

**CONTRIBUTION OF LOCAL AUTHORITIES TO THE DEVELOPMENT OF SMALL
AND MEDIUM SCALE ENTERPRISES IN ZAMBIA: A CASE OF LUSAKA CITY
COUNCIL**

By

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**A dissertation submitted to the University of Zambia in partial fulfillment of the
requirements of the degree of Master of Public Administration**

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LUSAKA

2020

DECLARATION

I, Charity Nashoni, declare that this research report is my original work and has not been presented for the award of a Master’s Degree at the University of Zambia or any other institution of higher learning.

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APPROVAL

This dissertation of Charity Nashoni has been approved as partial fulfillment of the requirements for the award of the degree of Master of Public Administration (MPA).

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ABSTRACT

The study investigated the contribution of local authorities to the development of Small and Medium Enterprises (SMEs) in Zambia, with a primary focus on Lusaka City Council (LCC). In an effort to develop SMEs in Zambia, government has, over the years, instituted various reforms which include the establishment of local authorities. The Local Government Act empowers local authorities to structure and manage their administration, budgeting and planning processes so as to bring about community development. The LCC, being a local authority, has a mandate to spearhead community development by creating an enabling environment where SMEs can thrive.

The general objective of this study was to establish the contribution of the LCC to the development of SMEs in Lusaka District. The specific objectives were: to investigate legal and policy constraints to the growth of SMEs in Lusaka District; to examine interventions by the local authority to enhance the growth of SMEs in Lusaka District and: to recommend further measures the local authority should implement to develop SMEs in Lusaka District. The research adopted a case study by primarily focusing on LCC and SMEs situated in Lusaka District. Semi structured questionnaires were used to collect primary data from SMEs' owners and workers who formed part of management for enterprises. Interview guides were also used to collect primary data from key informants. The sample size of this study was 56 respondents. Seventeen small enterprises and four medium enterprises were selected. Two from each of the 17 small enterprises were selected which brought the total number to 34 respondents and three from each of the four medium enterprises which brought the total number to 12 respondents. In addition, 10 key informants, namely, five SMEs' owners, three LCCs' officials, one official from ZDA and the Chairperson for ZCSMBA. Qualitative data collected from open ended questionnaires and interview guides were analysed using content analysis methods, while quantitative data from closed ended questionnaires were analysed using SPSS and Excel. The study further used secondary data obtained from LCC's and other official documents in an effort to triangulate the findings.

The study found some legal and policy constraints that hindered the growth of SMEs in Lusaka District. Policies on taxation and other regulations such as obtaining of trading licences from the local authority and other regulatory bodies, proved to be an obstacle to the development of SMEs in Lusaka District. The study also found that although there were no legal and policies that constrained the local authority from enhancing SMEs growth. The local authority did not take keen

interest in spearheading the development of SMEs in Lusaka District. The local authority failed to financially support SMEs. The LCC also failed to provide business operating premises, water and sanitation services to SMEs. It was further established that the LCC had tolerated political cadres who assumed their role in most markets, bus stations and land allocation in Lusaka District. This was detrimental to the growth of SMEs and the LCC. To the SMEs, political cadres harassed them by making them to pay certain amounts of money every week. To the LCC, political cadres robbed the local authority resources which could have been used to provide better services to the public. The LCC was seen as an institution which only existed for the purposes of imposing levies and fees on SMEs. Therefore, SMEs held a common view that they did not see any efforts that were being made by the local authority to enhance their development. The study recommends that LCC should establish a department that will focus primarily on SMEs' development. This will help the local authority to have a road map, on how SMEs in Lusaka District can effectively be developed.

Key Words: Small and Medium Enterprises, Local Authority and development

DEDICATION

To Bruce Sianyeuka, Chileleko Sianyeuka, Lushomo Sianyeuka and Luumuno Sianyeuka

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ACRONYMS/ABBREVIATION

AfDB	African Development Bank
CBD	Central Business District
CBEs	Central Business Enterprises
CEEC	Citizen Economic Empowerment Commission
CDF	Constituency Development Fund
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
ILO	International Labour Organisation
LED	Local Economic Development
MCTI	Ministry of Commerce, Trade and Industry
MLGH	Ministry of Local Government and Housing
MNDP	Ministry of National Development Planning
LCC	Lusaka City Council
NGO	Non-Governmental Organisation
PPP	Public Private Partnership
SED	Sector Enterprise Development
SI	Statutory Instrument
SME	Small Medium Enterprise
SMMEs	Small Micro and Medium Enterprises
SNDP	Seventh National Development Plan
ZCSMBA	Zambia Chamber for Small and Medium Business Association
ZDA	Zambia Development Agency

ZESCO Zambia Electricity Supply Cooperation

ZRA Zambia Revenue Authority

CHAPTER ONE

BACKGROUND

1.0 Introduction

The Constitution of Zambia (Amendment) Act, 2016 recognises the establishment of local authorities with an aim of administering districts. A local authority is defined as an institution that is officially responsible for all the public services and facilities in a designated administrative area. The Constitution of Zambia gives local authorities power to initiate, plan, manage and execute policies in respect to matters that affect the people within their respective districts. The Constitution of Zambia further gives local authorities the right to govern their affairs and form partnerships that assist the management of their respective districts in order to promote development. One of the objectives of local authorities, in accordance with the Constitution of Zambia, is to promote social and economic development in localities within which they operate. Moreover, one of the developmental obligations of local authorities in accordance with the Constitution is to prioritise and promote social, spatial, financial and economic planning with a goal of promoting social and economic development of the district.

Thekiso (2016) postulates that when poverty is experienced at local levels, local authorities have a responsibility of addressing this issue and foster development. Mayekiso, Talor and Maphazi (2013:44), further stipulate that local authorities are expected to create conducive environments to attract investment and also ensure that infrastructure is of appropriate and satisfactory standards. Local authorities must create mechanisms to support and train communities in order to boost them economically through expanded public work programmes or cooperatives, which is one form of business ownership. Moreover, the administration of a local authority must be responsive to the needs of the local community. One can, therefore, argue that it is the mandate of local authorities to support entrepreneurship and Small and Medium Enterprises' (SMEs) development to boost the living standard of its citizens (Thekiso, 2016).

Conceptually, there is no universal definition for SMEs because defining them often varies by country and is usually based on the number of employees, annual turnover or the value of assets for an enterprise. Therefore, the Zambian government defines SMEs as follows:

A small enterprise, as 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 K80, 000 – K200, 000 in plant and machinery; in the case of trading and service providing enterprises shall be up to K150, 000; whose annual turnover shall be between K151, 000- K250, 000, employing between 11- 49 persons, (MCTI, 2008). A medium enterprise, as any business enterprise 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 K201, 000 –K500, 000 in plant and machinery; in the case of trading and service providing that it shall be between K151, 000 –K300, 000; whose annual turnover shall be between K300,000- K800,000; Employing between 51-100 persons (MCTI, 2008).

In this study, SMEs are defined as enterprises employing between 10 and 100 persons and have an annual turnover of not less than K151, 000. Such enterprises must be registered with the local authority.

1.1 The Importance of SMEs in an Economy

According to Ganbold (2008), one of the ways to address the critical issue of unemployment and poverty reduction is supporting SMEs as their expansion boosts employment more than larger firms. This is because SMEs are labour intensive, so assisting them may represent poverty reduction tools in developing countries. The World Bank global estimates of 2011 suggest that more than 95 percent of enterprises across the world are SMEs, accounting for more than 50 percent of jobs and contributing more than 40 percent of GDP. In Africa, SMEs contribute about 40 percent of GDP and 50 percent of jobs (ILO, 2015). In Zambia, SMEs account for 70 percent of GDP and 88 percent of employment (GRZ, 2010). SMEs help in diversifying a country's economic base, promote innovation, deliver goods and services, and can be a powerful force for integrating women and youths into the economic mainstream (World Bank, 2019). At a local level, SMEs contribute to the local economy by bringing growth and innovation to communities in which businesses are established. SMEs also contribute significantly to the revenue of local authorities through the various fees and levies imposed on them (Chisala, 2008).

However, even with a heightened global recognition to poverty reduction and unemployment in many countries, Adcorp (2014) posits that the mortality rate of SMEs among African countries remains very high, with five out of seven new businesses closing in their first year. The situation

has led to increased levels of poverty and unemployment in most parts of Africa. One of the ways of addressing critical issues of unemployment and reducing poverty levels is by supporting SMEs as their expansion boosts employment (Ganbold, 2008). In view of this, policies have been instituted in an attempt to improve the operations of SMEs. The World Bank, for example, provides a suite of solutions to help address constraints for SME growth and productivity. These include the systemic policy reforms, with a view to improve the business environment for SMEs (World Bank, 2017). The International Labour Organization (ILO) offers entrepreneurship training which imparts skills to start a new enterprise or improve the core management and administrative functions of existing enterprises. Other interventions by ILO and the World Bank include the provision of finance to SMEs through loans, guarantees, grants and saving products (ILO, 2015). In Africa, the African Development Bank (AfDB) had partnered with SMEs with an aim of growing the economy (AfDB, 2019).

In Zambia, government has over, the years instituted various reforms in an effort to grow the SMEs. The reforms include, among others: Small Industrial Development Act of 1981 and the Fourth National Development Plan of 1989 which pledged to support SMEs' development (MCTI, 2008:9); the 1996 Small Enterprise Development (SED) Act and the establishment of Small Enterprises Development Board; the establishment of Zambia Development Agency (ZDA) and; establishment of the Citizens Economic Empowerment Commission (CEEC) with an objective of providing adequate and appropriate financial credit facilities at affordable terms to SMEs (MCTI, 2008). Government further launched the MSMEs policy in 2009 with an aim of growing the SME sector. It has further pledged to continue supporting SMEs' development, as outlined in the Seventh National Development Plan (MNDP, 2017). SME development in Zambia has further being enhanced by the government at local level by creating local authorities and giving them the mandate to plan and foster social and economic development.

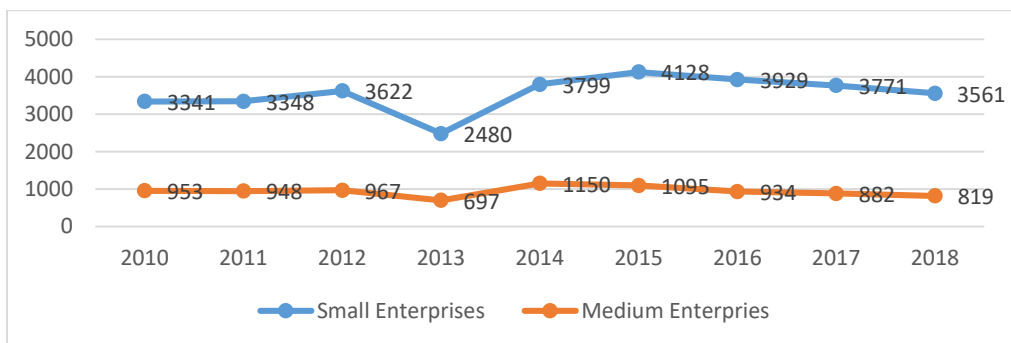
1.1.1 Local Authority and SMEs' Development in Lusaka District

The Lusaka City Council (LCC), being one of the local authorities in Zambia, is legally mandated by the Local Government Act to plan and facilitate Local Economic Development (LED) in Lusaka District. In delivering LED, the LCC is mandated to come up with strategies that can enhance SMEs' development. Some of the strategies that the LCC had come up with include provision of public infrastructure (LCC, 2008). For example, the LCC through Public Private Partnerships

(PPPs) had built modern markets such as Lusaka City Market, Luburma, ChaChaCha and New Soweto Markets (Kalembe, 2011). The LCC had also rehabilitated and constructed new roads in various areas of the District to ease the transportation of goods and services (LCC, 2017).

However, strategies employed by the LCC to grow SMEs had not helped much, as the overall growth of these business entities in Lusaka District was declining. Figure one below shows the trend for SMEs' growth from 2010 to 2018. Assessing the trend, the rate at which SMEs were growing was quite low. Although there was an increase in the number of small enterprises in 2018 when compared to 2010, the difference was not much, looking at the number of years in between. In the case of medium enterprises, Figure one shows a decrease in 2018 when compared to 2010. Figure one further shows a sharp decline in the number of SMEs in the year 2013. This could have happened probably due to reduced hydro-electric power generation as a result of poor rainfall experienced in the 2012/2013 rain season, as well as depreciation of the Kwacha which made it difficult to import products for industries. According to Figure one, significant growth for medium enterprises only took place in 2014, while for small enterprises, it was in 2015. Thereafter, the number of SMEs in Lusaka district had been on the decline.

Figure 1.1: Trend of SMEs Growth in Lusaka District from 2010-2018



(Source: LCC's Database)

This was worrisome because Lusaka District with an area of 360 square kilometres, though the smallest in the Province, carried a population of more than 1.7 million plus, meaning it had a high density and very congested (AfDB, 2015:7). Therefore, the continuous decrease in the number of SMEs posed a challenge in the fight against poverty and unemployment levels in the district. The World Bank (2014) revealed that approximately 34 percent of Lusaka's population lived below the national poverty line. The high population in the district had also led to other challenges such

as informal settlements and its hinterland with high levels of poverty (75 percent of the slum and peri-urban population lived on less than US\$ 1 a day) (AfDB, 2015:8). Unemployment in Lusaka district had continued to remain high when compared to other districts in Lusaka Province. In 2012, unemployment in Lusaka district stood at 7.8 percent, compared to Chongwe district which stood at 2.9 percent and Kafue district at 1.8 percent. In 2014, Lusaka District had the highest rate of unemployment, representing a share of 10.6 percent, followed by Luangwa District at 8.3 percent, Kafue District at 6.7 percent and Chongwe District at 4.9 percent. In 2017, unemployment in Lusaka District stood at 10.7 percent, while for Chongwe District it stood at 8 percent. In 2018, unemployment rate in Lusaka District was at 11.6 percent, while Chongwe and Luangwa districts each stood at 10.7 percent (CSO 2012-2018).

The continuous decrease in the number of SMEs had also posed a threat on LCC's operations and service delivery to the public because the local authority depended on the revenue collected from various business entities. LCC imposes local taxes such as rates, levies, licences, permits, fees and charges on business entities operating within the district. Overall, more than 70 percent of the income for LCC comes from the various business entities and less than 30 percent is given as grant from government. For example, in 2010 total revenue collected amounted to K77, 744,296 of which K22, 842,901.43 was grant. The year 2011 revealed that total revenue collected was K92, 360,870.94 of which K27, 867,189.77 was grant. In 2012, total revenue collected was K112, 675,612.86 of which K33, 996,568.61 came in as grant. The year 2013 revealed that total revenue collected was K137,458,575.30 of which K41,474,102.23 came in as grant. In 2014, total revenue was K167, 692,541.83 of which K50, 596,316.80 was grant. The year 2015 revealed that K249, 572,981 was total revenue collected, of which K75, 301,343 came in as grant. In 2016, total revenue collected amounted to K223, 741,143.52 of which K42, 259,494.57 came in as grant. The year 2017 revealed that total revenue collected was K242,899,094.78 of which K55,227,079.20 came in as grant. In the year 2018, total revenue collected amounted to K236, 494,757.98 of which K36, 908,483.35 came in as grant from government (LCC, Receipts and Payments 2010-2018).

The decrease in the number of SMEs also affected the revenue collection at LCC. For example, there was a reduction in total revenue collected for the years 2016 when compared to 2015 and 2018 when compared to 2017. Most importantly, the difference reflected between government grants and internally generated revenues sends a message on how imperative SMEs are to the LCC.

1.2 Statement of the Problem

Despite SMEs being identified as essential tools for employment creation, poverty reduction and contributors to the local authority's revenue, their development in Lusaka District has been a challenge. The LCC in 2018 indicated a significant decline in the number of SMEs in Lusaka District. Assessing the trend from 2010 to 2018, significant growth for small enterprises only took place in 2015, while for medium enterprises it was in 2014. Thereafter, SMEs have been on a decline. Statistics indicate that in 2015, there were a total number of 5,223 SMEs. However, in 2016 the number reduced to 4,863, the year 2017 showed a reduction to about 4,653 and 2018, SMEs further reduced to 4,380 (LCC database, 2018).

The reduction in the number of SMEs has affected revenue collection at LCC. This is because more than 70 percent of revenue is internally generated from local taxes imposed on these business entities, while less than 30 percent comes in as grant from central government. Specifically, the years 2016 and 2018 had seen a reduction in revenue collection. The situation made it difficult for the local authority's overall operation and service delivery to the public. The slow growth of SMEs had also made it difficult to curb unemployment rate. Due to this, Lusaka district, according to CSO (2018), had the highest unemployment levels in Lusaka province, representing a share of 11.6 percent. The World Bank (2014) also revealed that approximately 34 percent of Lusaka's population lived below the national poverty line.

A lot of arguments had been raised on how the government and other stakeholders such as local authorities can enhance the development of SMEs, with an aim of creating jobs and reducing poverty. However, the main concern was the continued decrease of SMEs in Lusaka district which posed a challenge on poverty, unemployment and LCC's revenue. Therefore, this study sought to establish the contribution of local authorities to the development of SMEs with a primary focus on LCC.

1.3 Study Objectives

1.3.1 General Objective

The general objective of the study was:

- To establish the contribution of Lusaka City Council to the development of SMEs in Lusaka District

1.3.2 Specific Objectives

The specific objectives of the study were:

1. To investigate legal and policy constraints to the growth of SMEs in Lusaka District
2. To examine interventions by the local authority to enhance the growth of SMEs in Lusaka District
3. To recommend further measures the local authority should implement to develop SMEs in Lusaka District

1.4 Research Questions

The following are the research questions of the study;

1. What are the legal and policy constraints to the growth of SMEs in Lusaka District?
2. What interventions has the local authority made to enhance growth of SMEs in Lusaka District?
3. What further measures should the local authority implement to develop SMEs in Lusaka District?

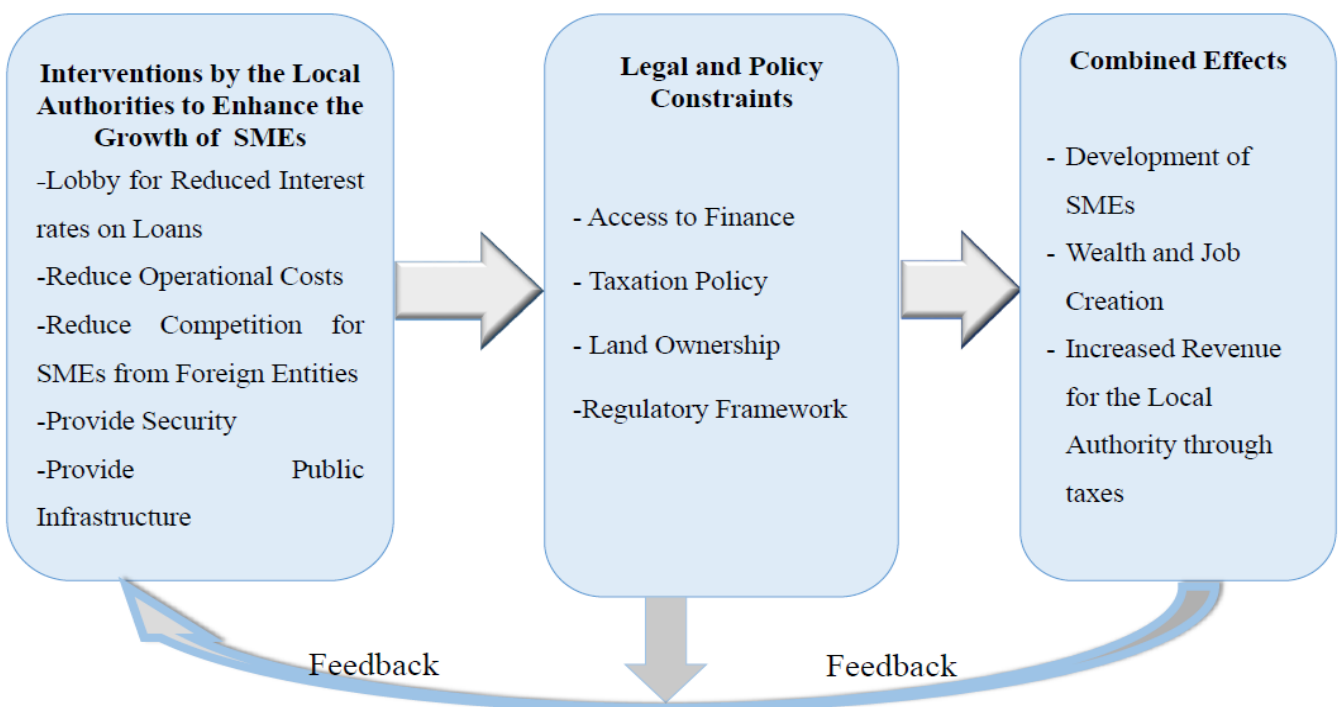
1.5 Rationale

The researcher decided to undertake this study in order to establish the contribution of LCC to the development of SMEs in Lusaka District. Specifically, the following reasons brought out the impetus for undertaking this study: firstly, investigate legal and policy constraints to the development of SMEs in Lusaka District. This was done in order to have evidence based information legal and policy constraints to the development of SMEs in Lusaka District. Secondly, to examine interventions by the local authority to enhance the growth of SMEs in Lusaka District.

This was done in order to gain an in-depth understanding of what LCC was doing to promote the growth of SMEs in Lusaka District. Thirdly, recommend further measures the council could implement in order to enhance the development of SMEs in Lusaka District. This was done in order to provide information on what the council could implement to develop the SME sector. The findings of this study may be useful to policy makers and other parties involved in designing viable policies and programs aimed at developing the SME sector. Lastly, the information which was generated in this study may be useful to researchers and scholars in the areas of local government and SMEs’ development in Zambia and elsewhere, as it builds on existing knowledge on local government and SMEs in Zambia.

1.6 Conceptual Framework

Figure 1.2: Conceptual Framework Illustrating the Contribution of Local Authorities to the Development of SMEs



(Source: Adapted by the author from Ofori, (2011).

The conceptual framework in this dissertation is based on a model adapted from Ofori’s PHD thesis entitled “The Role of Local Government in Local Economic Development at the District

Level in Ghana: A Study of Ejisu-Juaben Municipal Assembly. Ofori's model shows local government as the main actor in the process of delivering local economic development at the local level. The model further indicates that for the main actor to effectively engage in local economic development, there is need for it to meet certain requirements. These requirements include particular roles to be played, strategies to be developed and applied, involvement of actors or stakeholders and availability of needed capacity in the process. If these requirements are met, then they may be applied in the selected fields where the local government operates to promote local economic development. Should the application of these requirements be adequate and successful, then there is a chance for local government to bring about an improvement in the local economic development conditions of its local area (Ofori, 2011).

