THE EFFECTS OF MOBILE MONEY BANKING ON THE FINANCIAL PERFORMANCE IN SELECTED MICRO AND SMALL ENTERPRISES IN LUSAKA, ZAMBIA.

BY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

THE UNIVERSITY OF ZAMBIA IN COLLABORATION WITH ZIMBABWE OPEN UNIVERSITY

MARCH 2022

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LIST OF ACRONYMS

AIRTEL: Telecommunication Company named Airtel in Zambia

MCTI: Ministry of Commerce and Trade Industry

MMB: Mobile Money Banking

MSBCs: Micro Sector Business Centres

MSE: Micro Small and Enterprise

MTN: Telecommunication Company named MTN in Zambia

SED: Small Enterprises Development

SMEs: Small and Medium Enterprises

UN: United Nations

ZACSMBA: Zambia Chamber of Small and Medium Business Association

ZDA: Zambia Development Agency

ZAMTEL: Zambia Telecommunications Company Limited

ZRA: Zambia Revenue Authority

APPROVAL

This dissertation was prepared and submitted by Harrison Banda of computer number **718000049** to the School of Humanity and Social Science of the University of Zambia under the supervision of Professor William Phiri.

Signature: ……………………………………. Date: ………………………………..

DECLARATION

I declare that this dissertation represents my own work, and that it has not previously been submitted for any academic qualification by anyone.

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Harrison Banda

DEDICATION

I dedicate this dissertation to my mother Tiwereko Banda and my late father Siwalaza Banda.

ACKNOWLEDGEMENT

I would like to thank ENGIE Energy Access for enabling me to pursue my Master of Business Administration degree, and according to me leave. I would also like to express my gratitude to my supervisor, Professor William Phiri for his guidance and critical evaluation of this study. Special thanks goes to my sister Zelipa Banda for her support. I would also like to thank my partner Nkumbu Silwimba and my friend Munali Siavwapa for their encouragement throughout this programme. Furthermore, thanks go to my mum and all my sisters for their support. Above all, I would like to give thanks to the almighty God for His providence.

ABSTRACT

This study evaluated the effects of mobile money banking in selected Micro and Small Enterprises (MSEs) in Lusaka District, Zambia. The study used an embedded mixed research design with a view to increase reliability and validity of the research findings. The qualitative data were collected using guided interviews while questionnaires were employed to obtain quantitative data. Regression and correlation analysis were used to analyse quantitative data while qualitative data were analysed using thematic technique. The findings revealed that mobile money banking did not have meaningful effect on financial performance in selected micro and small enterprises in Lusaka based on loan access (b = 0.5, r = 0.281, and coefficient determinant of 0.079). Consequently, the study further unearthed challenges such as access to marketing opportunities, access to loans, limited management skills, and low education among MSEs owners. Despite the weak relationship between mobile money and financial performance, MSEs ominously contribute to employment creation although sustainability still remain a challenge. In the sight of the research findings, the following key recommendations emerged: 1. Financial lending institutions should have an option to remove loan ceilings borrowed to Micro and Small Enterprises for startup, and expansion of their businesses. 2. Mobile Money Banking institutions should increase the amount of loans if they are to play a pivotal role in shaping the growth of Micro and Small enterprises in Lusaka.

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter gave the background of the study, statement of the problem, objectives, research questions, significance of the study, theoretical framework, scope of the study, ethical consideration, delimitation, and operational definitions.

1.1 Background

After attaining Independence in 1964, Zambia had no policy on the private sector development or any special legal framework promoting the Micro Small and Medium Enterprises sector, since the economy was enjoying the high prices of copper. The country depended considerably on mining copper and only the public sector was visible by then, unfortunately, the copper prices plummeted in 1975 and at the same time the oil prices ascended. With the decreasing profitability in the copper business, the Zambian government had to find alternative ways of sustaining its economy. Therefore, in 1981, it began to initiate policies targeted at promoting Micro Enterprises among others, and hence came up with the Small Industries Act of 1981 succeeded by the Small Enterprises Development (SED) Act of 1996. Both policies nevertheless had negligible impact on the development of Micro and Small Enterprises as they were just public pronouncements with little effort to implement them (OECD, 2015). In the past, due to the presence of the public sector led economic growth model, people were excluded from participating in business activities as they were faced with the threat of nationalization if their enterprise(s) grew beyond a certain size. As such, Zambians depended entirely on formal employment as a way of earning income. However, after the 1990s, when Zambia adopted the free market economy framework perpetuated by the World Bank (the so-called Washington Consensus) and the International Monetary Fund (IMF), the country experienced the most severe economic recession. The drastic opening up of the domestic market to cheap and somewhat high quality product left inefficient local producers uncompetitive, hence it became imperative that they had to restructure so as to remain in business and lying out of workers was one of the methods used while other firms closed down completely. The opening up of the market coupled with the privatization of the state owned enterprises left a number of citizens unemployed. Thus, the creation of Micro Small and Medium Enterprises was inevitable. In Zambia, Micro Enterprises constitute 97% of all firms yet most of them are marginalized, with representation of 70% gross domestic product, and 88% of the workforce. Therefore, MSMEs are important contributors of employment of disadvantaged segment in the society (ITC, 2019). According to PACRA (2020), from 2017 to 2020 the agency registered 69448 micro and small businesses while by the first half of 2015 the agency had registered 15000 companies where 10000 were small businesses. As a result, the predominance of the Micro Enterprises also translated into their contribution to the production value in sectors such as manufacturing, (ITC, 2019). Despite the effort put in place to promote the growth of Micro and Small Enterprises, the sector is faced with a number of problems which include and among other lack of access to appropriate finance, lack of access to suitable marketing opportunities as result the sector was unable to create income and employment opportunities and expansion of the Micro Enterprise sector was retarded (Ibid). Through an act of parliament, government established Small Industries Development Organization (SIDO) to promote the Micro Enterprises Sector. SIDO was established to carter for financing needs of Small Scale companies, and in 1996, SIDO was transformed into Small Enterprises Development Board (SEDB) through the 1996 Small Enterprise Development Act (SED) and, in 2006 it was amalgamated into the Zambia Development Agency (ZDA Act number 11 of 2006) as an MSE Division (Op cit). However, despite the various policy interventions, development and coordination of the sector has remained a major challenge in the country and as a result the sector has struggled to graduate and has remained stagnant and marginalized and poverty levels are still high. Additionally, the Micro and Small Enterprises (MSEs) experience hitches in finding marketing opportunities for their products and services, and this was attribute to limited advertising coupled by higher charges and the lower levels of education among business men and women engaged in Micro Enterprise business which prevented them from utilizing advertising media such as News Papers, Television, Radio, the internet, and many others. Following the growth of MMB, it was not clear whether the challenges were alleviated.

1.2 Statement of the Problem

Micro, Small, and Medium enterprises (MSMEs) played a paramount role in social-economic development as it accounted for about 97% of active businesses in Zambia across various industries, and as such contributed greatly towards job creation, and expansion of tax base (ITC, 2019). Despite the Micro Small and Medium Enterprise Policy being in place, sadly Micro and small businesses had continued to face various difficulties which included lack of access to appropriate and affordable finances from the lending institutions. MSMEs generally were concerned about their growth and competitiveness that remained limited perpetuated by lack of access to finance as well as high cost of credit. SMEs access to finance was also constrained by perception that they were high risk sector by most of financial lending institutions and lenders were equally confronted with lack of reliable information on the part of MSEs are borrowers. It was so because a lot of MSMEs that operated in Lusaka were in the informal sector thus making it tough for them to access business finance from most of financial institutions.

The micro and small scale entrepreneurs also faced meaningful challenges where access to appropriate marketing opportunities due to high cost associated with advertisement of their businesses, unfavorable market charges by local authorities, lack of adequate infrastructure where they could sale their products from, and shamefully lack of innovation and creativity among the individuals in the sector as a result of low levels of education, and entrepreneurial skills, thus impeding growth of the sector (CSPR, 2018). Thus, this study was aimed at evaluating the effects of mobile money banking on financial performance in selected Micro and Small Enterprises in Lusaka, Zambia.

4.1. Research Objectives

1.3.0 General Objective

To evaluate the effects of Mobile Money Banking on performance in selected Micro and Small Enterprises in Lusaka, Zambia.

1.3.1 Specific Objectives

i. To determine the extent to which Micro and Small Enterprises have access to appropriate Business Finance in Lusaka.
ii. To establish the extent to which Micro and Small Enterprises have access to marketing Opportunities in Lusaka
iii. To examine the extent to which Micro and Small Enterprises have contributed to employment creation in Lusaka.

1.3.2 Hypothesis

H_0**:** The null hypothesis

Mobile money banking improves financial performance in selected micro and small enterprises in Lusaka.

H_a**:** The alternative hypothesis:

Mobile money banking does not improve financial performance in selected micro and small enterprises in Lusaka.

1.4 Research Questions

i. How is mobile money banking contributing to micro and small enterprises access to appropriate business finance?
ii. What is the degree to which micro and small enterprises have access to marketing opportunities?
iii. How are the micro and small enterprises contributing to employment creation?

1.5 Significance of the Research

The aim of this research was to evaluate the effects of Mobile Money Banking on financial performance in selected Micro and Small Enterprises in Lusaka District, Zambia primarily focusing on access to appropriate business finance, Micro Enterprise contribution to employment creation, and their access to marketing opportunities. The results and findings of the study were to provide relevant information to users including Government, Academicians, the financial institutions, and the general public. The findings would assist the financial institutions and government to make informed decisions and take suitable course of action and further give an understanding of the challenges faced by Micro and Small Enterprises. Academicians would similarly be provided with additional information for further future research. Moreover, the study was expected to deliver a broader understanding to Mobile Money Providers as generated information would in turn aid to alleviate financial accessibility and management challenges among Micro and Small Enterprises. Finally, the findings would be useful to the general public by means of providing adequate and useful information in the various areas of focus.

1.6 Theoretical Framework

This paper utilised the Economic Development theory which was developed by Joseph Schumpeter in the period 1922 to 1928. This was an influential theory in development economics. It was considered the most fascinating as well as the most promising theory of entrepreneurship. The Schumpeterian system of economic thought was built in such a way as to realize a necessary symbiosis between economic, historical, political, social and all other elements of the process of the functioning and development of the capitalist world (Elliot, 1983). The central argument of this system of thought assigned the most significant role to entrepreneurship with its inseparable and embedded innovative nature. The theory focused on components such as Credit and Capital, entrepreneurial Profit, Interest on Capital, and the Business Cycle which are quite critical for the survival of the micro businesses. Schumpeter points out that the importance of credit cannot be disassociated from entrepreneurial action.

Therefore, the theory was used to project the effects Mobile Money Banking on the performance in selected Micro and Small and Enterprises in Lusaka. The theory aided to outline the challenges that micro and small businesses faced in Lusaka District, Zambia.

1.7 Scope of the Study

The study focused on evaluating the effects of Mobile Money Banking on the financial performance in selected Micro and Small Enterprises in Lusaka. Micro and Small Enterprise were therefore chosen as a suitable area of study as little research had been done on topic because most studies conducted focused more on small and medium enterprises. Furthermore, a larger percentage of the city's population was involved in this form of business. Finally, compared to other parts of the country, Lusaka had a vast number of Micro and Small Enterprises and was thus a suitable for the study.

1.8 Delimitation

The research was untaken in Lusaka District Zambia. Micro and Small Enterprises were chosen as a suitable area of study as very little research had been done on this topic.

1.9 Operational definitions

Mobile Money Banking refer to the process of making financial transactions on a mobile phone or device.

Micro Enterprises - A small business that employees a small number of employees fewer than 10.

Small Enterprises - A small business that whose employees are not more than thirty, and whose total investment excluding land and buildings does not exceed 50 million Zambian Kwacha, in case of manufacturing and processing enterprise, and 10 million Zambian Kwacha in case of a trading and service enterprise; an annual turnover that does not exceed 80 million Zambian Kwacha.

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

This chapter presented global, continental and local views with regards to the status of micro and small enterprises performance ending with a summary.

2.1 Global perspective

2.1.0 Financing Micro, Small and Medium Enterprises (MSMEs) and the Challenges of National Development in Nigeria: Lessons from India (2020)

Access to finance was assumed the vehicle of every successful business environment. This was because finance was critical for providing working capital to meet the operation cost of the enterprise, and the acquisition of machinery, vehicles, patents, land, buildings and expansion into new market. However, small firms were finding it tough to borrow money from lending institutions due to their perceived weak accounting systems as they were in most cases unable to provide evidence of their creditworthy through credible financial performance reports, and quality proposals. It was due to the stated reason that most financial institutions could lend money to creditworthy borrowers who had capacity to offset their loan and can issue their asset as collateral. It was found that "*micro and small enterprises mainly in and around Bangalore, India, face a range of barriers to securing credit including collateral requirements, complicated loan procedures, and a lack of proper financial statements, and that microenterprises suffer from a lack of financial literacy*" (Nte, & Ekpenyong, p7 2020). As a result most micro and small enterprises opted to source their capital from family and friends. However, the research was conducted in Asia and it would have been therefore not be logical to generalize the finding by assuming uniform problems were faced in the sector. Therefore, this research endeavored to find out if micro and small business had access to mobile money banking through mobile money banking.

2.1.1 Small and Medium Enterprises (SMES) Finance (2016) World Bank

According to the World Bank Report, SMESs played a critical role in many economies, especially in the Third World countries. Micro, Small, and Medium Enterprises represented the majority of enterprises across the globe and were significant contributors to job creation and the development of world economy. They represented about 90% of enterprises and more than 50% of job creation worldwide. According to the report, formal SMEs contribution to national income in emerging economies stood at 40%. Including the Micro, Small and Medium Enterprises in the informal sector the numbers were meaningfully higher.

The report estimated 600 million jobs were needed by 2030 to accommodate the growing world workforce, as such making SME development a great priority for a lot of governments around the world. It was argued that in emerging markets, a lot of formal jobs were created by SMEs, and created seven out of ten jobs arguably. Nonetheless, access to finance was a major constraint the growth of SME, and it was the second most cited obstacle that hindered SMEs from expanding their businesses in emerging markets as well as third world countries. Micro and Small Businesses were not likely to access finance from the bank inform of the loan compared to large companies, as a result they relied on internal funds, or cash from friends and family, to initially run their businesses. Therefore, the International Finance Corporation estimated that 40% of formal micro, small and medium enterprises (MSMEs) in third world countries, had an unmet financial need of $5.2 trillion annually, which was equivalent to 1.4 times the level of the global MSME lending respectively.

Further, the report showed that East Asia and Pacific represented the largest share of 46% of the total global finance gap and was followed by Latin America and the Caribbean which stood at 23%, while Europe and Central Asia accounted for 15%. It is important to note that the gap varied significantly from region to region. The regions that had the highest proportion of financial gap included Latin America and the Caribbean and the Middle East and North Africa measured at 87% and 88%, respectively. There, the report showed that about half of the small, and medium enterprises did not have access to formal credit, and the financing gap was even worse taking into account micro and informal enterprises. Despite the provided vital information, unfortunately the report did not consider collecting data in the Sub-Saharan Africa, thus it became hard to generalize the findings. Therefore, it was the aim of the researcher to establish the facts with regards to MSEs access to finance in Lusaka with the help of MMB.

Micro and small enterprises were obviously one of the source of employment across the globe and as such they accounted for a largest employment share. In Asia they were argued to provide 60% to 90% of the workforce in the enterprise and generate approximately 30% to 70% of the output. The literature had shown that labor-force employed by the micro and small businesses differed across the world due to diverse socio-economic conditions. In the European Union, micro and small businesses represented 67% of workforce in the nonfinancial enterprises (EU 2015).As indicated by the study of 104 third world economies by Ayyagari et al. (2014), there was a mean employment share of 48% which was obviously smaller than Asia and Europe respectively. However, the study did not include business entities with less than five employees. Micro and small enterprise had a solution to high unemployment if sound policies were to be put in place around the world (Ibid).Therefore, this study strived to find out how micro and small businesses had contributed to employment creation in the Lusaka.

2.1.2 Small and Medium Enterprises (SMEs) Finance (World Bank, 2021).

Based on the data made available by the World Bank (2021), undoubtedly Small and Medium Enterprises (SMEs) performed a chief duty in main economies, especially in developing countries. SMEs accounted for the mainstream of enterprises globally and were essential contributors to job creation and global economic enlargement. They represented about 90% of businesses and more than 50% of employment worldwide. The report revealed that formal Small Medium Enterprises contributed up to 40% of national income (GDP) in developing countries. The stated statistics were suggestively complex when Small Medium Enterprises in informal sector were included. Based on data provided by World Bank, 600 million jobs are needed by 2030 to absorb the fast growing global workforce, which makes Small Medium Enterprises expansion a great priority for various governments around the globe. In developing markets, most formal jobs were generated by Small Medium Enterprises, which created 7 out of 10 jobs respectively. The report puts great importance on access to finance and argued to be a key constraint to Small Medium Enterprises growth, it was the second most cited hindrance which SMEs faced to develop their businesses in developing markets and emerging economies.

According to the reveal, Micro, Small, and Medium Enterprises were less likely to be able to acquire bank loans than huge enterprises; instead, they depended on internal funds, or cash from friends and family, to launch and initially run their businesses. According to International Finance Corporation, 40% of formal micro, small and medium enterprises (MSMEs) in third world countries had an unachieved financing need of $5.2 trillion every year, which was equivalent to 1.4 times the then level of the global MSME lending. East Asia and Pacific accounted for the largest share of 46% of the whole worldwide finance gap and was followed by Latin America and the Caribbean standing at 23% and Europe and Central Asia 15% respectively. The gap varied significantly country to country. It was further established that Latin America and Caribbean and the Middle East and North Africa regions, had the highest share of the finance gap compared to possible demand, measured at 87% and 88%, respectively. Nearly half of formal Small Medium Enterprises did not have access to formal credit thereby affecting the growth prospect in those regions. Despite the truth in the data provided by the report, it was not ideal to generalize the finding in Africa since the research only covered Northern Africa.

2.1.3 A Review of Access to Finance by Micro, Small and Medium Enterprises and Digital Financial Services in Selected Asia-Pacific Least Developed Countries (Madan, 2020)

A large proportion of business are microenterprises representing 88% while 12% are Small Medium Enterprises. With regards to ownership by gender, enterprises owned by women were significantly lower at 5% across the enterprises with a slightly complex level of ownership of microenterprises of 6% compared with 4% Small-Medium Enterprises. According the report, the informal sector demand for finance was 52% of formal demand. Hence, the projected demand for finance among the Micro, Small, Medium, Enterprises was US$ 57 billion. Nonetheless, it was revealed only 33% of the demand achieved. Arguably the finance gap was, thus, estimated at 7% of potential demand. The share of SMEs in this gap was suggestively higher at 93%. Therefore, the finance gap share followed the ownership pattern with women accounted for 6% of the gap compared to their male counterparts who had 94% comfortably.

Within the business forms, micro businesses faced more of a gap with 86% of the needed finance unrealized. Moreover, within Small Medium Enterprises the access was comparatively lower, but still high at 67%. In terms of gender and businesses, women owned small and medium enterprises gap was estimated higher at 96%. The section for male owned Small Medium Enterprises were alike with 95% of Small Medium Enterprises facing a finance gap. Therefore, Small Medium Enterprises and micro enterprises reported that they had faced either partial or complete constraint were nearly the same for SMEs 48% and micro businesses 56%. Above a third of businesses SME 32% and micro businesses 40% reported being fully hindered in relations of access to finance. Sadly 42% of enterprises run by women reported being fully constrained while 33% of male-owned micro-small medium enterprises reported a similar.

Banks were revealed the dominant supplier of loans that accounted for 70% of the total financial systems assets. A large proportion of SME loans were accounted for by the private commercial banks. Public commercial banks accounted for 19%. For instance, in Bangladesh data for 2011 to 2018 on disbursement to the sector revealed that a large proportion of the credit disbursed had been to the services sector followed by trading and manufacturing. Though over time, there had been an increase in percentage terms of funding to trading. Credit to women entrepreneurs had also increased during the same period, but there was a significant increase between 2017 and 2018 of 165%. Formal banking sector lending to the Micro Small Medium Enterprise sector had tripled between 2010 and 2016. In Bangladesh, around 25% of the merged loan record of the commercial banks were Small Medium Enterprises loans. This was a notable achievement as in many countries this ratio was in the single digits or in the tens. However, the finance gap still stayed important. In Bangladesh there were 724 licensed microfinance institutions whose share in SME financing was still small at 3.7% of the total loans.

Therefore, capital markets and Venture Capital had a presence in Bangladesh, although a small one in relation to Micro Small Medium Enterprises. These were underdeveloped as financing options and sources of long-term access to funding for Micro Small Medium Enterprises. Capital markets accounted for 20% of the financial system's assets. While venture capital had been funding large enterprises they offer very limited options for SMEs; equity financing options also had limited success. This had to do with the absence of enabling financial infrastructure, and reluctance on part of business owners to yield control for the expansion of venture capital into the Micro Small Medium Enterprises environment.

According to the study, a common issue that came up across regarding MSMEs access to finance in Bangladesh was that funding was skewed toward medium enterprises. Binary related factors for that were the way banks subdivide the market and the reliance on collateral-based lending which medium and large entities were able to provide but remained challenging for micro and small businesses. In cases where collateral was available, a common issue was its poor state of quality. Hence, multiple studies suggested that there seemed to be a very clear division of the segments between banks and Micro Finance Institutions with the former catering to large and medium businesses and the latter to small and micro-businesses. The method of segmentation reinforces the argument that left out many micro and small enterprises. Based on the study by the Bank of Bangladesh, it was revealed that 94% of Micro Small Medium Enterprises surveyed similarly accessed informal sources of credit such as family and friends. On one hand, State-owned financial institutions faced substantial trials in furthering the Micro Small Micro Enterprises financial inclusion effort. They were reported to underperform on profitability, and capital adequacy, and had high nonperforming loans. Added to this were issues related to governance practices, weak internal controls, and inadequate risk management practices of the state-owned institutions. Despite echoed constraints, there had been successes on the supply side. The adoption of a decentralized approach that relied on agent banking to boost interaction with micro and small businesses while some banks established separate divisions staffed with Micro Small Medium Enterprises professional skills that catered exclusively to MSME customers. On access to finance, Bangladesh got a low score of 7%. The country was also ranked low on other components of entrepreneurship such as start-up skills, risk acceptance, product innovation, and internationalization factors that impacted the ability to attract capital for businesses thereby affecting the growth of micro and small enterprises.

