach of CEEC countrywide? Please describe your presence at;

National level.....

Provincial level

District level.....

2. How many officers does the CEEC have at provincial level?.....

3. What is the mandate of thCEECC?

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4. Who are the targeted citizens?

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5. What is the source of your funding?

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6. How often does the commission receive funding?

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7. What types of loans do you offer?

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8. What are the interest rates and the repayment periods for the types of loans described above?

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9. What are the requirements (e.g collateral) for each type of loan mentioned above?

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10. Who is eligible to apply for the type of loans outlined above?

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11. Describe the loan application procedure

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12. What factors may inhibit SMEs from accessing loans

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13. What challenges does the commission face in the disbursement of funds?

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14. What are the interest rates on the loans you give?

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APPENDIX III

Questionnaire ID.....

EFFECTIVENESS OF THE CITIZEN ECONOMIC EMPOWERMENT
COMMISSION IN THE DISBURSEMENT OF LOANS TO SMALL, AND
MEDIUM SCALE ENTREPRENURES

QUESTIONNAIRE FOR FOCUSSED GROUP DISCUSSION

Questions

1. Why do you think your loan application was unsuccessful?
2. What do you think should be done to enhance the process?
3. Do you receive feedback on your application?
4. Did you use the help of experts when applying for a loan?

Thank you for your time!

APPENDIX IV

APPENDIX V