1.6.1 Interventions by the Local Authority to Enhance the Growth of SMEs

Local authorities in this dissertation are seen as the main actors in the development of SMEs. The contribution local authorities make in this study refers strategies advanced by councils which are expected to develop SMEs. When local authorities advance strategies and carry out certain responsibilities, the expectation is development of SMEs in their local areas.

One of the ways in which local authorities can develop SMEs in their local areas is to lobby for reduced interest rate loans for SMEs. In an event that this strategy fails, owing to the fact that most of the economies are liberalised, the local authority should provide free interest rate loans. Provision of free interest rate loans will enable SMEs to have access to finances which may be used to expand their business entities. In an event that local authorities are unable to offer interest free loans, SMEs will be subjected to loans from the financial market with high interest rates. High interest rates on the financial market can pose a challenge to SMEs' development, in that certain business entities might not be able to borrow. Moreover, certain financial institutions may be unable to lend out to SMEs due to lack of security. In an ideal situation, local authorities should be able to lobby for reduced interest rates. Local authorities should formally talk to financial lending institutions operating in their areas of jurisdiction, to reduce interest rates for SMEs. When the interest rates are reduced, SMEs will be encouraged to borrow for capital investments. Therefore, provision of financial assistance to SMEs by local authorities is fundamental to their development.

SMEs are usually faced with high operational costs in local areas they operate from. Ideally, local authorities are supposed to help in keeping the operational costs low for SMEs by providing support services. Provision of support services that aid in keeping the cost of operation low is cardinal for continuous operation and development of SMEs. Local authorities' support such as providing funds, training projects, and tax relaxation among others can play a pivotal role in the success of SMEs. Local authorities' support services may be beneficial to SMEs. However, strict policies of the local authorities related to investments can adversely affect SMEs' growth. Therefore, SMEs tend to perform better in their businesses when local authorities offer support services which reduce the cost of operation.

In order to develop SMEs, local authorities should protect them from unnecessary competition, especially from foreign business entities. This should be done by putting in place a proper legal framework that ensures adequate support for local SMEs in the business environment. Ideally, legal provisions should provide a basis upon which local authorities develop strategies and carry out activities aimed at not only attracting foreign direct investment but also protecting and nurturing local business entities. Legal provisions should stipulate the contribution of local authorities in the development of SMEs especially on the issue of competition from foreign business entities, putting into consideration that the world is now a global village. Therefore, SMEs tend to survive better when they are protected from foreign entities.

To effectively develop SMEs, local authorities should ensure that local areas are secured. Ideally, security systems that enable business entities to operate without fear at any given time should be put in place by local authorities. This should be done by installing street lights and surveillances in various places of local areas and be accompanied by the provision of police services. This is needed not only for protection of various business entities but also for citizens living in that local area. Therefore, provision of security systems by local authorities makes SMEs to perform better because they are protected from crime activities.

Access to public infrastructure services such as water and sanitation, electricity, serviceable roads, telecommunication, Internet among others are all crucial to the performance and growth of SMEs. Limited access to public infrastructure service may be a major constraint to SMEs' survival and growth, as it may limit operations and restrict access to markets and raw materials. Ideally, a policy and/or law should be in place stipulating how the local authority may help in the provision of

public infrastructure. This is because public infrastructure may be a principle cause of low levels of investment and unsatisfactory performance of SMEs. Therefore, public infrastructure may influence the performance of SMEs either positively or negatively. Good public infrastructure enhances positive impacts to SMEs' performance while poor public infrastructure attributes a negative impact on the performance of SMEs and consequently, their growth.

1.6.2 Legal and Policy Constraints to the Growth of SMEs

Ofori's model recognises the importance of legal and policy framework in the process of delivering local economic development. In view of this, there should be in place a legal and policy framework guiding the delivery of local economic development. In this study, legal and policy constraints are viewed as those laws and policies formed and/or implemented by local authorities that act as an obstacle to the growth of SMEs. Legal and policy frameworks are fundamental to the growth of any business entity and their availability may make it easier for SMEs to excel. However, there are certain laws and policies that poses a great threat to the growth of SMEs. In this study, legal and policy constraints are determined by taking into consideration the laws and policies that may hinder the growth of SMEs.

Access to finance is one of the significant factors for the continued existence of majority of the SMEs. Availability of finance ensures the profitability of an enterprise as it injects working capital. In this context, high working capital permits to run a huge business and allows using advanced technology which increases productivity levels and quality (Tekele, 2019). Ideally, for the attainment of local economic development through SMEs, local authorities need to establish a funding pattern which allow SMEs to have access to high working capital. Moreover, SMEs that suffer capital constraints have lower profits, and their survival rate is lower (Wangari, 2017). Local authority's financial support to SMEs may positively affect their growth. Ideally, when there are many SMEs in the locality, there is the tendency for local people to be employed by firms that have been standing on their own as a result of local authority's support programme. Therefore, availability of laws and policies that financially support SMEs makes them perform better.

Taxation play a very significant role in the development of SMEs. Government, whether at the central or local government level may use taxation policy to inject capital in SMEs. Ideally, the local authority should be able to offer relief by having a tax policy that supports the development

of these business entities. In view of this, tax holidays can be offered to SMEs by local authorities in the first few years of operation. Local authorities can also draw up a plan on how to tax SMEs especially in times when they do not make any profits. For example, reducing the various fees paid to local authorities by a certain percentage provided that, SMEs show evidence of not making any profit in a particular year. Moreover, a tax policy which does not support SMEs tends to constraint their growth and their survival rate is low, because they tend to suffer in their business investments. Therefore, SMEs perform better when there is a good tax policy.

Land ownership is very cardinal for SME's growth. Owing to this, land policy and laws are imperative to the development of SMEs. Ideally, local authorities with the help of central government are supposed to come up with laws and policies stipulating the acquisition of land by SMEs. Local authorities through their land policies and laws may lease land to SMEs. Owning land ensures that SMEs have business operating premises. Furthermore, having land may reduce operational costs for SMEs in that they may not be paying rent. The finances can be diverted to other areas of the business entity to support growth. Abdissa and Fitwi (2016) postulates that SMEs with enough own working premises (land) grow more than those enterprises which have no working premises and selling outlets. Doris (2016) is of the view that business operating in premises apportioned by government agencies have better chance of success compared to those set up in privately rented premises. Availability of land is very important for the success and sustainable growth of entrepreneurs because it creates access to resource and the necessary market. Owing to this, the issue of land provision and the land lease system the local authority uses may constrain the chance of SMEs success. Therefore, land ownership may have significant influence on SMEs' performance and consequently, development.

For SMEs to live up to expectations, and drive entrepreneurship development, there must be enabling business climate to support them (Bouazza et al, 2015). For instance, local government's enactment of good regulatory framework is indispensable for job creation, poverty reduction and local economic development for its people. Regulation usually involves the means by which local authorities control the actions and economic activities of SMEs within their areas of jurisdiction (King and Levine, 1993). Regulations on SMEs may be manifested in forms such as regulations over business start-up and continuity of operating in a local area, labour practices and trade among others. The regulatory framework in which SMEs play therefore, has a critical role in influencing

their survival and growth potentials. Local authorities' regulations produce two atmospheres for SMEs: the atmosphere to grow or fail. Chen et al (2007) postulates that when regulations in a given local economy are excessive, they may inhibit creativity and innovation which may affect the overall growth of SMEs. Fonseca et al (2007) hinted that regulatory frameworks in most cases may not be well streamlined and this may cause a lot of stress on SMEs in their desire to develop. Therefore, SMEs performs better, when there is a good regulatory framework.

1.6.3 Combined Effects

Combined effects in this dissertation refers to the outcomes of the interventions made by local authorities and the legal and policy constraints in the process of SMEs' development. Combined effects in this dissertation not only depict SMEs' development but also wealth and job creation, as well as increased revenue for the local authority in a particular local area. The combined effects are as a result of the interventions by the local authorities and the legal and policy constraints. Development of SMEs in this study refers to a process that involves the growth of business establishments from one stage to another, as well as an increase in the number of establishments in a local area. Development of SMEs can be seen when business establishments are able to diversify in other areas of businesses with an aim of offering multiple products and services to the market. In this study, SMEs' development is as a result of both the efforts put in place by local authorities and legal and policy constraints in the business environment.

As earlier noted, local authorities have to play a role for SMEs to develop. Ideally, local authorities have to offer financial assistance to SMEs in form of free interest loans or loans at a very low interest rate and also lobby for low interest rates. Local authorities also have to help in lowering the operational costs for SMEs by a well-established regulatory framework supported by the national law. Operational costs can also be lowered by offering support services to SMEs. These support services can be seen in the provision aids, funds, training projects, and tax relaxation to SMEs. Local authorities should also protect SMEs from stiff competition, especially that which comes as the result of foreign business entities. Local authorities should also ensure that security is provided for SMEs in order for them to operate freely without fear at any given time.

It is important to note that even though local authorities may institute various interventions aimed at developing SMEs, the legal and policies governing the business environment can act as a

constraint. As earlier noted, SMEs performs better with the availability of laws and policies that financially support them. SMEs also tends to do better when there is a good tax policy. Public infrastructure is also cardinal for the development of SMEs. Laws as well as policies stipulating how local authorities are to provide public infrastructure are therefore cardinal to their growth. A good regulatory framework is also imperative to the growth of SMEs.

When local authorities make interventions to enhance the growth of SMEs effectively and the legal and policy constraints are removed, the end result will be combined effects for the development of SMEs in local areas. What this entails is that small enterprises will graduate to medium enterprises. Thereafter, medium enterprises will graduate to large enterprises. This will lead to creation of wealth and more jobs in local areas. In addition, there will be increased revenues for local authorities in that medium and large enterprises tend to have a stable flow of cash, making it easier to remit tax to the local authority.

1.6.4 Feedback

Feedback in this dissertation refers to helpful information or criticism that is given to local authorities on what can be done to continue developing SMEs in their local areas. It also refers to what the local authority gets from SMEs operating within its area of jurisdiction. In view of this, feedback is likely to include what the local authority did well and needs to improve on, or what it failed to do or did wrong and needs to be addressed well in future, as it continues with the process of developing SMEs. In the process of developing SMEs, local authorities make various interventions by coming up with support services such as provision of public infrastructure and security among others. However, local authorities can only know that the interventions been are giving out positive effects on the development of SMEs by getting feedback. For this reason, feedback may include positive and negative information on various works that local authorities are doing in the process of SMEs' development. If local authorities get positive feedback on various interventions; there is a likelihood of maintaining the status quo. However, if local authorities get negative feedback, they might go back to the drawing board and see how best they can re-strategise so that their role is effective in the development of SMEs. The above information in the conceptual framework is illustrated in Figure 1.2 above.

1.6.5 Summary of the Conceptual Framework

The conceptual framework in this dissertation was based on a model showing the contribution of local authorities in the development of SMEs. The model shows that in order for SMEs to develop, they need support from local authorities. This support is generally composed of many things required to achieve SMEs' development. Support includes offering interest free loans and lobbying for low interest rates, lower operational costs, a good taxation policy, protection from competition and good security system in place. However, in the process of developing SMEs, legal and policies play a fundamental role. In view of this, legal and policy constraints have to be taken into consideration and ensure that all hurdles that may hinder the growth of SMEs are removed. Local authorities' laws and policies that financially support SMEs have to be available. There also ought to be a good taxation policy that deliberately inject capital in SMEs. Public infrastructure is also cardinal for the development of SMEs. Laws as well as policies stipulating how local authorities are to provide public infrastructure should therefore exist. A good regulatory framework is also imperative to the growth of SMEs. Once the local authorities' interventions as well as the legal and policy constraints are put into perspective, they may be used to develop SMEs.

In the process of SMEs' development, interventions by local authorities and legal as well as policies that govern the business environment are utilised to produce the combined effects. The combined effects or rather results are closely linked to the local authority's interventions and legal and policies that are put in place in the process of SMEs' development. The development of SMEs in a local area has an effect on wealth and job creation, as well as revenue for the local authority in that jurisdiction. Therefore, for SMEs to develop, they need support from the local authority.

The feedback in the model is composed of getting hold of information from the environment with regards to how local authorities are faring in the process of SMEs' development. This is done by assessing the growth of SMEs in local areas. In view of this, local authorities can assess how SMEs are growing in their local areas by looking at statistics. It can also be determined by looking at how local authorities are faring in terms of support services to SMEs. If the feedback is good, local authorities can either maintain or improve their roles played in SMEs' development. However, if it is poor, local authorities have to identify where they are falling short so as to improve their roles in SMEs development.

1.7 Conclusion

This chapter has provided information on the background of the study, statement of the problem, research objectives and conceptual framework guiding the study. It has shown that local authorities have been identified as avenues through which SMEs can be developed. The conceptual framework used in this study shows that if the local authorities are to develop SMEs, certain conditions have to be met. However, despite their importance, no information has been provided relating to the contribution of local authorities in the development of SMEs in Zambia. The specific objectives of this study were to investigate legal and policy constraints to the growth of SMEs in Lusaka District; examine interventions by the local authority to enhance the growth of SMEs in Lusaka District and; recommend further measures the local authority should implement to develop SMEs in Lusaka District.

1.8 Organisation of the Dissertation

This dissertation is divided into six chapters. Chapter one provides information on the background of the study, statement of the problem, research objectives, research questions, rationale and conceptual framework. Chapter two is composed of literature review. Chapter three presents research methodology. Chapter four presents information on legal and policy constraints to the growth of SMEs in Lusaka District. Chapter five examines interventions by the local authority to enhance the growth of SMEs in Lusaka District. Chapter six presents the conclusions and gives recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section of the dissertation presents information on empirical studies that have been conducted on issues of local authorities and SMEs' development in Zambia and other countries. In doing so, relevance of the studies to the current study is given. Gaps in the literature reviewed are identified to show the justification of the current study. The section ends with a summary of the reviewed literature.

2.2 Reviewed Literature

Simpemba (2002) conducted a study entitled *Funding Problems of Small and Medium Sized Enterprises in the Copperbelt* in Zambia. The main objectives of the study were to identify factors that hindered SMEs in the copperbelt from obtaining funding from financial lending institutions for their business operations, to establish how such factors can be overcome and to make recommendations to relevant authorities on how they can make funding easily accessible to SMEs in the copperbelt. The study was descriptive in nature and employed document analysis for secondary data through the use of books, journals, publications and the Internet, while for primary data field investigation was used to obtain data from selected SMEs in the copperbelt. The main finding of the study was that there was a funding problem of SMEs in the copperbelt. The study revealed that SMEs failed to get financial assistance from financial lending institutions due to lack of collateral and lack of proper financial statements demanded by institutions. Other factors identified were high interest rates charged by the institutions, short loan repayment periods, low returns from businesses and lack of viable business proposals. The study further revealed that financial institutions were not willing to lend to SMEs because they perceived the sector as high risk, and hence the need for security.

The study by Simpemba was imperative to this study because it looked at legal and policy constraints to the growth of SMEs. The study by Simpemba was beneficial to this study because it sought to investigate legal and policy constraints to the growth of SMEs. However, Simpemba's study only focused on funding as an impediment to growth of SMEs, leaving out other issues such

as local authorities, because they setup by-laws and policies that govern the business environment. This study also went a step further by investigating legal and policy constraints to the growth of SMEs.

Musona (2014) conducted a study entitled *An Analysis of Factors Constraining the Growth of Micro Enterprises in Lusaka*. The main objective of the study was to identify the main factors that negatively affect the growth of micro enterprises in Lusaka. Musona's study adopted a descriptive design type of methodology to collect the required primary data, while for the secondary data; the study used document analysis from various sources such as published books, published journals and online books, as well as journals and theses. The findings of the study indicated that micro enterprises in Lusaka were faced with internal and external constraints to growth such as excessive competition, lack of access to finance, vulnerability to crime, lack of market demand, high family demands and unrealistically high cost of stock. Other constraints were found to be administrative corruption, constrictive import/ export regulations, uncertainty regarding business conditions and legal as well as regulatory constraints.

The findings by Musona's study were found to be of relevance to this study because of important information brought out on the constraints that limit growth of micro enterprises in Lusaka. Literature by Musona (2014) was beneficial to this study as it sought to investigate legal and policy constraints to the growth of SMEs in Lusaka city. Although Musona brought out important information on constraints limiting growth of micro enterprises, her arguments fall short in certain areas. For example, Musona's study argued that micro enterprises did not adhere to laid-down regulatory and legal restrictions enforced by local authorities, but the study did not bring out what the local authority was offering in terms of services to ensure that entrepreneurs were compelled to adhere to lay down laws. Musona's study only concentrated on micro enterprises, leaving out small and medium enterprises that are cardinal in measuring the growth of enterprises as a whole. Last but not the least, having identified the constraints, it was imperative for Musona's study to find out from the local authority and other stakeholders what was being done to curb the situation. Therefore, the motive to conduct this research had been necessitated so as to investigate legal and policy constraints to the growth of SMEs and also examine interventions by the local authority to enhance the growth of SMEs' development in Lusaka District.

Kambone (2017) conducted a study entitled *The Impact of Small and Medium Scale Enterprises in Achieving Sustainable Growth in Zambia: Case of Kasama District*. The main objective of the study was to identify and understand more about the impact of Small and Medium Enterprises on achieving sustainable development goals in Zambia. The study used a descriptive design type of methodology to collect the required primary data, while for the secondary data; the study used document analysis from various sources such as published books, published journals and online books, as well as journals and theses. The findings of the study revealed constraints for SMEs' growth in Kasama District. The constraints included, competitive environment, regulations and availability of a skilled workforce, the cost of finance, international expansion, and lack of knowledge about markets, bureaucracy, political and social instability.

The findings by Kambone's study were found to be of relevance to this study because of important information brought out on the constraints that limit growth of SMEs in Kasama. Literature by Kambone (2017) was beneficial to this study as it sought to investigate legal and policy constraints to the growth of SMEs in Lusaka city. Although Kambone brought out important information on constraints limiting growth of SMEs, the arguments fall short in certain areas. For example, Kambone's study did not look at how local authorities can impact the growth of SMEs. The fact that the study was conducted in Kasama District, it was imperative to find out if the local authority in that area was aiding to grow SMEs. Therefore, the motive to conduct this research had been necessitated so as to investigate legal and policy constraints to the growth of SMEs and also examine interventions by the local authority to enhance the growth of SMEs' development in Lusaka District.

Mubita et al (2017) wrote an article entitled *Urban Informality and Small Scale Enterprise (SME) Development in Zambia: An Exploration of Theory and Practice*. The paper employed desk review methodology involving a review of secondary data which was qualitatively analysed. The paper established some of the challenges that SMEs in Zambia faced. These included, financial, market and infrastructure constraints. Furthermore, SMEs also lacked access to information, adequate management, entrepreneurial and technical skills. Government efforts to solve the challenges have been hampered by corruption, lack of coordination, poor targeting, funding instability, lack of implementation systems and political interference.

The findings by Mubita et al's paper were found to be of relevance to this study because of important information brought out on the challenges that SMEs were facing in Zambia. Literature by Mubita et al (2017) was beneficial to this study as it sought to investigate legal and policy constraints to the growth of SMEs in Lusaka city. Although Mubita et al brought out important information on challenges SMEs were facing, the arguments fall short in certain areas. For example, Mubita et al paper did not look at how local authorities can impact the growth of SMEs. The other issue was that though the paper was about SMEs, they were not engaged to get the true reflection on the challenges they encounter. Findings without statistics and/or views from SMEs who know the challenges they go through can be regarded as mere speculation. Therefore, the motive to conduct this research had been necessitated so as to investigate legal and policy constraints to the growth of SMEs. The research also aimed at getting views from SMEs on the various constraints to growth and how the local authority was helping in mitigating them.

Mwaanga and Moonga (2016) conducted a study entitled *Small Business Management in Kabwe: Factors Influencing their Failure*. The main objective was to identify factors that influenced failure among small businesses and to investigate the relationship between the number of years of operations and businesses performance. Descriptive design was adopted in the study. The study revealed a myriad of factors, but the most important factors were lack of market information, financial constraints, lack of collateral and high taxes played a part in demotivating the SMEs in conducting business in Kabwe. The study also revealed that the more years spent in business with good government policy were cardinal in the success of small businesses.

The study conducted by Mwaanga and Moonga (2016) was important to this study because it had identified factors that hinder the development of Small business. The literature by was also beneficial to this study because it sought to investigate legal and policy constraints to the growth of SMEs in Lusaka District. Although Mwaanga and Moonga brought out relevant information on factors influencing the failure of SMEs, their arguments fall short in some areas. For example, the success or failure of Small businesses may also depend on the policies and programmes put in place by local authorities within the area they are operating from. Therefore, this study ensured that the identified gaps were filled up.

Thekiso (2016) conducted a study entitled *the role of local government in supporting entrepreneurship and SMME development: the case of Mangaung Metropolitan Municipality*,

South Africa. The objective of the empirical study was to understand what the municipality was doing to address challenges of economic growth and unemployment, increase in income levels of local citizens, enabling people to pay for services, and enabling local government to provide more and better services through entrepreneurship and SMME development. The study employed a case study approach and descriptive design to generate an understanding of what the municipality does to support SMMEs and entrepreneurship development. Thekiso's study was purely qualitative and secondary data such as official documents of government were used to write the final document.

The findings of the study revealed that the Mangaung Metropolitan Municipality was building economic infrastructure by creating Agri Park in Thaba Nchu and rejuvenating its CBD's and providing commonage land to small scale farmers for animal grazing, with an aim of boosting businesses. The study also revealed that the municipality supported SMMEs by contracting them to do waste removal and cleaning of CBDs and further established waste drop off areas to encourage and promote the re-use and recycling of waste products. It was further revealed that the municipality supported the SMMEs in the tourism sector by promoting Naval Hill, Maria Moroka Game Reserve, resorts, dams, cultural and historical sites, monuments and museums.

The study conducted by Thekiso (2016) was important to this study because it had shown what Mangaung Metropolitan Municipality was doing to support the development of SMEs. Literature by Thekiso was beneficial to this study because it sought to examine interventions by the local authority to enhance growth of SMEs in Lusaka District. Although Thekiso's study brought out a lot of important information on interventions local government had made in supporting SMEs' development, only official documents were used in generating findings. Official documents are good but when conducting a study, they need to be backed up with official statistics. Moreover, no SMEs were engaged in Thekiso's study to get their views on the support Mangaung Metropolitan Municipality was giving to them. In view of this, Thekiso's study left the question on how SMEs viewed the support from local authorities and if the support was really there or it was just some mere political rhetoric. This called for a further investigation into the subject matter, hence this research.