Nevertheless, due to the expanded coverage of the credit bureau. As a result, Bangladesh had significantly improved its rank from 161 in 2019 to 119 in 2020 on the Getting Credit indicator. It was estimated that women’s economic involvement in Bangladesh lagged across all forms of businesses and was less than half that of other low-income countries. Formal ownership of the business was lower amongst women as the Small Medium Enterprises Finance Forum’s data revealed. Meanwhile, a 2016 International Finance Corporation study on businesses in Bangladesh found that only 31% were able to finance their enterprise wants. Demand and supply challenges faced included lack of awareness of products and schemes, gender-related perception issues, perceived high risk of lending to women, inability to provide collateral, and low levels of financial literacy. Critically, over 36% of businesses run by women interviewed as part of the study reported that they had to involve males in dealing with financial institutions due to institutional biases related to women's entrepreneurial capabilities and their perceived role as primary care givers.

In Bangladesh digital finance has continued to play a vital role in promoting financial inclusion, globally therefore governments across the globe plans envisages wherein digital solutions will be used to foster socioeconomic transformation through information and communication technology. Mobile technology was identified one of the key enablers of digital finance and had been identified by the bank of Bangladesh as an area that could accelerate the pace and scope of financial inclusion, including Micro Small Medium Enterprises financial inclusion.

The country had made considerable progress in terms of the development of its digital infrastructure. Global System for Mobile Communications (GSMA) data revealed a high level of penetration of smartphone devices and mobile connections 93% of the country had a mobile connection with unique subscribers being 52.6% of the population. 99.5% of the population was covered by 2G and an equally large number of 94.2% were covered by 3G. There was a proliferation of Mobile Financial Services and agents. The data clearly showed that Mobile Financial Services and agent banking had established a strong foothold in Bangladesh's financial inclusion landscape. Mobile Financial Services began in Bangladesh in 2011 and had witnessed considerable growth since then. The number of active Mobile Financial Services accounts had risen 154% and there has been a 69% increase in the number of agents between 2015 and 2019.

The study went on to state that in 2013, agent banking services were started for remote customers. However, as of December 2017, there were 13 banks offering these services through 2,224 outlets to 0.87 million account holders. On the mobile payments front too, Bangladesh showed promise. In terms of amount, inward remittances, and cash in-out had increased well over 100% since 2015. The largest jumps had been in utility payments which stood at 315%, while salary disbursements 659%, and person to person transactions 265%. This implied a healthy trend in the adoption of mobile wallets.

Data showed that Micro Financial Institutions had been slower in adopting digital solutions. Many of them had in the past two years started their journey on digitizing their own operations as use of tablets for loan applications. A United Nations Capital Development Fund (UNCDF) study found only 30% of the Micro Financial Institutions showed interest in digital credit and most lacked awareness of the concept. 77% of the Micro Finance Institutions had no plans to adopt technologies such as artificial intelligence, but most of the large Micro Finance Institutions had been exploring big data and analytics.

A study in 2017 found that Micro Small, Medium Enterprises had also adopted Mobile Financial Services. They mostly used Mobile Financial Services for revenue collection and payment to suppliers. A large number used mobile banking for transferring money. Convenience was a key reason why most enterprises adopted mobile banking. There had been significant work undertaken by the Government of Bangladesh and the Bank of Bangladesh to develop the country's digital infrastructure. Effort included programs to foster innovation, setting out enabling regulation and guidelines for Mobile Financial Services, payment systems and agent banking models. Nonetheless, there was still possibility for further regulatory action with respect to digital applications. The trials that pertain the regulatory framework included; the payment system was limited in application in that it only applied to Banks and Micro Finance Institutions were out of its domain. Electronic money was treated as a deposit account and hence the restriction. This was restrictive in terms of benefits to Micro Small Medium Enterprises as Micro Finance Institutions were unable to offer the micro and small segments the benefits of Mobile Financial Services.

Conversely, the SME Finance Forum data revealed that there were 19,000 licensed Micro Small Medium Enterprises in Bhutan and of these, there were 11,000 micro businesses and 8,000 Small Medium Enterprises. Male owned businesses accounted for 62% while those owned by women were at 38% of the total number of enterprises. Within the types of enterprises, male ownership of micro businesses and Small Medium Enterprises were higher at 57% and 70% respectively of the total enterprises in each category. The estimated finance gap to these enterprises was 32% of the total demand estimated at US$ 284 million. In terms of the level of constraint, a high proportion 74% faced no constraints. This was nearly the same for micro businesses at 72% and Small Medium Enterprises at 76%. Non-aggregation of this data by gender showed that a larger proportion of 83% of women run businesses faced no constraints while in the case of male owned businesses, this was 69%. As such the financial sector was relatively small in terms of the number of institutions in comparison to other target countries. There were five banks, three Micro Finance Institutions, three insurance companies. 68% of the financial sector's asset base comprised of loans and advances with banks comprising 89% of that as of June 2019. Microfinance appeared to be in a growing state. The group lending procedure often used by Micro Finance Institutions was underrepresented. Cooperatively owned savings and credit groups were few and small. As of June 2019, there were 6,657 loan accounts respectively.

The study also indicated that the share of loans by enterprise type medium enterprises had the largest share of credit at 24%. While the sector had the potential to produce jobs, its share of credit was very low. For instance, Micro and Cottage industry shares were at 2% and 3% respectively. The small enterprises share was at 10% of total loans. Observation of trends in loan growth by enterprise type revealed that loan to medium enterprises had increased between June 2018 and June 2019. This attributed mainly to account of increased loans to tourism and trade, commerce sectors. However, loans to cottage industries had reduced mainly because of a decrease in lending to the agriculture sector.45% of the loans were therefore for non-enterprise purposes mostly housing. This had put the financial sector at risk as corporate short term deposits were used to finance long term housing projects.

The other prominent constraint faced by micro and small enterprises in accessing finance was geographic concentration of financial services and credit and it was an area of concern for policymakers. Data revealed that 54% of financial services institutions were concentrated in just five of the 20 districts and 53% of the credit is concentrated in four districts. A large proportion of the priority sector lending is concentrated in two districts namely Thimphu 43% and Chhukha 18%. Demand and supply issues leading to access to finance constraints needed more detailed research are permanent solution. However, observations revealed that credit risk was a 'key constraint' for suppliers or lending institutions.

Despite, a credit bureau and a securities exchange, it was recognized that financial infrastructure and inadequate alternative sources of finance were restraining factors in the access to finance by Credit Service Institutions. Entrepreneurship culture was considered a matter of concern amongst policymakers. Therefore, in order to help nurture this culture and support entrepreneurs, especially during start-up phase, there was need to put in launch a platform aimed to bring together young entrepreneurs and funders to facilitate access to alternative sources. Such initiatives were aimed at complement the priority sector lending policy of the government.

However, a review of the World Bank's Ease of Doing Business survey revealed that the country ranks high at 89 out of 190 in terms of doing business. However, that was a drop from 71 in 2016. In terms of getting credit, the country was ranked 94 in 2020, but that was a fall from 79 in 2016. This was mainly accredited to an upsurge from 14% to 30% in the number of enterprises emphasizing access to credit as a key constraint in various World Bank Surveys conducted in Bhutan. However, there was a credit bureau functioning that covered all Financial Intelligences and all loans. In terms of resolving insolvency, there no rank assigned as the survey had not found any cases related to foreclosures, liquidation and reorganisation. On the enforcing contract indicator, Bhutan had a high score of 29 out of 190. However, primary data collected from bankers revealed that collateral seizure could not be executed due to an inefficient judicial system that largely favoured borrowers.

2.1.4 Generating Jobs in Developing Countries: A Big Role for Small Firms (Demirguc-Kunt, 2011).

Job creation is a highest priority for policymakers globally. The role small and medium enterprises (SMEs) played in employment generation and economic recovery can therefore never be questioned. Multi-billion dollar aid portfolios across countries were being directed at fostering the growth of SMEs. However, there was no enough data informing the innumerable policies in support of SMEs, especially in developing countries. Moreover, the empirical evidence on the enterprise size growth relationship had been mixed. Some sources suggested that startups and surviving new businesses were critical for job creation and contributed unreasonably to net growth, and there was no systematic relationship between firm size and growth after controlling for enterprise age. It was however unclear whether these findings were applicable in developing countries where there were greater barriers to entrepreneurship, and where venture capital markets that finance starting firms were not as well developed as in the first world countries.

In a paper where a database was put together that presented consistent and comparable information on the contribution of SMEs and young enterprises to total employment, job creation, and growth across 99 developing economies. Sample of 47,745 firms was surveyed in the period 2006-2010 and was then examined to establish the relationship between business size, age, employment, and productivity growth and how that varies with country income and found the following: First, small and medium enterprises were the biggest contributors to employment across countries. Although SMEs contributed more to employment in third world countries than developed countries.

The survey went further to show that new firm entry to be much higher in first world countries. Taken together, these findings suggested that higher income countries were characterized by high rates of entry and turnover of small firms rather than a large SME sector. Enterprises younger than two years represented a very minor proportion of total employment in the overall sample. Across countries, businesses that were both small and old specifically firms that were over 10 years old and with 5 to 99 employees had the biggest proportional portion of total employment equated to other size age consortiums.

Additionally, not only did small enterprises and developed businesses employ the largest number of people, they also generated the most new jobs across country income clusters. In the median country sample, Small Medium Enterprises with 250 employees or fewer generated 86.01% of the jobs. Their contribution was higher by 93.05% in the countries that had a net positive job creation across all businesses in the country. The survey noted that even in countries that had an aggregate net job loss, it was found SMEs with 250 employees or fewer were substantial job creators accounting for 81.51%. Fresh businesses less than two years old generated only 14% of jobs in countries that had a net positive job creation and even lesser, only 5.39%, in countries that had a net job loss in sample.

Third, small firms and young firms have the highest employment growth rates in regressions controlling for country, industry, and year fixed effects. However, small firms' higher employment growth is not accompanied by higher sales or productivity growth. Large firms and young firms have higher productivity growth. Thus while SMEs employ a large share of workers and create most jobs, their contribution to productivity and growth is uncertain at best. Our results are robust to sub-sample analysis by country income group and by looking at countries with large versus small informal sectors. Although the cross country database improved upon prevailing records along numerous proportions, findings were subject to a number of requirements. Most decisively, enterprises surveyed covered only the formal sector, thereby excluding the informal businesses mostly run by women and youths. Therefore, results did not speak to informal initiatives. In addition the research did not have data on micro enterprises in sample. Moreover, the gathered data were based on surviving firms which probably could overestimate the growth rates for very young firms given they tended to have higher failure rates. Therefore, this research aimed at evaluating micro and small enterprises contribution to job creation in Lusaka District, Zambia.

To a divergence, in the United States large established companies had the largest share of employment; whereas, the study found that while large firms had a considerable employment share, the small established businesses had the largest share of employment in developing economies. On job creation, the United States evidence suggested that small established businesses had net job losses. Whereas, in developing countries it was discovered that small established businesses had the largest portion of job creation. Likewise, in countries that had had net job losses in the economy as a whole, it was only the small businesses, especially small established businesses that had net job improvements. Finally, in country like the United States of America there was also no methodical relationship between enterprise size and growth once age was controlled. By dissimilarity, in the sample of developing countries found that small businesses were weighty contributors to employment growth. It found that the higher employment growth of small businesses cannot be enlightened by the sizes of new businesses but persisted at all ages of businesses.

With countries all around the world struggling to alleviate poverty through provision of employment, job creation policies are at the top of the agenda for policymakers. It was due to the stated reason that results cautioned that the trial for policymakers was not only to create more jobs, but correspondingly to craft enhanced quality jobs to promote sustained growth. Overall, results showed that although SMEs employed a huge number of people and created more jobs than large firms, their contribution to productivity growth was not as great as that of big businesses. Therefore, growth as well as increases in productivity required a policy focusing on the possible hindrances faced by SMEs, which ranged from lack of access to finance, the need for business training and literacy programs, as well as addressing other constraints such as taxes, regulations and corruption all of which were the attention of a vigorous study schedule. In tally, strategies to advance entrepreneurship and innovation were expected to be important, then lack of vitality was a differentiating piece of developing countries and new businesses tended to be productive and among the fastest growing. Finally, the results went on to suggest a need for superior focus on huge, established businesses which had a prominent share of employment and even had higher productivity growth likened to small businesses.

2.1.5 Micro and small enterprises as drivers for job creation and decent work (Reeg, 2015)

According study titled Micro and small enterprises as drivers for job creation and decent work by Reeg (2015), working in micro, small and medium enterprises (MSMEs) was the most predominant way to make a living in low- and middle-income economies (ILO, 2015; World Bank, 2013). The study went on to state that formal MSMEs employed more than one-third of the world's labour force. The International Monetary Fund (IMF) estimated that across the 132 economies covered, there were about 125 million formal MSMEs of which 89 million operated in Low Middle Income Countries and of which the overwhelming majority about 83%, are micro enterprises, including the self-employed (ibid.).

However, the estimates were probably only the tip of the iceberg as data on MSMEs, in particular on micro enterprises and the informal sector, was scarce and often not comparable across countries due to variances in definitions and methods of approximation. Most statistical MSME definitions and subsequent research are mainly concerned with businesses that have registered in some way and have reached a critical number of employees, thereby excluding micro and informal family businesses and the self-employed. Therefore, the importance that micro and small enterprises (MSEs) have in providing employment is often underestimated and little is known about their potential in creating jobs. Therefore, this research will try to bleach the gap in knowledge

The research went further to reveal that in Low Middle Income Countries, about half of the micro enterprises are operated by women (Gomez, 2008). Even so, micro enterprises among women is often part of a multiple livelihood stratagem that includes several other activities such as informal employment, for instance as a domestic worker, and agricultural work, such as subsistence farming. As a result, female headed enterprises were often found in activities that could be operated from home, such as retail activities, knitting, sewing, cooking, brewing and other food processing as well as repair services. Due to home based operations and a high degree of informality in female entrepreneurship, the latter is often hidden and underreported in official statistical nets thereby being gender biased.

Compared to male-headed businesses, women likewise tend to have less workers and pay them less. This is because women prefer a business with stable returns and income to take care of their families, rather than investing in risky business that may have higher returns and better growth prospects. This comes as no surprise, as most female self-employed are poor and highly risk-averse, and in turn are most likely to be necessity entrepreneurs. For instance, according to Reeg (2015), the female self-employed are concentrated in high-poverty-risk, low average earnings categories. However, other sources argued that, given the trials that poor women face in balancing salaried work with child bearing and rearing, elderly care, and household work, informal self-employment may be a relatively desirable alternative to formal jobs.

Recent cross-sectional evidence across Low Middle Income Countries themes to the prominence of small enterprises in job creation. It was found that in the formal sector small firms generate on average more jobs than larger and older enterprises excluding informal and micro enterprises. Conversely, at the same time, small enterprises are criticised for being not very innovative and productive. Indeed, most studies on MSMEs were not able to appreciate the survival rates of firms and, when they do, job creation rates did not seem to differ from those of larger enterprises (Page & Söderbom, 2012). As a matter of fact, annotations based on panel data showed that only a few MSEs engaged in productive activities, grew and created jobs in the long-term. As a consequence, some confusion existed as to how, and how much, MSEs actually contributed to the creation of jobs. Hence, the study aimed to clarify what a job was and how MSEs in developing countries contributed to job creation and the improvement of working conditions. What can be defined as a job was a matter of intercontinental discussion and it was substantially difficult to reach a agreement for a huge group of extremely dissimilar nations. Using the definition of World Bank that described a job as “activities that generate actual income, monetary or in kind, and do not violate fundamental rights and principles at work allowed the inclusion of informal and formal activities of the self-employed and MSEs. However, it provided a very modest account of perceptions of job quality, although that might be adequate in the challenging economic and social settings in developing countries. Generally argued that Micro and Small Enterprises can contribute to job creation in two ways: Employment creation as the emergence of new jobs in existing MSEs, and job contributions that arise by the creation of new MSEs, such as through start-ups and the enterprise creation.

Macroeconomic evidence recommends that the phase of economic development as well as the contemporary state of the economy tend to have an influence on the patterns as to how MSEs develop and create jobs. The study further revealed that given a competitive and strong economy, MSEs tend to grow and add extra workers to their businesses. In this case, in the MSE segment more jobs might be created from enterprise growth than from enterprise creation. The latter form of MSE growth, that is, an increase in the total number of MSEs entering the market, tends to occur when the economy is weak and provides only a few opportunities for wage employment. In this case there tends to be enormous pressure on individuals to start their own businesses, even if they yield only marginal returns. The study's argument assumed businesses cannot grow in a weak economy thus fails to explain the growth of new businesses in more low middle income countries, therefore, the study will focus on how MSEs contributes to employment creation in Lusaka District Zambia.

2.1.6 Small businesses and self-employed provide most jobs worldwide (ILO, 2019)

According to a ground-breaking study conducted by ILO in Asia, it was revealed that seven in ten worker are self-employed or involved in small businesses, a finding that has obvious significant implications for employment and enterprise support policies globally. Based on GENEVA (ILO News), self-employment, micro and small enterprises play a far more paramount role in providing jobs than previously believed, according to new International Labour Organization (ILO) estimates. This is because data gathered in 99 countries found that these so-called 'small economic units' together account for 70 per cent of total employment, making them by far the most important drivers of employment and economy.

The findings had highly pertinent consequences for policies and programmes on job creation, job quality, start-ups, enterprise productivity and job formalization, which, the report said, need to focus more on these small economic units. The study also found that an average of 62 per cent of employment in these 99 countries is in the informal sector, where working conditions in general tend to be inferior, (i.e. a lack of social security, lower wages, poor occupational safety and health and weaker industrial relations). The informality level varies widely, ranging from more than 90 per cent in Benin, Cote d'Ivoire and Madagascar to less than five per cent in Austria, Belgium, Brunei Darussalam and Switzerland.

On the other hand, the information published in ILO report, Small matters: Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs. The report found that in high-income countries, 58 per cent of total employment was in small economic units, while in low and middle-income countries the proportion was considerably higher. In countries with the lowest income levels the proportion of employment in small economic units was almost 100 per cent, the report says.

However, the estimates draw on national household and labour force surveys, gathered in all regions except North America, rather than using the more traditional source of enterprise surveys that tend to have more limited scope. "To the best of knowledge of the International Labour Organisation, it was the first time that the employment contribution of micro and small economic units or enterprises had been estimated, in comparative terms, for such a large group of countries, particularly low and middle income countries," said Dragan Radic, Head of the ILO's Small and Medium Enterprises Unit.

The report advised that supporting micro and small economic units should be a central part of economic and social development strategies. It highlighted the importance of creating an enabling environment for such businesses, ensuring that they have effective representation and that social dialogue models also work for them. Other recommendations include; understanding how enterprise productivity is shaped by a wider "ecosystem", facilitating access to finance and markets, advancing women's entrepreneurship, and encouraging the transition towards the formal economy and environmental sustainability. Micro-enterprises were defined as having up to nine employees, while small enterprises have as many as 49 employees. The report did not show the representation of every country where the survey was conducted thus the report was generalized.

However, the report appreciated the massive contribution of the micro and small enterprises in job creation.

2.1.7 Small Businesses, Job Creation and Growth: Facts, Obstacles and Best Practices (OECD, 2017).

It was obvious that Small Medium Enterprises played an imperative part in low, medium and developed economies because they made up over 95 per cent of enterprises and accounted for 60 to 70 per cent of jobs in most countries around the globe. Despite the share tends to be somewhat lower in manufacturing, although it varies between 40 to 80 per cent of employment in manufacturing industry or sector. The study argued that the overall share of small enterprises in employment and output might be even higher given that businesses in the service sector were normally of smaller average size than in manufacturing. For instance, wholesale and retail trade and lodges, guest houses and restaurants were dominated by Small Medium Enterprises. Moreover, in construction Small Medium Enterprises accounted for 80 to 90 per cent of all employment especially in developed countries like Japan. The fact that these industries emerge large in overall employment underscores the importance of Micro, Small, and Medium

Furthermore, the share of huge businesses in employment creation and output has tended to show a certain deterioration. The study showed that the average institution size in manufacturing had fallen since the early 1980s in countries such as Canada, the United Kingdom, and the United States, while in Germany remained constant, and had risen in Japan. The importance of smaller enterprises in job subtleties is often weighed on the basis of net employment changes. In all countries, small businesses displayed somewhat more rapid net employment growth than larger firms. The study however stated at least four ways in which this should be put into perspective:

Firstly, it was not surprising that small enterprises played an imperative part in the job creation process as they accounted for between 40 and 80 per cent of entire manufacturing employment. To establish whether their role was unreasonably high, net job creation had to be articulated in relation to the initial employment in small and large companies. Net job creation rates were frequently higher for smaller business undertakings. Though for a number of countries it was discovered that the highest net job creation rates were among micro enterprises whereas small to medium-sized businesses with between 20 and 50 employees did not perform better than large firms respectively. Secondly, how firms were allocated to size classes was rebelled important: for instance, a firm can be considered micro or small if it matches to the criterion. Therefore, any consequent job creation was then attributed to the particular class irrespective of whether the firm had moved to a different size class by the end of the observation period. Alternatively, a business could be considered small for instance if it corresponds to the criterion on average, over the entire period. It had been shown that net job creation rates of small and large firms were highly sensitive to such changes in the size class allocation of firms to some extent.

The study were on to argue that the customary approximation of net employment growth covers the separate processes of job creation and destruction. Plants of all sizes incur both job gains and job losses. Some idea of these dynamics were due to several factors such as profit and competitiveness on the market. The data painted a picture of the attention of great job achievements and losses in micro and small enterprises. Business entities employing fewer than 20 workers seemed to account for between 45 and 65 per cent of new job gains and 36 and 56 per cent of annual job losses, however, the data for the United States were much lower, partly because firms employing fewer than five workers were excluded and partly because they referred only to manufacturing and excluded services industry.

Finally, research in the United States had pointed to age-related patterns in job creation: one is that net job creation rates reduced with business age; the other is that employment instability declined with business entity age. The said designs should not come unexpected, given that new enterprises were nearly always micro or small. Conversely, micro and small businesses were not essentially young. The distinction was important because, if age rather than size was the criterion, policy could focus less on micro and small firms and more on newly established firms. Put otherwise, a policy in support of Micro Small Medium Enterprises would be established by a policy to promote entrepreneurship, for instance, from side to side the elimination of regulatory blockades to business creation. Yet, more empirical evidence on the importance of phase as opposed to size is required formerly clear policy conclusions can be put forward.