Waichungo (2013) conducted a study entitled *the Role of Local Authorities in the Development of Micro and Small Enterprises in Kenya: The Case of Naivasha Municipal Council*. The main objective of the study was to evaluate the role of local authorities in the development of micro and

small enterprises in Kenya. The study used a descriptive design type of methodology to collect data. The findings of the study revealed that devolved funding in the local authority of Naivasha to MSEs operators usually did not implement local priorities. It was found that markets had been constructed by local council to support MSEs. However, poor and impassable roads were obstacles during rainy seasons; there were also issues of poor garbage disposal and drainage in the market, insecurity, lack of shades, small space resulting in congestion, no lights and pavements structured for the sellers to display their goods. The study also found that the MSEs operators did not have a chance to participate in the local authority planning process. It was found that they interacted with City council staff only when they visited business enterprise more regularly to inspect business permits and revenue collection. The study also found that support services such as reliable water service from the council were lacking; the markets lacked fire extinguishers, sewer lines and feeder roads. However, according to the council, there were inadequate resources, especially the funds, to address all the service delivery needs for the entire council.

The study conducted by Waichungo (2013) was important to the current study because it had brought out important information on how lack of adequate support from local authorities affected the development of MSEs. Literature by Waichungo (2013) was beneficial to this study because it sought to examine interventions by the local authority to enhance growth of SMEs in Lusaka District. Although Waichungo's study brought out important information on the contribution of local government to MSEs' development, concentration was only on Micro and Small enterprises, leaving out medium enterprises. Moreover, the study only focused on looking at problems of MSEs, without questioning the local authority what to do in order to help SMEs develop. Therefore, this study moved a step further by examining interventions by the local authority to enhance the growth of SMEs'.

Pahwa et al (2006) conducted a study entitled *Impact of Municipal Regulations on SMMEs in South Africa*. The objective of the study was to review the Impact of Municipal Regulations on SMMEs, as well as suggest areas where regulatory reform may be required in order to reduce the impact and the costs of compliance. A cross-section survey was employed to collect data. Document analysis was used to supplement primary data. The findings of the study revealed that there was a general lack of information about municipal regulations and their enforcement. Uncertainty existed around changes to electricity redistribution, property Rates valuation and

levies. The study also revealed that the impact of levies on SMMEs was found to be twofold: the financial burden of paying the levy, as well as the administrative burden of completing the required documentation. For most small businesses, the latter translates into an additional financial burden, as they often chose to employ an outside professional to complete the required documentation. All in all, SMMEs faced high compliance costs and extensive and complicated paperwork which impacted negatively on their growth.

The study by Pahwa et al (2006) was important to this study because it had shown how compliance to regulations set by municipalities can negatively affect the growth of SMEs. Literature by Pahwa et al (2006) was beneficial to this study because it sought to investigate legal and policy constraints to the growth of SMEs in Lusaka District. Although Pahwa et al study brought out important information on issues of local government and SMEs development; their arguments fall short in certain areas. For example, Pahwa et al study did not specify how high compliance costs affected negatively, SMMEs' growth. Also, this study was conducted in South Africa. Thus, the identified gaps brought out the impetus to conduct this research.

Baragwiha (2013) conducted a study entitled *The Role of SMEs in Economic Growth and Poverty Reduction in Temeke Municipal Council-Tanzania*. The main objective of the study was to assess the contribution of SMEs on economic growth and poverty reduction in Temeke Municipal Council. Baragwiha's study employed a case study design for primary data, while for secondary data, the study used document analysis from various sources such as books, publications, journals and the Internet. The findings of the study revealed that there were constraints that hindered SMEs from effectively contributing to economic growth and poverty reduction. The constraints included corruption, lack of finances/capital, government policy, poor working conditions, people factor/lack of needed talents, lack of proper record keeping, lack of or improper professional advice and lack of trust in doing business, inadequate education and training and lack of background and experience in the business. The findings further revealed lack of government support in curbing counterfeit products which negatively impacted on SMEs sales turnover and operations.

The study by Baragwiha (2013) was important to this study because it revealed some of the important constraints that hinder SMEs in Tanzania from contributing effectively to economic growth and poverty reduction. The literature by Baragwiha was beneficial to this study as it sought to investigate legal and policy constraints to growth of SMEs in Lusaka District. Although

Baragwiha's study brought out some important information on the role of SMEs in economic growth and poverty reduction, his approach was not comprehensive enough to bring out a holistic picture on SMEs and the area they operate from. For example, SMEs operate in areas full of rules and regulations initiated by local authorities. However, Baragwiha's study did not look at the rules and regulations governing the SMEs in Temeke Municipal Council and how they affected SMEs's contribution to economic growth and poverty reduction. Moreover, SMEs contribute financially to local authorities, in view of this, it was imperative for Baragwiha's study to have also investigated factors put in place by local authorities to ensure SMEs' growth. Therefore, the desire to provide information on the contribution of local authorities in the development of SMEs brought out the impetus for the researcher to undertake a further investigation into the subject.

Kakwambi (2012) conducted a study entitled *Enhancing the contribution of Small and Medium-sized enterprises to local economic development in Oshakati Town, Namibia*. The main objective of the study was to investigate and re-examine the role played by the SME sector, in contributing to and enhancing the Local Economic Development (LED) initiative taken by the Namibian local authorities, using Oshakati Town. The study adopted a case study design type of methodology to collect primary data, while for secondary data; the study used document analysis from various sources such as books, publications, journals and the Internet. The main finding of the study indicated that, despite the nationally recognised importance of the SME sector in terms of LED, the sector still faced major challenges in regional and local government. The major challenges included access to finance, business infrastructure, lack of business training and continuous flooding during the rainy season. The findings further revealed that amongst the challenges faced by SMEs, the town council tried its best to address the issue of inadequate worksites, open markets and business and industrial parks.

The findings by Kakwambi (2012) were found to be useful because they gave detailed information on challenges been faced by SMEs and how the town council was helping to solve some of the challenges. The literature was important to this study because it intended to examine interventions by the local authority to enhance the growth of SMEs in Lusaka District. However, Kakwambi left out certain aspects which are relevant. For example, the study did not bring out information on why there is that impetus from the town council to support the growth of SMEs. This information

could have been very helpful in showing the importance of the SME sector to local authorities and the town at large. This brought the impetus for the researcher to undertake the study.

Gopaul and Manley (2015) conducted a study entitled *SME Perception of Government Assistance within South Africa*. The main objective of the study was to investigate the perception of SME owners in South Africa regarding the assistance provided to them by local government. The study followed a quantitative research approach for the collection of primary data; while for secondary data, the study used document analysis from various sources such as books, publications, journals and the Internet. The findings of the study indicated that local government and municipalities were not adequately doing enough to support and assist SMEs. Gopaul and Manley (2015) argued that SMEs were of the view that local government should help in the following: provide subsidized interest rates to small business owners, assist with training and skills development, mentor and provide learner-ships to small business owners and entrepreneurs, assist small business owners who provide jobs to those in living in their community, give small business owners a platform to voice their suggestions and make contributions to the passing of trading laws.

The study conducted by Gopaul and Manley (2015) was imperative to this study because it indicated that local government and municipalities were not doing enough in supporting and assisting SMEs. Literature by Gopaul and Manley (2015) was beneficial to this study because it sought to examine interventions by the local authority to enhance the growth of SMEs in Lusaka District. Gopaul and Manley's findings fall short in that they did not engage local government so as to find out the services being offered to SMEs. Therefore, this study went a step further by investigating legal and policy constraints to the growth of SMEs and examined interventions by the local authority to enhance the growth of SMEs in Lusaka District.

Hayford (2012) conducted a study entitled *The development of Small Medium Enterprises and their Impact to the Ghanaian Economy*. The main objective of the study was to investigate the development of SMEs and their impact on the Ghanaian Economy. The study employed the exploratory design. Primary data was collected using interview guides and questionnaires. Secondary data was collected through the use of document analysis. The findings of the study showed that although SMEs had contributed significantly to the development of the Ghanaian economy, they were not without challenges. The study revealed that challenges such as non-availability of financial facility from banks, managerial incompetence, market constraints,

regulatory and legal constraints and inability to capitalize on the advanced technological equipment were faced by SME personnel in the course of their work.

The study conducted by Hayford (2012) was significant to this study because it brings out challenges such as regulatory and legal constraints faced by SMEs in their road to development. The literature was beneficial to the study because it aimed at investigating legal and policy constraints to the growth of SMEs in Lusaka District. Although Hayford's study brought out important points on challenges facing SMEs in their road to development; the finding falls short in some areas. For example, Hayford's study talked about regulatory and legal constraints as challenges to SMEs development, however, the study never gave any example or citation of any law or policy and how it affected the development of business entities. Moreover, Hayford's study did not engage any public institutions to find out what they were doing to help SMEs grow because regulatory and legal constraints are as a result of the policies and laws set by central and local governments. Therefore, this study went a step further by examining interventions by the local authority to enhance the growth of SMEs in Lusaka District.

Obokor (2016) conducted a study entitled *Infrastructure deficiency and the performance of SMEs in Nigerian Liberalised economy*. The main objective of the study was to examine the effects of infrastructure deficiency on the performance of manufacturing SMEs in Nigeria. A longitudinal approach was followed where a survey was conducted and to complement this, semi-structured interviews were conducted in 2001 and 2011 respectively. The main findings of the study were that the deficiency in infrastructure negatively impacts on the profitability and performance of SMEs, due to high cost incurred by SMEs in the self-provision of infrastructure and distribution of finished products. Furthermore, despite the successful privatisation of electricity production in November 2013, there is still no significant improvement in the power supply in Nigeria. However, government had embarked on road rehabilitation to ease the transportation of goods and services.

The study conducted by Obokor (2016) was important to this study because it brought out important information on how infrastructure deficiency can negatively affect the performance of SMEs in a liberalised economy. The literature was beneficial to this study as it sought to investigate constraints to the growth of SMEs in Lusaka District. However, the study only looked at SMEs that are in the manufacturing sector forgetting that similar challenges can be found by enterprises operating in other sectors such as service and trading. Furthermore, Obokor's study did not look

at what the government which is closer to the people in this case, local government was doing to sought out the challenge of infrastructure deficiency in the areas these SMEs where operating. Therefore, this study went a step further by filling the gaps which were identified.

Bouazza, Ardjouman and Abada (2015) conducted a study entitled *establishing the factors affecting the growth of small and medium-sized enterprises in Algeria*. The main objective of the study was to investigate the potential factors that affect the performance of SMEs and impede their growth in Algeria. This study employed a multi-methodology approach in which both quantitative and qualitative methods were used. The study revealed that Algerian SMEs are hampered by several factors which arise from the interaction between internal and external factors. The results indicated that unfair competition from the informal sector, cumbersome and costly bureaucratic procedures, burdensome laws, policies, and regulations, an inefficient tax system, a lack of access to industrial real estate, a lack of access to external financing, and low human resources capacities were the key business environmental factors affecting Algerian SMEs. On the other hand, entrepreneurial characteristics, low managerial capacities, lack of marketing skills, and low technological capacities were the main internal factors responsible for the unstable and limited growth of SMEs in Algeria.

The study by Bouazza, Ardjouman and Abada (2015) was imperative to this study for the reason that it brought out significant information on factors impeding the development of SMEs in Algeria. The literature was beneficial to this study as it sought to investigate legal and policy constraints to the growth of SMEs in Lusaka District. However, Bouazza, Ardjouman and Abada did not put into consideration the local authorities in areas where SMEs operated from and how they affected their growth. Therefore, this study went a step further by filling the gaps which were identified.

Kithae, Gakure and Munyao (2012) conducted a study entitled *The Place of Small and Medium Enterprises in the Achievement of Kenya's Vision 2030*. The objectives of the study were to find out the extent to which the government assisted the SMEs to access and make use of available credit facilities and; how government's legal and political environment has shaped SME's destiny toward the achievement of Kenya's vision 2030. A descriptive research design was used to carry out the study. The study found out that despite government's effort to promote SMEs' sector, mushrooming of many service providers and the central role of SMEs in employment creation;

these business entities fall below the levels required to meet challenges of the increasing basis for competition. The study further revealed that conformance to legal requirements was almost impossible because of too high license fees.

The study conducted by Kithae, Gakure and Munyao (2012) was important to this study because it brought out significant information on how high license fee imposed on SMEs by the council affected compliance levels to legal requirements which subsequently affected their operation and growth. The literature was beneficial to this study as it sought to investigate legal and policy constraints to the growth of SMEs in Lusaka District. However, Kithae, Gakure and Munyao only looked at license fees charged by the council as an impediment to the growth of SMEs in Kenya, leaving out other policies and by-laws formulated by local authorities. Moreover, the study was not conducted in Zambia; hence the motive to conduct something related so as see the views on council license charges and their effects on SME's development in Zambia.

IFC (2013) conducted a study entitled *IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction*. The main objective of the study was to examine how the private sector can best contribute to job creation and poverty reduction. The specific objectives were to find out what types of activities were most likely to have greatest impact on job creation, and how these activities affected different societal groups. A case study design was used to conduct the study. The main finding of the study was that the top obstacles to SMEs in developing countries to their operations were poor investment climate, notably red tape, high tax rates, and competition from the informal sector; inadequate infrastructure, especially an insufficient or unreliable power supply; lack of access to credit lines, business licensing and permit; and workers who lack sufficient skills and training.

The study by IFC (2013) was important to this study because it brought out significant information on factors that affected the development of SMEs in developing countries. Literature by IFC was beneficial to this study as it sought to investigate legal and policy constraints to the growth of SMEs in Lusaka District. However, IFC study did not put into consideration the important role that local authorities play in the development of SMEs. Therefore, this study went a step further examining interventions by the local authority to enhance the growth of SMEs in Lusaka District.

Clarkson (2017) wrote an article entitled *How are UK Local Authorities Supporting Entrepreneurs?* The biggest councils in the Britain were approached. The main objective was to find out the support they gave entrepreneurs in their local areas. The findings revealed that Kent County Council made available five million pounds in loans to support businesses in the county. In 2011, Kent County Council set up the Region Growth Fund and had supported 242 companies with 55 million pounds of loans that created more than 2,212 jobs and safeguarded a further 1,663. The Kent and Medway Business Fund was offering interest free loans between 50,000 and 500,000 pounds to SMEs to increase their growth, productivity and job creation.

Hertfordshire County Council was boosting connectivity for businesses and 92 percent of homes and businesses in its area accessed superfast broadband. By June 2018, 30,000 more homes and business premises had fibre broadband. Hertfordshire County Council also supported SMEs and start-ups by funding the Hertfordshire Local Enterprise Partnership. Essex County Council also had a number of schemes that they run to support businesses and these included funding and finding business premises in the county. Lancashire County Council supports SMEs by providing access to a range of funded programmes, delivered by specialists with a track record of growing both established and innovative start-up businesses. This includes workshops, mentoring and finance support. Between 2013 and 2015, Lancashire County Council provided growth advice and support to more than 2,800 businesses across Lancashire, helping to create more than 1,200 jobs and new economic activity valued in excess of 10 million pounds.

The article by Clarkson (2017) was important to this study because it brought out significant information on what local authorities in Britain were doing to develop SMEs. Literature by Clarkson was beneficial to this study because it sought to examine interventions by the local authority to enhance the growth of SME in Lusaka District. However, the article by Clarkson did not engage SMEs to get their views on the local authorities help and how it impacted their businesses. Therefore, this study ensured that the identified gap was filled.

2.3 Conclusion

This study has reviewed literature from Zambia and beyond. Generally, the reviewed literature has brought out some important information on the role of government in SMEs' development. However, most of the reviewed literature lacked information on the contribution of local

authorities in the development of SMEs. Literature that attempted to look at the topic at hand did not provide statistics, as well as views from SMEs on what they thought the contribution of local authorities in their road to development. In addition, literature that brought out factors that impeded SMEs' development did not go an extra mile in questioning the local authorities on what they were doing to help out SMEs that operated within their jurisdiction. Therefore, the gaps identified in the reviewed literature brought out the impetus for the researcher to undertake the study on the contribution of local authorities in the development of SMEs in Zambia.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section presents and describes methodology used in the study in order to achieve the research objectives. The research design, study area, sample size, sources of data, sampling methods, methods of data collection and analysis are presented and explained.

3.1.1 Research Design

A case study was adopted as the research design. A case study was adopted because its nature provides detailed consideration on what the Lusaka City Council was doing in spearheading the development of SMEs in Lusaka District. Further, this approach to the study enabled the researcher to acquire insights about the phenomena. Quantitative and qualitative methods of data collection were both used. Quantitative data was used because it enabled the researcher to quantify information that was collected from the field. On the other hand, qualitative data was collected because it enabled the researcher to acquire in-depth information about the study. The use of both quantitative and qualitative methods was to ensure that the shortfall of the quantitative data collected was supplemented by the addition of qualitative data.

3.1.2 Study Area

The study was conducted in Lusaka District located in Lusaka province. The District is the political, administrative and economic capital of Zambia. Lusaka District with an area of 360 square kilometres, though the smallest in the Province, carries a population of more than 1.7 million with a population density of approximately 4,722 persons per square kilometer (AfDB, 2015:7). The number of SMEs registered with LCC, as of 2018 stood at 4,380 of which 3,561 were small enterprises, while 819 were medium enterprises. The choice of this area for the study was based on a number of factors. Firstly, the fact that Lusaka District has a high population density poses a challenge on employment and poverty levels. Lusaka District is the highest on unemployment in Lusaka Province, representing a share of 11.6 percent. The World Bank (2014) also revealed that approximately 34 percent of Lusaka's population lives below the national poverty line.

Secondly, the area was chosen based on existing indicators of the many challenges being faced by SMEs in Lusaka District. These challenges include among others: limited access to markets, limited access to appropriate technology, machinery and equipment, inadequate business infrastructure such as roads and operating premises, limited technical and management skills, inadequate regulatory systems and excessive competition from unregulated importation of cheap products (SNDP, 2017). Various studies conducted throughout the world have emphasized the important role SMEs play in creating employment and reducing the levels of poverty. Therefore, the aforementioned reasons prompted the researcher to carry out an investigation on what the local authority in Lusaka District was doing to promote enterprise development so as to reduce the levels of poverty and create decent employment for the locals.

3.1.3 Sample Size

The overall sample size of the study comprised 56 respondents. This sample was broken down as follows: 21 SMEs were selected from which, 17 were small enterprises and four were medium enterprises. From each of the SMEs selected into the sample, the following samples were selected: two from each of the 17 small enterprises which brought the total number to 34 respondents and three from each of the four medium enterprises which brought the total number to 12 respondents. In addition, 10 key informants, namely, five SMEs' owners, LCC Director for Housing and Social Services, LCC Director for planning, LCC Director for Finance, one official from ZDA and the President or Chairperson of Zambia Chamber for Small and Medium Business Association (ZCSMBA) were included in the sample.

It is important to note that of the 21 SMEs which were selected, 33 percent were from trading industry, 24 percent were from service industry, 22 percent were from manufacturing industry, 17 percent were from hospitality industry and 4 percent were from agriculture industry. From these aforementioned industries, respondents were selected, of which 37 percent were sole owners, 35 percent were partners and 28 percent were employees. Assessing the gender for the respondents, the majority 70 percent, were male while the minority, 30 percent, were female. When it came to the age group of the respondents, the majority, 41 percent, were youths aged between 18 to 35 years. This was followed by 35 percent of respondents who were between 36 to 45 years of age. The minority, 24 percent of the respondents, were between 46 to 55 years of age. Assessing the

level of education for the respondents, it was established that the majority, 80 percent, attained tertiary education, while the minority, 20 percent, attained secondary level.

It was further revealed that, the majority, 50 percent of the selected SMEs, had two to five years of experience in business. This was followed by 20 percent of SMEs who had above ten years of experience. The minority, 15 percent of SMEs, had between six to seven years of experience. The other 15 percent had eight to ten years of experience. Assessing the source of capital for the SMEs, the majority, 40 percent of the respondents, cited savings. This was followed by 15 percent of the respondents who cited partnership, while 11 percent of the respondents said that they acquired their capital through loans. For those that cited trade and partnership as a source of their capital accounted for eight percent of the respondents. Another eight percent of the respondents said that their families were the source of their capital. For those that cited business as a source of the capital also accounted for eight percent. The minority, five percent of the respondents, said they self-financed their capital and another five percent cited friends and family as their source of capital.

3.1.4 Sources of Data

The study employed both primary and secondary sources of data. Secondary data was collected through desk research from various sources such as relevant literature and studies done by various scholars, organisations, Local Authorities and SMEs reports and publications, as well as relevant information from the internet. Secondary data was used because it provided information and insight on what has been researched in the world regarding the topic under study. Primary data was collected using two forms of instruments namely researcher administered semi-structured questionnaires and structured interview guides.

3.1.5 Sampling Methods

Lusaka City Council, as of 2018, had a total number of 4,380 SMEs registered under it, of which 3,561 fell under the category of small enterprises and 819 fell under the category of medium enterprises. For the purposes of this study, all the 4,380 SMEs formed a population from which the sample was drawn as they met certain criteria used to categorise business entities, as either small or medium. One of the criteria that was being used to determine whether an enterprise is

small or medium was the number of employees. For example, the number of employees for small enterprises lies between 10 and 49, while for medium enterprises it's between 50 and 99.

The number of SMEs selected from the population was 21, proportionate stratified sampling was used to determine the number of enterprises selected from each stratum. The formula $P = \frac{n}{N}$ was used to determine the number of SMEs selected from each stratum. Since there were two strata, each stratum was divided by the total number of the population, and then the answer was multiplied by 21 to get the actual number of each category. The formula $P = \frac{n}{N}$ was interpreted as followed: N was the sum total number of all enterprises in the population which was 4,380; n1 was the total number of small enterprises which was 1,214; n2 was the total number of medium enterprises which was 140; P1 was the proportion for small enterprises; P2 was the proportion for medium enterprises. After that, simple random sampling was used to select SMEs from each stratum. Adopting the proportional allocation for each category, the sample sizes were given as follows below:

Small enterprises

$$P_1 = \frac{n_1}{N} = \frac{3,561}{4,380} = 0.81$$

$$\text{Sample}_1 = p_1 * 21 = 17$$

Medium enterprises

$$P_2 = \frac{n_2}{N} = \frac{819}{4,380} = 0.19$$

$$\text{Sample}_2 = p_2 * 21 = 4$$

Table 3.1.5 (a) below illustrates the sampling procedure that was used and the number of enterprises which were sampled from each stratum of the SMEs in Lusaka District.