Conversely, the study stated that information on job creation and destruction revealed a substantial quantity of blending in all labour markets. Yearly job turnover rates, the amount of newly created jobs and jobs that had disappeared were of the order of 20 per cent per year in countries as diverted as France, Sweden and the United States. Job turnover was certainly a critical part of the competitive process, subsidizing to economic growth, productivity and structural change. Excessive turnover, on the other hand, could discourage enterprises and workers from investing optimally in training. Therefore, a comparative lack of skills could affect the ability of businesses to adjust to change through interior flexibility as opposed to exterior adjustment. Permanent job losses could lead to substantial cuts in income for those affected as their amassed firm-specific skills lost their value. Lastly, when turnover is associated with large-scale lay-offs or plant closures, substantial costs could be borne by regions and communities. The costs of churning had to be weighed against the positive effects of turbulence, such as entrepreneurship and the search for new processes and products. Technology, Productivity and Job creation, less than one half of Small Medium Enterprise start-ups survived for five years; only a small percentage of surviving SMEs turn into large liable businesses; and the large firms make significant contributions to job creation and productivity growth. At the entity stage, turnover could be the result of a process of trial and error with selected enterprises failing almost from the beginning, some being restricted to the life span of a single innovation, and others enjoying sustained triumph (OECD, 2017).

2.1.8 Interventions for employment creation in micro, small and medium-sized enterprises – A systematic review (Grimm & Paffhausen, 2014)

According to the study, creation of sustainable and good jobs in high productive sectors and offering decent working conditions, was one of the major challenges low and middle income countries were facing. It due to the said reason that the 2013 World Development Report argued that 600 million jobs were needed worldwide over the next 15 years to keep employment rates at reasonable level (World Bank, 2012). Therefore, governments, non-governmental organisations and donors were applauded for spending huge sums of money for targeted programmes and broader policies aimed at enhancement of employment and the creation of new businesses. Since most employment in low- and middle income countries is in micro, small and medium-sized enterprises (MSMEs), habitually these firms were targeted by such interventions. Typical interventions included the provision of finance and financial services, entrepreneurship training, business support services, wage subsidies and measures that transform the business environment.

In spite of these efforts, not much is known about which of these interventions were really effective, or, more importantly, under which conditions particular interventions were effective.

Nonetheless, with respect to employment creation most micro-credit enterprises turned out to be not very success because only 14 out of the 44 impact estimates covered in the studies showed a reliable increase in employment. Major effects were achieved with regard to the creation of new (mostly micro-) enterprises and the expansion of already larger, well established and profitable firms. The study concluded that generation of a substantial employment effect required a major push, but most loans seemed to be simply too small and their maturities too short to lead to large changes in the capital stock and the production technology. For instance, a tailor who] thanks to a micro-credit switches from a mechanical to an electric sewing machine may neither have the need nor the profitability to immediately hire an additional worker. Nevertheless, s/he may well see an increase in performance as measured by revenues, profits and, of course, business investment. One study showed that the details of the loan contract matter. They found that short repayment periods, which over the loan period translated into lower outstanding loans and shorter maturities, prevented poor entrepreneurs from investing since they fear not being able to repay on time.

2.1.9 Is Small Still Beautiful? SMEs and Job Creation (2013)

Small and medium-sized enterprises played a pivotal role in creation of employment, provided two thirds of all formal employments in middle income countries and up to 80% in third world countries. According to the report, micro, small, and medium businesses generated a huge share of jobs in industrialized countries. However, there was an essential argument about the role they played in developing countries. Micro and small businesses were crowned an imperative engine for job creation in the third world countries as they responded to challenges of unemployment. Based on the publication of the International Labour Organization (ILO) and the German Agency for International Cooperation (GIZ) whose purpose was to analyse impact of SMEs over job creation and poverty alleviation in lower income countries, and the findings were quite encouraging. The study entitled "Is Small Still Beautiful? Literature Review of Recent Empirical Evidence on the Contribution of SMEs to Employment Creation" examined about fifty research studies and concluded that MSMEs provided two-thirds of all jobs in the less developed countries in Africa, Asia, and Latin America, and 80% in low-income countries, predominantly in Sub-Saharan Africa. It was therefore included that MSMEs were important entities with regards to the creation of employment in low-income countries, and made a key contribution to the net creation of employment, especially micro and small enterprises respectively. There was also an opposing view that due to their short life span, micro and small enterprises were not essential generators of jobs, nonetheless, the study refuted the assertion about 50% of total created employment came from businesses with less than a hundred workers. The newly established micro and small enterprises were regarded as contributors to job creation as some could grow at a faster rate, especially in the first year of operation. Studies showed that micro and small firms grow faster than large firms (Berrios & Pilgrim, 2013).

Nevertheless, the study indicated it was far from fully understanding the way MSMEs conducted their activities in third-world countries. It was indicated the key areas where data was missing, for instance, on micro and informal firms, and on the quality of jobs created by SMEs. The study stressed the need to keep in mind the fact that MSMEs faced definite challenges such as; access to finance, unfair regulatory policies, and the constraint to expansion due to the presence of large enterprises. Therefore, there was a need for target policies aimed at shaping the growth of MSMEs because they are key engines of economic growth and seedbed for larger firms. It was argued that in a fast-changing market, MSMEs were key players with regards to shaping the state of labour market across the world (Ibid). The initial research was based on SMEs, therefore, it did not reflect the contribution of micro-businesses where job creation was concerned, therefore, the researcher tried to find out the extent to which selected MSEs contributed to job creation in Lusaka

Access to the market was argued to be the key driver for every successful business. However, micro and small enterprises encountered size-induced market failures that impacted negatively on their survival and growth. Lack of access to technology and lack of capacity to develop innovative ideas had continued to affect the micro and small businesses' ability to compete in the market. The lack of required business skills was cited as one of the challenges hindering the growth of micro and small businesses in the world. SMEs also faced constraints from government regulation which presented constraints to the thriving of micro and small businesses as they were subjected to compliance with the same regulations as medium and other large businesses, thus making it cost for these businesses to survive (Opcit). However, the research assumed micro and small businesses faced the same challenges, therefore, this research strived to find out the extent to which micro and small businesses had access to marketing opportunities in Lusaka

2.1.1.0 Creating Better Business Environments for Micro and Small Enterprises (White, 2018).

Despite Micro, Small, and Medium Enterprises being praised for substantial contribution to employment creation, they have been criticized for the perpetuation of informal employment, where employees are involved without a contract, or social protection, or in unsafe or low-paid conditions, which was a predominant aspect of the casual economy. Contrariwise, countless MSE employers fear the costs linked with observing the full necessities of labour laws. The ILC (2015, para14) said it was imperative to safeguard labour laws and employment policies framed with the essential goal of decent, productive, and freely chosen employment and fused into national strategies. This was supposed to include the need for instantaneous methods to address the unsafe and unhealthy working environments that frequently characterized work in the informal sector and promoted and stretched occupational safety and health protection to employers and workers in the informal sector. Could not agree more with the argument therefore the research tried to ascertain the employment situation in selected Micro and Small Enterprises in Lusaka District Zambia. However, recommendations that sounded progressive such as an extension of social security supplies, maternity protection, decent working conditions, and a minimum wage to the informal economy did not suggest the strategy thus were deemed somewhat unrealistic to actualise.

Conversely, the challenge of balancing enterprise growth and employees' protection called for an active role of the government, principally in instigating a legal framework for the labour market, basic social protection such as minimum income as well as skills development. Some authors argued that labour market deregulation was connected with the rise of informal employment and created circumstances in which workers were caught between two self-contradictory trends: fast relaxation of the employment affiliation to make it easy for employers to contract and expand their workforce as required, and slow liberalization of labour mobility to make it difficult for labour to move easily and quickly to new opportunities. The study argued the challenge was to find the balance between growing the level of protection for the formal worker while encouraging informal MSEs to adopt more formal employment practices. This implied reregulation of the labour market rather than complete removal of employer requirements. The study did not differentiate conditions of workers in developing countries and third world countries, therefore, the study partially was aimed at filling the gap in knowledge.

The problems MSEs face in accessing the finance and financial services (e.g., savings facilities, insurance) they require to compete effectively and expand are well documented. Thus, MSEs often attract particular attention in this policy domain. White, et al., (2017) reviewed the confirmation of the impact financial services had on SME growth and development and found that while improving access to finance generally enhanced SME growth, the way this was achieved was more complex than simply focusing on the high cost of finance and the rigid worthiness necessities of commercial finance providers. Other factors that affected this dynamic included: poor business environments, inadequate infrastructure, corruption, and inexperienced business owners with poor management skills also inhibit growth. Though there was evidence to express how tougher linkages between enterprises and financial institutions could improve access to financial services and induce growth, ‘it was important not to isolate access to finance as a single constraint to growth but to consider it as part of a more holistic approach.

According to the literature of Schleifer and Nakagaki (2018) when entrepreneurs certainly grow from micro to small and medium-sized enterprises, their financing needs can no longer be met by microcredit, and they pursue bigger commercial banks loans. Indeed, in order to expand production, rent new facilities, employ workers, and enter export contracts, small firms were often required to move from the informal to the formal economy. Problems faced by women were highlighted, in particular, face in terms of dealing with regulatory and governance hurdles as well as social barriers and discrimination. These issues extend beyond the direct issues of access to finance arguably.

As the study further extracted data from the WBES involving 70,000 enterprises across 107 countries, the effects of access to finance, business regulations, corruption, and infrastructure bottlenecks in explaining patterns of job creation at the firm level were prominent. MSEs were found to have less access to formal finance, paid more in bribes than larger firms, and faced greater interruptions in infrastructure services, while larger firms spent significantly more time dealing with officials and red tape. The authors argued that these results proposed that momentous reforms to the business environment, including the finance sector, were needed to spur micro-businesses to grow. Other findings from 63 countries in the period 2002-2013 examined the effects of credit bureaus and found the likelihood that a firm had access to finance increased with the use of bureaus, while interest rates dropped, maturity lengthened, and the share of working capital financed by banks increased.

The author went further to gauge access to financial services and the importance of financing constraints for African enterprises. It established that smaller firms were around 30 percent less likely to have a formal loan than large firms, while medium-sized firms were 13 to 14 percent less likely. In addition, firms organised as partnerships and sole proprietorships, the simplest organizational forms, were less likely to have a formal loan. For instance in Egypt, factors determining the upgrading of SMEs were identified. The scarcity of medium-sized enterprises in Egypt was due to the challenges firms faced in remaining medium sized or large. In the business environment, notable problems in what they called state-business interactions such as licensing, taxation, inspections, and competition control were found to constrain SME survival and growth. While the problems of MSEs accessing finance were generally understood, less clear was the impact of MSE targeted development programmes that attempted to deal with those problems. The study reviewed a range of impact evaluations in finance to identify lessons learned and knowledge gaps. Findings showed that while evaluations had led to reform efforts in areas such as microfinance, microenterprises, insurance, and controlling reform, there were, in fact, only a handful of arduous studies. More evaluations were hence needed on a wider range of policies in a number of different institutional settings.

With regards to gender, poor access to finance was a problem that many women-owned and managed MSEs struggled with. The World Bank (2014) found that female-owned firms and agricultural firms faced particular difficulties in the attainment of access to finance. Generally, Women-owned firms tended to be smaller than firms owned by men and grew at a slower rate partially because women had less access to finance. Women micro-entrepreneurs were less likely than men to realise business profits from increased cash grants, because they were inclined to be more vulnerable to other demands on funds, including household demands. However, they benefited as much as male business owners when the capital was increased. Therefore, in households where women were empowered with more decision-making power and more cooperative husbands, they invested a greater portion of the grant into working capital and had positive returns from investments of the larger grant.

2.1.1.1 SMEs Equipped to Compete (2020)

According to Oxford Economic article tiled SMEs Equipped to Compete, small and medium-enterprises were operating in somewhat extraordinary business environment. This was due to increased globalization couple with stiff competition, and fast changing technologies. Micro and small businesses were not spared from the contemporary trends. Businesses that did not seek geographic expansion were being affected due to increased competition at home from rivals based outside their domestic markets. In order to respond to the new business environment, SMEs were transforming their strategies in fundamental way. This called for major changes to business models, products, and market strategies, and adopting new technology to level the playing field with large firms. In Europe a lot of SMEs believed they were not only equipped to compete with big firms, but that they had reasonable advantages over them (OE, 2020).

It was out of such thoughts that some rooted stereotypes of micro and small businesses, which perceived them having only a supporting role in international trade. Contrary to the stereotype, some MSMEs were thinking and operating globally, thereby giving them the ability to competing with competitors of various sizes. It was due to this reason that only one quarter of surveyed SMEs were not able to generate revenue outside of their country of origin, and the estimated figure was expected to drop to 17% within the course of three years. On the global level, it was revealed that majority of MSMEs were able to transform their operation which included a major change to a firm's business model, operations, as they were able to employ new market strategy. It was further indicated that only one-third had not engaged in transformation and did not have plans of doing so. It was also argued that most profitable Micro, Small, and Medium Enterprises tend to be further along in the transformation process compared to those that made less profits. In quest of competing with the large firms, MSMEs came to realize the importance of put into consideration human factors, including culture, and personnel matters because they obviously played a significant role in strategy formation. It was therefore found that more than one quarter of respondents cited rising labor related costs as an imperative trend, and approximately half (46%) were actively hiring employees to aid growth undertakings. On the other hand 39% stated they were finding it gradually tough to employ personnel with the right skills to help spearhead expansion of their enterprises (EO, 2020).

MSMEs were addressing to the challenges with numerous strategic initiatives. According to the findings, above half cited driving innovation, cost reduction, and efficiencies as the utmost imperative of the efforts, however, with emerging markets and Latin American firms placing an expressly high stress on those areas. Close behind is expanding product and service development, another area emphasized more in emerging markets than developed ones, followed by strengthening customer relationships. Global expansion (34%) and penetrating new markets (33%) come out ahead of domestic expansion (29%), with new markets particularly important for manufacturers (42%) and highly profitable firms (40%). MSMEs responses were different based on the amount of time they had been operating, with those who were in business for at least seven years were more likely to concentrate on cross boarder expansion than their younger rivals whose emphasize was on domestic expansion.

Fascinatingly, MSMEs who were in business from seven to ten years stood out from both younger and older companies in many areas, especially emphasis on driving innovation, cost reductions, and efficiencies. Retail enterprises expected higher income growth in the next three years than other industries surveyed. Alongside wholesalers, they were more prospectively to see expanding product and service offerings as important to spearheading growth (Ibid). Therefore, MSMEs across the globe recognized the need to prepare for both domestic and international expansion and stiff competition. Increased competition from bigger firms was cited as a main worry by many MSMEs. The findings were deemed biased as the research concentrated on Asia and Latin America thus it was not possible to generalize progress made in those regions in Zambia and other Sub

Saharan countries. It was due to the stated critique that the researcher focused on ascertaining effects of MMB on the MSEs access to marketing opportunities in Lusaka.

2.2 African perspective

2.2.0 Digitalisation and its impact on SME finance in Sub-Saharan Africa: Reviewing the hype and actual developments (2020).

Despite small size of micro and small businesses in Africa, these enterprises were liable for the mainstream of formal employment and the formation of a noteworthy share of fresh jobs. Micro and small enterprises were responsible for over 90 per cent of businesses and employ more than half in the formal sector globally (Justino, 2015). In developing world, the responsibility of micro, small and medium enterprises was weighty as they employed not less than 60 per cent of the workforce in the formal sector. Therefore, the significance of MSMEs for African economies could not be over emphasized even though most of them had not been allocated the much needed attention by the policy maker. Despite the wide consensus on the MSMEs' fame in creation of employment, it was not certain whether they contributed significantly to employment and job creation than large companies. However, research had shown that MSMEs created a lot of new jobs in third world economies (Ayyagari et al., 2014). The findings were not satisfactory because they did not review the workforce employed by the large firms in Africa. Secondly, the research did not appreciate poor survival rate among micro and small enterprises thus making them unsustainable source of employment. Therefore, the research tried to establish job security in the micro and small enterprises in Lusaka

Lack of access to marketing opportunities was said to be one of the chronic problems constraining the growth of micro, small and medium enterprises in Africa. (OECD, 2017). MSMEs faced numerous obstructions to business development namely, unfriendly business policies, unfair legislation and poor institutional and physical infrastructure. Based on the Enterprise Surveys of the World Bank, business owners, however, ranked access to marketing opportunities as one of the most constraint to the growth of their businesses second from access to appropriate business finance (World Bank, 2017). This was because most of the micro and small businesses lacked the capacity to enjoy economies of scale which is critical to competitive marketing strategies. As such, micro and small businesses continued to lag behind where development was concerned thereby had remained stagnant and marginalized with weak surviving rate (World Bank, 2017). Despite the stated facts in the survey, the findings were criticized for not appreciating the role micro and small enterprises when it came to shaping prices for selected goods. It did not explain why certain products sold by micro and small enterprises were cheaper compared to prices in large enterprises such as Spar and Shoprite. Therefore, this research endeavored to understand micro and small enterprises access to market opportunities.

Contrary to the celebrated prominent role played by MSMEs in job creating and the development of Lower Income Countries, the sector suffered from lack of access to appropriate business finance. Absence of realized growth and productivity improvements were stated to be constraints in MSME. Evidence from several studies showed that entrepreneurs in the micro and small businesses highlighted access to appropriate finance as the major barrier to enterprise performance and growth. Most of micro and small businesses lacked access to business finance from lending institutions due to collateral needs, purported weak legal backing, and stiff competition to access to finance. Financial institutions preferred lending to stable and well defined businesses in order to avoid risk of losing resources. According to Esho & Verhoef, (2018), banks and other lending institutions of finance encountered many obstacles when trying to serve MSMEs such as "*transaction costs that arise during credit assessment, processing and monitoring of the loan and during asset liquidation after default, are more or less fixed, rendering smaller loans more cost intensive per dollar lent, many MSMEs can neither provide a credit history or entries at credit bureaus nor financial statements leading to problems of asymmetric information and adverse selection "*. Therefore, lending to micro and small businesses was regarded risky thus limiting MSMEs access to finance. In spite of sad truth constraining MSMEs access to business appropriate finance, it wa not right to generalize the finding because not all micro and small enterprises failed to meet the loan requirements such as collateral and financial statements. This was because some MSMEs were way better credit worthy than some large entities. Therefore, this research aimed at finding out other factors hindering MSMEs from accessing appropriate finance such as crowding out effect.

2.2.1 Small and Medium Enterprises (SMEs) Finance (World Bank, 2021).

In Africa particularly in Ethiopia, the Women Entrepreneurship Development Project whose focus was to provide loans and business training for growth oriented women entrepreneurs in Ethiopia. The project identified a persistent financing gap for women entrepreneurs in Ethiopia, microfinance institutions were launched to upscale operation, helping Ethiopia's leading Micro Finance Institutions introduced bigger, separate liability loan products tailored to women entrepreneurs. Loans were supplemented through delivery of innovative, mindset oriented enterprise training to women entrepreneurs. Through the initiative by October 2019, more than 14,000 women involved in business acquired loans and over 20,000 participated in business training. 66% of participants were first time borrowers. As a result of the intervention, involved Micro Financial Institutions increased the average loan size by 870% to $11,500, reduced the collateral requirements from an average of 200% of the value of the loan to 125%, and started disbursing $30.2 million of their own funds loans. Therefore, the project increases Micro and Small businesses access to loans and resulted in an increase of over 40% in annual profits and nearly 56% in net employment for Ethiopian women entrepreneurs.

2.2.2 Access to Finance for Small, and Medium Enterprises in Africa (ACET, 2016).

According to ACET (2016), governments played a pivotal role by ensuring that the conducive business environment was in place for strong private-sector led economy through alleviating the constraints that hindered the micro and small enterprises from creating good jobs due to stagnation. However, more than 20% of MSMEs stated access to finance was often the key determinant of growth and expansion. It was essential for Africa to have a vibrant private sector by providing MSMEs with adequate support to access finance, markets and improve their productivity and competitiveness. Financial lending institutions such as Banks found it difficult to meet the needs of MSMEs because they failed to meet the requirements. Data from Zambia showed that while 95% of SMEs had bank accounts, only 16% had loans or lines of credit (6% of small and 25% of medium enterprises). In addition, virtually all loans (93%) required collateral, which on average amounted to 146% of the loan amount. However, the statistics does not show the percentage representing micro and small enterprises each.

2.2.3 Scoping and Assessment Report – MSMEs Access to Finance Ecosystem in Africa (2020)

According report entitled scoping and assessment report – MSME access to finance ecosystem in Africa, micro, small, and medium enterprises (MSMEs) were largely acknowledged as the most essential devices of innovation, growth, job creation and social cohesion in most developing countries. MSMEs contributed on average more than 50% of employment and 40% of Gross Domestic Product and added significantly to poverty alleviation. Women accounted for a third of formal registered MSMEs in Africa. Nevertheless, MSMEs had remained stagnant and marginalized due to harsh business environment which did not provide an opportunity for them to access appropriate business finance, which was critical for the sustainability and growth their businesses. Amongst hurdles faced by MSMEs, lack of access to appropriate forms of business finance was ranked as the utmost serious limitation. In third world countries, credit to the private sector was beneath the average than in the first countries. This was attributed to lack of a well-established financial infrastructure thereby posing difficulties for both credit providers and the enterprises that used the credit (AFI, 2020).

The situation in Africa was particularly challenging, is was because most of MSME could not access finance therefore increasing the gap. In 2017 Sub Saharan Africa had the highest gap of 51%. The informal sector faced serious nightmare because the credit or rather access to finance was restricted and this contributed about 38% of the gross domestic product in the Sub Saharan Africa with the obvious implication of finance gap being exclusively high. Hence, MSMEs growth was hugely hindered due to lack of access to finance in Africa. Additionally, MSMEs owned by women had limited access to formal credit and other financial services and were at greater risk of being further left stagnant and marginalized. These MSMEs faced specific challenges, which included lack of collateral, low financial literacy, unfavorable sociocultural environment, entrepreneurship skills and lack of customized banking products to fit their needs (AFI, 2020).

Efforts to respond to the problems related to lack of access to finance perpetuated by gender agnostic and lack of differentiated financial inclusion needed policy reformation in Africa. Structuring sound policies to address challenges faced by MSMEs was inevitable, it was to that effect that globally SME access to finance remained a great primacy in terms of government policy reactions and interpositions. Policies spanned a wide range of fundamentals, such as increasing the reach of the credit providers market and increasing nonfinancial support such as financial literacy and business skills. This was expected to yield positive gains to the growth of MSMEs in Africa (Ibid).

According to the report, about a quarter of SMEs world-wide applied for credit, showing that the many of MSMEs did not look for external financing. The stated figure remained unchanged for the past five years thus, proposing that the demand for credit had been comparatively constant over stated period. The low demand for external financing did not mean the MSMEs were not interested in the credit but it was due to various reasons such as lack of access due to attached conditions. The financial lending institutions identified specific constraints to lending to MSME such as; shortage of bankable projects, lack of effective collateral, lack of managerial capacity, perceived high default rate amongst MSMEs. Most financial lending institutions considered loan guarantees as significant and essential, therefore, MSMEs were certainly ranked high where credit risk was concerned unfortunately (AFI, 2020). However, the report failed to explain the ability of selected MSMEs who were able to repay their loans without any challenges. Therefore, the researched focused on ascertaining the extent to which micro and small enterprises had access to appropriate business finance.

2.2.4 MSMEs financing in Africa (2021)

MSMEs had been quoted as one of the toughest drivers of innovation, job creation and economic development. In Africa MSMEs grow was constrained due to lack of access to appropriate business finance. African governments had evidently recognized that lack of access to business finance prevented the growth and extension of MSMEs to a larger extent. There was also a pure acknowledgement that MSMEs growth was not only dependent on access to appropriate finance, but even the enlargement of commerce and technical skills, provision of access to markets, building infrastructure, and providing of inclusive legal and regulatory structure (AFI, 2020).

With regards to access to finance, the reported indicated that in developing countries MSMEs had unmet financing needs. In Africa, Mali had the lowest MSMEs finance gap representing 3% of the Gross Domestic Product, on the other hand, the Kingdom of Eswatini had the MSMEs finance gap of approximately 45%. That was attributed to high interest rates, as well as high-priced collateral. Report also cited cash flow and turnover requirements being the main limitations preventing MSMEs from accessing the much needed business finance from financial lending institutions (Ibid). However, the report did not review the financial gap in Zambia, hence, the researcher aimed at ascertaining the extent to which MSEs had access to appropriate business finance in Lusaka.

2.3 Zambian perspective

2.3.0 A Market Study on Microfinance Services in Zambia- 2014

The study covered Zambia's urban finance context with a particular focus on the microfinance sector in Lusaka. It further highlighted the state of financial inclusion in Zambia, with particular focus on Urban Micro Enterprise's access to Microfinance in Zambia. The expansion of urban financial services under the framework of urban Finance Program was established to facilitate access to financial services among urban entrepreneurs. In this regard, the government endorsed the Urban Finance Policy and Strategy (RFPS, 2013) document to spearhead the growth and expansion of urban financial services. According to the study, the Bank of Zambia (BOZ), on the other hand, had strengthened the regulatory environment by putting in place policies that made it easy to set up microfinance institutions through the Draft Microfinance Services Bill 2014 (BOZ, 2014) and also allowing for branchless banking as part of urban finance strategy. BOZ also housed the Financial Education Coordinating Unit (FECU) that promotes the National Strategy on Financial Education in Zambia in an effort to increase financial literacy in the country and subsequently usage of formal sector financial services and products, especially by the urban households (BOZ, 2014). The researchers that conducted a study on Microfinance Services in Zambia (2014) did not meet all relevant key stakeholders in the allocated timeframe. The study also did not identify the weakness in Zambia's Financial System thus ignoring the needs of the SMEs. Hence, this study aimed at identifying the weaknesses in Zambia's financial system by proposing for the modernization of the financial sector developing a framework for other sub-sector strategies that promote financial sector development in Zambia.

2.3.1 Mobile Money for increased financial access.

According to Chikumbi and Siame (2020), the growing appetite for Mobile Money Banking with over 77% mobile phone ownership, chances were ready to upturn financial inclusion in Zambia especially among Micro and Small business owners. Therefore, mobile money banking was looked at as an opportunity for expanding possibilities for the financially excluded and underserved to access financial services in the country. Generally, the rise of mobile money banking had also raised significant regulatory concerns for policymakers whose aim was to ensure the mobile money services were delivered within the confine of the law. In a nutshell, mobile money services (banking) were to be secure, safe, affordable, and easy to use (Chikumbi & Siame 2020). On one hand, the Zambia's National Financial Inclusion Strategy (NFIS) 2017-2022 revealed government's active assurance to the development of mobile money services, emphasizing accessibility of delivery channels, including diversity, innovation and customer-centricity of products. The relevant stakeholder such as the Bank of Zambia (BoZ), Competition and Consumer Protection Commission (CCPC), Zambia Information and Communications Technology Authority (ZICTA), and Financial Intelligence Centre (FIC) were anxious about the wellbeing of customers and mobile money operators thus, they worked to make the market safe and secure. The study did not review the how mobile money banking has improved saving and reduced risk associated with traditional holding method. Therefore, the research will strive to give out the effect of mobile money banking on parsimony (Ibid).

2.3.2 Access to Finance: SME perceptions of Financial Service Providers (Liyanda, 2017)

In Zambia and in many other developing countries in the world, Small and Medium Enterprises were perceived to be economic drivers as they reliably created employment providing opportunities for low-income poor people, thereby increasing financial inclusion. The SME sector was estimated to account for 97 percent of all businesses in Zambia. Although 9 out of 10 were said to operate in the informal sector. Inevitably both formal and informal SMEs in Zambia contributed to the GDP by creating opportunities for future growth and an innovative diversified economy. Of the 8.1 million adults in Zambia, 1.2 million operated a business accounting for a good portion of their income. In this growth pathway, SMEs still faced challenges some of which included unanticipated financial mismatches between their income and expenses. To overcome these and other challenges, SMEs required support from Financial Services Providers like Banks and Micro Finance Institutions to grow their portfolios.

World Bank and many other multilateral organisations agreed that lack of access to affordable finances limited Micro Small Medium Enterprises growth showing a big difference when compared to financial access by larger global enterprises. Micro and Small Enterprises in Zambia were not spared by this challenge. Nearly half or 49%perceived access to credit as a major obstacle to their business operations. According to Formal Bank Credit to Micro, Small and Medium Enterprises in Zambia, University of Zambia and the Zambia Institute for Policy Analysis and Research, 2013 the reasons for the perceived poor financial support towards SMEs differ and had created different perceptions of the Financial Service Providers by Small Medium Enterprises.

According to a study done by Financial Sector Deepening Zambia (FSDZ) on SME relationships with financial services providers conveyed to light the several insights that exist in the sector that included; most small medium enterprises owners were of the view that a substantial number of banking professionals, especially Relationship Managers often did not understand the small medium enterprise businesses, including the entire SME sector that they delivered business to. It was argued a lot of times relationship managers had limited customer engagement moments to fully understand the business. Moreover, visits to the small medium enterprises were limited. It was therefore recommended for client relationship managers to put themselves in the SME Business owner's shoes for them to be able to understand their businesses fully if helpful interventions were to be put in place. The study argued that most of the Banks in Zambia could only lend to the SMEs who have adequate security and had a tendency to deny credit facilities to lucrative and viable businesses due to lack of adequate security. As a result in most cases, banks did not understand that SME business owners were more risk averse than the banks themselves. In view of this, banks were advised to consider lending to businesses that have no security based on the strength of cash flows, experience or track record.

On the other hand, the study revealed that some business owners required a much faster response for loans or other financial instruments than banks were generally able to achieve. The average turnaround time for Small Medium Enterprises in Zambia to receive a loan, overdraft, asset finance or any other form of facility from a financial service provider was 30 days and more, in most cases. Conversely, Small Medium Enterprises tends to be in need of the funds as and whenever they formally apply because their needs were usually urgent. The bureaucratic processes in loan appraisal and approval usually attributed to the delay and by the time facilities were approved, the need for the facility would have already been fulfilled by competitors.

Third, most Small Medium Enterprise business owners alleged banks to had a conservative approach in terms of their dealing with client profile, sector, or prevailing business model. This arguably common in most international banks operating in Zambia, whose focus was more on bigger corporate and multinational companies. Customer relations managers for these commercial banks were given huge targets for their risk assets portfolios. During banks performance reviews, managers were discouraged to mention small medium enterprises proposed lending figures for fear of being perceived as not being serious. This made them neglect micro, small, medium enterprises applications and focused on large figures from large corporate and multinational companies.

It also discovered that a lot of small medium enterprise business owners developed a long-term relationship with their respective relationship managers. There was evidence that SME owners rarely interact with other personnel of the bank where they hold an account. Usually, the only time a different bank personnel will visit an SME was when there were challenges in the loan recovery. This had worked in inverse where SME had been observed to migrate their business accounts to another bank the moment their relationship manager left the bank to take up a new appointment. In many cases, SMEs followed suit and opened new accounts where the relationship manager had settled. It was believed that customers followed a relationship and not a bank. This new knowledge can benefit the bank to improve their customer relations innovation to include other members of staff in the bank.

In addition, there is an assumption by Micro Small Medium Enterprises owners that bank relationship managers did not have the capacity when it came to dealing with the Small Medium Enterprises loans compared to the Credit Managers. It was this perception sometimes that undermined the influence the relationship manager had over the Small Medium Enterprises. It was therefore for this reason that a highly innovative and interactive client relationship manager was better suited for this position. Some women small business owners were of the view that banks did not offer them equal opportunities compared to their male counterparts. While males had collateral, most women did not have. Hence, micro small medium businesses highly recommended that banks should develop products that were suitable for women to enable them access funds and grow their businesses in an equitable manner.

Most micro and small business owners felt that banks usually forced unsuitable facilities on them rather than providing facilities which were appropriate for the required purpose. For instance, the study reviewed that one small business owner wanted a credit facility to enable him increase stock of spare parts in his automotive spares shop. When he applied for an overdraft, the bank Relationship Manager was in a hurry to grant him a loan, stating the loan was much easier to process and to get approval than an overdraft. Moreover, the appropriate facility to give for a working capital requirement such as buying stock for the shop was an overdraft whilst a loan was usually considered for a capital expenditure requirement such as building a shop. The SME owner acquired the loan but found that the first repayment fell due before he sold the stock and therefore, he was in default. This put the SME owner under unnecessary pressure. Had he been granted an overdraft, stock would have been sold and put the account in order way before the expiry date. Most of micro, small and medium enterprises were disadvantage in similar circumstance.

However, some Small Medium Enterprise business owners, especially those on the lower tier perceived banks as not being their place and rather preferred keeping their money in their homes to depositing it in the bank. A few who had tried to go and seek help to open accounts at the bank said no one was willing to speak to them in their local language and help them complete account opening application forms on their behalf. In other words, there was language barrier thus a lot of micro and small business owners saw no need of seeking financial relief from financial institutions. Nonetheless, they felt that they could consider going back if only any bank would be willing to offer products suitable for their businesses and if the members of staff would be willing to communicate with them using the commonly spoken language that they were comfortable with. Further, banks ought to develop some literature that is written in a common local language for them to read and understand as not everyone can read and write in English.

Finally, a good number of micro small and medium Business owners felt that most banks treated different businesses in the same manner and offered similar products to different types of business sectors. For example, overdraft facilities which banks offered to small holder business owner involved in agriculture were structured in the similar manner as the ones offered to a businesses that were engaged in sales of electronic. It was due to the stated reason that micro, small and medium enterprises entrepreneurs proposed that banks ought to segment their SMEs into different categories according to the nature of their businesses and design products, which would suit each various needs.

2.3.3 A Study of the Factors Affecting Small and Medium Enterprises (SMEs) Access to Finance. A Case of Lusaka Based SMEs (Chilembo, 2021).

The study entitled factors affecting small and medium nterprises (SMEs) access to finance by Chilembo (2021), revealed interesting issues surrounding the potential major sources of finance for SME businesses. It was meant to indirectly lead the research towards inquiring how many of these SMEs would engage in borrowing or not. The research showed that majority of the study participants 83.7 percent, reported much of SME operations could be sustained by savings they made. Those that reported that micro, small and medium enterprises major source of business finance was from bank loans even loans from other financial institutions followed these 59.7 percent. Other sources were the smallest reported major sources of financing SME businesses which included family donations and gifts. It was further revealed that a number of study participants that reported their business could be sustained by borrowing from a financial institution were 179. Therefore, abundant attention was put on SMES whose major source of finance were Banks and other financial institutions. In line with this, the researcher inquired how many of these SMEs were actually granted a credit or a loan. Out of 179 study sample that had shown intereest in credit or loan from a financial institution, only 61 percent (109) were awarded loans or given approval. This simply entailed that 39 percent (70) were not given loan. As a result, the study was prompted to find out the reasons given why they failed to get loan.

Therefore, the study conducted a correlation analysis to assess the barriers faced on them being a reason given why the loan was not given to the SMEs. The findings showed that there was a positive correlation with all independent variables and the reason given for rejection of the application by the financial institution. However, the findings revealed a very powerful positive relationship between lack of collateral assets and rejection of a credit by a financial institution ($r = 0.727$) compared to other identified variables. Nevertheless, the study enquired from the study participants the challenges that hindered them being given a credit or loan by a financial institution. To carry out this enquiry, the study targeted all the study participants, regardless of whether they applied for a grant or not. A 5 point Likert scale which ranged from “Strongly Disagree” to “Strongly Agree” and “Not sure” in the middle was utilised. The scale was applied in order to arrest the opinions, attitudes and feelings of study participants for easy analysis and reporting of data.

The study went on to reveal that 56 percent of the study participants strongly agreed that the major challenge SMEs had towards accessing credit or loans from financial institutions was due to lack of collateral assets. 39 percent of the study participants agreed that lack of collateral of assets influenced accessibility of credit or loans from financial institutions. Some of the study participants 5 percent were indifferent on whether or not lack of collateral of assets influenced accessibility of credit or loans from financial institutions. The findings further showed that the mean score to this enquiry was 4.67 which showed that on average, majority of the responses were either agreeing to a great extent to the assertion that lack of collateral of assets influenced accessibility of credit or loans from financial institutions.

69 percent and 21 percent of the study sample strongly agreed and agreed, respectively, that higher interest rates influenced accessibility revealed that 56 percent of the study participants strongly agreed that the major constraint micro small and medium enterprises had towards accessing business loans from financial institutions was due to lack of Collateral of assets. 39 percent of the study participants agreed that lack of Collateral of assets influenced accessibility of credit or loans from financial institutions. Some of the study participants 5 percent were indifferent on whether or not lack of Collateral of assets influenced accessibility of credit or loans from financial institutions. The research also showed that the mean score to this enquiry was 4.67 which showed that on average, majority of the responses were either agreeing to a great extent to the assertion that lack of Collateral of assets influenced accessibility of credit or loans from financial institutions thereby affecting operations of MSEs

Conversely, 34.3 percent of the study participants were in strongly disagreement that lack of ability to draw business plan influenced accessibility of credit or loans from financial institutions. Further, in turn 6 percent of the study sample were not support on whether or not lack of ability to draw business plan determined accessibility of loans from financial lending institutions. 3.6 percent of the participants were in strong support that lack of ability to draw business plan by micro, small, medium businesses influenced accessibility of loans from financial institutions. The mean score to this enquiry was 2.06, which showed that on average, majority of the responses were against the assertion that lack of ability to draw business plan influenced accessibility of loans from financial lending institutions.

However, a small proportion of study participants standing at 5.6 percent strongly disagreed to the allegation that huge interest rates had any impact accessibility of loans from financial institutions. This showed that on average, majority of the responses were agreeing to the assertion that higher interest rates influenced accessibility of loans from financial institutions. Furthermore, in respect to the duration of the loan, it was established that 0.6 percent of the study sample strongly did not agree that short duration for repayment of loan influenced accessibility of loans from financial lending institutions. Some of the micro, small and medium businesses were uninterested of whether or not short duration for repayment of loan influenced accessibility of loans from financial institutions. On the other hand, 49 percent of the agreed to assertion that short duration for repayment of loan influenced accessibility of loans from financial institutions. The findings showed that the mean score to this enquiry was 4.05, which displayed that on average, mainstream of the responses were agreeing to the assertion that short duration for repayment of loan influenced accessibility of business loans from financial institutions.

Lastly, from the report 44.3 percent of the study participants were not in support of the new laws and regulations that hindered accessibility of loans from financial institutions by SMEs. A reasonable percent of about 47 participants were against laws and regulations hindered accessibility of credit or loans from financial institutions by SMEs. However, 25.7 percent of the study participants agreed that new laws and regulations might have hindered accessibility of loans from financial institutions by SMEs. Findings further showed that the mean score to this enquiry was 2.67, which showed that on average, majority of the responses were disagreeing to the assertion that new laws and regulations hindered accessibility of credit from financial institutions by Small Medium Enterprises.

Therefore, in line with the perceived study objective, the researcher further enquired how loan given to the SMEs affected their business performance. Measuring performance was an obvious vital part of monitoring the growth and progress of any enterprise. The researcher was convincingly aware that there were seven Key Performance Indicators which included Cash flow forecast; Gross profit margin as a percentage of sales; Revenue growth rate; Inventory turnover; Accounts payable turnover; and Relative market share. However, performance was measured via two indicators, Cash flow forecast and revenue growth. In light of this, the researcher sought to enquire the effect of the credit or loan they had obtained from a financial institution on their business performance.

Numerous respondents reported that the credit they got from the financial institution affected their performance and profitability. However, the effect these loans had on the businesses performance and profitability was different. For instance, some respondents reported a positive effect such as increase in sales due to increased supply of commodities supplied. However, there were respondents that reported negative effect of credits from financial institutions in the form of huge interest rates that negatively affected the performance and profitability of the SMEs. Hence, the study enquired to what extent the above stipulated challenges influence performance of the SMEs.

Consequently, 37 percent of the interviews sample strongly supported that the difficulties of lack of collateral of assets had an effect on the performance of a business. Conversely, 36.3 percent of the study participants agreed to stated assertion. However, some of the study participants 18.3 percent did not agree that lack of Collateral of assets had an effect on performance of the business. On average, majority of the responses were either agreeing to the assertion that lack of Collateral of assets had an effect on performance of the business. On the other hand, 72.3 percent of the study participants strongly agreed that lack of ability to draw business plan had an effect on performance of the business. As a matter of fact, only 10 study participants according to 0.3 percentage had a different view towards this assertion. About 5.6 percent of the participants were uninterested on whether or not lack of ability to draw business plan influenced business performance. In light of the above differentials, the tables show a mean score 4.77 to this enquiry, which showed that on average, majority of the responses were greatly agreeing to the assertion.

Additionally, 86.3 percent of the study participants revealed agreed that the challenge of collateral of assets had an effect on the profitability of a business, with about 10.3 percent of the study sample strongly agreed to the assertion. However, a precise small study participants were in disagreement with this claim as presented according to the research. In view of this, the mean score to this enquiry was 4.37 which showed that on average, majority of the responses were agreeing to a great extent to the assertion that lack of collateral assets had a bearing on the profitability of a micro, small and medium businesses in Zambia. 56 percent and 40.3 percent of the study participants strongly agreed and agreed, respectively, that higher interest rates influenced profitability of a company. According to this research a very small proportion of study participants did not support the assertion and showed that on average, majority of the responses were strongly agreeing to the assertion that higher interest rates influenced profitability of a company or financial lending institution. Conversely, the study participants felt that short duration for repayment of loan influenced profitability of a company. A related pattern was seen were a very small percentage of study participants were disagreeing to this view. The study further showed that the mean score to this enquiry was 4.43, which showed that on average, majority of the responses were agreeing to the assertion that short duration for repayment of loan influenced profitability of a businesses.

The other factors were seen as not having substantial effect on the profitability of the enterprises as it could be measured from the mean scores of the responses extracted from the study participants. However, in some instances, there were a significant percentage of study participants supporting these assertions. In view of the above, the study further considered on the factors that the study participants felt had an influence on the accessibility of financial credits or loans by SMEs in general. Majority of the study participants felt that the most discouraging factor that hindered accessibility of loans by SMEs was the collateral asset that has to be given to the financial institution in order for the Small Medium Enterprises to be granted the loans. It was further established that the collateral asset operated hand-in-hand with the interest rates. However, other participants were of the view that the size of the SME was another leading factor that hindered accessibility of loans by Small Medium, Enterprises.

Therefore, the research revealed that majority of SMEs that participated in the study had once applied for a financial loan from a financial institution before. However, of the 179 Small Medium Enterprises that tried to access a loan, only 61 percent were granted. Of those that were not given the loan, the study exposed that the majority of the SMEs failed to acquire loans from the financial institution because of failure to have collateral assets to warranty access to the credit. Most banks usually required collateral to give out a loan which acted as a guarantee that the loan will be repaid. The amount that the banks would lend habitually depended on the value of the collateral. This became a major trial for small businesses which may not have valuable asset to offer as collateral. It was recognized that utmost of banks and other financial institutions still considered the SME sector to be risky and hence no special policies were made for them and also their loan requests were always well scrutinized. Selected financial institutions only considered overdrafts for a maximum of half a year which would only be reintroduced after further considerations.

Accordingly, the terms and conditions offered to the small enterprises were argued to worse than those of the bigger businesses offered by the financial institutions. While the bigger enterprises were given longer time periods to pay back their credit facilities, the small enterprises, on the other, hand had limited time frame as little as a year and sometimes less thus making it hard for them to yield positive from the loan.

The study findings were argued to be in line with other literature that looked at factors that prevent growth of SMEs due to lack noticeable assets to use as collateral when applying for loans. It was further observed that financial institutions needed both personal and private assets to pledge as collateral in order to access loan facility. Other finding also suggested that the main hindrance to SMEs access to finance was collateral requirement. Based on the factors that were listed as being challenges that influence SMEs access to credits or loans from financial institutions, only lack of Collateral of assets, higher interest rates, and short duration for repayment of loan were ranked high. This simply meant that the above stated factors were seen as being major factors that hindered access of SMEs to credit facilities from the banks and other financial institutions. Literature also revealed that since a lot of the banks and other financial institutions did not have any unique products for the micro and small businesses, they attempted to serve the small businesses with a modified product designed for the so-called ‘small’ corporate clientele. Due to that, they always needed sophisticated and detailed business and financial documentation from the small enterprises which nearly impossible to achieve. It also established that most financial institutions treated small businesses like large companies, hence demanding all necessary documents required by the large firms.

In the same tone, SMEs failure to meet banks’ collateral requirement might be because they simply did not have any asset that they could offer as collateral. It could also arise when borrowers had assets that had a value but which the bank would have it difficulty accepting as collateral. In both cases banks and financial institutions had tendency to reject loan applications that were not accompanied by the offer of collateral acceptable to them. Methods of alleviating the issue changed accordingly. Nevertheless, it was noted that part of findings on collateral assets as being a factor were similar to other research that also identified some barriers that acted as a constraint for financial loan to Small Medium Enterprises. These included lack of collateral security such as land or other valuable property and lack of proper regulatory framework put in place. This was generally compounded with unobtainability of skilled workers and lack of infrastructure. These factors would consider down on the sustainability and reliability of traditional sources of finance. Consequently, it was argued that regardless of danger outline considerations, the management of SME financing was an expensive business thus required sound strategy. Many financial lending institutions therefore perceived that small enterprises needed much more advisory support mostly than large business clientele as they lacked various needed skills and abilities to deliver. It was therefore recommended that more than 25 percent of SMEs in Africa considered rate availability and cost of finance as the most critical obstacle to their growth. Even when funds were available, financial institutions made these funds costly for Small Medium businesses due to risk associated with SMEs. This is consistent with other studies that had earlier suggested that access to finance was the main challenge for SMEs growth due to risk premiums on their borrowing together with elevated transaction costs.