Table 3.1.5 (a): Sample allocation by category

Category of Enterprise	Registered SME	Selected Enterprises
Small	3,561	17
Medium	819	4
Total	4,380	21

Then at each of the SMEs which were sampled, two respondents from small enterprises and three from medium enterprises were sampled purposively, depending on their knowledge on the business environment. This information is presented in table 3.1.5 (b) below.

Table 3.1.5 (b): Number of respondents by category

Category of Enterprise	Number of Selected Enterprises	Number of Respondents from Each Enterprise	Total Number of Respondents
Small	17	2	34
Medium	4	3	12
Total	21		46

The other category of respondents was Key Informants, comprising three officials from LCC which include the Town Clerk, Director of Finance and Director of Planning, one official from ZDA, five SMEs' owners and the president or chairperson from ZCSMBA. This information is illustrated in table 3.1.5 (c) below.

Table 3.1.5 (c): Number of key Informants

Key Informants	No.
LCC	3
ZDA	1
ZCSMBA	1
SMEs' Owners	5
Total	10

3.1.6 Methods of Data Collection

Data was collected from both primary and secondary sources. Primary data was collected using interview guides and semi-structured questionnaires. The interview guides comprised a list of structured questions that were used to collect qualitative data. The interview guides were used to collect data from key informants.

Semi-structured questionnaires were used to collect both qualitative and quantitative data from SMEs' owners and managers who are knowledgeable about the business environment. The semi-structured questionnaires contained closed ended questions, open ended questions and partially closed ended questions. Open ended, closed ended and partially closed ended questionnaires

enabled the collection of both quantitative and qualitative data. All the semi-structured questionnaires were administered by the researcher. This enabled the researcher to acquire more specific information, as well as other information that was relevant to the study. Primary data was collected in order to gain more detailed insight about the study.

Secondary data was collected using desk research, journal articles, visiting the library and reading relevant literature on local authorities and SMEs' development. This information provided a broader view on what has been written in relation to the topic under study.

3.1.7 Methods of Data Processing and Analysis

Qualitative data collected from the semi-structured questionnaire was analysed using content analysis where data was categorized onto sets of responses and insights. Quantitative data which was collected from the semi-structured questionnaires was analysed using Statistical Package for Social Sciences (SPSS) to generate frequency tables. Excel was used to generate tables and graphs for data generated using SPSS. After which, the Graphs and Charts were copied to Microsoft Word where a detailed report was written. Data collected from interview guides from key informants was analysed using content analysis where information was coded according to themes that were developed from the analysis of data collected. Written notes were verified using voice recordings which were taken during key informants' interviews.

3.1.8 Ethical Consideration

The researcher was solely responsible for conducting the whole research process. The aim was to abide by the policies governing the enterprises, Lusaka City Council, ZDA, ZCSMBA and the University of Zambia. The data collected was not transferable by any means between persons or enterprises. Both confidentiality and anonymity were maintained on behalf of the informants who participated or shared information in this study. There was no coercion or force which was used to take advantage of the informants. Full voluntary participation was sought from the informants. From the enterprises, consent was sought by delivering to the enterprises an introductory letter of the research from the institution the researcher is studying from (University of Zambia).

3.1.9 Limitations of the Study

The researcher encountered some challenges in the field during data collection. The challenges are listed below:

During the time of data collection, the researcher had difficulties in that some enterprises were refusing to be part of the study. Some would just refuse to answer questionnaires stating that they were not willing to give out their enterprises' information. This, somehow, delayed the process in that the researcher had to go back to the frame and sample again. In the process, time and finances were lost.

The researcher also had some difficulties in the field in that some people took a lot of time to fill in the questionnaires. This meant that more time was lost.

The researcher also had some difficulties in getting hold of the LCC's officials, despite paying the institution for them to give permit to conduct research. It took the researcher several weeks to meet the officials due to their busy schedules.

The other set back had to do with lack of vital information in the resource centre at LCC. Important documents for the local authority such as strategic plans, among others, were not readily available in the resource centre. In short, the local authority does not give important documents to the resource centre. Therefore, it was difficult to get hold of certain documents and more time was spent in that reference was being made from one department to another.

Also, information on local authorities and SMEs' development in Zambia was very scarce. Nonetheless, with little that was found, the researcher managed to write this document.

There was also a financial setback in that this research was self-sponsored.

CHAPTER FOUR

LEGAL AND POLICY CONSTRAINTS TO THE GROWTH OF SMEs IN LUSAKA DISTRICT

4.1 Introduction

The aim of this chapter is to present and discuss research findings on legal and policy constraints to the growth of SMEs in Lusaka District. Establishing legal and policy constraints to the growth of SMEs enables both local authorities and owners/managers to advance strategies that can help in mitigating them.

In the conceptual framework of this dissertation, it was established that legal and policy framework is fundamental to the growth of SMEs. However, there are certain laws and policies, that poses as a great threat to the growth of SMEs in a local area.

Therefore, this chapter begins by presenting and discussing findings related to legal and policy constraints to the growth of SMEs in Lusaka District. Legal and policy constraints that are discussed include access to capital, taxation policy, access to public infrastructure, land ownership and regulatory framework of the local authority. Thereafter a conclusion is provided.

4.2 Access to Finance

Finance is very important in an enterprise for reasons of survival and growth. Finance is used to buy supplies, making capital investment and payments for business related costs such as salaries and other operational costs. Local authorities being government at local levels have to ensure that they draw up a plan on how best they can financially help SMEs. In view of this, the study sought to find out the effects of inadequate finances on the growth of SMEs, using variables such as sales turnover, employee turnover, operational costs and enterprise re-capitalisation. The study further sought to find what the local authority was doing to financially help SMEs.

The findings of the study showed that inadequate finances negatively affected sales turnover of enterprises as indicated by the majority 81 percent of the respondents. Assessing enterprise re-capitalisation, the majority, 78 percent of the respondents indicated that inadequate finances made it difficult to recapitalise their enterprises. When it came to operational costs, the majority, 74

percent of the respondents indicated that inadequate finances had negatively affected operational costs of enterprises. Inadequate finances led to high employee turnover, as indicated by the majority 66 percent of the respondents. This information is presented in Table 4.2.1 below present the findings.

Table 4.2.1: SMEs Owners/Staff Response to Whether Inadequate Finances Affected Enterprise Growth

Area of Growth	Percentage Responses		
	Yes	No	Total
Sales turnover has gone up	19	81	100
Employee turnover has gone down	34	66	100
Operational costs have down	26	74	100
Easy to re-capitalise the enterprise	22	78	100

(Source, Primary Data)

The IFC (2010) recognised that inadequate finance remained a key constraint to SMEs’ development in developing countries. The Zambian government in the 7thNDP further acknowledged that the high cost and limited availability of long-term finance remained a major constraint to growth, particularly for SMEs (MNDP, 2017:62).

4.2.1 Causes of inadequate finance Among SMEs

The respondents complained of high interest rates that were been charged by financial lending institutions and this hindered them from borrowing revenue which could have been used for enterprise development. In five separate interviews with owners of SMEs, it was revealed that the rate of borrowing was not conducive for SMEs because financial lending institutions charged very high interest rates. In another separate interview with an official from ZDA, the interviewee said that the cost of borrowing in Zambia was very high and very few financial lending institutions were willing to lend SMEs because of the exposure to risk (ZDA Official, 31st July, 2019). Similar views were also shared by an official from ZCSMBA who revealed that access to finance was one of the factors that hindered SMEs from developing in Zambia. The interviewee further said that, most of the financial facilities that were around were collateral based and people did not have collateral to back up their business ideas (Chairperson for ZCSMBA, 23rd August, 2019).

However, even when business owners put up collateral, there were some institutions that when supplied with products, they took up to eight months to pay what SMEs were owed. So the risk did not really support people in business at that moment. For example, some of the members of ZCSMBA that supplied to Kafue Nitrogen Chemicals in the first quarter of 2019 had not been paid their due by the mid of third quarter of 2019. Therefore, in a situation that enterprises made commitments to pay for loans within four months, this became a problem. So the risk appetite for business was not there. People had become risk averse; they did not push in as much because payments were taking too long. This was a domino effect. For example, if government had not paid an institution like Kafue Nitrogen Chemicals enough money, it was difficult to pay their suppliers the required amounts owed to them (Chairperson for ZCSMBA, 23rd August, 2019).

One of the owners of an enterprise said in a separate interview that SMEs expected either government or the private sector to empower them through loans or grants. The interviewee said that if SMEs had the money, it was going to be circulating within the country and this could have been good for the economy. However, government only empowered certain individuals who already had money forgetting SMEs who were creating employment for the locals. The interviewee further said that on several occasions, he had tried to apply for a loan from government institutions such as citizen economic empowerment commission but he was turned down. Most of the time, financial institutions asked for collateral such as houses which some SME owners did not have. They did not look at the capital base of an enterprise; all they looked at was if one had assets (SME Owner, 2nd August, 2019).

In other two separate interviews with business owners who owned pharmacies, it was revealed that another cause of inadequate finance were salaries paid to pharmacists and other statutory obligations that had to be met by owners of such kind of businesses to the government. The interviewees said that the Zambian Medical Regulatory Authority (ZAMRA) charged fees as high as k25, 000 for registration and renewal of license on a yearly basis. ZAMRA further stipulated that in a pharmacy, there should be at least one pharmacist who should be a degree holder. In Zambia, there were few pharmacists and when found, they demanded huge salaries. Although there were a lot of sells in pharmacies, the high salaries and other statutory obligations that needed to be met posed a great threat on the profits which made it difficult to recapitalise the businesses. In view of this, management of a pharmacy required huge capital injection which most of the times

led to financial constraints. The other issue that posed a challenge on profits in pharmacies had to do with commodities that were sold in that they had an expiry date. So, in an event that they were not sold before the date of expiry, the enterprises experienced some losses. Pharmacy in Zambia was highly regulated and the cost of regulation was very high such that the profits were negatively affected. All this had a negative impact on sales turnover, employee turnover, operational costs and enterprise re-capitalisation (SME Owners, 2nd and 23rd August, 2019).

Other enterprises that offered education as a service said that inadequate finance was as a result of failure by parents to pay school fees on time and not paying at all. In an interview with an owner of the enterprise, the interviewee narrated that some parents failed to pay school fees which led to the institution being financially hand capped. The interviewee said that this negatively affected sales turnover which made it difficult to pay employees and re-capitalise the enterprise. It was also established that the enterprise usually experienced high employee turnover as it was unable to sustain employees due to inadequate finance. The interviewee further said that the other cause of inadequate finance was competition. The area where the school was located had lots of private and government schools. So in an event that a parent or a guardian failed to pay school fees, they took their children to government schools which offered free education. This had also posed a challenge on pricing of school fees in that the price paid for the education offered was very low (SME Owner, 2nd September, 2019).

4.2.2 Local Authority and Financial Support to SMEs

The 2008 MSME development policy of Zambia developed by MCTI recognises local authorities as one of the major stakeholders in the development of SMEs in Zambia. The Local Government Act of Zambia further gives mandate to a local authority to invest the funds that it does not immediately require. The Constituency Development Fund (CDF) Act No. 11 of 2018 empowers local authorities to be custodians of funds for the development of various constituencies in local areas. This entails that local authorities can easily come up with an evolving fund which can be used to empower SMEs in form of loans.

However, the findings of this study revealed that the local authority, in this case, LCC did not offer any financial support to SMEs which were located in Lusaka District. In five separate interviews with the owners of SMEs, it was revealed that the local authority did not offer any financial

assistance to their enterprises. It was further established that when it came to SMEs meeting their statutory obligation to LCC, the local authority did not put into consideration whether enterprises made profit or not. All LCC requested was for SMEs to meet their statutory obligations or they risked their enterprises being shut down (SME Owners, 2nd and 23rd August, 2019, SME Owner, 2nd September, 2019). The fact that LCC did not set aside funds meant to develop SMEs in Lusaka District, was not ideal for the overall development of these business entities. Failure to grow SMEs can have a negative impact on creation of wealth and jobs which can ultimately increase poverty levels in local communities.

The World Bank (2014) for example, revealed that approximately 34 percent of Lusaka's population lived below the national poverty line. Unemployment in Lusaka District had also remained high in the Province. The year 2018 revealed that unemployment rate in Lusaka District was 11.6 percent while Chongwe and Luangwa Districts each stood at 10.7 percent (CSO 2012-2018 Database). The study also established that the number of medium enterprises in Lusaka District had decreased from 953 in 2010 to 819 enterprises in 2018.

From the above findings, there is no doubt that SMEs in Lusaka District failed to develop due to inadequate finances. The study also established there were legal and policies constraining SMEs financially. For example, the cost of regulation was too high in certain industries. This has an ability of incapacitating SMEs financially. Moreover, statutory instruments from the local authorities requiring SMEs to meet their obligations whether they make profit or not acted as an obstacle to their development. This is because the LCC did not take into consideration issues of profits. SMEs are growing business entities and every penny spent should be taken with caution. Therefore, the fact that the local authority's and other regulating bodies were demanding renewal of trading licences from SMEs whether they made profit or not was somewhat detrimental to their growth. Therefore, local authorities should into consideration that when SMEs face financial challenges, it become difficult for them to develop because there will be no money for investments. In cases where there is literally no finance in the enterprise, the immediate consequence is the closure of part or the entire business entity. The closure of business entities will lead to high levels of unemployment, poverty and reduction in the revenues for local authorities. For this reason, it is correct to say that the inadequate finance among SMEs makes them operate below their potentials

and ultimately affect their development. Perhaps this could have been one of the reasons why the number of SMEs in Lusaka District kept on reducing.

The findings of this study are not in line with an article written by Clarkson (2017) entitled, *How are UK Local Authorities Supporting Entrepreneurs?* In Clarkson's article, it was revealed that local authorities in Britain supported SMEs in various areas such as Finance, Internet, mentorship and finding business premises among others. The findings are different in the sense that LCC did not offer any financial support to SMEs that operated in Lusaka District. The findings of this study are similar to a study conducted by Musona (2014) entitled *an Analysis of Factors Constraining the Growth of Micro Enterprises in Lusaka* which indicated that micro enterprises in Lusaka were faced with internal and external constraints to growth, among them was lack of access to finance. Similarly, Mwaanga and Moonga's (2016) study entitled *Small Business Management in Kabwe: Factors Influencing their Failure* also revealed a myriad of factors, but the most important one was financial constraint. The findings of this study are also similar to a study conducted by Baragwiha (2013) entitled *The Role of SMEs in Economic Growth and Poverty Reduction in Temeke Municipal Council-Tanzania* which revealed that there were constraints that hindered SMEs from effectively contributing to economic growth and poverty reduction. The constraints included among others lack of finances/capital.

4.3 Taxation Policy

Taxation plays an important role in the development of every economy, as well as the growth of SMEs. In developing countries like Zambia, the role of SMEs is critical in pushing the socioeconomic development agenda of the country further. Therefore, alignment of the tax system to the specific SME growth needs can be considered an important agenda for the policy makers (Boadi and Opoku, 2017). Keeping this issue at focus, the study sought to find out the effects of taxation on the growth of SMEs in Lusaka District.

Assessing the effects of taxation on operational costs; the study revealed that the majority 89 percent of the respondents, acknowledged that operational costs were very high because SMEs paid tax to central and local government. The study further established that it was difficult for SMEs to acquire new equipment due to high taxes and this had resulted in low production. This was indicated by 87 percent of respondents. It further acknowledged that tax negatively affected

sales turnover as indicated by 80 percent of respondents. This was due to the shift of tax to the consumer, making the commodity to be highly priced. Further, respondents accounting for 76 percent agreed with the statement that it was difficult to re-capitalise their enterprises because more resources were being remitted to government as tax. Assessing the effects of tax on employee turnover; 72 percent of the respondent agreed with the view that employee turnover was high as the enterprises were always looking for ways to keep operational costs low. This information is present in table 4.3.1. below.

Table 4.3.1: SMEs Owners/Staff Response to Whether Tax Affected Enterprise Growth

Area of Growth	Percentage Responses		
	Yes	No	Total
Sales turnover is low due to the shift of tax to the consumer making the commodity to be highly priced	80	20	100
Employee turnover is high because the enterprise is always looking for ways to keep operational costs low	72	28	100
Operational costs are high because the enterprise pays taxes to local and central government	89	11	100
Difficult to acquire new equipment due to high taxes which has resulted into low production	87	13	100
Difficult to re-capitalize the enterprise because more resources are remitted to government as tax	76	24	100

(Source, Primary Data)

It is imperative to note that in Zambia, the taxation system is designed in such a way that business entities pay tax to both central and local governments. The central government, through its various agencies, makes SMEs to pay direct and indirect taxes. For example, the central government, through ZRA, charges 4 percent tax on turnover, as long as the enterprise annual turnover is below K800, 000 or less. Furthermore, the central government charges other taxes on business entities, depending on the type of business an enterprise invests in. For example, medium enterprises that are in the hospitality industry have to acquire a license from Zambia Tourism Agency. For SMEs that are in the pharmaceutical industry have to acquire a license from ZAMRA.

At local level, various Acts of government such as the Local Government Act, Trades Licensing Act, the Markets and Bus Station Act and Business Regulatory Act among others, give power to local authorities in Zambia to tax business entities operating in their areas of jurisdictions. For this reason, local authorities in Zambia are considered to be decentralised extensions of the central

government. According to Fjeldstad, Chambas and Brun (2014), mobilisation of own local revenue is a condition for the development of decentralised local authorities. Local revenues include tax and non-tax revenue directly mobilised by the local authorities. These revenues include property taxes, essentially based on residential and commercial buildings, rental income on property owned by the local authority, personal levy imposed on adults above a certain age, taxes on business licenses, local taxes or fees on utilities, including local service charges on water and electricity, fees for use of public facilities, for instance, markets, public sanitation facilities and other miscellaneous taxes and levies. All these taxes are imposed on business entities by the local authorities in their areas of jurisdictions. It is for this reason that Chisala (2008) was of the view that local authorities rely heavily on SMEs for their income through the various fees and levies imposed on them. This is true for the case of LCC. Assessing LCC Budgets on Receipts for a period of three years; local taxes on Rates, Fees and Charges, the revenue collected was more compared to Grants. This information is presented in the table below.

Table 4.3.2: LCC’s Receipts

Receipts	2016	2017	2018
Local Taxes- Rates	K53, 450, 471.13	K67, 666,747.39	K64, 069, 550.02
Fees and Charges	K18, 544, 556.06	K83, 972, 682.26	K98, 852, 789.53
Grants	K42, 259, 494.57	K55, 227, 079.20	K36, 908, 483.35
Total	K114, 254, 521.76	K206,866,508.85	K199,830,822.9

(Source: LCC Budgets)

From the information above, it can be deduced that LCC collected more revenue from local taxes, fees and charges imposed on various business entities. From the revenue collected, as presented by Table 4.3.2, more than 60% came from SMEs operating in Lusaka District. Despite the contribution SMEs make to the coffers of LCC, the study established that the local authority did not put into consideration whether a business entity made profit or not; all they demanded was for enterprises to pay the user fees and various taxes imposed on every business entity operating in their area of jurisdiction. In an interview with an official from LCC, it was revealed that on the imposition of certain fees such as charges on business levies and fire certificates among others, the local authority did not differentiate between SMEs and large enterprises. The interviewee gave an example of enterprises which were in the service sector. It was revealed that all schools, regardless of their area of operation, that was, whether the school was situated in Mtendere Township or

Woodlands, or whether it was a private primary school and/or a college or university; they all had to pay the same amount of business levy and fire certificate for their operation in Lusaka District (LCC Official, 2nd August, 2019). The lack of differentiation on the fees and charges imposed on business entities operating in Lusaka District automatically disadvantages the development of SMEs. This is because the profits made by a large enterprise cannot be compared to profits made by SMEs. The location of the business also has an effect on the net-profit. Therefore, lack of differentiation on fees and charges imposed on business entities was worrisome when it came to the development of SMEs in Lusaka District.

The study further established that the tax system of Zambia was designed in such a way that both central government and local authorities tax business entities, including SMEs. This situation acts as an obstacle to SMEs' development. Respondents held a common view that payment of tax, whether to central government and/or the local authority, only added on the already high costs of operation experienced by SMEs that operated in Lusaka District. The study further revealed that central government, through its various agencies, charged license fees in certain industries at a very high cost and beyond the reach of most indigenous SMEs. In two separate interviews with the owners of SMEs that were dealing in the pharmaceutical industry, it was revealed that the industry was highly regulated and the cost of regulation was very high such that the profits were negatively affected. The interviewees said that ZAMRA charged fees as high as k25, 000 for registration alone and renewal of licence on a yearly basis. On top of that, they also had to pay K1, 300 to LCC on a yearly basis. These fees were paid for continuous operation of enterprises, whether they made profits or not. Failure to do so, a penalty fee for late renewal was charged at K450 (SME Owners, 2nd and 27th August, 2019).

In another separate interview with one of the owners of SMEs who had ventured into importation of cars for reselling, it was revealed that taxes imposed on the cars and other charges from government regulating agencies were so high making it difficult to expand his business. The interviewee said that the tax imposed on a car when importing was higher than the purchase price. The interviewee further said that there were also other hidden costs such as the payment of K2, 500 to Zambia Bureau of standards and other fees that were paid to local authorities. The interviewee also said that the process of registration for the vehicle was also filled with a number of taxes which were further paid to the government. Since the interviewee was also in

transportation business, that is, running of taxies. He said that the cost of compliance for registered taxies was very high and they faced a lot of competition from pirated ones. The interviewee further said that taxes imposed on the transportation industry made it difficult for SMEs in the said industry to flourish in that the profits made were in most of the times used to pay taxes instead of re-capitalising the business (SME Owner, 2nd August, 2019).

The interpretation of the findings of this study was that taxation policy was a very serious constraint to the growth of SMEs in Lusaka District. Assessing the cost of regulation, whether from central or local authority, Hashi (2001) was of the idea that it may have a negative impact on the growth of SMEs. The findings of this study are similar to a study conducted by Mwaanga and Moonga (2016) which revealed that high taxes played a part in demotivating the SMEs in conducting business in Kabwe. The findings are also similar to a study conducted by Pahwa et al (2006) which revealed that the impact of levies on SMMEs was found to be twofold: the financial burden of paying the levy, as well as the administrative burden of completing the required documentation. For most small businesses, the latter translates into an additional financial burden as they often chose to employ an outside professional to complete the required documentation. All in all, SMMEs faced high compliance costs and extensive and complicated paperwork which impacted negatively on their growth.