In spite of SMEs strong interest in credit, commercial banks and other lending institutions deterred from giving credit to Small Medium businesses because of the higher transaction costs and risk involved. First, SMEs loan obligations were small so the cost of processing the loan tended to be higher relatively to the loan amounts. Secondly, it was absolutely difficult for financial institutions to obtain the information necessary to assess the risk of new unproven ventures especially because the success of small businesses often depended heavily on the ability of the entrepreneur as opposed to the business environment. Third, the probability of failure for new small businesses was considered to be high. Therefore, due to the above most lending institutions opted to avoid giving loans to micro small businesses in fear of the risk attached.

Based on evidence from the research,it was clear that collateral requirements and high interest rates had an effect on performance and profitability. Collateral pledging is argued to be the degree to which borrowers gets committed to the assets to a lender as a security for payment of debt. The value of the assets pledged ought to be used to recover the principal in case of default by the borrower. In particular, SMEs gave security in form of fixed assets like buildings, land, cars or anything else corresponding or more than the principal loan in case of default. Security for loans ought to have the capacity to be under the markets normal conditions, at a reasonable value of market and as well with sensible quickness. In view of the above, collateral requirements arguably reduced inappropriate funds used by SMEs. It was obvious that mainstream of the SMEs were discriminated against as well as denied by the lenders in giving financing. This was due to the high risk associated with them lacking sufficient resources to pledge as collateral. The stated reality was that collateral was a vital prerequisite for Small Medium Enterprises to access funds from financial institutions and at the same time decreased the risk factor of a loan by offering the lending financial institution with a claim on the assets that were tangible.

It was believed that collateral permits given by financial institutions to give credit on favourable terms to SMEs even though information imperviousness and uncertainty describe the organization. Collateral acted as an expedient of screening to distinguish between bad and good borrowers and to lessen the unfavorable borrower's selection. Necessities of collateral performed as a control in dealing with credit risk since higher collateral attracted projects that were less risky. This was because a low risk borrower had a higher drive to guarantee collateral as opposed to a high risk borrower, therefore lower probability of default and loss of collateral. Collateral therefore functioned as a tool for resolving moral danger and opposing selection difficulties. A study on difficulties that small medium businesses faced in accessing finance from financial lending institutions revealed that not numerous SMEs were successful in accessing funding from financial institutions, this was due to their failure to meet loan requirements, which included collateral wants as security for accessing business finance. It consequently meant that entities with more possessions that were intangible had limited access to financing, than businesses with many assets that were tangible such as building and vehicles. The research showed that small, medium businesses magnitude also matter because small and micro had less assets to give as collateral as compared to big well established businesses. Largely this might have to do with the growth phase the Small Medium Enterprise organization was at. It was argued that in the initial phases of the business, it is likely to have lower profits retains which might hinder it from acquiring fixed assets as related to the larger businesses that had a lengthier history in business activities.

It is imperative to remember that the challenges related to lack of collateral and high interest rates were closely related. Both of these factors related to the degree of risk perceived by the bank of financial lending institution in spreading the loan and other form of credit. On the one hand, if there was satisfactory collateral to shelter the complete degree of the loan, then more of the danger that the bank or financial institution might else had to carry was loosened to the borrower. As the hazard to the lender of making the loan gets smaller, lower interest rates were possible. On the other hand, if the borrower happened to offer insufficient collateral, much risk weighting was shifted to the lender, and this motivated the lender to charge a high interest rate, at a premium, in the event the loan was granted. Despite the wealthy findings, the study concentrated on small and medium enterprises ignoring micro enterprises, therefore the study was contacted inclusive of micro businesses in Lusaka District Zambia.

2.3.4 Micro Enterprises in Zambia-2013

According to FinMark Trust (2013), the reasons behind the inability to access finance by Micro Enterprises was related to higher lending risks associated with the sector paired with market constraints that kept borrowing costs high. Likewise, limited access to finance had attributed to mismatch between Micro Enterprise's needs and the supply of financial services relating to both the demand and surplus side of financial services markets; demand side issues related to Micro and Small Enterprises and include lack of understanding of loan application requirements, lack of financial records and bankable business plans, no credible, traceable credit history and collateral, and shortcomings in business management practices and attitudes. The supply side issues of Financial Services Providers (FSPs) included lack of understanding of the unique Micro Enterprises financial needs and business models (same assessment criteria as large corporates), deficits in legal and regulatory framework, poor financial infrastructures and services of financial institutions that are not pro-MSME, and the crowding out effect of government borrowing. As so 55% of MSMEs ranked access to finance as the main obstacle to their operations, (*Zambia Business Survey, FinScope, 2012)*. The study did not identify attempts made by the Mobile Money Banking (MMB) in enhancing Micro Enterprises access to Finance. Hence, the research examined the extent, to which (MMB) had enhanced Micro and Small Enterprisee access to appropriate business finance in Lusaka.

2.3.5 Financial Literacy (MSMEs) Green Jobs Programme. United Nations- Zambia (2016)

Lack of financial literacy was argued to be one of the major obstacles that Micro, Small and Medium Enterprises (MSMEs) faced in their quest to access finance and grow their businesses. Financial literacy was crucial if micro and small Enterprises were to be successful as it was concerned with knowledge, mastery and understanding of money, business, investments, and funding. An entrepreneur would find it difficult to grow if he or she lacked the understanding on how business ought to run and how to get funding and repay. Financial institutions on the other hand argued that lack of proper book keeping skills; lack of cash flow management capabilities; lack of bankable business plan; lack of understanding of loan applications requirements; lack of credible and traceable credit history, and collateral were barriers to extending credit to MSMEs. Therefore, this research aimed at finding out how Mobile Money Banking has affected the performance in selected Micro and Small enterprises in Lusaka.

2.3.6 The State of Business Practices and the Impact of BDS on MSMEs in Lusaka and Kabwe, Zambia-2013

Because of income segments that they represented, MSMEs were seen to be important to inclusive development. These enterprises accounted for by far the highest employment ratio and provided income to a broad layer of the population and this therefore made them a vital segment of the overall economy. According to the report by Chileshe (2013), out of the 127 MSMEs interviewed in Lusaka, 97 percent operated as micro enterprises and accounted for 88 percent of the 4.1 million employed Zambians. Furthermore, findings showed that 81 percent of the micro enterprises are located in rural areas and accounted for 91 percent of employment and 70 percent are involved in agriculture production. Overall, agriculture was the largest sector and accounted for half of all of Zambia's MSMEs. In terms of enterprise activity, 93% of Zambian MSMEs were engaged in primary production (mainly agricultural) and trading activities, leaving a very small proportion in value-adding activities such as manufacturing and processing. It was found that the sector was a major contributor in employment creation. Nevertheless, the study did not take into account the effects of the profit levels of Micro enterprises and how they affected the enterprise prospects to create employment. Hence this study aimed at identifying and evaluating the effects of low profits on employment creation by Micro and Small Enterprises.

2.3.7 Micro and small scale enterprises Survey Zambia-2009

According to Micro and small scale enterprises survey 2009, out of the total of 403, 920 Micro, Small and Medium Enterprise activities, 99.4% comprised Micro enterprises and provided 95.3% of employment amounting to 802, 994, while small and medium scale enterprises employed a total of 38, 784 and this resulted in the sector employing a total of 841, 778 in 1996. By 2011, the number of Enterprises involved in Micro enterprises had grown by 57% resulting in a total workforce creation of 1, 260, 252 and providing employment to 1, 344, 252 workers in 2012 or 27.4% of the total 4, 903, 000 strong labour force as a sector, and accordingly small and medium enterprises provided employment to 83, 732 workers. Therefore annual employment growth among Micro enterprises was 65, 360 between 2011 and 2012 on average, and in spite of it constituting a paltry 0.6% of the sector population, the Micro Enterprises sector contributed a total workforce of 1, 488,818 in 2009. It was against such a background that it is argued that government should promote Micro Enterprises because of their greater economic benefits, (Deressa, 2014). Thus the research will endeavor to examine the extent to which Micro and Small enterprises are contributing to employment creation in Lusaka.

2.3.8 Zambia business survey (2010)

Zambia's private sector was dualistic, consisting of a small number of large enterprises and a significantly larger MSME sector. Overall, the report noted that although the business environment improved substantially, Zambia still required vast improvements in its business environment for its micro enterprises to become more productive, and for them to compete with those large firms within and outside the country. The report showed that despite the low productivity of the large enterprises, they had been able to compete with other enterprises and export the other goods unlike the micro enterprises that could not produce in bulk and relied on domestic market only. However, this report did not consider other factors that affected the running of the micro enterprises in Lusaka such as lack proper business location and the lack of marketing platforms i.e., print media and others. The survey did not consider lack of proper regulatory agencies to enable the micro businesses acquire market advantages in comparison with large enterprises. Hence, this paper gathered information which disadvantaged the micro and small enterprises in Lusaka from accessing the appropriate business market so that they could with-stand the competition imposed on them by the large enterprises in Lusaka.

2.3.9 An investigation on the factors influencing the growth of small and medium enterprises (2020)

According to an investigation on the factors which influenced the growth of small and medium enterprises (Muchoka, 2020), from the interviewed sample of MSMEs, 87% argued that competition affected their businesses negatively, while 13% argued that competition had nothing to do with their challenges. The research revealed that 87% of the MSME owners believed that competition had negatively impacted on their businesses as they failed to compete with many enterprises. Additionally, globalization had posed serious competition on MSMEs. It was further argued that MSMEs were not very competitive when it came to market knowledge, innovation, prudent investment, business operations and good management. However, the research did not show the exact type of businesses or MSMEs that lacked market muscle, hence, the findings lacked pure evidence. This research tried to appreciate market opportunities available to MSEMs in Lusaka.

2.3.1.0 The State of Business Practices and the Impact of BDS on MSMEs in Lusaka and Kabwe, Zambia- ICBE-RF Research Report (2013)

The competitive value approach considered the ability to meet the needs and expectations of the external demand including the customers, suppliers and competitors. It was reported that that was not the case with most of the micro and small businesses in Lusaka. This was because most of the micro businesses tended to have very small capital to produce goods in bulk to meet the demand of the customers. When goods are bought in bulk, expenses tend to be minimal due to economies of scale. On the other hand, the suppliers of goods might require to be paid in advance which may have not been appropriated on the part of the micro enterprises whose profits tended to be relatively low. However, the report did not consider the effect of lack of education of the owners of the micro enterprises in Lusaka. Therefore, the research collected facts concerning the challenges micro and small businesses face in their vein to accessing and withstanding the competition on the market.

Summary

Micro and small enterprises made a considerable impact to the progress and development of economies throughout the world. They played a pivotal role in job creation, production of goods and services, and eradication of poverty. Even though the contributions of micro and small businesses varied country by country, their importance to socio-economic development stood. It was due to that reason that governments and indeed proponents of globalizations were advocating for recognition of their contribution in economic development. Developing strategies aimed at alleviating external and internal challenges faced by micro and small enterprises was key if the sector was to graduate.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Overview

This chapter resented the research design, study population, study sample, sampling techniques, data collection tools, data analysis techniques and validity and reliability of the study.

3.1 Research Design

The study used a mixed design in particular embedded design. Embedded Design was a mixed methods design in which one data set provided a supportive, secondary role in a study based primarily on the other data type. In that regard, quantitative design took the dominant role. On the other hand, elements of qualitative design were also be used in data collection and data analysis. This approach was adopted to ensure that information obtained by one design was complimented by the other. Qualitative design consisted of information gathered from the key informants, whereas Quantitative design was in form of statistical representation and interpretation of information which was gathered from the respondents. Using such a design certainly ensured that the weaknesses of qualitative data were minimized and supplemented by quantitative data.

3.2 Study Population

The study population was gotten from Lusaka District, from where a sample population was drawn.

3.3 Study Sample

This sample size composed of fifty (50) participants, and constituted four (4) key informants, one from each of the relevant institutions mentioned as follows; Ministry of Commerce, Trade and Industry, Zamtel, Airtel, and MTN. The remaining forty six (46) respondents were obtained from people who were micro and small enterprise owners in Lusaka.

$$n=\frac{NZ^2\,P(1-P)}{Z^2(1-P)+NE^2}$$

Where;

n= sample size

N= Population

Z= Confidence level @90% Zscore 1.645

P= Population proportion 50%

E=Margin of Error 5%(0.05)

Sample Frame

Population (N) = 400,   Sample Size (n) = 50

K= $\frac{N}{n}$

 K = 8

the researcher selected every 8th name until the sample size was reached

3.4 Sampling techniques

Mixture of sampling methods was used for choosing a sample. In this regard, the selection of key informants was done through the use of a purposive sampling method because the identified respondents had the information the research wanted. On the other hand, the simple random sampling method was adopted for the selection of the 46 respondents from the Micro and Small Entrepreneurs. In that case, the simple random sampling method was adopted as enabled the study to make proper generalization to represent the whole population and further give the study population equal and independent chance for selection, and participation in the research. As a result, such a design was used to ensure that the weaknesses of qualitative data were minimized and supplemented by quantitative data.

3.5 Data Collection tools

Two instruments of data collection were used, self-administered questionnaire and an interview guide. In that case, the questionnaire contained both close and open-ended questions. Closed ended questions were much easier to administer because they took little time and hence ensured higher rate of response or return and data was more readily coded and analyzed. Furthermore, closed ended questions were preferred because subjects answered the same standardized questions. On the other hand, Open ended questions gave insightful information because people expressed themselves freely. Matrix questions were used in order to allow respondents to give answers based on their judgments. Finally, for key informants, an interview guide was used because they were expected to provide more detailed information and reduced the gap left by the questionnaires. Data using questionnaire was collected between the 14^{th} and 18^{th} of June, 2021, and interviews were expected to take place between 21^{st} and 25^{th} of June, 2021.

3.6 Data Analysis Techniques

Data collected using questionnaires was checked for uniformity, consistency and accuracy. The collected data was further subjected to coding and then entered into the computer programme SPSS for conversion into meaningful data. The reason for selecting this software was because it enabled easy analysis, interpretation and mathematical manipulation that can be dealt with through its inbuilt functions, percentages, graphs, tables and charts. Content analysis was used to analyze qualitative data by means of going through the contents of the in-depth explanations that was obtained from the key informants, thereafter, presented them in a narrative form. The information that was gathered from the Key Informants with the aid of the in-depth interviews were analysed qualitatively based on the themes and contents. Content or thematic analysis was utilized because it enabled to group similar items. Regression and correlation analysis were employed to analyse the data.

3.7 Validity and reliability

In order for the research to serve its intended purpose, the researcher used both face and content validity. The researcher ensured questions were clear and had the same meaning in order for respondents to understand questions correctly. On other the hand, the researcher used experts such as key informants and regression and correlation analysis

3.8 Ethical consideration

The researcher adhered to ethical principles and rules of research by ensuring consent of respondents, respect for confidentiality. Ethical principles described how a researcher ought to conduct one-self when conducting research while Ethical rules were standards to be adhered to when conducting research. Therefore, a sound research have to be judged on three criteria which are; scientific criteria, ethical principles, and ethical rules. Scientific criteria tried to address issues to do with research validity, whether the welfare of the research subject was under threat, and whether the dignity of the research subject was upheld. Nonetheless, ethical principles addressed aspects such as: autonomy, beneficence, non-maleficence, and justice. While ethical rules responded to matters to do with veracity, privacy, confidentiality and fidelity while conducting research.

3.9 LIMITATIONS

The study also depended on data from Key informants from various institutions, however, due to the advent of COVID 19 posed a serious challenge on collecting data from key informants. Selected respondents could not accept questionnaires due to fear of COVID 19, as such, the researcher was forced to read and write on behalf of the some respondents. Despite some respondents being cooperative, sadly some could not read and write. The instability of the Zambian currency Kwacha triggered hurdles to budget thereby the researcher operated under a constrained budget. Unfortunately, some of the respondents were demanding handouts in exchange for data while a few respondents were unhappy to reveal certain information such as the profit they were making.

CHAPTER FOUR

RESEARCH FINDINGS

EXTENT TO WHICH MICRO AND SMALL ENTERPRISES HAS ACCESS TO APPROPRIATE BUSINESS FINANCE IN LUSAKA

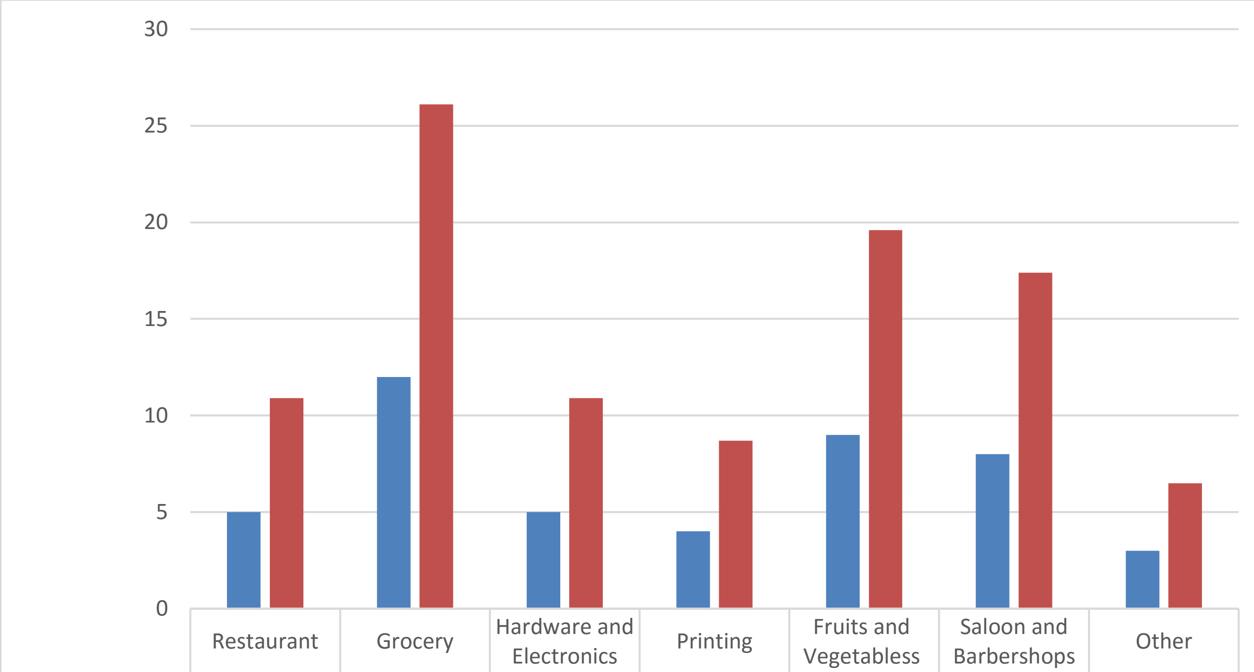
4.0 Overview.

The establishment, growth and development of Micro and small enterprises depends on the access to appropriate business finance without which the former cannot be achieved. This chapter will be broken into three sections, introduction, presentation of research findings and interpretations, and conclusion.

4.1 Presentation of research findings.

According to research findings on the type of business Micro and Small Enterprises were engaged in in Lusaka engaged, 26.1% were involved with groceries while those involved in fruits and vegetables constituted of 19.6%. Consequently, saloon and barbershops covered 17.4%, restaurant, hardware, and electronic stood at 10.9 each. Those engaged in printing represented 8.7%, and those dealing other businesses besides the above mentioned stood at 6.5%. To this effect, it was found that the majority of MSEs were engaged in Groceries, with the least being involved in other Micro enterprises businesses.

Figure 4.1 Types of micro and small enterprise businesses

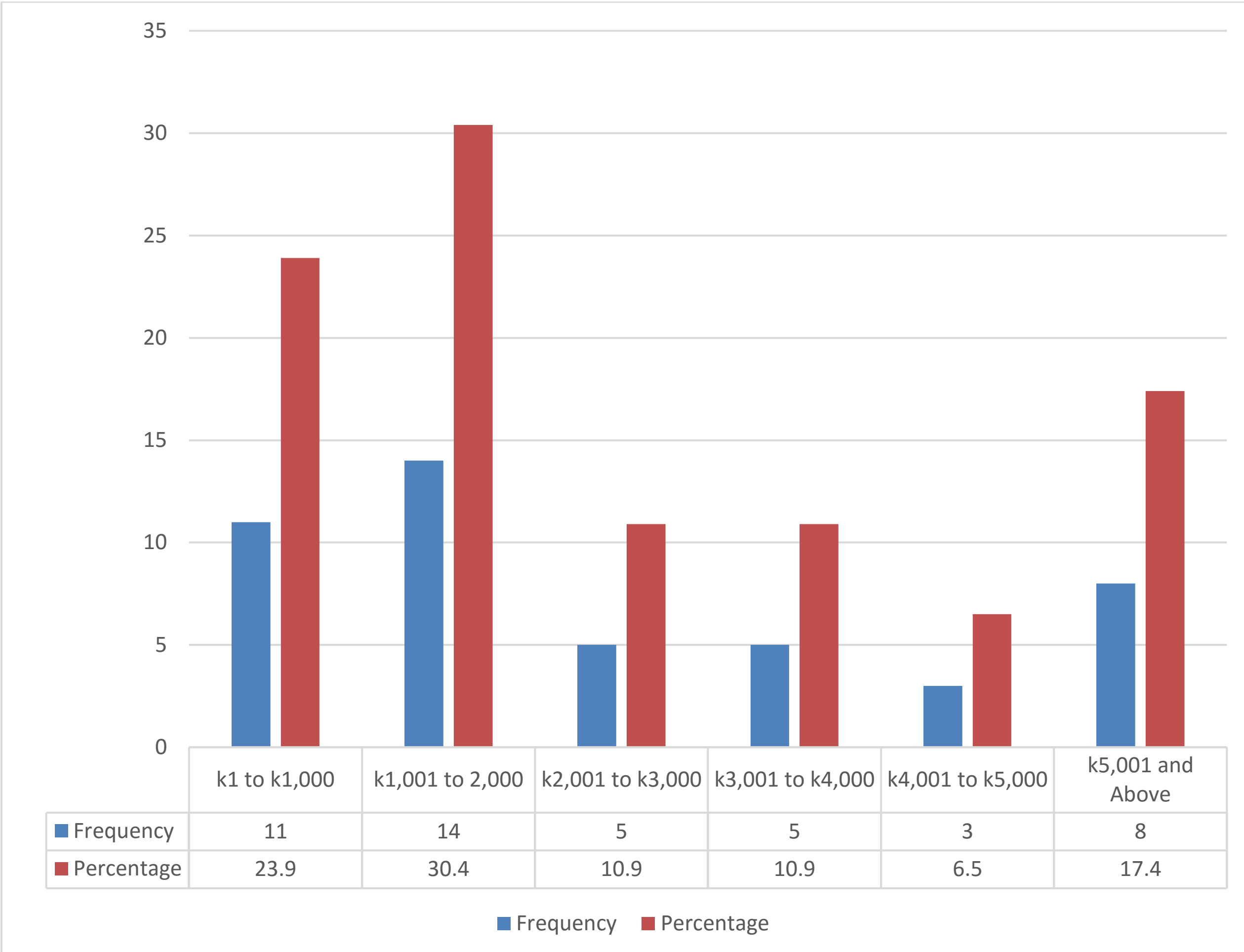


	Restaurant	Grocery	Hardware and Electronics	Printing	Fruits and Vegetabless	Saloon and Barbershops	Other
Frequency	5	12	5	4	9	8	3
Percentage	10.9	26.1	10.9	8.7	19.6	17.4	6.5

Source: Field data

The research further went on to investigate the size of the start-up capital for these MSEs. Herein, research findings showed that most MSEs had a startup capital ranging from K1, 001 to K2, 000 and these constituted 30.4%, while k1 to k1000 constituted 23.9%. This was followed by those whose startup capital fell within the range of K5001 and above at 17.5%. Furthermore, findings showed that those whose start-up capital ranged from 2001 to 4000 constituted 10.9% each, and those with a startup capital of K4, 001 to K5, 000 represented 6.5%. Therefore, it was found that the majority of MSEs had a startup capital falling in the range of K1, 001 to K2, 000 and these constituted 30.4% followed by 23.9%.