4.4 Land Ownership

Land is an important asset desired to be acquired by any business entity. Owning land is very important for any enterprise as this will help in cutting down operational costs. Further, an enterprise owning land will make it easier to carry out their day to day operations, as it will be able to have an operating premise which it can easily brand. Customers and suppliers will also have confidence in the enterprise, as they will know that their business premises are permanently placed. However, in places such as Lusaka District, owning land is a challenge. For this reason, a local authority such as the LCC being in charge of land administration in Lusaka District is supposed to help out in the identification and selling of land to SMEs so that they can have their own business premises. Therefore, the study sought to find out how lack of land in Lusaka District affected the growth of SMEs. The findings are presented in Table 4.4 on the next page.

Table 4.4: SMEs Owners/Staff Response to Whether Lack of Land Affected Enterprise Growth

Area of growth	Percentage Responses		
	Yes	No	Total
Location of operating premises is not stable which leads to loss of customers	56	44	100
Difficult to brand the operating premises due to rental contract	52	48	100
High operational costs due rent	61	39	100
Difficult to own land due to high pricing as a result of its scarcity	63	37	100

(Source, Primary Data)

The findings of the study revealed that in Lusaka District, it was difficult to own land due to high prices because of its scarcity. This was indicated by the majority, 63 percent of the respondents. The study further revealed that lack of land led to high costs of operations because more money was being spent on rent. This was indicated by 61 percent of respondents. The study also established that lack of land had a negative impact on finances of SMEs. This was because location of SMEs that rented operating premises was not stable. Therefore, in an event that an enterprise moved to another location, there was loss of customers. This was indicated by 56 percent of the respondents. To add on, the issue of finance, Baporikar et al (2016) postulates that banks refuse to give loans to SMEs because of lack of collateral as security. Collateral is a prerequisite for obtaining loans which are essential for business growth. Collateral in this case can be land. Moreover, lack of land made it difficult to brand operating premises due to rental contract. This was indicated by 52 percent of the respondents.

In Zambia, the Land Act recognises the local authorities as agents of central government in Land Administration. In view of this, the LCC is an agent of central government in Land Administration in Lusaka District on behalf of the Commissioner of Lands at the Ministry of Lands. Further, the LCC is a Planning Authority for Lusaka District in accordance with the Urban and Regional Planning Act. Keeping this at focus, the LCC is supposed to identify land and make a proposal for the creation of residential, commercial and institutional plots. However, the findings of this study revealed that it was difficult for the local authority to issue out land to various business entities due to a number of reasons. The first one that was cited was illegal land allocation. In an interview with an official from the LCC, it was revealed that although the local authority was an agent of the government authorised to handle land matters on its behalf; individuals, especially party cadres,

had assumed the responsibility of giving out land thereby distorting the development pattern of the entire District of Lusaka (LCC Official, 2nd August, 2019). According to the LCC, there appeared to be a lacuna in the law where individuals who were not agents of the state allocated land in the District indiscriminately. The end result was distorted future plans and encouraged more establishments of squatter settlements. This was a major challenge as LCC grappled with cases of illegal land invasions perpetuated by political hooligans, especially in peri-urban areas. This had been the case in Kamwala South, Kanyama, Ngombe and Chinika, among other areas (LCC, 2010).

In view of this, LCC had failed to identify land that could have been leased out to SMEs. The LCC officials, through separate interviews, lamented that Lusaka district did not have any more land to give or sale to SMEs or individuals. One of the LCC's officials further said one of the major challenges that was being faced by the local authority at that moment was lack of space. So what was happening was that those SMEs or individuals that wanted land had to buy from certain private individuals and the price kept escalating due to its scarcity. This one in particular was really hampering the development of SMEs. The only land that was available was at LMFEZ which was under ZDA. However, land at LMFEZ was very expensive for individual SMEs to acquire. For this reason, SMEs were encouraged to form cooperatives so that the financial burden would have been lessened (LCC Official, 31st July, 2019).

The 2008 MSME development policy aimed at developing the capacity of local authorities to establish and manage Multi Facility Economic Zones targeted at MSMEs in order to stimulate local economic development (MCTI, 2008). However, the findings of this study revealed that capacity was not built in local authorities such as the LCC. As a result, Multi Facility Economic Zones like the one found in Lusaka District was been managed by the Zambia Development Agency. The change in legal and policy ownership in the management of MFEZ acted as a constraint to the development of SMEs in Lusaka District. This is because, the Zambia Development Agency priced the land at LMFEZ very high beyond the reach of ordinary Zambian SMEs. As a result, SMEs especially those owned by indigenous Zambians, had continued to face challenges in acquiring operating premises. This made SMEs to spend more money on rent which led to low profits margins. SMEs were also unable to keep up with the technological advancement due to rental demand.

The interpretation of the findings of the study was that the law and policies on land acted as a constraint to the development of SMEs in Lusaka District. This is because there were some loopholes in the laws which allowed unauthorised people to issue out land and went unpunished. Now, when loopholes in the law exist which allow powers to fall into the wrong hands such as political cadres and allow them to issue out land, it becomes difficult for local authorities to do their job, especially when it comes to issues of development planning. This is because local authorities such as the LCC are planning authorities. The LCC should be the one to plan how land should be distributed, especially when it comes to benefiting SMEs that bring so much revenue to the coffers of the local authority. Therefore, the issue of political cadres taking over land allocation in Lusaka District definitely impacts negatively on the development of SMEs. This is because those business personnel who are not affiliated to the party in charge, will not get the land. Moreover, the whole issue just distorts the original plan of the District and takes away the beauty of the City. The findings of this study are not in line with a study conducted by Thekiso (2016) which revealed that the Mangaung Metropolitan Municipality was building economic infrastructure by creating Agri Park in Thaba Nchu and rejuvenating its CBD's and providing commonage land to small scale farmers for animal grazing with an aim of boosting businesses.

4.5 Rating of the Impact of LCC's Regulatory Framework on SMEs' Growth

The SME sector is influenced by the business regulatory framework established by local authorities. In this regard, local authorities should endeavor to come up with regulations that encourage the development of SMEs. This is because these business entities do not only benefit the local people through employment creation but also contribute massively to local authority's coffers. Failure to come up with regulations that aid the general development of SMEs will negatively impact on the economy of an area of jurisdiction for local authority. The area will have high unemployment rate which can lead to high poverty levels and people indulging in criminal activities in order to survive. The local authority will also not have enough revenue in their coffers which can negatively impact on the provision of public goods such as good road network, proper drainages, industrial premises and public infrastructure among others. Therefore, the study sought to rate the impact of LCC's regulatory framework on SMEs' development in Lusaka District.

The study established that there are a number of regulations that LCC uses to govern the SMEs' environment in Lusaka District. However, these regulations, though enforced by LCC, are

developed by the central government. The regulations include, among others, the Local Government Act which is the primary legal framework that governs the establishment and operations of all local authorities in Zambia. The Act also provides the mandate to local authorities which include business regulation in their areas of jurisdiction. The other Act enforced by LCC is the Markets and Bus Stations Act which gives power to the local authority to establish markets and bus stations which can house various business entities operating in Lusaka District. The Markets and Bus Stations Act also gives power to a local authority such as LCC to enter into public-private partnerships in the development and provision of trading premises. The Act further gives power to a local authority such as LCC to impose fees, stallage or levy on a business entity which desires to sell goods in any market or operate any bus station. Through the Market and Bus Stations Act, a local authority such as LCC has power to issue out licenses or permits to pedlars, hawkers, marketeers and operators of bus services or any other category of license as may be prescribed for operating in a market, bus station or market street.

However, although the Markets and Bus Stations Acts gives power to the local authorities to establish markets and bus stations; the LCC has failed to develop most of the prominent markets in Lusaka District. This as a result has posed a challenge on SMEs to have business operating premises. This is because, most of the markets in Lusaka District can only house micro enterprise. The lack of expansion of the markets to accommodate SMEs has hindered SMEs from growth in that more money is spent on rent. This as a result has made SMEs to have low profits making it difficult to expand, keep competent employees and advance in technological equipment.

The other Act enforced by LCC is the Business Regulatory Act. This Act views LCC as a public body mandated to regulate business activities in Lusaka District. In view of this, LCC regulate activities undertaken by a business through the issuance of licenses, imposition of fees, levies, charges or any other regulatory requirement necessary for a business to carry out any commercial, manufacturing, construction or infrastructure development, trading, industrial, hospitality, agricultural, mining, financial, research, communication, technological and transport, among others. Another Act that LCC enforces on business entities operating in Lusaka District is the Trades Licensing Act. Under this Act, LCC is viewed as a licensing authority with power to issue out trading licenses to wholesale and retail business entities operating in the local area. The local authority also offers licenses to business entities that venture into manufacturing. The license

offered can be used for both manufacturing and selling of products. For this cause, it is an offence to manufacture products or conduct trade in Lusaka District without getting a trading license from LCC.

The Business Regulatory Act and the Trade Licensing Acts are somewhat detrimental to the growth of SMEs. This is because, these Acts do not put into consideration the operations of SMEs. There is no provision in the Acts to pardon SMEs in an event that they do not make any profits. In this case, once a business entity is registered with the LCC, it has to pay in full the fees required for the renewal of licence. The Acts do not stipulate what happens if SMEs do not make any profits. There is no provision for part payment of the various fees that a business entity has to pay to the local authorities. All the Acts stipulates is for SMEs to pay for licenses if they have to continue trading in Lusaka District or they risk being shut down.

The Urban and Regional Planning Act established local authorities as local planning authorities. Under this Act, the LCC, as a local planning authority, regulates, controls and plans for the development and use of land and buildings within its area; prepare and implement integrated development plans, local area plans and sectorial plans; receives and processes applications for planning permission for development of land; operates services and maintains infrastructure in its area and; promotes and facilitates sustainable land use. In view of this, any business entity operating in Lusaka District that wishes to erect any building should first seek permission from the LCC. The same applies when there is a need to turn a residential area into a business premise and it involves some structural adjustment to the original building. In order to ensure that business entities do not face challenges when conducting business in Lusaka District, the Urban and Regional Planning Act directs the LCC to maintain infrastructure such as roads, markets and water and sanitation among others.

According to the LCC (2018), another policy formulated by LCC was Change of Land Use and Re-designation. LCC recognised that Lusaka District had undergone major transformation in terms of land use. This had been among other factors due to the inability to expand the Central Business District so as to accommodate the increased business activities in the District. For this reason, the LCC formulated the Change of Land Use Policy where residential places especially those near the Central Business District were used for commercial activities. The result was a conversion of land use from the originally planned use to another. Through this policy, the LCC permitted the owners

of land to use it for office, servicing such as hair dressing, shoe repairs, cloth manufacturing and trading among others. The other policy was known as Re-designation. Re-designation applied to statutory housing areas and as such, the conversion was not for the land but for the building structure. For example, if an enterprise decided to change the original structure of the building where operations were undertaken, that is to expand it; permission should be gotten from LCC (LCC, 2018).

The LCC had also adopted the Mixed Land Use Policy, as an effort to make business operating premises available in Lusaka District. According to the LCC (2010), Mixed Land Use is a planning principle that directly provides for functional and integration use of land. This concept promoted compact urban area development and allowed for location of different uses in proximity to each other, facilitating easy access and maximum utilisation of land. Under this policy, a combination of housing, small scale businesses, commercial, social, recreational, entertainment and educational services among others were to be within the same area.

The LCC also enforces the Public Health Act with an aim of ensuring that trade and manufacturing are conducted in clean and healthy environment in order to prevent the outbreak of diseases. In view of this, any business entity operating in Lusaka District has to adhere to the regulations found under the Act. The LCC, as a local authority, from time to time inspects various business entities to ensure that there is adherence to the Law. Under the Public Health Act, the LCC has the authority to shut down any business entity that operates in un-conducive conditions, especially those that have to do with the sanitary composition of the premises. The local authority also enforces Food and Drug Act with an aim of ensuring that the food and drugs that are sold in its area of jurisdiction do not cause harm to the people. In view of this, the LCC has the authority to inspect any business entity involved in the production and selling of food and drugs. Where a business entity is suspected of selling food which can cause harm to the public the LCC, through this Act, has got power to take samples of such food and/or drugs for testing in order to establish the truth. If a business entity is found wanting, the LCC can fine or shut down the business in an interest to protect members of the public.

The LCC established by-laws in relation to waste management produced by residents and various business entities operating in Lusaka District. Under the by-laws, the LCC prohibits the burning of waste in public places; specify fees to be charged for removal of waste from non-domestic

premises (specify how much enterprises, companies, industries and other places which are not home have to pay for the removal of waste from their premises); defines the obligation of property owners to provide waste bins with lids and; forbids the deposition of waste in public streets and un-authorized disposal or dumping of waste (the disposal of waste on the street or elsewhere in public is not allowed). The LCC further enforces waste management regulations such as statutory instrument no. 100 of 2011. Under the statutory instrument no. 100 of 2011, the LCC has been given the authority to go into partnership with the private sector on issues relating to waste management. In view of this, LCC appoints waste managers through the use of appropriate procedures who partner with the local authority with an aim of managing solid waste in Lusaka District.

Apart from that, the LCC also has a policy which was developed with the help of the World Bank that is meant to speed up the process by which those that want to start up a business or renew their business permit do have to wait for more than 24 hours for their documentation to be processed. So ideally, it is supposed to be a situation where when someone comes to apply or renew their business levy certificate, fire certificate and health permit among others; the LCC should have everything processed within 24 hours. If there are any delays, reviews have to be done to see where the challenges are. That is meant to ensure that those that want to start up a business or renew their permits do not have hurdles in getting approval from the local authority. The LCC has made this possible by establishing a revenue hall which is a one stop where all the processes are done (LCC Official, 31st July, 2019). However, the study revealed that in certain cases, the LCC does not adhere to the policy which they developed. In some cases, applicants have to wait for a week before they are given business permit and other licences used to trade in Lusaka District. To make the matters worse, the LCC does not call clients when the certificates are out or not. So, the client just has to keep checking on them. This as a result add to the cost of doing business in Lusaka District.

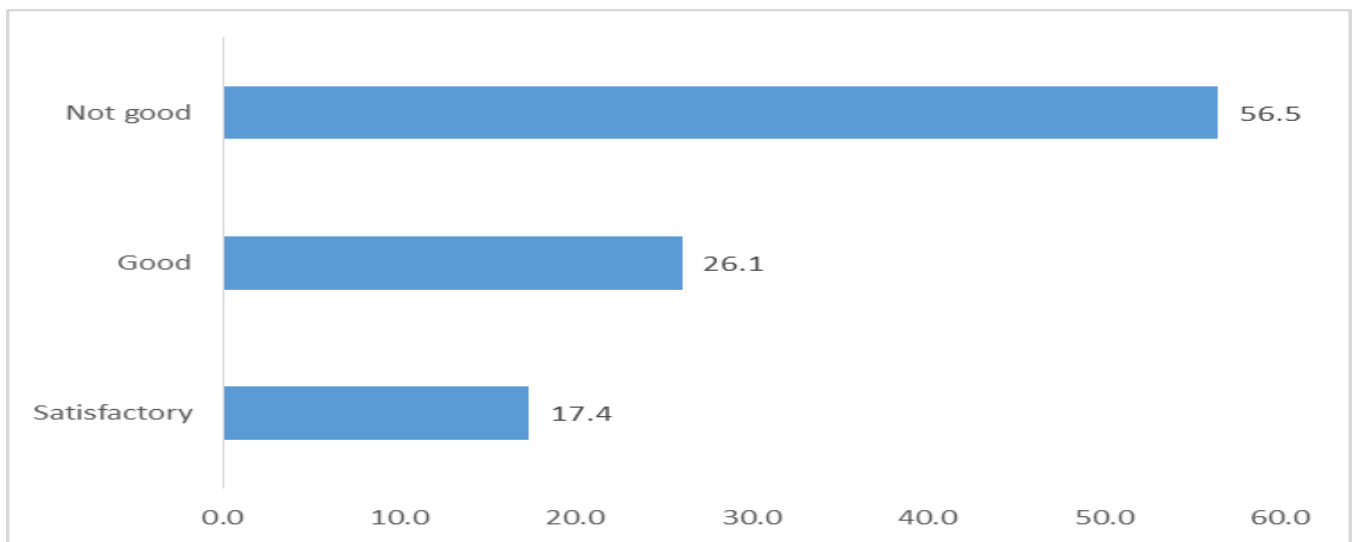
The study further established that when it came to operating hours for business entities in Lusaka District; the LCC did not put a time limit to the opening and closing of business premises. For this cause, business entities can open from as early as 06:00 hours and close as late as 22:00 hours. However, the LCC noticed that the most of the business entities followed the labour law which stipulates the time in this case an employee should work for eight hours. Any work done after working hours is regarded as overtime. The study further revealed that when it came to bars and

bottle stores (retail liquor), the Liquor Licensing (Permitted Hours) Regulations of 2012 stipulate that they should open at 10:00 hours and close at 22:00 hours. If they want to go beyond the stipulated hours by the law, they have to apply to the LCC for permit at a fee of K187 per hour every time they go beyond. The Liquor Licensing (Permitted Hours) Regulations of 2012 only exempted establishments such as night clubs, hotels, lodges, guesthouses, restaurants, boarding houses, camp and camp sites which can sell liquor at any time to clients who are logging with them and people that buy food with regards to restaurants (LCC Official, 31st July, 2019).

The Liquor License Regulations of 2012 which gives authority to the LCC to charge K187 per hour when a bar goes beyond 22:00 hours is a legal constraint to the growth of SMEs in Lusaka District. These bars are already subjected to other fees such as liquor trading licence, business levy, health permit and fire certificate among others. Moreover, these bars can either be small or medium enterprises. This entails that they are still growing and every coin goes a long way in their investments. Therefore, charging them K187 per hour in an event that they go beyond the stipulated time is somewhat detrimental to their growth.

Having looked at the various Laws that govern the business environment as enforced by LCC; the study sought to rate LCC regulatory framework on the growth of SMEs in Lusaka District. The findings of the study are presented in Figure 4.1 below.

Figure 4.1: SMEs Owners/Staff Response to LCC Regulatory in Relation to Enterprise Growth



(Source, Primary Data)

The findings of the study showed that the overall rating of the LCC's regulatory in relation to enterprise growth was not good as indicated by the majority of the respondents accounting for 57 percent. Those that rated the LCC's regulatory framework in relation to enterprise growth being good accounted for 26 percent, while 17 percent rated satisfactory. In order to get an in-depth understanding on the rating of the LCC's regulatory framework on the growth of SMEs in Lusaka District, respondents were asked to give details on what they meant by not good, good and satisfactory. Most of the respondents that said that the LCC's regulatory framework was not good in relation to enterprise growth revealed that there was no relationship between the local authority and business entities other than the LCC checking if SMEs complied with the Law. Other respondents were of the view that the LCC's regulatory framework did not differentiate between SMEs and large enterprises. This was confirmed in an interview with an official from the LCC who revealed that on the imposition of certain fees such as charges on business levies and fire certificates among others, the local authority did not differentiate between SMEs and large enterprises. The interviewee gave an example of enterprises which were in the service sector, it was revealed that all schools, regardless of their area of operation, whether the school was situated in Mtendere Township or Woodlands, or whether it was a private primary school and/or college or university; they all had to pay the same amount of business levy and fire certificate for their operation in Lusaka District (LCC Official, 2nd August, 2019). Failure to renew business levies and fire certificate on time attracted a penalty fee of K450.

The study further revealed that the LCC was only interested in collecting revenue from SMEs compared to building them. In an interview with the owner of an enterprise, it was revealed that when enforcing the Law on the various trading licenses that were supposed to be obtained for continuous operation of business, the LCC did not look at whether an enterprise made profit or not. The local authority did not even accept part payment; all they wanted was that the enterprise met all that the law demanded, failure to do so, it was going to be closed (SME Owner, 2nd September, 2019). An interview with an official from the LCC also revealed that when it came to the enforcement of the regulations on the business environment, the local authority did not take into consideration whether an enterprise made profit or not. All that was required was for a business entity to do what the law required or risked being closed (LCC's Official, 2nd August, 2019). It was further revealed that when it came to payment of billboards for purposes of advertisement, the local authority demanded money from the enterprise, although the billboard

was placed in the private business premise (SME Owner, 27th August, 2019). The study further revealed that there was lack of sensitization on regulations that were enforced by the LCC. The local authority did not take time to educate the SMEs about the laws that governed the business environment.

Based on the findings of this study, it can be deduced that although there exist a number of Acts that give power to the LCC to regulate business entities; the local authority had not done much in using these Acts to grow SMEs operating in Lusaka District. Furthermore, the local authority was seen as an institution which existed only for purposes of imposing levies and charges on business entities that operated in Lusaka District. Moreover, the various Acts that govern the business environment in Lusaka District hampered the development of SMEs in a lot of ways. The Acts give power to public bodies to offer trade licensing to business entities. A local authority such as the LCC is just one of the public bodies. Therefore, depending on the type of business an enterprise is doing, the regulation may require to get permission from two or three public bodies every year. For example, if an enterprise is in the pharmaceutical industry, it has to get license to trade from ZAMRA, LCC and HPCZ. All these public bodies require money for them to offer the needed licenses; hence getting the resources that could have been used to re-capitalise the business. Considering the fact that SMEs are business entities that are still growing, such regulations impede their development in that for them to grow from one stage to another, they need to reinvest most of the profits that they make.

Furthermore, local authorities in Zambia, through the Local Government Act have been given the power to spearhead local economic development. However, one cannot talk about local economic development without talking about SMEs. This is because these business entities have the power to create employment and wealth which is cardinal for poverty reduction in a local area. Therefore, the fact that the LCC in its regulatory framework did not come up with a policy that focuses on the development of SMEs in Lusaka District was worrisome. The situation was not ideal for the overall development of SMEs in Lusaka District. The findings of this study are in line with a study conducted by Bouazza, Ardjouman and Abada (2015) which revealed that cumbersome and costly bureaucratic procedures, burdensome laws, policies and regulations are key business environmental factors that negatively affected the development of Algerian SMEs.

4.6 Conclusion

This chapter aimed at investigating legal and policy constraints to the growth of SMEs in Lusaka District. The knowledge gap that existed in the reviewed literature was lack of statistics, as well as views from SMEs on what they thought on the contribution of local authorities in their road to development. Further, there was a knowledge gap in the reviewed literature as it failed to recognise that SMEs operated in local areas governed by local authorities, and that these business entities contributed significantly to their revenues through various taxes imposed on them. For this cause, there was need to find out legal and policy constraints to the growth of SMEs.

Based on the findings of this study, it can be deduced that although there exists the local government Act of Zambia which gives mandate to a local authority to invest the funds it does not immediately require, as well as the CDF Act, that empowers local authorities to be custodians of funds, for development of various constituencies. The study established that the LCC did not lender any financial help to SMEs in Lusaka District. The study revealed the taxation policy was a constraint to the development of SMEs. It was established that, in its quest to charge various fees to different entities operating in Lusaka District, the LCC did not differentiate among small, medium and big enterprises. The taxation policy on the local level did not take into consideration whether a business entity made profit or not. All the local authority wanted from SMEs was for them to meet all the statutory obligations.

The study established that, although Acts such as markets and bus station mandates local authorities to provide operating premises to business entities in their local areas. The LCC failed to provide infrastructure such as operating premises for SMEs in Lusaka District. The study further revealed that, although the Land Act recognises local authorities as agents of central government in land administration, the LCC had failed to offer land to SMEs in Lusaka District. There seem to be a loop hole in the Law which allowed unauthorised persons such as political cadres to issue out land. This had been a constraint to growth of SMEs in that the LCC failed to identify land for business entities. The study further established that, the local authority was seen as an institution which only existed for the purposes of imposing levies and charges on business entities that operated in Lusaka District. Therefore, the LCC's regulatory framework was rated to be not good for SMEs' growth.

CHAPTER FIVE

INTERVENTIONS BY THE LOCAL AUTHORITY TO ENHANCE THE GROWTH OF SMEs IN LUSAKA DISTRICT

5.1 Introduction

The purpose of this chapter is to present and discuss research findings on the interventions made by the LCC to enhance the growth of SMEs in Lusaka District. This chapter begins by presenting and discussing findings related to the interventions by the LCC to enhance the growth of SMEs. The interventions include approaches taken by LCC to improve the business environment in Lusaka District. Approaches taken by LCC will focus on lobbying for reduced interest rates on loans for SMEs, reduction of operational costs for SMEs, reduction of competition from foreign entities, provision of security in a local area, provision of public infrastructure, provision of training programmes and linking SMEs to institutions that support their development. Thereafter, a conclusion is provided.

As stated in the conceptual framework in chapter one of this dissertation, in order to develop SMEs, a local authority has to contribute significantly by ensuring that it create a conducive environment for businesses to thrive. Contribution to the development of SMEs is appraised by taking into account interventions made by the local authority to enhance the growth of SMEs. Interventions in this case entails lobbying for reduced interest rates on loans, reduce operational costs and competition from foreign entities as well as provide public infrastructure to SMEs. It is further determined by taking into consideration the training programmes put in place by the local authority and linking SMEs to institutions that support their development. The identified interventions made by the LCC to the growth of SMEs are used in the discussion. Thereafter, a conclusion based on the findings and discussions, is made.

5.2 Lobbying for Reduced Interest Loans for SMEs

The findings of this study revealed that the local the local authority did not lobby for reduced interest rates on loans for SMEs from financial lending institutions. As a result, SMEs in Lusaka District were subjected to high interest rates and this acted as hindrance on borrowing for capital investments. Assessing how high interest rates in Zambia, which at the time of the study stood at

26.1 percent (News Diggers, 2020), affected enterprise growth. The findings indicated that, 98 percent of the respondents agreed that their enterprises were unable to acquire new operating equipment due to lack of funds. The study also established that most of the SMEs were unable to borrow for business expansion which led to low production and sales turnover as indicated by 91 percent of the respondents. This was a sad situation because for an enterprise to develop, there is need to inject capital in it. The situation further affected human development as indicated by 80 percent of respondents who said that SMEs were unable to further develop their human resource due to lack of funds. The situation was not ideal for SMEs' development because for them to have developed, they needed a robust of human resource. Failure to borrow funds from financial lending institutions made SMEs to be caught up in the cycle of stagnation and this led to high employee turnover, as it was indicated by 67 percent of the respondents. This information is provided in Table 5.1 below.

Table 5.1: SMEs Owners/Staff Response to Whether High Interest Rates Affected Enterprise Growth

Area of Growth	Percentage Responses		
	Yes	No	Total
Unable to borrow for business expansion which has led to low production and sales turnover	91	9	100
High employee turnover due to enterprise stagnation	67	33	100
Unable to develop human resources due to lack of funds	80	20	100
Unable to acquire new operating equipment due to lack of funds	98	2	100
Unable to work on innovative ideas due to lack of funds	87	13	100

(Source, Primary Data)

One of the possible effects of high interest rates is the failure of SMEs to borrow for capital investments. When the majority of SMEs fail to borrow, it directly sends a negative effect on their development. Access to finance with low interest rates is a very important strategy for developing SMEs. Reduced access to finance as a result of high interest rates means that SMEs will be caught up in stagnation. In two separate interviews with the owners of SMEs, it came to light that the rate of borrowing was not conducive because financial lending institutions charged very high interest rates. The situation made the enterprises not to borrow from financial lending institutions for business expansion which negatively affected production, sales turnover and ultimately, their development (SME Owners, 2nd and 16th August, 2019). In another separate interview with an

official from ZDA, it came to light that the cost of borrowing was very high in Zambia and very few financial lending institutions were willing to lend SMEs because of the exposure to risk (ZDA Official, 31st July, 2019). Government in the 7thNDP further acknowledged that high interest rates on the financial market have compounded the problem of access to finance for SMEs (MNDP, 2017).

The findings of this study are similar to a study conducted by Simpemba (2002) entitled, *Funding Problems of Small and Medium Sized Enterprises in the Copperbelt* which revealed that SMEs failed to get financial assistance from financial lending institutions due to high interest rates charged by the institutions. The study further revealed that financial institutions were not willing to lend to SMEs because they perceived the sector as high risk, and hence the need for security. Similar to Simpemba's study, SMEs in Lusaka District failed to borrow due to high interest rates on the market. This study also established that few financial lending institutions were willing to lend SMEs due to risks involved.

5.3 Reduction of Operational Costs for SMEs

SMEs being businesses which are still maturing need to keep their cost of operation as low as possible. These business entities have to be cautious in the way they spend their meager resources in that they need each and every penny to grow their business and become competitive on the market. Now, SMEs operating in developing countries such as Zambia are faced with a number of challenges among which are the high operation costs. This is because the cost of doing business in Zambia is very high. Factors such as importation of raw materials is negatively affected by the weak Zambian currency; high fuel prices negatively affect the cost of transportation of commodities and pricing on the market. Also, electricity load shading poses a threat because enterprises have to look for other alternative sources of energy which do not come so cheaply. Owing to this, local authorities have to strive in coming up with ways on how best they can reduce the cost of operations in order to grow SMEs in their local areas.

The study established that the LCC did not offer support in terms of reducing the cost of operation for SMEs that operated in Lusaka district. An interview with an official from LCC revealed that high operational costs incurred by business entities operating in Lusaka District were as a result of lack of affordable operating premises and high cost of appropriate production tools. It was further

revealed that LCC found it difficult to provide affordable business premises due to lack of space and land. LCC struggled to provide trading spaces. For example, there were some people who had applied for trading places from as far back as 2016 but up to the time of the third quarter of 2019; they had not been issued out with trading places. So, LCC infrastructure such as markets, shops, among others, was still not sufficient. SMEs had to look for alternative places to rent and this did not come at a cheap price (LCC Official, 31st July, 2019).

An official from LCC during an interview also revealed that one of the greatest challenge that LCC has found which posed as a threat to SMEs' development was the conflicting interests among stakeholders. For example, one can find that others wanted to levy the SMEs fees that were outside what was prescribed because parties within which had interest. These parties to be specific included political party members from the ruling Patriotic Front. The interviewee said that political interference was more of a legacy issue in that even from previous governments, those were some of the challenges that SMEs and the local authority faced. For example, every political party in power had an upper hand in terms of what was happening. So, when another political party comes into government, the same thing happened. This one had been a challenge and one of the factors that hindered the growth of SMEs in the district (LCC Official, 31st July, 2019).

In two separate interviews with SMEs' owners, it was revealed that there was high harassment from the party in power. The interviewees said that every time their enterprise wanted to put a poster for advertisement, political cadres came to demand for K500 which pushed the cost of operation high. The interviewee further said that when they went to LCC, they were given a go ahead to put a poster after paying the required fee. However, the problem came in when the poster was installed in the area they were operating from; political cadres came and charged K500 for each poster installed. For money lender and their booths, political cadres charged K1000 (SME Owner, 2nd September, 2019). This as a result pushed the operational costs high and negatively impacted on the growth of enterprises.

In another separate interview with one of the owners of SMEs, it was revealed that he had to shut down one of his pharmacies which used to operate from Kanyama Township due to harassments from political cadres from the party in power. The interviewee said that he was made to be paying K500 per week as contribution to the party and continuation of operating in the said area. It was also revealed that at times, cadres would just walk into the pharmacy demanding that someone had

died and the enterprise needed to make a contribution. Failure to do so, they would force them to close down the pharmacy. In the end, he had opted to close down the pharmacy even though there was a huge customer base because profits were affected at the end of the day due to the various payments that were made just to please the party in government. The interviewee said that he had to remain with one pharmacy in Lusaka district situated in Chilenje Township where at least the party in government asked for K80 per week (2nd August, 2019). The local authority, in this case, the LCC was aware of what was going on but did not do anything. All the local authority did was complain that cadres had assumed their role in various markets and bus stations. The situation was not ideal for the development of SMEs. This is because local authorities are supposed to protect business entities in their local areas from such vices. They are supposed to use the various Act to enforce law and order in their areas of jurisdictions. It was therefore, sad to learn that political cadres were harassing business owners and the situation led to the closure of some enterprises.

The cost of operation in Lusaka District was further attributed to the cost of regulation, electricity load shedding and high fuel prices. In two separate interviews, the owners of enterprises revealed that high operational costs which were as a result of the high cost of regulation in the pharmaceutical industry, coupled with the increase in fuel and electricity load shading, negatively affected the net profits of their business (SMEs' Owners, 2nd and 27th, August, 2019). In another separate interview with one of the owners of the enterprise who was in mealie-meal production, it was revealed that the high cost of fuel in Zambia negatively affected the transportation of raw materials and finished products. This, as a result, had an effect on the pricing of the commodity on the market which in return affected the net profit of the enterprise (SME Owner, 16th August, 2019). An official from ZCSMBA also confirmed that the cost of transporting commodities from one area to another had become so high due to the high fuel prices in Zambia and this had become an impediment to the development of SMEs in the country (Chairperson for ZCSMBA, 23rd August, 2019).

In separate interviews held with owners of enterprises, the study established that operational costs went high because enterprises needed to move with what was trending on the market. In this case, SMEs needed to upgrade in terms of technological equipment. For example, an enterprise which was a beauty spar, the owner said that they had to set up a room for massages and buy all the equipment that needed to steam the body. The owner revealed that the equipment was very

expensive and this affected operational costs. She also lamented that hiring a person who was in charge of that department was also not cheap. Therefore, all this pushed the operational costs up (SME Owner, 27th August, 2019). In another separate interview with one of the owners of a school, it came to light that operational costs went high in their enterprise due to the fact that they had to offer computer lessons. The process involved buying new computers and hiring personnel to offer the lessons. The cost of buying equipment was very high and the cost was not passed on to clients due to competition (SMEs' Owner, 2nd September, 2019). The high cost of equipment involved in modernizing enterprises such as those that were in the education sector and those considered as beauty parlors made it difficult to recapitalize business enterprises.

Considering the cost of technology that comes with the purchase of equipment necessary to keep up with the trend; it was imperative to find out if the local authority had in any way helped SMEs which operated in their area of jurisdiction to keep up with the pace of technology. However, an interview with an official from the LCC revealed that the local authority had not yet set up a plan on how best it could have helped SMEs in that area. The interviewee mentioned that the LCC was aware of the importance technology played in the development of SMEs. However, certain issues were beyond the local authority's capacity due to lack of resources. It was further established that although the LCC had the powers to enter into partnerships with institutions that could help in delivering community development as proclaimed by the Local Government Act. In view of this, the LCC can enter into partnership with institutions such as citizen economic empowerment, ZDA, ZCSMBA and MCTI among others, and see how best SMEs can be funded so as to acquire new high-tech equipment. The local authority was not in any partnership with any institution which could have helped fund SMEs (LCC's Official, 31st July, 2019).

The findings of this study prove the assertion by UNIDO (1999:18) which indicated that there was limited technology support from the local authorities and some of the required investments in the field of technology were beyond the reach of single SMEs. UNIDO further noted that industrial and technological support services were not available for SMEs' development in developing countries.

Assessing the effects of high operation cost on enterprise growth. The majority, 96 percent of the respondents, agreed with the statement that it was difficult to acquire new equipment for production due to high operational costs. Those that agreed to the statement of low profits for the

enterprise due to high operational costs accounted for 91 percent and those that said it was difficult to re-capitalise the business due to high operational costs accounted for 85 percent. Others, 80 percent of the respondents, agreed with the statement that it was difficult to offer proper incentives to the employees and 67 agreed that there was high employee turnover due to lack of funds to support employees academically. This information is displayed in Table 5.2 below.

Table 5.2: SMEs Owners/Staff Response to Whether High Operational Cost Affected Enterprise Growth

Area of growth	Percentage Responses		
	Yes	No	Total
Difficult to acquire new equipment for production	96	4	100
High employee turnover due to lack of fund to support them academically	67	33	100
Low profits for the enterprise due to high operational costs	91	9	100
Difficult to offer proper incentives to employees	80	20	100
Difficult to recapitalize the business	85	15	100

(Source, Primary Data)

The implication of the findings of this study was that high operational cost was a very serious challenge faced by the majority of SMEs' in Lusaka District. The situation was worrisome in that when SMEs are faced with a challenge of high cost of operations, it is very difficult to grow their businesses. Stagnation of these business entities is not good for the local economy in that they employ a large part of the population of the District. SMEs also contribute greatly to local authority coffers through direct and indirect tax which is cardinal for the provision of social services in the District.

The lack of support from the LCC in the area of technology was also considered to be detrimental to SMEs' development. This is a local authority expected to enter into partnership with various institutions which can help in bringing about community development. Community development can be achieved when wealth is placed in the hands of the people by supporting their business entities which include among others, SMEs. Therefore, the study found that high operation costs and lack of support from the LCC had a negative effect on the growth of SMEs in Lusaka District.

The findings of this study are similar with a study conducted by IFC (2013) entitled *IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction* which revealed that the major constraints to SMEs' growth were corruption, crime, theft and disorder and

transportation. The findings are similar in the sense that SMEs in Lusaka District faced the challenge of corruption, crime theft and disorder from political cadres who made them pay for operating in certain areas and erection of bill boards. This study also established the cost of fuel made transportation costs to be too high posing a threat in that area. The findings of this study are also similar to an article written by Mubita et al (2017) entitled *Urban Informality and Small Scale Enterprise (SME) Development in Zambia: An Exploration of Theory and Practice* which revealed that financial, market and infrastructure were some of the constraints that hampered the growth of SMEs in Zambia. Government efforts to solve the challenges have been hampered by corruption, lack of coordination, poor targeting, lack of implementation systems and political interference.

5.4 Reduction of Competition from Foreign Entities

SMEs have to make decisions which deal not only with business survival opportunities, but also with business development in a changing environment under dynamic competitive conditions where each competitor tries to do impossible things to survive (Scarborough et al., 2009). The competitive standards change continuously due to consumers changing needs and expectations, technological developments and globalisation of markets. Over the years, competition among SMEs has increased radically. For this cause, survival and growth are increasingly dependent on a number of factors, including resilience to refocus some of SMEs strategies (Sitharam and Hoque, 2016). Their survival and growth is also dependent on the support given to them by the local authorities. Local authorities being government at the local level have powers to protect SMEs operating in their local areas from external threats, especially those which come as a result of foreign entities.

The study established that the LCC did not do much in protecting SMEs in Lusaka District. The LCC did not view competition as a challenge for SMEs' development but as an opportunity through which business entities could use to grow by delivering better products and services to the people of Lusaka District. In an interview with an official from the LCC, it was revealed that the local authority was aware of SMEs that conducted the same line of businesses. The interviewee further mentioned that there were certain areas which had car washing businesses for example, the ones which were found along Burma Road. LCC was also aware of the mushrooming of various private schools in various townships of Lusaka District. It was revealed that LCC was also aware of the important role that SMEs play in wealth and job creation in the District. However, their

growth was more dependent on the quality of services and products they delivered to the market. If SMEs had to compete favourably and remained in the business, they also had a role to play (LCC Official, 31st July, 2019).

However, during an interview with one of the owners, it was revealed that competition was driving out most of the Zambian owned SMEs from the pharmaceutical business because of the mushrooming of malls coupled with Indians renting in those malls. The interviewee said that Zambians faced stiff competition from Indians because they bought their products from their country of origin (India) at a very cheap price while indigenous Zambians bought pharmaceutical products within Lusaka District. So the pricing for a commodity obtained within Zambia was high compared to the one obtained from India. Therefore, clients opted to buy that which was cheaper on the market. The interviewee further said that clients also looked at the location of the enterprise. An enterprise such as a pharmacy that runs on a mall such as Crossroads located in Leopards Hill attracted a certain class of people in society who were willing to pay more for the commodity, compared to a pharmacy situated in Bauleni Township. This eventually affected the net profit of the enterprises that were being run by indigenous Zambians situated in Bauleni Compound (SME Owner, 2nd August, 2019). This was not ideal for the overall development of Lusaka District in that local businesses have the ability to see that money is reinvested in a local area (Hull, 2019). Therefore, a situation which allows business entities for foreigners to flourish more than those run by indigenous people is not good for the overall development of the local area. This is because foreigners have a tendency of externalizing profits to their countries of origin.

In another interview with an owner who was running a business in the service industry, the interviewee narrated how competition was a very serious challenge that was being faced by their enterprise. The interviewee said that the area where the school was located (Kamwala South) had a lot of private and government schools. So in an event that a parent failed to pay the stipulated tuition fees, they took their children to government schools which offered free education. This had posed a challenge on pricing of school fees in that the price paid for was very low in comparison with the standard of education which was being offered. Furthermore, this had posed a serious challenge on the financial aspect of the institution because the school had not come up with a strategy on how it could have effectively recovered its money once a client with arrears changed schools (2nd September, 2019).

Assessing the effects of competition on sales turnover; the study revealed that sales turnover was very low due to a lot of enterprises doing the same business. This was indicated by 83 percent of the respondents. The study also established that operational costs had become high because there was need to keep up with the pace of the ever changing business environment and continuously upgraded with new trends. This was indicated by 83 percent of the respondents. When it came to innovation, 70 percent of the respondents agreed that innovation was very high among SMEs because there was need for new ideas to continuously operate and make profits. The study further revealed that competition did not affect employee turnover. This was indicated by 59 percent of the respondents. This information is presented in Table 5.3 below.

Table 5.3: SMEs Owners/Staff Response to Whether Competition Affected Enterprise Growth

Area of Growth	Percentage Responses		
	Yes	No	Total
Sales turnover is very low due to a lot of enterprises doing the same business	83	17	100
Employee turnover is very high as more enterprises are poaching employees	41	59	100
Innovation is very high as there is need for new ideas to continuously operate and make profits	70	30	100
Operational costs have become high as there is need to keep up with pace of the business environment and continuously upgrade with new trends	83	17	100

(Source, Primary Data)

The interpretation of the findings of the study was that competition was a very serious challenge faced by most SMEs in Lusaka District. Competition is good in any industry in that it forces business entities to produce better products and services. However, when competition in a local area comes as a result of business entities that are established by foreigners, it negatively affects local economic development and subsequently kills local SMEs. This is because foreigners have got a tendency of not investing profits in the local area but rather invest back from their countries of origin. Further, local SMEs competing with foreign business entities will be disadvantaged due to inadequate resources, an obstacle faced by a number of SMEs in Lusaka District. The findings of this study are similar with a study conducted by Kithae, Gakure and Munyao (2012) entitled *The Place of Small and Medium Enterprises in the Achievement of Kenya's Vision 2030* which revealed that SMEs fall below the levels required to meet challenges of the increasing basis for

competition. The findings of this study are also similar with a study conducted by Kambone (2017) entitled *The Impact of Small and Medium Scale Enterprises in Achieving Sustainable Growth in Zambia: Case of Kasama District* which revealed competitive environment as one of the constraints to SMEs' growth in Kasama District. The findings are similar in the sense that, SMEs in Lusaka District faced stiff competition which ultimately affected their growth.

5.5 Provision of Security in a Local Area

Securing the operating premises and data generated on a daily basis for an enterprise is cardinal for its growth. Security can be done by both acquiring technology and/or the use of personnel to monitor the activities being conducted in an enterprise. However, it should be noted that the issue of security in an enterprise does not come cheaply and in most of the times, enterprises fail to secure their operating premises due to lack of resources. On the issue of security, local authorities being government at the local level are mandated to ensure that local area are secured by providing certain security features.

In order to reduce the levels of crime and make the environment habitable for the public; the Local Government Act mandates local authorities such as the LCC to maintain law and order and ensure national security. In view of this, the LCC is mandated to construct streets and give them names for easier location and establish and maintain a system of street lighting in residential and public places. However, the findings of this study revealed that most of the places in Lusaka District did not have street lighting. In separate interviews with owners of SMEs, they all held a common view that the places where their business entities were located did not have street lighting. One of the owners who owned a spar in Chalala Township said that although the local authority did not prescribe to them what time they had to open and close their enterprise; it was difficult to close late because the area became so dark in the evening. As a result, even employees were scared that if they worked late, they might be attacked by criminals. The interviewee also mentioned that it was difficult to drive from the business premises in the evening, as it posed a threat on pedestrians (SME Owner, 27th August, 2019). In another separate interview, it was revealed that due to lack of street lighting in the area where their business was located, the enterprise had to hire a security company to be manning their business premises, especially after working hours. The interviewee further mentioned that although they hired a security company, they were never at peace knowing that the area from which their business entity was located did not have street lighting and any time

thieves could have broken in without being noticed due to the darkness at night (SME Owner, 2nd September, 2019).