Figure 4.2 Size of startup capital



Source: Field data

Further, findings as indicated in the table below revealed that the most Micro and Small Businesses had their source of capital from personal savings and constituted 64.7% followed by those whose source was family and friends which on the other had stood at 26.5% and those that obtained financial loans to start up their enterprises stood at 8.8%, in this case therefore, the major source of startup capital was from personal savings and the least was from financial institutions and only comprised 8.8%. Traditionally, micro and small businesses tend to raise capital through personal saving and arguably the most disadvantaged sector when it comes to access to business finance from financial lending institutions.

Table 4.1 Sources of startup capital

Source of Finance	Frequency	Percent
Family & Friends	11	24
Personal Savings	29	63
Financial Institution (Bank, Micro-Finance, etc.)	6	13
Total	**46**	**100.0**

Source: Field Data

According to the figure below, 64% of MSEs did not access business finance from financial institution in the form of loans, and on the other hand, only 13% had accessed business finance form financial institutions in the form of loans, while who accessed startup capital from family and friends stood at 24%. Therefore, findings indicated that very few MSEs had ever access business finance from financial institutions.

3.6.1 Regression Analysis

Loan Access	% (X)	Frequency (Y)	XY	X^2	Y^2
Yes	36	18	648	1296	324
No	64	32	2048	4096	1024
Total	100	50	2696	5392	1348

Regression equation

Y= a + bx

a= constant

b= regression coefficient

b = $\frac{N\Sigma xy-(\Sigma x)(\Sigma y)}{N\Sigma x^2 -(\Sigma x)^2}$

b = $\frac{2(2696)-(100)(50)}{2(5392)-(100)^2}$

b = $\frac{5392-5000}{10784 - 10000}$

b = $\frac{392}{784}$

b = ***<u>0.5</u>***

a = $\boldsymbol{\bar{y}}$ **- b**$\boldsymbol{\bar{x}}$

$\bar{y} = \Sigma \frac{y}{n}$, $\bar{y} = \frac{50}{2}$ = **25** $\quad \bar{x} = \Sigma \frac{x}{n}$, $\bar{x} = \frac{100}{2}$ = **50**

a = 25 – 0.5(50) , a = 25-25 , a = ***<u>0</u>***

□ ***y = 0 + 0.5 (x)***

Therefore, in the above equation, the intercept is ***0*** and the regression coefficient is ***0.5***. Regression coefficient of 0.5 showed there was an average positive relationship between mobile money banking and financial performance in selected micro and small enterprises in Lusaka.

3.6.2 Correlation Analysis

r = $\frac{N\Sigma xy-(\Sigma x)(\Sigma y)}{\sqrt{N\Sigma x^2 - (\Sigma x)^2 (N\Sigma Y^2) - (\Sigma Y)^2}}$

r = $\frac{2\ (2696-(100)(50)}{\sqrt{2\ (4096)-(10000)(2\ (1348)-(2500)}}$

$$r = \frac{5392-5000}{\sqrt{8192-(10000)\,(2696-2500}}$$

$$r = \frac{392}{\sqrt{8192-1{,}960{,}000}}$$

$$r = \frac{392}{\sqrt{1{,}951{,}808}}$$

$$r = \frac{392}{1397.071}$$

r = ***0.281***

Correlation coefficient of 0.281 shows there was a weak positive relationship between mobile money banking and financial performance in selected micro and small enterprises in Lusaka.

3.6.3 Coefficient Determinant

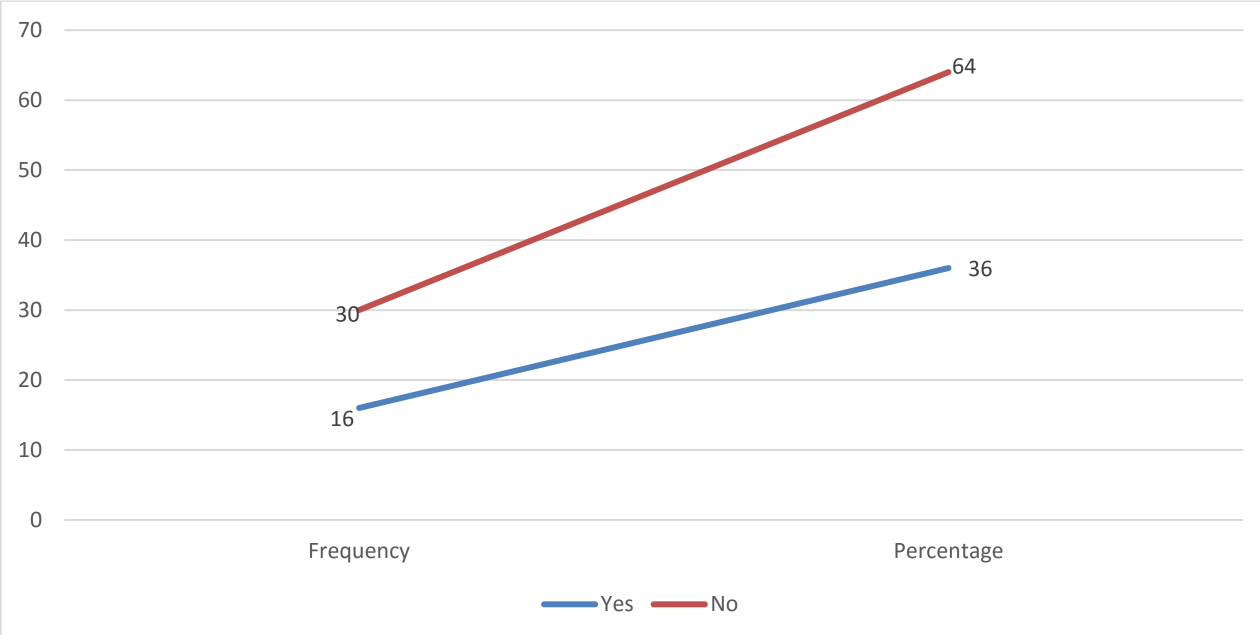
Coefficient determinant = r^2x 100

$(0.281)^2$ x 100 = 0.079

Coefficient determinant = ***7.9%***

Therefore, 7.9% of variation in Y is explained by variation in X. Meaning that there was a weak positive association between mobile money banking and financial performance in selected micro and small enterprises in Lusaka.

Figure 4.3 Access to financial Loans

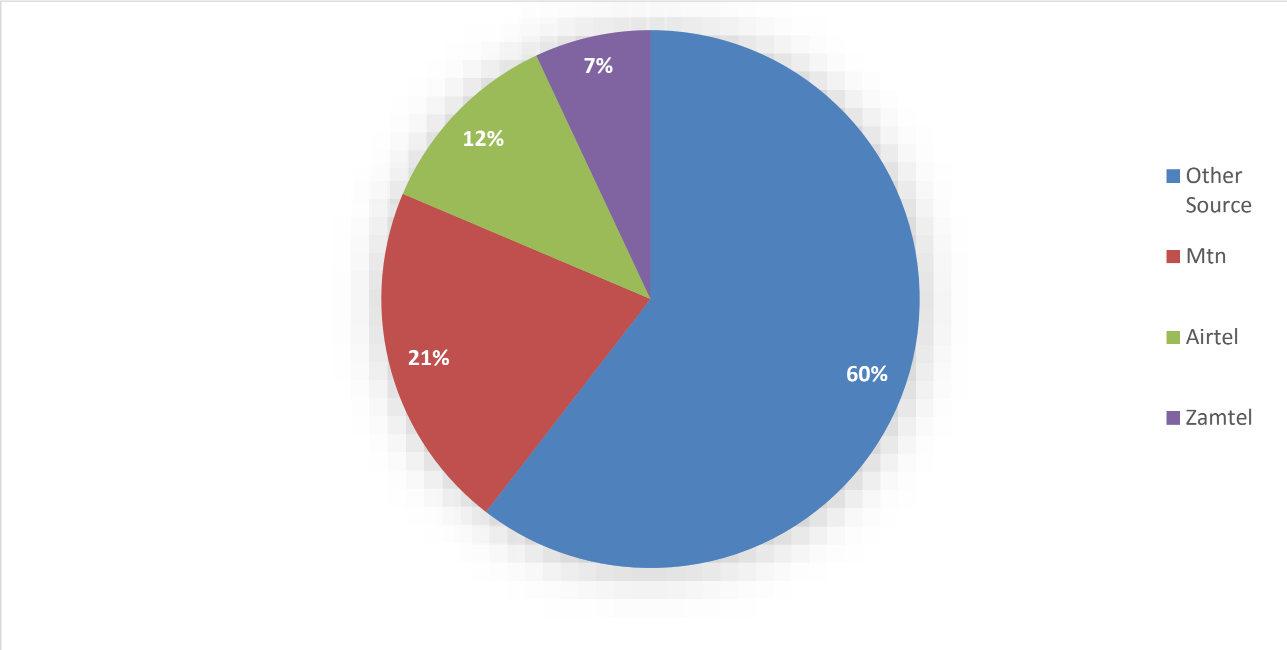


Source: Field data.

Additionally, information from key informant indicated also indicated that some MSEs had accessed Business finance while others did not due to high interest rates on loans as well as the conditions attached to these loans. And so access to business finance through loans was still very low.

Furthermore, research findings showed that of the 64% that had access to financial loans the majority accessed them from other sources such as commercial banks, micro finance institutions, and government representing 60% of Micro and Small Enterprises, and was followed by Mtn whose access stood at 21%. On the other hand, Micro and Small Enterprises' access to financial loans from Air and Zamtel represented 12% and 7% respectively. To this effect, findings indicated that most Micro and Small Enterprises accessed financial loans from Mtn, Airtel, Zamtel and accessed the largest from other sources (banks, micro finance, government, CEEC).

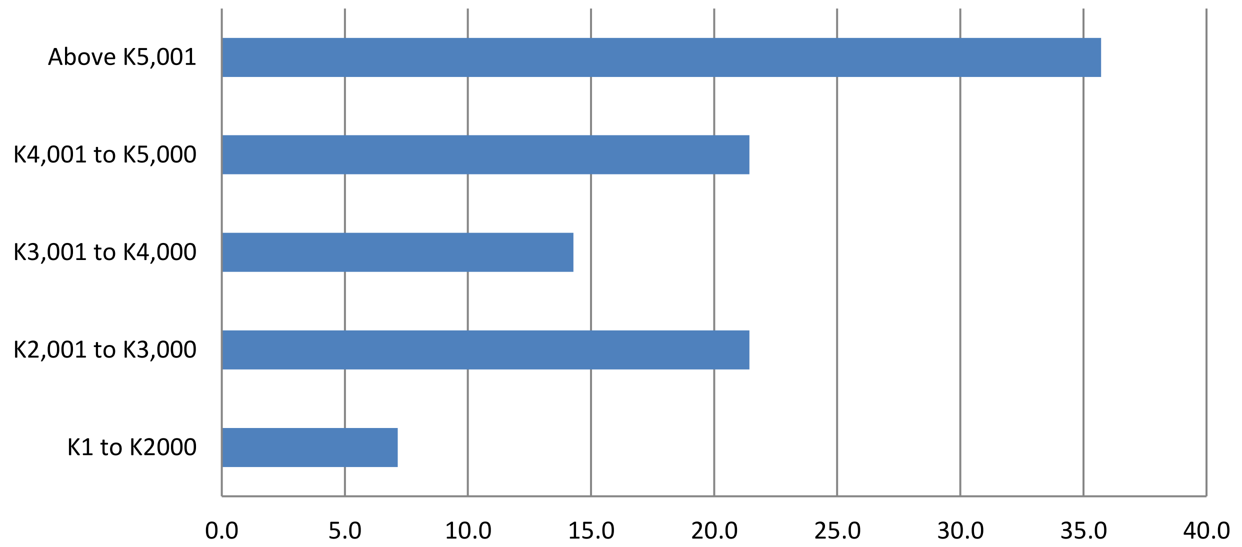
Figure 4.4 Institutions of loan access



Source: Field Data.

From figure 4.6 below, research findings presented that the size of financial loans accessed by most MSEs fell above K5, 001 and this constituted 35.7%, with those accessing financial loans in ranges K2, 001 and K3, 000, and K4, 001 and K5, 000 standing at 21.4% each. 14.3% on the other hand accessed financial loans falling within the range of K3, 001 and K4, 000 whereas 7.1% accessed loans amounting to K1 to K2, 000. Most entrepreneurs accessed loans above k5000 in order to expand their businesses, this was because most of them could not afford to raise such an amount from their personal savings, therefore, it was necessary for selected micro and small businesses to access these loans. The research went on to reveal that most of men were able to access loans due to collateral and education related issues, as such, women were disadvantaged due to the stated issues.

Figure 4.5 Size of financial loan access



	K1 to K2000	K2,001 to K3,000	K3,001 to K4,000	K4,001 to K5,000	Above K5,001
Percent	7.1	21.4	14.3	21.4	35.7

Source: Field data

Therefore, findings indicated that very few Micro Enterprises accessed financial loans amounting to K1 to K2, 000 and the majority accessed financial loans above K5, 001.

Table 4.2 Loan conditions

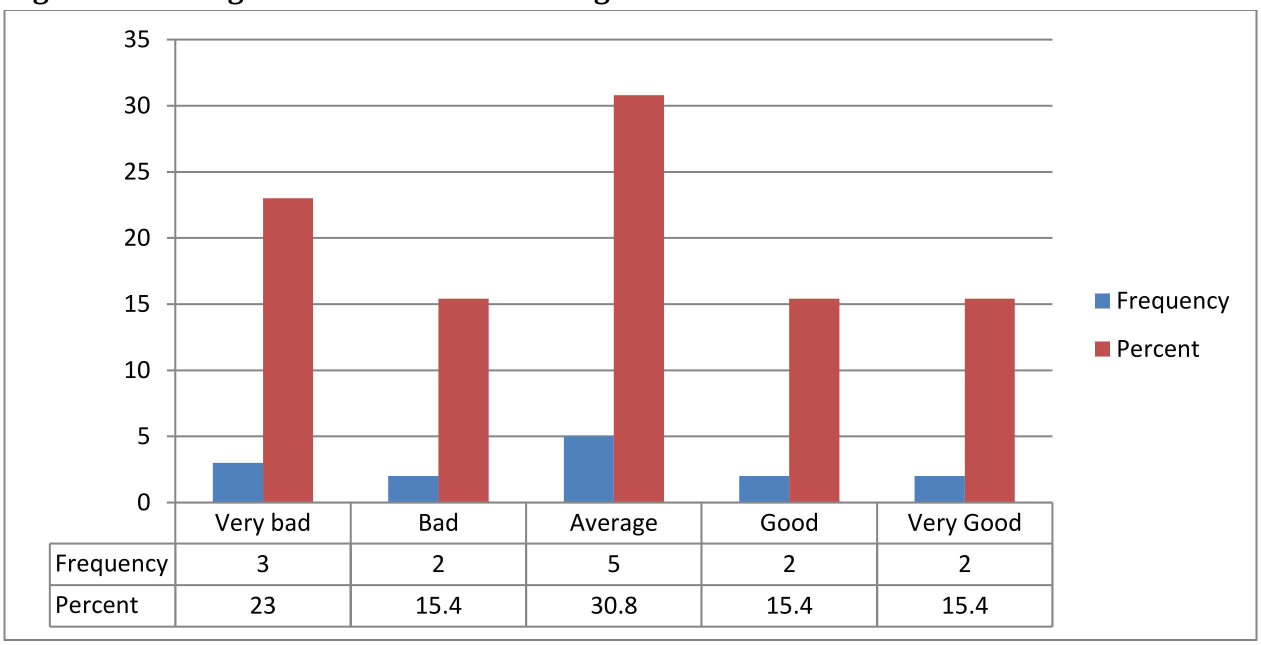
Loan conditions	Frequency	Percent
Collateral	6	38.5
Credit history	2	7.7
Pay slip	3	15.4
Business Plan	4	30.8
Record of Financial Returns	2	7.7
Total	**16**	**100.0**

Source: Field data

From among the prerequisite loan conditions as indicated in the table above, the research found that the most required of them was collateral at 38.5 per cent which took different forms, and was followed by a laid down business plan which stood at 30.8 per cent. Other loan conditions included the pay slip at 15.4 per cent, with credit history and record of financial returns standing at 7.7 per cent. To this effect, the most required condition to access financial loans was collateral. And information obtained from key informants also added that high interest rates and unfavorable loan conditions posed a challenge on Micro and Small Enterprises in accessing appropriate business finance.

Moreover, research findings indicated that the loan access conditions were rated average and this stood at 30.8 percent. On the other hand, other ratings were; very bad standing at 23 percent, and those rating the conditions bad, good and very good standing at 15.4 per cent. Therefore, the conditions for accessing financial were average.

Figure 4.6 Rating of conditions for accessing loans



Source: Field data

On the other hand, statistics in the table below on the cost of borrowing or loans from financial institutions were as follows; those whose loans had an interest rate in the intervals 0 to 5% stood at 15.4 per cent, 6 to 15% and 16 % and above were at 30.8 per cent, and those ranging from 11%

to 15% were at 23.12%. The mobile money banking institutions offered finance with lowest interest rates however, the pay-back was short to allow entrepreneurs in the sector to make profit.

Table 4.3 interest rate on loans

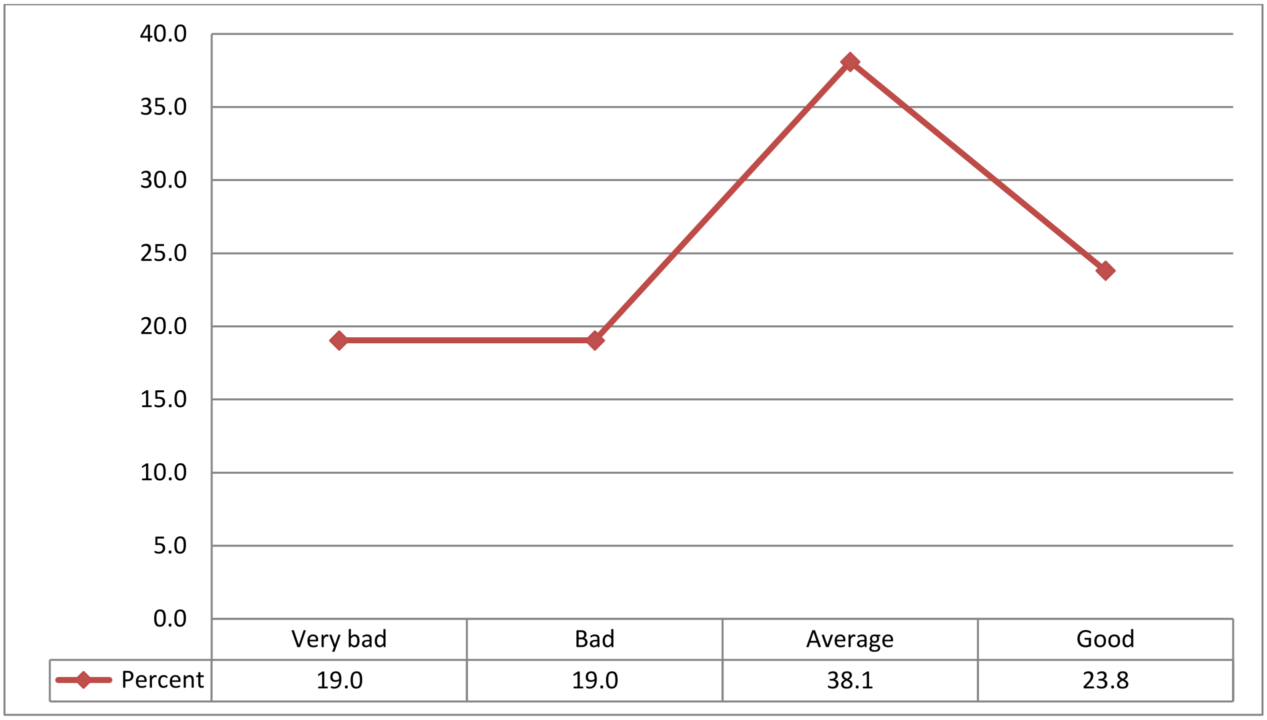
Interest Rate	Frequency	Valid Percent
0% to 5%	2	15.4
5% to 10%	5	30.8
10% to 15%	4	23.1
16% and above	5	30.8
TOTAL	**16**	**100**

Source: Field data.

In this case therefore, findings indicated that most loans accessed by MSEs had interest rates from 5 to 10 per cent, and others had 16 per cent and above.

The process of accessing financial loans from financial institutions was rated to be average at 38.1 per cent. On the other hand, it was rated good at 23.8 per cent, while bad and very bad were rated 19 per cent. And so it was found that the process of accessing financial loans was average.