An interview with an official from the LCC revealed that the local authority was aware of the challenges that were being faced by business entities due to lack of street lighting (LCC Official, 31st July, 2019). In fact, an external scan on strengths, weaknesses, opportunities and threats analysis conducted by the LCC in the 33 wards of Lusaka District revealed that among the weaknesses or challenges identified were lack of security, lack of street lights, naming and numbering (LCC, 2017:5). The LCC further acknowledged high crime rate as one of the emerging critical issues from the 33 Wards situated in Lusaka District (LCC, 2017: 4). The Official from LCC further revealed that although the local authority was aware of the named challenges, it was difficult to mitigate them because the council had been struggling to raise resources for expansion and effective maintenance of street lighting and traffic signals, including replacement of vandalized road infrastructure. On average, three poles were being damaged every week. As a result of the cash flow problem, the local authority had failed to work on damaged poles in Lusaka District.

According to the LCC's official, the local authority faced a lot of challenges in its execution of statutory duties, the most prominent one being the politicization of public places. For example, Markets and Bus Stations were prone to politicization which had made it difficult for the LCC to effectively manage them. Political cadres had been interfering with the running of the public places to the effect that in markets such as Chibolya and Soweto, the cadres had chased the LCC's officers (cashiers) from collecting market fees. This as a result had led to cash flow problems which could have been used to install street lights in various parts of the District (LCC's Official 31st July, 2019).

Assessing security and its effects on enterprise growth; the majority 67 percent of the respondents, agreed with the statement that the cost of technology for security purposes was very high. The findings of the study also revealed that security services provided by companies came with a high cost which led to high costs of operation and eventually negatively impacted on growth of the enterprise. This was indicated by 67 percent of respondents. The findings also revealed that it was difficult to continuously recapitalize the SMEs due to high cost of operation which came as a result of securing the operating premises. This was indicated by respondents accounting for 63 percent.

The study also revealed that with the high cost of technology, safe guarding and accountability of internally generated data were hard to achieve. This was indicated by 61 percent of the respondents. Lack of proper security in an enterprise led to high levels of theft which negatively affected the net profit. Assessing the issue of security and profits; 50 percent of the respondents agreed with the statement that profits were low due to theft. This information is presented in Table 5.4 below.

Table 5.4: SMEs Owners/Staff Response to Whether Security Affected Enterprise Growth

Area of Growth	Percentage Responses		
	Yes	No	Total
Profits are very low due to theft	50	50	100
Safe guarding and accountability of internally generated data is hard to achieve	61	39	100
Cost of technology for security purposes is very high which leads to high operational costs	67	33	100
Security services by companies come with a high cost leading to high cost of operation	67	33	100
Difficult to continuously re-capitalise the enterprise due to high cost of operation	63	37	100

(Source, Primary Data)

The findings of the study show that security was a serious problem that hindered the growth of SMEs in Lusaka District. The LCC had failed to install street lights in most parts of Lusaka District which negatively impacted on operational hours for various businesses in that people were scared of being attacked at night. This ultimately impacted on their sales turnover in that business entities could not work beyond a certain time, especially when it got dark. The study further revealed that safe guarding and accountability of internally generated data was hard to achieve due to high cost of technology required to do so. It was further established that security services, whether one was viewing it from a human or technological perspective, came at a high cost and it was almost impossible for SMEs to venture into such types of investments considering the fact that these were growing business entities. The findings of this study are similar to a study conducted by Waichungo (2013) entitled *the Role of Local Authorities in the Development of Micro and Small Enterprises in Kenya: Case of Naivasha Municipal Council* which revealed insecurity as one of the challenges faced by MSE in Kenya.

5.6 Provision of Public Infrastructure

Public infrastructure is one of the integral determinants of SMEs' growth. For example, availability of physical infrastructure is a major determinant of production costs, product and market access. Business land and workspace, reliable water supply, sewage facilities, roads, postal and telecommunication services and electricity can either have a positive or negative impact on the development of SMEs in a particular area (Audretsch, 2004). Chell (2007) revealed that an important role of a local authority is to address the necessity of proper physical infrastructure in its planning and coordination tasks, in their lobby work, and to include resources and co-financing arrangements for physical infrastructure in its budgets. According to the European Commission (1999), it is of great importance that basic infrastructure is available and that the local area is easily accessible. The intention is to promote economic development and employment in their territory and eventually generate more income for the local authority.

The study established that the LCC in 2016, embarked on a routine road maintenance project throughout Lusaka District, under performance contracts and the L400. AVIC International was awarded a contract by the government to construct roads in the capital city, which was being supervised by the LCC and RDA. AVIC, in partnership with LCC and RDA, was expected to light up a 150-kilometer stretch of the 408 kilometres of roads at an estimated cost of US23, 55, 000 (Lusakatimes.com, 19th April, 2016).

In an effort to improve water supply and sanitation in Lusaka District, the LCC partnered with cooperating partners to construct new water supply infrastructure and new sanitation infrastructure. These cooperating partners included, among others, JICA, Bank of China and the USA government through the Millennium Challenge Corporation (LCC, 2017:78). For example, USA government, through the Millennium Challenge Corporation offered a grant of \$354 million for the Lusaka Water Supply, Sanitation and Drainage project (Devex, 10th July, 2012). Using these resources, the LCC under the Lusaka Water Supply and Drainage project, saw new water supply and sanitation infrastructure such as placing of pipes and construction of sewer ponds and pipes (LCC, 2017:78).

Although the local authority partnered with international institutions in the provision of water and sanitation services, not much had been achieved. This is because by the third quarter of 2019, the

issue of water and sanitation problem in Lusaka District had not been sorted out. Zambia faces significant water resource management challenges related to climate variability, recurring droughts and floods and under investments in water infrastructure (ICLEI Africa, 2013). Furthermore, the LCC in their Strategic Plan 2017-2021, acknowledged that critical issues from community engagement in the 33 Wards of Lusaka District included among others poor sanitation, blocked sewer lines and inadequate water supply (LCC, 2017). In assessing water supply in Lusaka District, the study established that there was inadequate water supply in the premises where SMEs operated from. This, as result, led to un-conducive work environment and low production.

Using the Urban and Regional Planning Act, the local authority had given permission to a number of individuals and business entities to change land use from residential to business. This had made it possible for the private sector to erect modern buildings such as shopping and office complexes in areas which were strictly for residential purposes (LCC Official, 8th August, 2019). It should be noted that under the Urban and Regional Planning Act and the Market and Bus Station Act, the LCC is mandated to plan and maintain infrastructure such as markets so that business entities could have places to conduct their businesses from. The Local Government Act also gives power to a local authority to enter into contracts necessary for the discharge of any of the local authority's function. In view of this, a local authority can partner with an individual or a business entity to provide markets and bus stations.

However, the LCC had not done much in the provision, upgrade and maintenance of markets and bus stations in Lusaka District. Most of the markets that were in Lusaka District usually accommodated micro enterprises. The state of the markets such as Lubama market, Kamwala market and Lusaka city market were not upgraded to accommodate SMEs. In separate interview with an official from ZDA, it was revealed that access to public infrastructure was a very serious challenge faced by SMEs in Lusaka District. The interviewee mentioned lack of public infrastructure such as communication facilities, power or rather energy, electricity, operating space, poor road network, transport and market infrastructure negatively affected the development of the SME sector (ZDA Official, 31st July, 2019). In another separate interview with an official from the LCC, it was further revealed that the local authority's infrastructure such as markets, shops among others were not sufficient and good enough. The interviewee said that the LCC struggled to provide trading space. For example, there were some people who had been applying

for trading space from as far back as 2016 but up to the time of the third quarter of 2019; they had not been issued out with trading places. So the LCC infrastructure such as markets, shops among others was still not sufficient to accommodate every SME in Lusaka District. Therefore, SMEs were encouraged to rent from private individuals whose rental prices were very high due to demand. The interviewee further said that the only places that were available were found in the LMFEZ under ZDA and these were very expensive for individual SMEs. For this cause, SMEs were encouraged to form cooperatives in order to reduce on the financial burden (LCC's official, 31st July, 2019).

The fact that the LCC was unable to provide industrial and trading places to most of the SMEs in Lusaka District was not good for the development of these business entities. Moreover, the Local Government Act mandates the local authorities such as the LCC to erect, purchase and maintain buildings used as dwellings or clubs and where it is in public interest, for use of business. All this should be done by local authorities with an aim of bringing about community development. Further, the Urban and Regional Planning Act, as earlier mentioned, recognises local authorities as planning authorities for their designated areas. In view of this, one of the functions of a local authority, according to the Urban and Regional Planning Act, is to regulate, control and plan for the development and use of land and buildings within its area. The Act further mandates local authorities such as the LCC to plan for the provision of public infrastructure which can be used by SMEs operating in their local areas. Therefore, the LCC citing insufficient space to accommodate SMEs did not paint a good picture as a planning authority in Lusaka District. This further shows that the LCC, as an institution, lacked a plan on how it could have helped SMEs to develop.

To make the matters worse, the running of most of the markets had been taken over by political cadres. In Lusaka District, markets were supposed to be run by either the LCC or cooperatives. However, political cadres had assumed the role of collecting revenue from marketeers (LCC, 2017). In an interview with one of the owners of shops in Mtendere, Kazimai market which was under a cooperative. It was revealed that micro enterprises had abandoned the trading places in the market and took over the streets with the blessings of political cadres. Further, the political cadres collected market levy from the marketeers. The situation made it difficult to run the market in that the market board needed money to pay for electricity, land rates, security and general maintenance. The interviewee further said that the cooperative had reported the issue to the Director for Social

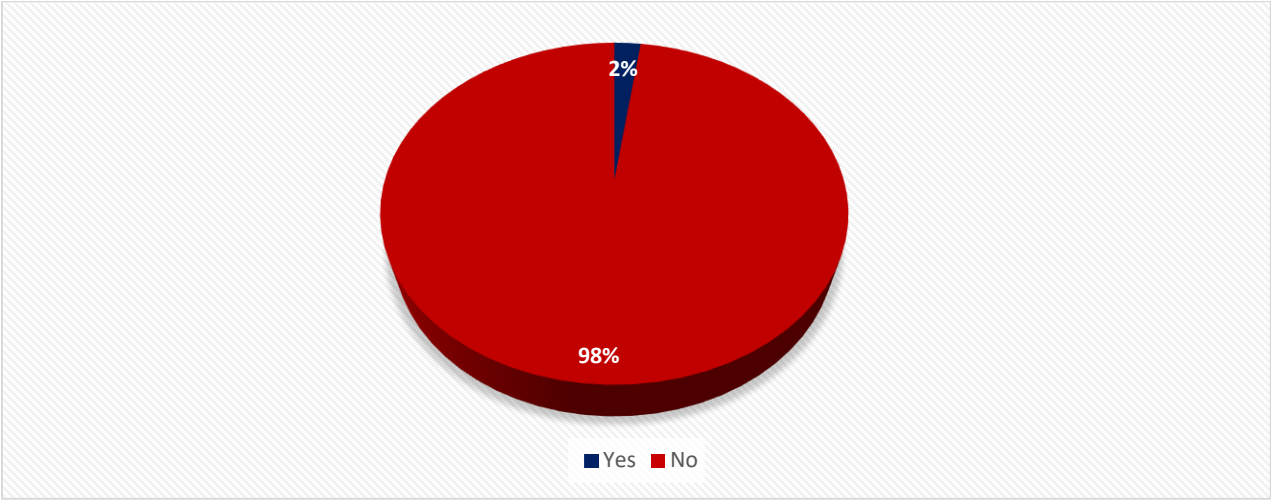
Services at LCC but they did not do anything. Reports were also made to Honourable Kandu Luo who tried to talk to the cadres but they had not changed their ways (SME Owner, 16th August, 2019).

Assessing bus stations in Lusaka District, the local authority had failed to upgrade the major bus stations infrastructure, especially in the central business district to meet the growing demand. The LCC had also failed to bring order in the public transportation business in that buses did not comply with the law of loading and offloading of passengers in stipulated places. They also parked anywhere in the central business district. According to News Diggers (2019), most of the bus operators complained of the thuggery behaviour in the central business district where youths were illegally extorting money from bus drivers. The situation was the same with kabwata, mtendere, kabalonga and chazanga bus stations (News Diggers, 13th April, 2019). Therefore, the LCC was not helping in mitigating factors that hampered the development of SMEs found in the transportation sector and those in the trading sector whose business premises were in markets.

Assessing the issues of technological improvements, the LCC had not done much in ensuring that the District attains modern features that depicted the 21st century city. The Local Government Act gives power to local authorities to carry out communication services with the approval of the Zambia Information Communication Technology Authority. This entails that the LCC being a local authority, can put in place internet facilities in public places and other areas which are prone to conducting businesses. Although government in the year 2016, through the Ministry of Local Government and Housing and the LCC, partnered with Edgy Nicollo M2TD Consortium, a South African company to supply free Wi-Fi services in Zambia (Lusakatimes.com, 8th May, 2019). The project had not materialised because by the third quarter of 2019, public places in Lusaka District did not have free internet services. This was detrimental to the growth of SMEs because they had to use their resources to pay for access to internet services. The study further established that the LCC did have a policy in place which could have helped them set up an evolving fund to lend SMEs so that they could acquire technological equipment needed for production of goods and services. The LCC did not partner up with institutions from public and private sector which could have helped in providing technological equipment to SMEs that operated in Lusaka District (LCC Official, 31st July, 2019).

For this reason, when respondents were asked if they were aware of any efforts that LCC was making to grow SMEs. The majority, 98 percent, indicated that they were not aware of any efforts from the LCC which aimed at growing SMEs. The minority two percent said that they were aware of efforts that were made by the LCC to grow SMEs. This information is presented in Figure 5.1 below.

Figure 5.1: SMEs’ Owners/Staff Responses on Aware of Efforts made by LCC to Grow SMEs



(Source, Primary Data)

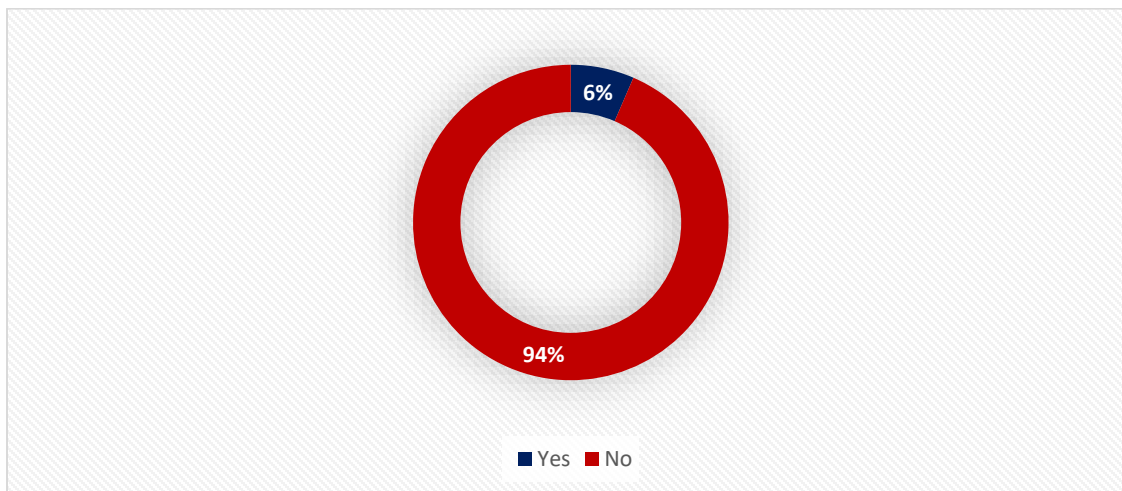
The findings of this study are similar with a study conducted by IFC (2013) entitled *IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction*. The IFC’s research indicated that the top obstacles to SMEs’ development in developing countries were, among others, inadequate infrastructure, especially an insufficient or unreliable water supply. The case is similar to that of the situation of SMEs operating in Lusaka District because they bemoaned water supply was one of the challenges they faced. The findings of this study are also similar with a study conducted by Waichungo (2013) entitled *the Role of Local Authorities in the Development of Micro and Small Enterprises in Kenya: Case of Naivasha Municipal Council* whose findings revealed that support services such as reliable water services from the council were lacking; the markets lacked fire extinguishers, sewer lines and feeder roads. This study also established that SMEs in Lusaka District bemoaned the issues of water supply. The local authority did not provide water services to most of the SMEs in Lusaka District. The findings of this study are similar with an article written by Mubita et al (2017) entitled *Urban Informality and Small Scale Enterprise*

(SME) Development in Zambia: An Exploration of Theory and Practice whose findings revealed that financial, market and infrastructure were some of constraints that hindered the growth of SMEs in Zambia. Furthermore, Government efforts to solve the challenges had been hampered by corruption, lack of coordination, poor targeting, lack of implementation systems and political interference. Similarly, the LCC's efforts in bringing about development in various areas of the District had been hampered due to political interference from political cadres from the ruling party.

5.7 Training Programmes put in Place by LCC to Support SMEs' Development

Achieving SMEs' development requires owners to have the right skills which can help them run their business entities. Local authorities have a responsibility to promote the development of SMEs because these business entities help in the fight against poverty through job and wealth creation. Imparting knowledge and skill through education and training is one of the first steps towards the development of SMEs. Local authorities are well placed to help provide appropriate programmes which can help to impart knowledge and skills in business owners putting into consideration that they are the closest to the people in Districts. Local authorities, being government at the local level, can source for funds to establish training programmes for business people in their locality. Therefore, the study sought to establish if LCC had offered any training programmes to SMEs. This was achieved by asking the respondents if they attended any programmes organized by the local authority. The findings are presented in Figure 5.2 on the next page.

Figure 5.2: SMEs' Owners/Staff Response on Attendance of Training Programmes



(Source, Primary Data)

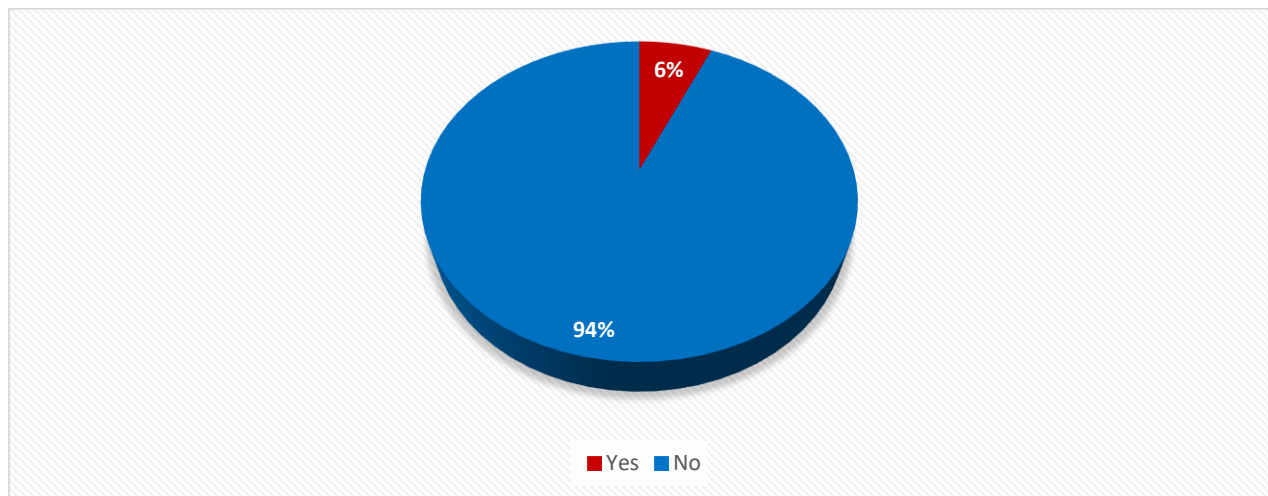
The findings presented in Figure 5.2 above indicated that the majority, 94 percent of the respondents, said 'no' while minority six percent said 'yes'. For the respondents that said yes, a question was asked on how these programmes helped their businesses to grow. However, they failed to specifically indicate how the programmes helped their businesses to grow. Their responses were at variance with responses from key informants from the LCC who indicated that the local authority did not offer any business management programmes. Local authorities were identified in 2008 under the MSME policy as major stakeholders in the development of the SME sector. The 2008 MSME policy clearly stipulate that local authorities are to ensure that they offer adequate support to MSME development activities at the local level (MCTI, 2008). Government, in the seventh national development plan, emphasized the importance of training in business related programmes as they are required to support innovation and technology that help in driving growth in SMEs (MNDP, 2017). In this view, the LCC is mandated to offer training programmes to SMEs with a view of developing them. Therefore, the fact that the LCC was not offering any business programmes to SMEs was not ideal for their development.

The impression obtained from the findings of this study is that the local authority in Lusaka District was not offering business programmes to SMEs. The findings of this study are similar to the study conducted by Gopaul and Manley (2015) entitled *SME Perception of Government Assistance within South Africa*. The findings of the study indicated that local government and municipalities were not doing enough to support and assist SMEs. Gopaul and Manley (2015) argued that SMEs were of the view that local government should help in the following: provide subsidized interest rates to small business owners, assist with training and skills development, mentor and provide learner-ships to small business owners and entrepreneurs, assist small business owners who provide jobs to those in living in their community, give small business owners a platform to voice their suggestions and make contributions to the passing of trading laws. The findings are similar in that Gopaul and Manley (2015) argued that SMEs were of the view that local government should assist with training and skills development, mentor and provide learner-ships to small business owners and entrepreneurs. This means that local government did not have training and skills development programmes just like LCC.

5.8 LCC Linking SMEs to Institutions that Support their Development

Linkages contribute significantly to the development of a competitive SME sector. Experience shows that linkages can offer substantial mutually beneficial opportunities to local authorities and SMEs. Local authorities benefit from linkages because these linkages foster SMEs' development. This, in return, increases revenue for local authorities through taxation of these SMEs. For SMEs, linkages foster their development in that they are one of the fastest and most effective ways of upgrading these enterprises because they facilitate transfer of technology, knowledge and skills, improve business and management practices, and facilitate access to finance and markets. Linkages can promote production efficiency, productivity growth, technology and managerial capabilities, and market diversification in SMEs. The ability of linkage activities to contribute to the development of SMEs largely depends on the business environment and enterprises' capabilities. However, local authorities' interventions are essential for creating an environment conducive for sustainable linkages through policies and regulations that support the interests of SMEs in a local area, the local authority and organisations supporting growth of these business entities (UNCTAD, 2004). Therefore, the study sought to establish if the LCC linked business entities to institutions that support SMEs' growth. The findings are presented in Figure 5.3 below.