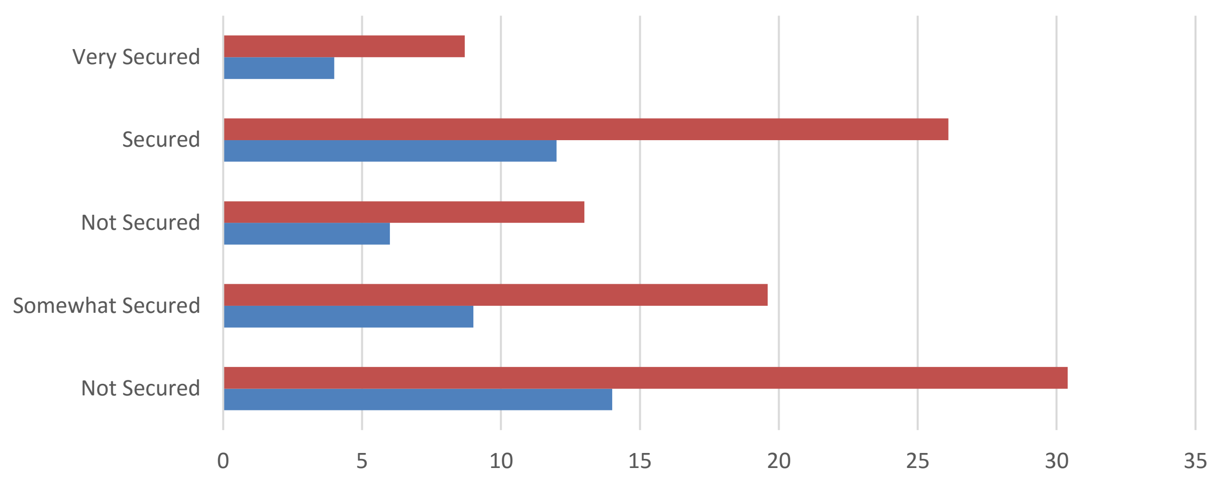
Figure 4.7 Rating of the process of accessing financial loans



Source: Field data

With regards to how secure banking using Mobile Money Banking institutions, 30.4% responded not secured, followed by 26.1 respondents that responded secured, somewhat secured stood at 19.6%, while those who were not sure stood at 13%, and the least who responded very secured at 8.7%. Therefore, most of the mobile money users that regarded it not to be secure represented 30.4% while those that regarded it to be very secure stood at 8.7%. The increasing incidences of scam between 2019 and 2021 caused unrest among holders of mobile money accounts due to reduced safety. The booming of mobile money banking presented a chance for criminal activities and a lot of MMB users were victims of these crimes. It was due to this reason that a lot of respondents regarded mobile money banking unsecured. On the other hand, most of responded that regarded MMB to be very secure were those with good taste of education.

4.8 Rating how secured mobile money banking



	Not Secured	Somewhat Secured	Not Secured	Secured	Very Secured
Percentage	30.4	19.6	13	26.1	8.7
Frequency	14	9	6	12	4

Source: Field data

Further, data below showed that 58.7% of micro and small enterprises indicated that mobile money banking had improved their financial management abilities while 41.3 stated mobile money banking did not contribute to their financial management skills. Therefore, most SMEs appreciated the positive contribution of mobile money banking towards financial management. Following the data gathered, it was clear that to a larger extent Micro businesses were able to easily deposit their money and as such they were able take account of every return on investment. However, most of entrepreneurs running small enterprises were keeping their money with banks due to somewhat meaningful profit deemed unsafe to be deposited into mobile money account and in many cases could not be accommodated due to carrying capacity of mobile money accounts.

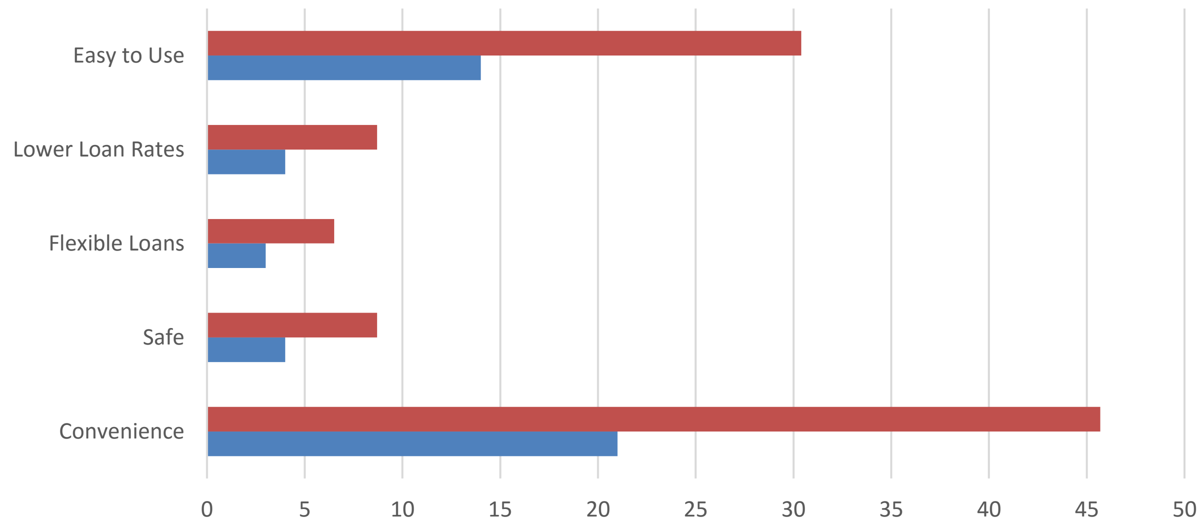
4.4 Rating Effect of Mobile Money Banking on Financial Management

	Yes	No	Total
Percentage	58.7	41.3	100
Frequency	27	19	46

Source: Field Data

With regard to what micro and small enterprises liked the most about mobile money banking, 45.7% stated convenience, while 30.4% liked how easy it was to use, followed by safe and lower interest rates standing at 8.75 each, and those that liked its flexibility stood at 6.5% respectively. Therefore, most of MSEs used mobile money banking due to convenience. However, the fact that the requirements for opening a mobile money account were not complicated, it was easier for many people to have these accounts the regardless of their financial or education muscle. The fact that mobile money did attract any account maintenance charges, it was regards as affordable and inclusive, especially amongst women who mostly engaged in the fruit and vegetable business. According to the key informant, the contribution of mobile money banking towards financial management amongst micro-businesses could not be completely ignored and as such required deliberate strategy to deepen financial management skills among MSEs.

4.9 Rating what SMEs liked most about Mobile Money Banking



	Convenience	Safe	Flexible Loans	Lower Loan Rates	Easy to Use
Percentage	45.7	8.7	6.5	8.7	30.4
Frequency	21	4	3	4	14

Source: Field data

Additionally, findings reviewed that by accessing appropriate business finance, MSEs were going to be affected positively in a number of ways and these include; enabling Micro Enterprises increase investment, expand the business to expand the product and services base and those provided, MSEs could as well acquire more production equipment and stock, increase the capital stock for investment and later reinvestment, and further by acquiring appropriate business finance, MSEs promote their expansion into other business ventures. Nevertheless, despite the many positive effects that access to appropriate business had on MSEs, access to appropriate business finance was still marginalized and limited.

Therefore in accordance with the above research findings, it was concluded that most MSEs where engaged in the Grocery business with a startup capital for most Enterprises ranging from K1, 001 to K2, 000 and this stood at 30.4%, and the most dominant source of this startup capital was from personal saving at a percentage of 63%. However, other findings reviewed that 64 per cent of MSEs had not accessed financial loans and only 36 per cent had accessed financial loans from various sources. Of the 36% that had accessed financial loans, 60% accessed it from other sources (micro finance, banks, etc) 21% accessed them from Mtn and, 12% from Airtel, and 7% was accessed from Zamtel respectively. Nevertheless, the size of loans that most MSEs accessed was above K5, 001, and the least was from K1 to K2, 000. Moreover, to access these financial loans, the most required loan condition was collateral which came in different forms and this stood at 38.5%, followed by a properly written business plan that stood at 30.8%, and the rating for these loan conditions was average. Furthermore, interest rates on most accessed loans fell in the range of 10 to 15% as well as those ranging from 16% and above, and these stood at 30.8%, and so the process for accessing these financial loans was rated average. Herein, high interest rates were cited as one among the many conditions that impeded the level of access to financial loans by MSEs. Nevertheless with proper access to appropriate Business finance, MSEs would be positively affected in ways that includes; enabling them to increase investment, expansion of product and services base, acquisition of production equipment and stock, and increase capital stock for investment and reinvestment, among others. Nevertheless, despite these positive effects, access to appropriate business finance was still marginalized, limited, and still stumpy, and so the MMB has not adequately enhanced MSEs access to appropriate business finance.

EXTENT TO WHICH MICRO AND SMALL ENTERPRISES HAVE ACCESS TO MARKETING OPPORTUNITES IN LUSAKA

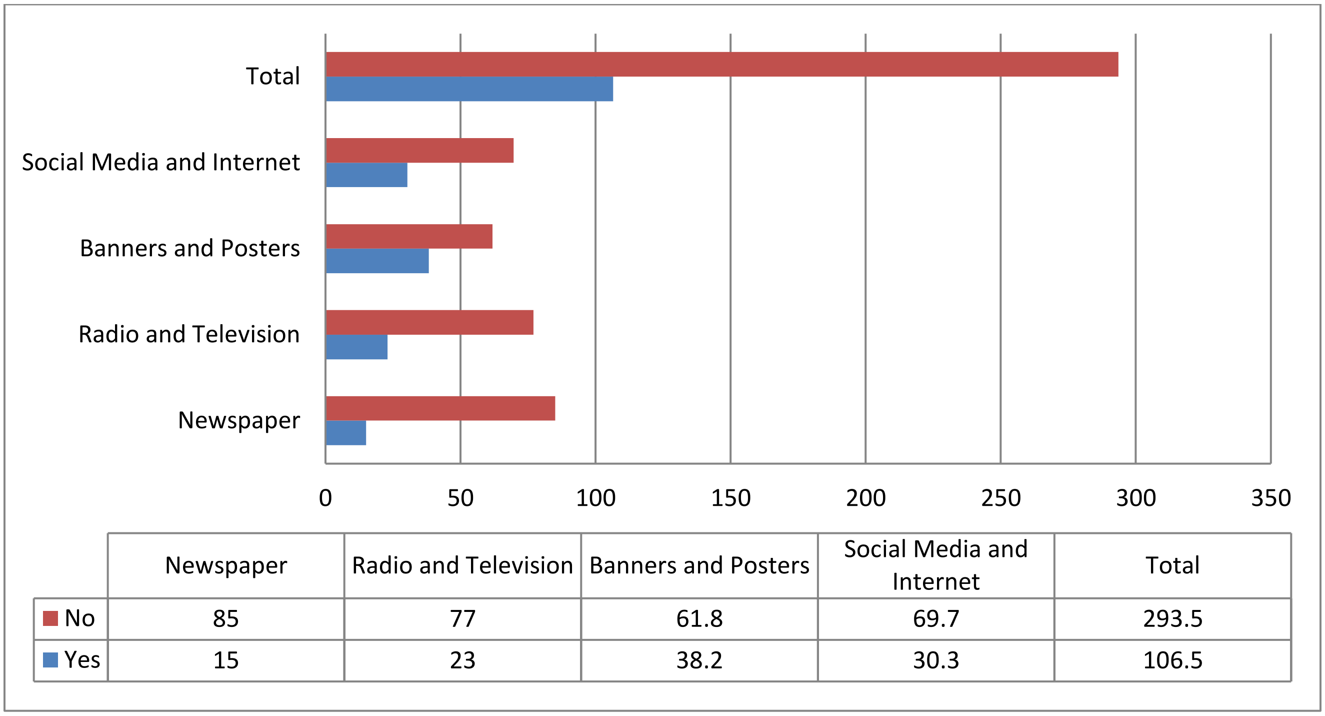
4.2.0 Overview

This chapter presented research findings on the extent to which micro and small enterprises had access to marketing opportunities. It was be broken in three sections, introduction, presentation of research findings and interpretations, and conclusion.

4.2.1 Presentation of findings and interpretations.

In a quest to access the market, micro and small enterprises the following mediums for selling their businesses; Newspapers, Radio and Television, Banners and Posters, and Social Media and Internet. To this effect, research findings reviewed that MSEs that used one among the above advertising mediums collectively constituted a total of 106.5% and those that did not use any other of the above mediums collectively constituted a total of 293.5%. Therefore, these findings showed that most MSEs did not use any of the above mediums for accessing marketing opportunities, as compared to those that did.

Figure 4.2.1 Advertising Mediums used to access marketing opportunities



Source: Field data

On the other hand, as indicated in the table below, the research reviewed that the majority of customers for MSEs were the general public who stood at 76.5% , while those whose customers was the government constituted 14.7%, and those for the private sector was at 47.1%. Generally, almost every MSE entrepreneur targeted members of the public to sale the products and the market was not segmented.

Table 4.2.1 Source of Customers for Micro and Small Enterprises

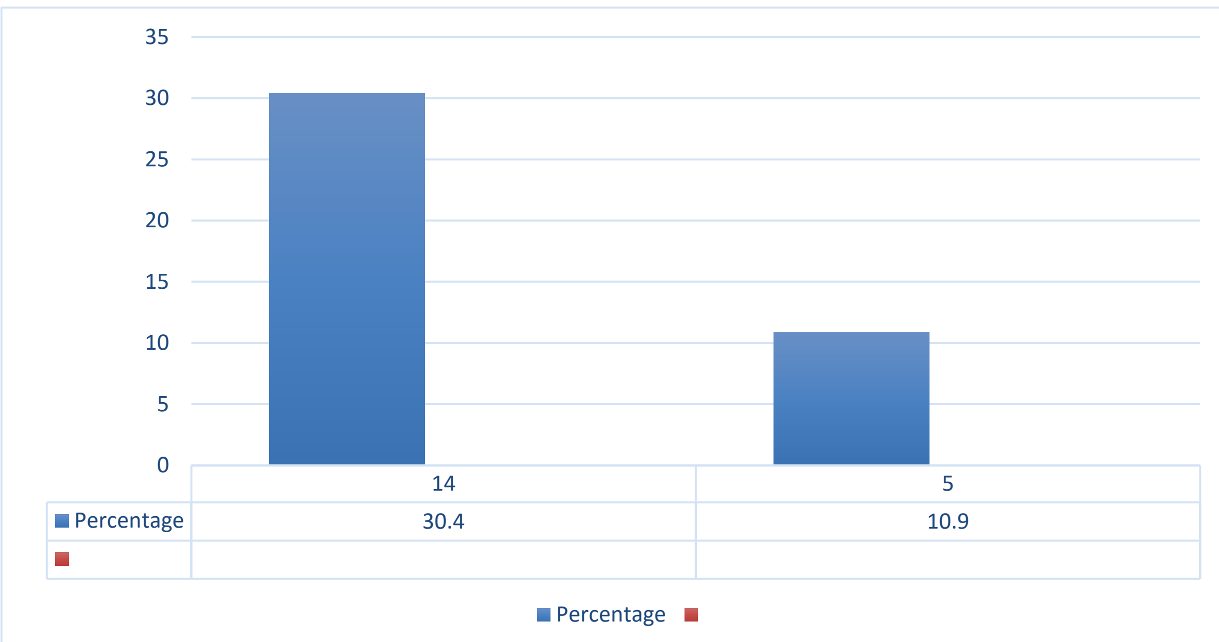
CUSTOMERS	YES	NO
Government	14.7%	85.3%
Private Sector	47.1%	52.9%
General Public	76.5%	23.5%

Source: Field data

Therefore, according to findings, the general public was the major source of customers for Micro and Small Enterprises thus offering a market for their goods and services.

With regards to government support for Micro Enterprises in accessing marketing opportunities, research results as shown in the figure below reviewed that government did not offer adequate support to Micro enterprises in accessing marketing opportunities and was shown by the percentage of those that indicated No which stood at 78.3%, while 21.7% indicated having been offered support by the government. To this effect, Micro Enterprises were not offered support in terms of accessing marketing opportunities.

Figure 4.2.2 Government support towards Micro and Small Enterprises' access to marketing opportunities



3.6.1 Regression Analysis

Government support	% (X)	Frequency (Y)	XY	X^2	Y^2
Yes	21.7	10	217	470.89	100
No	78.3	46	2819	6130.89	1296
Total	100	46	3036	6601.8	1396

Regression equation

Y= a + bx

a= constant

b= regression coefficient

$$b = \frac{N\Sigma xy-(\Sigma x)(\Sigma y)}{N\Sigma x^2 -(\Sigma x)^2}$$

$$b = \frac{2(3036)-(100)(46)}{2(6601.8)-(100)^2}$$

$$b = \frac{6072-4600}{13203.6 -10000}$$

$$b = \frac{1472}{3203.6}$$

b = ***0.46***

a = $\bar{y}$ - b$\bar{x}$

$\bar{y} = \Sigma\frac{y}{n}$, $\bar{y} = \frac{46}{2}$ = **23** $\bar{x} = \Sigma\frac{x}{n}$, $\bar{x} = \frac{100}{2}$ = **50**

a = 23 – 0.46(46) , a = 23-21.16 , a = ***1.84***

 y = 0 + 0.5 (x)

Therefore, in the above equation, the intercept is ***1.84*** and the regression coefficient is ***0.46***. Regression coefficient of 0.46 showed there was an average positive relationship between mobile money banking and financial performance in selected micro and small enterprises in Lusaka.

3.6.2 Correlation Analysis

$$r = \frac{N\Sigma xy-(\Sigma x)(\Sigma y)}{\sqrt{N\Sigma x^2-(\Sigma x)^2(N\Sigma Y^2)-(\Sigma Y)^2}}$$

$$r = \frac{2\ (3036)-(100)(46)}{\sqrt{2\ (6601.78)-(10000)(2\ (1396)-(1396)}}$$

$$r = \frac{6072-4300}{\sqrt{13203.56-(10000)\ (2792)-1396}}$$

$$r = \frac{6072-4300}{\sqrt{13203.56-13960000}}$$

$$r = \frac{1772}{\sqrt{13203.78-13960000}}$$

$$r = \frac{1772}{\sqrt{-13946796.44}}$$

$$r = \frac{1772}{3734.541}$$

r = ***0.47***

Correlation coefficient of 0.47 shows there was a weak positive relationship between government support and market access in selected micro and small enterprises in Lusaka.

3.6.3 Coefficient Determinant

Coefficient determinant = r^2x 100

$(0.46)^2 = 0.2116$

0.2116 x 100 = 21.16

Coefficient determinant = ***21.16%***

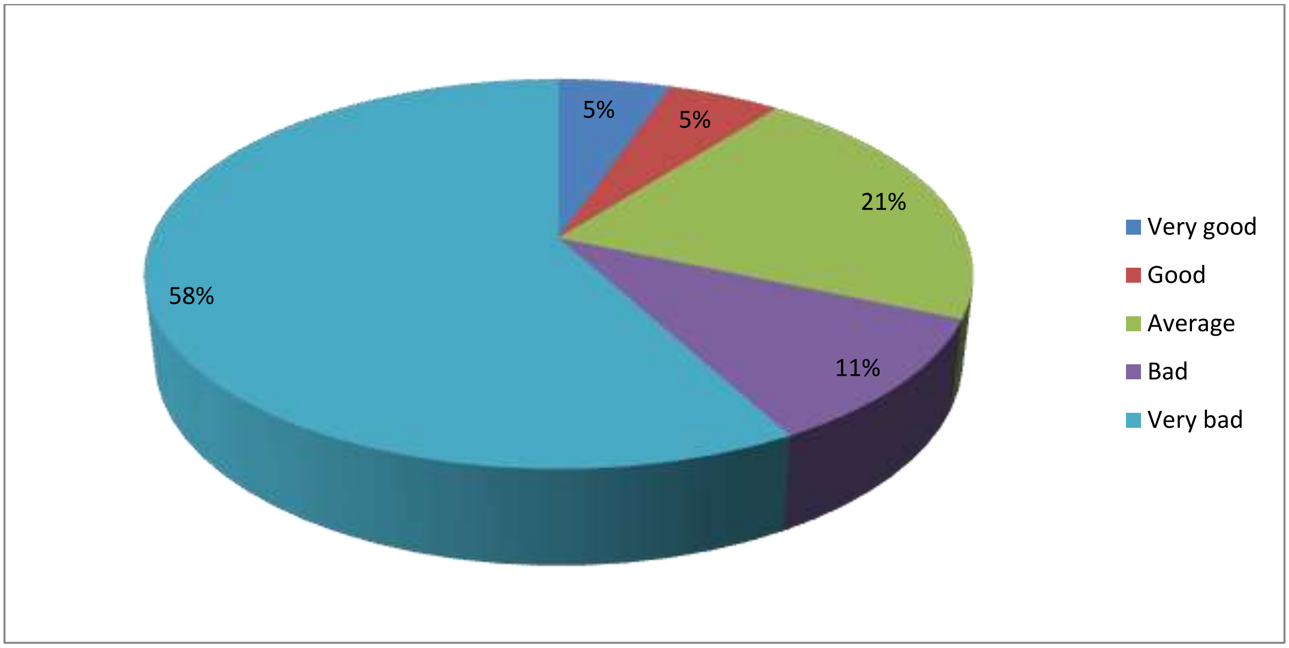
Therefore, 21.16% of variation in Y is explained by variation in X. Meaning that there was a weak positive association between mobile money banking and financial performance in selected micro and small enterprises in Lusaka.

Source: Field data

On the other hand, Government supported Micro and Small Enterprises in accessing marketing opportunities by linking them to various corporate firms that is government and privately owned corporation according to information from key informants.

Furthermore, according to the findings on government's support towards Micro Enterprises in accessing marketing opportunities, it was found that 58% of the micro enterprise business rated the government support as very bad, while 11% rated it as bad and this was followed by those who rated the support at 21% as average. Furthermore, the support by government towards the Micro Enterprises business stood at 5% good and very good respectively. To sum up the finding, the government did not offer adequate marketing supports to Micro Enterprises businesses.

Figure 4.2.3 Government support towards marketing opportunities.



Source: field data

Moreover, challenges faced by MSEs in terms of accessing marketing opportunities according to research findings included; limited government support in accessing these marketing opportunities, high costs of advertising, lack of adequate finances for advertising, and immerse competition for a limited number of customers.

On the other hand, corresponding information from key informants indicated that MSEs had challenges in accessing marketing opportunities due to; economies of scale that is, MSEs could not compete with already established firms, lack of access to equipment and machinery for production, inconsistence with regards to quality and quantity of products, immerse competitions with foreign low quality goods on the market, and lack of advertising of products and services offered by these enterprises. To this effect, MSEs faced numerous challenges in accessing marketing opportunities.

Nevertheless, having access to marketing opportunities had a positive effect on MSEs and according to research findings effects these include; promotion of growth and expansion of Micro Enterprises; increases in sales thereby increasing business profits; helps increase the customer base; acts as a means if advertising by ways of informing customers of goods and services offered by MSEs; promotes market research for Micro Enterprises thus enhancing their levels of business planning.