Figure 5.3: SMEs Owners/Staff Response on LCC Linking SMEs to Institutions



(Source, Primary Data)

The study revealed that the majority, 94 percent of respondents, said that the local authority did not link their enterprises to any institutions that help in supporting SMEs' development, while a

minority, six percent said the LCC helped in linking SMEs to institutions that supported their development. For the respondents that said yes, one of them mentioned that the LCC linked SMEs to PACRA. However, PACRA is not responsible for helping institutions grow but its core business is to ensure that it registers every business entity operating in Zambia. In separate interviews with the owners of SMEs, the study revealed that the local authority did not link SMEs to organisations that help in developing their enterprises. It was further revealed that all the LCC, did was to take away from the meager resources that enterprises made. The study further established that there was poor communication between SMEs and the LCC and that the only time the local authority visited their enterprises was to check if they were up to date with payment of various licenses (SME Owners, 2nd and 27th August, 2019).

The impression obtained from the findings of this study is that the local authority in Lusaka District was not linking SMEs to institutions that could have helped them grow. Local authorities, being government at the local level, should strive in ensuring that they connect business entities to organization that can help them develop. Moreover, it is the role of local authorities to ensure that they encourage, initiate and support linkage, promoting programmes between SMEs and organisations that show interest in growing them. This is one way in which local authorities can contribute to the development of SMEs. Therefore, the idea of not linking SMEs to institutions that can support them was not ideal for their development. The findings of this study are similar to Gopaul and Manley's study *entitled SME Perception of Government Assistance within South Africa* whose findings indicated that local government and municipalities were not doing enough to support and assist SMEs. This was the case with the LCC as it was revealed that the local authority did not link SMEs to institutions that could have helped in their road to development.

5.9 Conclusion

This chapter was based on interventions by the local authority to enhance the development of SMEs in Lusaka District. The main knowledge gap as shown in the literature reviewed was that most of the findings were generated based on official documents on the interventions local authorities' made in supporting SMEs' development. This left the question on how SMEs viewed the support from local authorities and if the support was really there? Further, various studies did not put into consideration that SMEs operated in a business environment that was governed by

local authorities. For this reason, the success or failure of these business entities could have been attributed to the contributions a local authority was and/or not making in promoting SMEs' development.

The findings of this study revealed that the Constitution of Zambia and the local government Act gives power to local authorities to spearhead local economic development. In talking about local economic development, SME development is an integral part of the process. However, the peculiar thing that the study established was that in this 21st century when most of the local authorities around the world have taken keen interest in spearheading local economic development and SMEs' growth in particular; this was not the case with LCC. The study established that the LCC did not lobby for reduced interest rates on loans from banks. As a result, SMEs in Lusaka District were subjected to high interest rates and this acted as a hindrance on borrowing for capital investments. The further study established that the LCC did not offer support in terms of reducing the cost of operation for SMEs that operated in Lusaka District. It was further established that there was too much political interference in the running of the local authority which negatively impacted on the growth of SMEs.

The study revealed that the local authority did not do much in protecting SMEs from competition that can as a result of foreign entities. The study established that there was lack of street lights in most parts of Lusaka District where SMEs were located. It was further revealed that there was a lot of vandalism of street lights from the public. This as a result made the work of the local authority difficult in the sense that they were unable to repair the damaged street lights due to lack of resources. The study further revealed that the LCC had not done much in the provision, upgrade and maintenance of markets and bus stations. Most of the markets that were located in Lusaka District usually accommodated micro enterprises, making it difficult for SMEs to find operating premises. The LCC further failed to upgrade the major bus stations infrastructure, especially in the central business district to meet the growing demand. The LCC further failed to upgrade the Lusaka District with modern features such as installation of the Internet in public places which in one way depicted the 21st century City. The study also established that the local authority had failed to sort out the problem of water and sanitation in Lusaka District. It was further established that the local authority did not offer any business training programs to SMEs in Lusaka District. The study further revealed that the local authority did not link SMEs to institutions that could have helped

them grow. Therefore, the LCC did not do much in spearheading the development of SMEs in Lusaka District.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter presents conclusions and recommendations of the dissertation. The general objective of the study was to establish the contribution of the Lusaka City Council in the development of SMEs in Lusaka District. The specific objectives of the study were: firstly, to investigate legal and policy constraints to the growth of SMEs in Lusaka District. The second objective was to examine interventions by the local authority to enhance the growth of SMEs in Lusaka District. The third objective was to recommend further measures the local authority should implement to develop SMEs in Lusaka District. Generally, the study has shown that a local authority being at the helm of the various developmental activities that happen in its area of jurisdiction is fundamental to the growth of SMEs. However, LCC had not done much to develop SMEs in Lusaka District. Firstly, SMEs were faced with a lot of challenges that hampered their growth. Secondly, LCC did not pay much attention in instituting efforts that could have helped in mitigating challenges that were faced by these business entities in Lusaka District, as discussed in the previous chapters. Therefore, this chapter begins by presenting conclusions on the three research objectives discussed in this dissertation. Thereafter, information on policy recommendations and further research area is provided.

6.2 Conclusions

6.2.1 Investigate Legal and Policy Constraints to the Growth of SMEs

The study concludes that the taxation policy, both at central and local government levels, was detrimental to the growth of SMEs in Lusaka District. From the central government perspective, SMEs that operated in certain industries were made to pay regulation fees as high as K25, 000 for registration alone and renewal of licence on a yearly basis. At the local government level, the taxation system was designed in such a way that there was no differentiation between SMEs and large business entities. The local authority did not take into consideration whether the SMEs made profits or not. All they wanted was for the SMEs to pay the necessary fees in full or risked been shut down. Respondents held a common view that payment of tax, whether to central government

and/or the local authority, only added on the already high costs of operation experienced by SMEs that operated in Lusaka District.

The study further concludes that although the Local Government Act mandates local authorities to provide public infrastructure in areas of their jurisdiction. The LCC struggled to provide adequate infrastructure for SMEs that operated in Lusaka District. The local authority further failed to provide land for business entities. The LCC cited illegal land allocation and loopholes in the law that allowed unauthorised political cadres, to allocate land which led to land shortage in the District. Lack of land made it difficult for SMEs to acquire their own operating premises and this made them to spend more on rentals. The local authority made it clear that Lusaka District had run out of land to issue out to individual business entities. Therefore, the fact that unauthorised person allocated land and went unpunished by the law, shows how weak the land law is in Zambia. As a result, the land law acted as a constraint to the growth of SMEs because of the loopholes in that it allowed for illegality.

The study further concludes that although there exist a number of Acts that give power to the LCC to regulate business entities; the local authority had not done much in using these Acts to grow SMEs that operated in Lusaka District. Instead, the local authority used the same laws to milk the little resources from SMEs. For example, the LCC charged bars which were in most cases SMEs extra fees for operating beyond 22:00 hour but did not apply the same law to large enterprises who were in the hospitality industry. Furthermore, the local authority was seen as an institution which only existed for purposes of imposing levies and charges on business entities that operated in Lusaka District. The levies and charges acted as a constraint on the growth of SMEs because the LCC threatened to shut down any business entity which did not make payments. Therefore, the LCC regulatory framework was seen by the majority of the respondents as a constraint in enhancing SMEs' growth in Lusaka District.

6.2.2 Interventions by the Local Authority to Enhance the Growth of SMEs

The study concludes that, the local authority did not lobby for reduced interest rates on loans from the financial market for SMEs that operated in Lusaka District. As a result, SMEs in Lusaka District were subjected to high interest rates and this acted as an obstacle on borrowing for capital investments. The study further concludes that, the LCC did not offer support in terms of reducing the cost of operation for SMEs that operated in Lusaka District. The local authority found it

difficult to provide affordable operating premises due to lack of space and land in Lusaka District. High harassments from political cadres also pushed the operational cost high and forced some of the enterprises to close down their other outlets.

The study further concludes that competition was also a serious factor hampering the growth of SMEs in Lusaka District. According to the findings of this study, competition was mostly attributed to the coming of foreigners who had huge capitals that in most cases, distorted pricing of commodities leading to indigenous SMEs making losses. However, the LCC did not do much in protecting SMEs in Lusaka District. The local authority did not view competition as a challenge for SMEs' development but as an opportunity through which business entities could use to grow by delivering better products and services to the people of Lusaka District. The study concludes that the LCC had failed to install street lights in most parts of Lusaka District and this negatively impacted on the operational hours for various businesses in that people were scared of being attacked at night. This negatively impacted on their sales turnover in that business entities could not work beyond a certain time, especially when it got dark.

The study concludes that the LCC with the help from central government had made tremendous progress in upgrading some of the roads in Lusaka district. However, the LCC had not done much in the provision, upgrade and maintenance of markets and bus stations in Lusaka District. Most of the markets that were in Lusaka District usually accommodated micro enterprises and cadres had taken over their management. The local authority had failed to upgrade the major bus stations infrastructure, especially in the central business district to meet the growing demand. The LCC had also failed to bring order in the public transportation business in that buses did not comply with the law of loading and offloading of passengers in stipulated places. Therefore, the LCC was not helping in mitigating factors that hampered the development of SMEs found in the transportation sector and those in the trading sector whose business premises were in markets. the study further concludes that the LCC had not done much in ensuring that the District attains modern features that depicted the 21st century city. For example, the LCC did not install the Internet in public places. The LCC also failed to sought out the challenge on water and sanitation in Lusaka District. The majority of respondents bemoaned how access to water and sanitation services was a challenge for SMEs in Lusaka District. Therefore, respondents held a common view that the LCC was not making any efforts to grow SMEs in Lusaka District.

The study also concludes that in the execution of its duties in Lusaka District, LCC faced challenges from political cadres. Some of the staff from the local authority were chased away from markets and bus stops by the political cadres who assumed the role of collecting council levies. This as a result denied LCC the much needed resources.

The study further concludes that there were no any training programmes put in place by LCC to support the development of SMEs. Furthermore, LCC did not link SMEs to institutions that could have supported their development. For this reason, LCC was seen as an institution that SMEs could not depend on when it came to enhancing their development.

6.3 Recommendations

6.3.1 Measures the Council Should Consider Implementing in order to enhance the Development of SMEs

The local authority should partner with institutions that are interested in SMEs' development so that they can offer training programmes aimed at imparting knowledge in the running of a business. LCC should also partner with institutions that can offer financial support to SMEs.

There is need to work on the taxation policy at the local level so that it gives guidance in what happens if an enterprise does not make any profit.

There is also need for the local authority to allow for part payment on the charges and fees imposed on SMEs.

The local authority should work with the Ministry of Land to develop laws that favour the indigenous people in the acquisition of land. Most of SMEs do not own operating places due to high prices of land. Therefore, LCC in collaboration with Ministry of Land, should introduce land incentives and/or rent out operating premises at a low rate to SMEs.

The local authority should invest in proper infrastructure with good supply of water and electricity.

The local authority should strengthen micro enterprises because most of the SMEs depend on micro enterprises for the delivery of goods and services to the final consumers.

There is need for the local authority to establish and enforce laws that ban political cadres from carrying out any local authority's official duties.

The local authority should work with other government agencies on the issuance of licences, as a way of reducing on a number of places that SMEs visits during the acquisition and renewal of various trading licenses.

LCC should establish a department that focuses primarily on SMEs' development. This will help the local authority to have a road map on how SMEs in Lusaka District can be developed effectively.

LCC should partner with institutions that can help in the fight against factors that hamper the development of SMEs in Lusaka District. In doing so, a pool of resources will be brought together.

6.4 Further Research

This study focused contribution of the LCC in the development of SMEs in Lusaka District. There is need for future research to focus on multiple local authorities drawn from both rural and urban areas, with an aim of establishing their contribution in the development of SMEs in their local areas.

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APPENDICES

Appendix A: Questionnaire for SMEs operators

The University of Zambia

School of Humanities and Social Sciences

Department of Political and Administrative Studies

Dear Respondent,

My name is Charity Nashoni, I am a postgraduate student at the University of Zambia in the school of Humanities and Social Sciences. As a partial fulfillment for the award of Masters degree, I am conducting a study on the role of local authorities in the development of SMEs: A case of Lusaka City Council.

You have been chosen to participate in this study. All the information you will offer will be handled with utmost confidentiality and will only be used for the academic purposes. I would be very grateful if you can give me sincere answers to the questions.

Instructions to the Respondents:

1. Do not write your name on the questionnaire
2. Read the questions carefully before answering
3. Where boxes are provided, tick the relevant option []
4. Write your answers where space is provided.....

Thank you for your time and cooperation!

SECTION A: Background Information

1. What is your position of responsibility in the enterprise? (Please tick)

1	Sole Owner	
2	Partner	
3	Employee	
4	Any other (Please specify)	

2. What is your age? (Please tick)

1	Between 18-35	
2	Between 36- 45 yrs	
3	Between 46-55 yrs	
4	Above 56 yrs	

3. Gender of respondent? (Please tick)

1	Female	
2	Male	

4. What is your highest level of education? (Please tick)

1	Primary	
2	Secondary	
3	Tertiary	
4	Never been to school	
5	Any other	

5. How many years have you worked for the enterprise?

1	Below 2 yrs	
2	2 to 5 yrs	
3	5 to 7 yrs	
4	7 to 10 yrs	
5	Above ten yrs	

6. What kind of job do you do?

.....

7. What was the original source of income for your enterprise?
(To be answered by Sole Owner or Partner)

.....

8. For how long has your enterprise operated in Lusaka City

.....

9. Area of business? (Please tick)

1	Trading	
2	Servicing	
3	Manufacturing	
4	Agriculture	
5	Mining	
6	Hospitality	
7	Any other (Please Specify).....	

SECTION B: Legal and Policy Constraints to the Growth of SMEs in Lusaka District

10. How has inadequate of finance affected the following areas of your business in terms of growth?

Area of Growth		Positive (1)	Negative (2)	Please specify
1	Sales turnover			
2	Employee turnover			
3	Operational costs			
4	Enterprise re-capitalisation			
5	Any other,			

11. How has lack of public infrastructure affected your enterprise growth?

		Yes	No
1	Spend more time transporting goods & services due to poor road network		
2	Inadequate water supply which leads to uncondusive work place & low production		

3	Inadequate electricity supply which leads to low productivity & sales turnover		
4	High operational Costs due to lack of public trading and industrial premises		
5	Unable to meet a wider market due to poor and high charges on communication facilities		
6	Any other		

12. How does lack of land affect your enterprise growth?

		Yes	No
1	Unable to own premises which result in spending much on rent		
2	Location of operating premises is not stable which leads to loss of customers		
3	Difficult to brand the operating premises due to rental contract		
4	High operational costs due rent		
5	Difficult to own land due to high pricing as a result of its scarcity		
6	Any other		

13. How has technology affected your enterprise growth?

		Positive (1)	Negative (2)	Please specify
1	Sales turnover			
2	Employee turnover			
3	Innovation			
4	Operational costs			
5	Enterprise re-capitalisation			
6	Any other			

14. How has competition affected your enterprise growth?

Area of growth		Yes	No
1	Sales turnover is very low due to a lot of enterprises doing the same business		

2	Employee turnover is very high as more enterprises are poaching employees		
3	Innovation is very high as there is need for new ideas to continuously operate and make profits		
4	Operational costs have become high as there is need to keep pace with the business environment and continuously upgrade with new trends		
6	Any other		

15. How has taxation affected your enterprise growth?

		Yes	No
1	Sales turnover is low due to the shift of tax to the consumer making the commodity to be highly priced		
2	Employee turnover is high as the enterprise is always looking for ways to keep operational costs low		
3	Operational costs are high because the enterprise pays taxes to local and central government		
4	Difficult to acquire new equipment due to high taxes which has resulted into low production		
5	Difficult to re-capitalise the enterprise because more resources are remitted to government as tax		
6	Any other		

16. How do high operational costs affect enterprise growth?

		Yes	No
1	Difficult to acquire new equipment for production		
2	High employee turnover due to lack of fund to support them academically		
3	Low profits for the enterprise due to high operational costs		
4	Difficult to offer proper incentives to employees		
5	Difficult to re-capitalise the business		
6	Any other		

17. How has high interest rate on the financial market affected your enterprise growth?

		Yes	No
1	Unable to borrow for business expansion which has led to low production and sales turnover		
2	High employee turnover due to enterprise stagnation		
3	Unable to development human resources due to lack of funds		
4	Unable to acquire new operating equipment due to lack of funds		
5	Unable to work on innovative ideas due to lack of funds		
6	Any other		

18. How has security affected your enterprise growth?

		Yes	No
1	Profits are very low due to theft		
2	Safe guarding and accountability of internally generated data is hard to achieve		
3	Cost of technology for security purposes is very high which leads to high operational costs		
4	Security services by companies come with a high price leading to high costs of operation		
5	Difficult to continuously re-capitalise the enterprise due to high cost of operation.		
6	Any other.....		

19. How do you rate Lusaka City Council regulatory in relation to your enterprise growth?

(tick only once)

1	Excellent (Please specify)	
2	Satisfactory (Please specify)	

3	Good (Please specify)	
4	Not good (Please specify)	

SECTION C: Interventions by the local authority (Lusaka City Council-LCC) to enhance the Growth of SMEs' development in Lusaka city

20. Are there any efforts been made by LCC to stimulate businesses like yours?

1	Yes	
2	No	

21. If yes to question 39, mention the type of efforts you have seen been made by LCC?

.....

22. Have you attended any training programmes organized by Lusaka City Council to help SMEs grow?

1	Yes	
2	No	

23. If yes to question 41, how have the training programmes helped your business grow?

.....

24. Does Lusaka City Council link SMEs to institutions that support the growth of business entities?

1	Yes	
2	No	

25. If Yes to question 42, mention the institution(s)?

.....

SECTION D: Recommend Measures the Council Could Implement in order to enhance the development of SMEs in Lusaka City

26. What programmes should the Lusaka City Council introduce to stimulate SMEs' development?

.....

27. Mention any areas other than growth for which you need help from Lusaka City Council?

.....

28.

Here are some statement questions. Each statement has a scale that ranges from 1 to 5. They are: 1-strong disagree, 2-disagree, 3-neither disagree nor agree, 4-agree, and 5-strongly agree. Tick the number that best reflects your opinion for each statement.						
		Strong Disagree	Disagree	Neither	Agree	Strongly agree
1	Lusaka City Council should frequently introduce new programmes that aims at improving SMEs' performance					
2	Lusaka City Council should work with the central government to reduce on importation of goods and services that are locally produced to protect SMEs					
3	Lusaka City Council should work with institutions that promote SMEs' development					
4	Lusaka City Council should link SMEs to institutions that promote their development					
5	Lusaka City Council should work with institutions that can financially support SMEs					
6	Lusaka City Council should work with institutions that share knowledge on how to grow the SME sector					

Thank-you for your cooperation!

Appendix B: Interview Guide for Owners of SMEs

1. When was the enterprise established?
2. Number of years in operation?
3. Number of employees in the enterprise at inception?
4. Number of employees in the enterprise now?
5. Which institution/s is your business registered with?
6. Have you maintained the same line of business since start-up?
7. Indicate other lines of businesses?
8. Why did you change the line of business?
9. What are some of the internal factors that affect your enterprise growth?
10. What are some of the external factors that affect your enterprise growth?
11. Are you aware of any efforts been made by the Lusaka city council in the area of SME development?
12. Mention these efforts?
13. Do you think the local authorities are doing enough in promoting the development of SMEs?
14. What areas should local authorities improve to enhance SMEs' development?
15. What is your general perception on the relationship between SMEs and local authorities?
16. What is your general recommendation on what the council should do to enhance the development of SMEs in Lusaka city?

Appendix C: Interview Guide for Zambia Development Agency

1. What is the role of ZDA in SMEs' development?
2. How do SMEs become members of ZDA?
3. What are some of the internal factors that hinder SMEs from developing?
4. What are some of the external factors that hinder SMEs from developing?
5. What programmes have you put in place to support the development of SMEs?
6. How have the programmes put into place supported the development of SMEs?
7. What benefits have you incurred as a result of supporting SMEs?
8. What are some of the successes you achieved in supporting SMEs' development?
9. What challenges have you encountered in the process of supporting SMEs' development?
10. How do you work to ensure that challenges encountered do not stand in the way of supporting SMEs' development?
11. How do you overcome challenges faced in the process of spearheading SMEs' development?
12. What areas has ZDA failed to improve which are imperative to SMEs' development?
13. Is there any working relationship between ZDA and LCC with regards to SMEs' development?
14. How does ZDA and LCC work together to support SMEs' development?
15. What achievements have the two institutions made to SMEs' development?
16. What challenges has ZDA encountered with LCC in the process of SMEs' development?
17. Do you think LCC is doing enough in promoting SMEs' development?
18. What areas should LCC improve to enhance SMEs' development?

Appendix D: Interview Guide for Zambia Chamber of Small and Medium Business Association

1. What is the role of ZCSMBA in SMEs' development?
2. How do SMEs become members of your association?
3. What are some of the internal factors that hinder SMEs from developing?
4. What are some of the external factors that hinder SMEs from developing?
5. What programmes have you put in place to support the development of SMEs?
6. What benefits have you incurred as a result of supporting SMEs?
7. What challenges have you encountered in the process of supporting SMEs' development?
8. How do you work to ensure that challenges encountered do not stand in the way of supporting SMEs' development?
9. How do you overcome challenges faced in the process of spearheading SMEs' development?
10. Is there any working relationship between ZCSMBA and LCC with regards to SMEs' development?
11. How does ZCSMBA and LCC work together to support SMEs' development?
12. What challenges has ZCSMBA encountered with LCC in the process of SMEs' development?
13. Do you think LCC is doing enough in promoting SMEs' development?
14. What areas should LCC improve to enhance SMEs' development?

Appendix E: Interview Guide for Lusaka City Council selected officials

1. What are the laws and regulations developed by LCC that govern the SMEs' environment?
2. What services does LCC offer to motivate SMEs' adherence to lay down laws?
3. What mechanisms does the LCC use to attain SMEs' confidence in their system?
4. What support services does LCC offer to SMES in order to develop them?
5. What are some of the policies put into place by LCC to spearhead SMEs' development?
6. What institutions does LCC work with to spearhead SMEs' development?
7. What areas does LCC and various institutions it works with focus on when spearheading SMEs' development?
8. What benefits does LCC incur as a result of supporting the development of SMEs?
9. What challenges has LCC encountered in the process of spearheading SMEs' development?
10. What areas has LCC failed to improve which are imperative to SMEs' development?
11. What can LCC do different to enhance SMEs' development?

Appendix F: Map of Lusaka District