Therefore, in line with the research finding in this chapter, it was concluded that most MSEs did not use advertising mediums such as Newspapers, Radio and Television, Banners and Posters, and social Media and the Internet for accessing marketing opportunities, as compared to those that did. On the other hand, the general public provided the major source of customers for MSEs thus offering them a market for their goods and services. Despite this, consequently findings revealed that government did not offer adequate support to MSEs in accessing marketing opportunities though some MSEs accessed marketing opportunities via government linkages to various corporate firms both government and privately owned. In terms of rating government support in Micro and Small Enterprises (MSEs) access to marketing opportunities, it was found that 58% of the micro enterprises rated the government support as very bad, and so the support given was not adequate. Besides the above, the research results revealed that despite the inadequate government support MSEs faced numerous challenges in accessing marketing opportunities including; high costs of advertising; lack of adequate finances for advertising; immerse competition for a limited number of customers; economies of scale: lack of access to production equipment; inconsistence with regards to quality and quantity of products; and immerse competitions with foreign low quality goods on the market among others. Nevertheless, having access to marketing opportunities had a positive effect on MSEs as it promoted; their growth and expansion, increase in sales thereby increasing business profits, increase in the customer base, advertising, and market research thus enhancing their levels of business planning. To this effect the MMB has not been effective in promoting Micro and Small Enterprises access to appropriate Business finance.

EXTENT TO WHICH MICRO AND SMALL ENTERPRISES HAVE CONTRIBUTED TO EMPLOYMENT CREATION IN LUSAKA

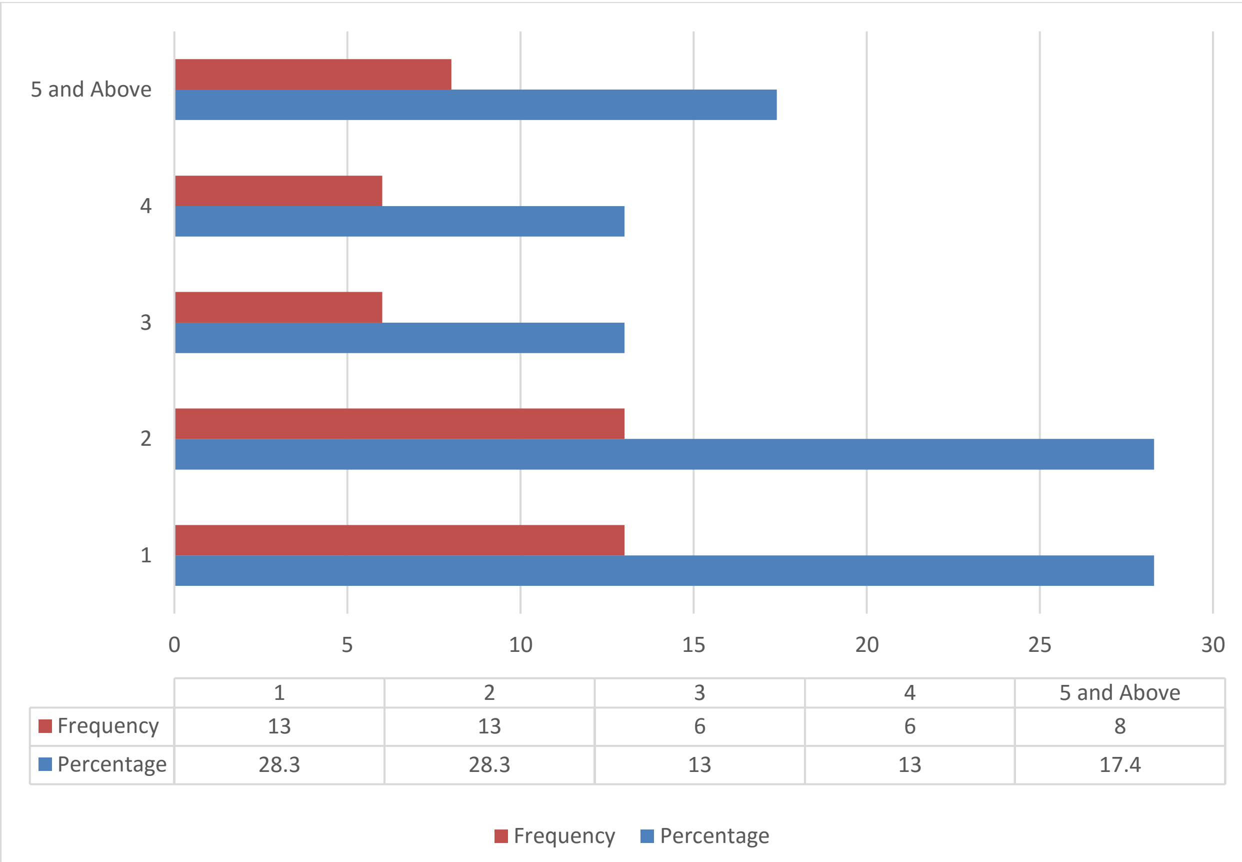
4.3.0 Overview

This chapter presents research findings on the extent to which micro enterprises have contributed to employment creation. It will be broken in three sections, that is, introduction, presentation of research findings and interpretations, and conclusion.

4.3.1 Presentation of findings and interpretations.

According to the research findings, Micro and Small Enterprises that had 1 and 2 employees stood at 28.3 while those that had 3 and 4 employees stood at 13%, and those that had 5 and above as total employees constituted 17.4%. Therefore, the majority of Micro enterprises had 1 and 2 employees, and the least had 3 and 4 employees.

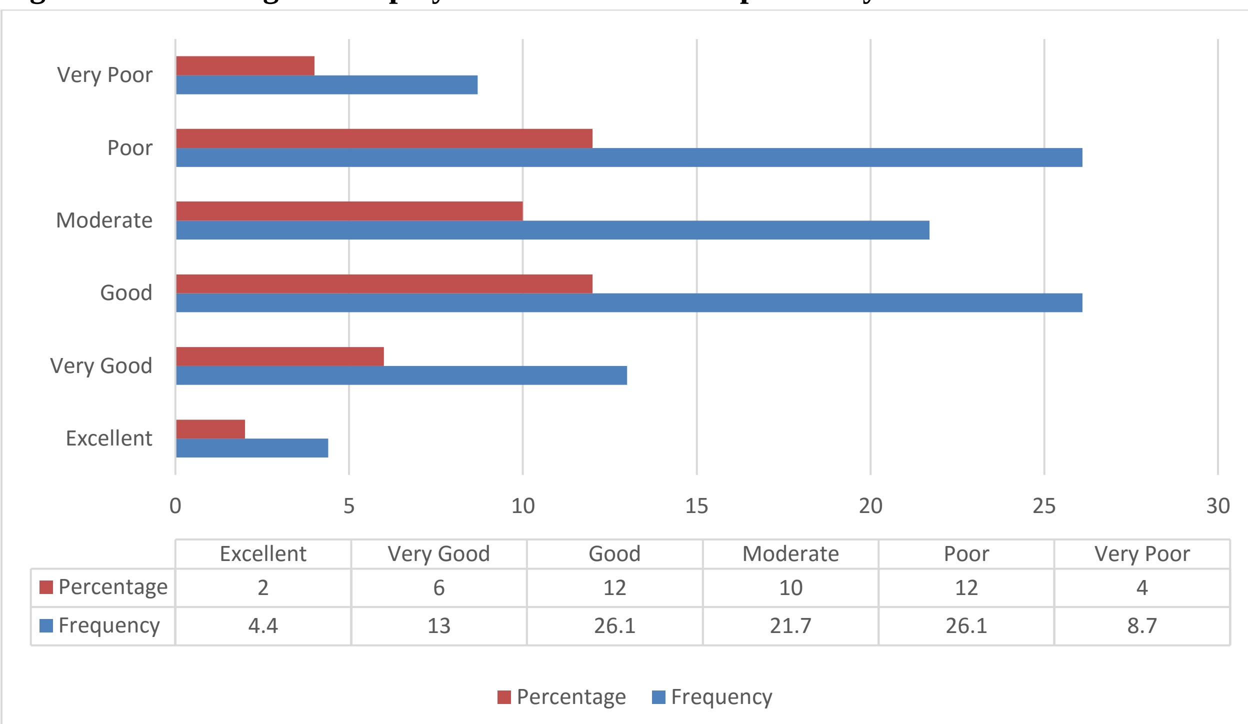
Figure 5.3.1 Number of Employees employed by Micro and Small Enterprises



Source: Field data.

Furthermore, data was collected to find out about employment creation by Micro and Small Enterprises in the past two years. Findings from field data showed that a percentage of 26.1% rated employment creation as good as well as an equivalent rating of 26.1% of respondents who responded conditions were bad. Other rating included 21.7% as moderate, meanwhile 8.7% indicated very poor, and finally 4.4% stated excellent.

Figure 4.3.2 Findings on Employment Creation in the past two years



Source: Field data.

Hence, it can be concluded that employment creation was moderate in past two years. This is because a percentage of those who rated excellent and good stood at 24.4% and 226.1% respectively; whereas the remaining respondents rated employment creation in the past two years as poor and very poor at 26.1% and 8.7% respectively.

Table 4.3.1 Findings on profit making of Micro and Small Enterprise businesses

Response category	Percent	Frequency
Yes	87	40
No	13	6
Total	100.0	46

Source: Field Data

From the table above, the findings represent data showing the performance of Micro and Small Enterprises in terms of profit making in Lusaka. Data showed that 87% of Micro and Small Enterprises made profit while 13% did not make profit. Hence, evidence from these findings showed that the majority of Micro and Small Enterprise Businesses were making profit and this was represented by a bigger percentage of 87% as indicated in Table 4.2 above.

3.6.1 Regression Analysis

Profit Making	% (X)	Frequency (Y)	XY	X^2	Y^2
Yes	87	40	3480	7569	1600
No	13	6	78	169	36
Total	100	46	3558	7738	1636

Regression equation

Y= a + bx

a= constant

b= regression coefficient

b = $\frac{N\Sigma xy-(\Sigma x)(\Sigma y)}{N\Sigma x^2 -(\Sigma x)^2}$

b = $\frac{2(3480)-(100)(46)}{2(7738)-(100)^2}$

b = $\frac{6960-4600}{15476-10000}$

b = $\frac{2360}{5476}$

b = ***<u>0.431</u>***

a = $\boldsymbol{\bar{y}}$ **- b**$\boldsymbol{\bar{x}}$

$\bar{y} = \Sigma\frac{y}{n}$, $\bar{y} = \frac{46}{2}$ = **23** $\bar{x} = \Sigma\frac{x}{n}$, $\bar{x} = \frac{100}{2}$ = **50** a = 23 – 0.43(46) , a = 23- 19.78 , a = ***3.22***

 y = 0 + 0.5 (x)

Therefore, in the above equation, the intercept is ***3.22*** and the regression coefficient is ***0.43***. Regression coefficient of 0.46 showed there was an average positive relationship between mobile money banking and financial performance in selected micro and small enterprises in Lusaka.

3.6.2 Correlation Analysis

$$r = \frac{N\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{N\Sigma x^2 - (\Sigma x)^2 (N\Sigma Y^2) - (\Sigma Y)^2}}$$

$$r = \frac{2\,(3558) - (100)(46)}{\sqrt{2\,(7738) - (10000)(2\,(1636) - (2116)}}$$

$$r = \frac{7116 - 4600}{\sqrt{15476 - (10000)\,(3272 - 2116)}}$$

$$r = \frac{2516}{\sqrt{15476 - 11560000}}$$

$$r = \frac{2516}{\sqrt{11544524}}$$

$$r = \frac{2516}{3397.72355}$$

r = ***0.741***

Correlation coefficient of 0.741 shows there was a strong positive relationship between mobile money banking and financial performance in selected micro and small enterprises in Lusaka.

3.6.3 Coefficient Determinant

Coefficient determinant = r^2x 100

$(0.741)^2$ x 100 = 0.549

Coefficient determinant = ***5.5%***

Therefore, 5.5% of variation in Y is explained by variation in X. Meaning that there was a weak positive association between mobile money banking and financial performance in selected micro and small enterprises in Lusaka District, Zambia.

Furthermore, the research went on to find out the effect of profit making on the prospects of employing more workers in their businesses. Findings showed that profits made were diverted for consumption due to the high cost of living which thus reduced the chances of Micro and Small Enterprises' ability to employ more workers. Additionally, the profits made were inadequate thus this negatively affected the enterprises' prospects to employ more workers. And on the other hand, the findings showed some positive responses that profit making increased the demand for more workers to be employed by Micro and Small Enterprises.

In order to increase employment creation by MSEs, the following suggestions were obtained. The suggestions were that government should increase assistance to MSEs in accessing appropriate business finance through loans, grants and other forms of financial aid thus enabling them to expand their businesses; and enhance MSEs access to Marketing Opportunities. Furthermore, Government should promote MSEs through Government driven initiatives of education and emphasize on entrepreneurship as well as balance support for MSEs access to appropriate business opportunities for both females and males, and finally Increase advertising and promotion of a culture of hard work among Micro and Small Entrepreneurs.

Therefore, according to research findings, the majority of Micro and Small enterprises had 1 and 2 employees while the least had 3 and 4 employees. Nevertheless, research results revealed that a percentage of 26.1% of Micro and Small Enterprises in Lusaka rated employment creation as Good as well as an equivalent rating of Bad, and so employment creation was moderate in the past two years. Additionally, 87% of Micro and Enterprises indicated they made a profit while 13% did not, hence, the majority of Micro and Small Enterprise Businesses made a profit. Nonetheless, profits made were diverted to consumption due to the high cost of living which reduced the chances and ability to employ more workers. Moreover, the profits made were inadequate thus it negatively affected the prospects to create employment while some positive responses showed that profit-making increased the demand for more workers by Micro and Small Enterprises. However, to increase employment creation, there was a need for government to promote Micro and Small Enterprises' access to appropriate business finance through loans, grants, and other forms of financial aid, promotion of Government driven initiatives of entrepreneurship education, promoting entrepreneurship through equal access to business opportunities between females and males, and finally increase advertising and promotion of a culture of hard work among Entrepreneurs.

CHAPTER FIVE

DISCUSSION

5.0 Overview

This chapter presented the discussion of the research findings, it discussed the extent to which micro and small enterprises had access to business finance, the extent to which they had access to marketing opportunities, and the extent to which they had contributed to employment creation.

5.1 MICRO AND SMALL ENTERPRISES HAVE ACCESS TO APPROPRIATE BUSINESS FINANCE.

In Zambia and in many other developing countries in the world, Small and Medium Enterprises are important economic drivers as they reliably created employment providing opportunities for low-income poor people, thereby increasing financial inclusion. In accordance with the research findings, it was revealed that most MSEs were engaged in the Grocery business with small startup capital and were mostly run by men while most women were involved in vegetable selling business. This was mainly due to the fact that men had a reasonable source of income compared to women whose main source of capital was personal savings and family and friends. This was in agreement with the research done by Chilembo (2021) which argued that the majority of the micro and small business operations could be sustained by savings and donations and gifts from other well-wishers. Women were likely to rely on family and donations from their capital because they are mostly confined to homes to d domestic work thereby constraining them from having access to income.

However, groceries were a dominant kind of business among the micro and small business due to the demand from the general public. With regards to the source of start-up capital, the most dominant source was personal savings at a percentage. This was attributed to the long procedures involved in acquiring the money, lack of collateral on the side of Micro-Entrepreneurs, as well as lack of knowledge on the process involved in accessing the finances. Women were the most affected group because due to lack of access to land and reliable income as they were confined to domestic work often time. Therefore, most of the MSEs were blocked from accessing loan from financial lending because most of them could hardly meet the requirements such as credit history, good financial record, and collateral (ITC, 2019).

Lack of access to affordable finances hindered Micro Small Medium Enterprises growth showing a big difference when compared to financial access by larger global enterprises. Micro and Small Enterprises in Zambia were not spared by this challenge. Nearly half of MSEs perceived access to credit as a major obstacle to their business operations. Data showed that some business owners required a much faster response for loans or other financial instruments than financial lending institutions could give. The average turnaround time for Small Medium Enterprises in Zambia to receive a loan, overdraft, asset finance, or any other form of the facility from a financial service provider was 30 days and more, in most cases. Conversely, Small Medium Enterprises tend to be in need of the funds as and whenever they formally apply because their needs were usually urgent. Therefore, the late delivery of the required loan made it had for micro and small enterprises to meet their target. This was in line with the findings of Liyanda (2022) he indicated that the bureaucratic processes in loan appraisal and approval usually attributed to the delay and by the time facilities were approved, the need for the facility would have already been fulfilled by competitors. For instance, some of the MSEs who were involved in season buying of grain such as Soya beans and maize were likely to miss the opportunity by the time funds were approved by the bank. This, therefore, called for improvement on the part of financial lending institutions.

However, some Small Medium Enterprise business owners especially those on the bottom rank alleged lending institutions especially banks as not being suitable for them and thus preferred keeping their money in their homes to depositing it in the bank. This was mainly due to the perceived unfriend environment in the banks. A few who tried to go and seek help to open accounts at the bank felt they were not welcome because no one was willing to speak to them in their local language and help them complete account opening application forms on their behalf. In other words, there was a language barrier thus a lot of micro and small business owners saw no need of seeking financial relief from financial institutions. Nonetheless, they felt that they acknowledged the important role played by financial institutions such as banks thus they can consider going back if only banks would be willing to offer products suitable for their businesses and if the members of staff would be willing to communicate with them using the commonly spoken language that they were comfortable with. Further, banks ought to develop some literature that is written in a common local language for them to read and understand as not everyone can read and write in English. This meets with the finds that showed a lot of MSEs could hardly read or write and depended on others who were literate to do the filling on their behalf. Chilembo (2021) also acknowledged lack of education being a hindrance to MSE's ability to access business finance from financial institutions in Lusaka District, Zambia.

Finally, a good number of micro small and medium Business owners felt that most banks treated different businesses in the same manner and offered similar products to different types of business sectors. For example, overdraft facilities which banks offered to small holder business owner involved in agriculture were structured in the similar manner as the ones offered to a businesses that were engaged in sales of electronic. It was due to the stated reason that micro, small and medium enterprises entrepreneurs proposed that banks ought to segment their SMEs into different categories according to the nature of their businesses and design products, which would suit each various needs. The findings further revealed that the most affected were women because they were most likely not to have the required collateral owing to lack of access to land and poor levels of education.

Access to business finance has continued to present serious challenges to micro and small businesses thus making it almost impossible for them to migrate thereby remaining marginalized and stagnant. Mobile money banking has however given an opportunity to owners of micro and small enterprises in Lusaka for them to access loans such as Kasaka on MTN. However, it a lot of micro and small business owners were not satisfied by the services offered by mobile money banking provider. This was because of small size of loans they were offering which was deemed not enough to facilitate growth of business and there was a feeling for loan amounts to be increased. Moreover, payback period of one month seemed not enough for borrowers to have return on investment to payback, thus, there was need for lenders to look into the needs of the micro and small businesses if they are to remain relevant. However, with regards to how safe SMEs felt banking with mobile money banking providers, most of them felt it was not safe banking with mobile money while the other small group felt it was safe. Mobile money banking was not regarded safe due to increasing number of scum cases due to assumed weak security related matters. For instance, there was an increasing number of cases of people being swindled money through mobile money banking, as a result, a number of users especially micro and small business owners started to lose confidence and faith in mobile money banking because it did not assure the security.

Business in Zambia and Sub-Saharan Africa at large has a precise robust heritage based on cash, and cash is the evasion means for conducting transactions for micro and most small enterprises. The importance of cash in conducting business can therefore never be overemphasized as it happens to be a scarce resource. It is not surprising that an entrepreneur's success is to a larger extent dependent on one's ability to organize cash rapidly from own savings or to be in possession of customers that can make cash payments for the goods and services. Evidence has shown that a lot of MSEs tend to find it difficult to make the cash flow needed to function effectively. That is why it has always been essential to move money efficiently in order to keep up with the stiff competition on the market. Therefore, the modern way of handling money to facilitate transactions quickly and in the safest way has become very essential despite traditional money transfer services offered by for instance Western Union, Money-gram, banks, and post operators have been around for a long while but were generally being considered expensive. However, the growth of mobile money banking usage among micro-small enterprises has helped to alleviate transaction-related challenges. Transactions using mobile money have rapidly increased market acceptance, as they respond to the shortcomings in traditional means of carrying out transactions. This is in line with the research findings and in accordance with the research done by (Bangen & Soderberg, 2011). Most Micro and Small Enterprises use mobile money transfers on a regular basis and clients are able to make payments remotely. The robust cash-based culture and customer's capability to abstractly relate to transferring money by mobile phones have however shown to be some of the greatest hurdles to overcome for mobile transaction service providers due to the growing cases of summer lately (Ibid)

Nevertheless, the micro and small entrepreneurs accessed loans mostly above K5, 001, and the least was from K1 to K2, 000. This was because they wanted a meaningful amount enough to facilitate the growth of their businesses. Moreover, in order to access financial loans, business owners were required to meet set conditions which included a collateral, a properly written business plan, and the rating for these loan conditions was average. Access to appropriate business finance remained the major challenge for both local and international MSEs, for instance, the International Finance Corporation estimated that 40% of formal micro, small and medium enterprises (MSMEs) in third world countries, had an unmet financial need of $5.2 trillion annually, which was equivalent to 1.4 times the level of the global MSME lending respectively. The data clearly showed that the gap with regard to access to finance is still wide and is in agreement with the literature (World Bank, 2020).

Interest rates play a fundamental role in access to business finance because they determine the cost of borrowing and shaving. Herein, high-interest rates were discovered as one of the many conditions that impeded the level of access to financial loans by MSEs. Nevertheless, with proper access to appropriate Business finance, MSEs would be positively affected in ways that include; enabling them to increase investment, expand product and services base, acquisition of production equipment and stock, and increase capital stock for investment and reinvestment, among others. Nonetheless, despite these positive effects, access to appropriate business finance was still marginalized, limited, and still stumpy, so Mobile Money Banking has not adequately enhanced Micro and Small Enterprise’s access to appropriate business finance (r= 0.281).

Moreover, MSEs cited various reasons for using Mobile Money Banking, such as convenience, ease it was to use, safety, lower interest rates, and flexibility. Therefore, most of MSEs used mobile money banking due to convenience thus enabling them to conduct business easily by performing electronic transactions in case of a lack of cash available. However, the friendly requirements for opening a mobile money account made it easier for many people to open mobile money banking accounts regardless of their financial or education status. The fact that mobile money does not attract any account maintenance charges, makes it affordable and inclusive especially amongst women who are mostly engaged in the fruit and vegetable business. According to one of the key informants, the contribution of mobile money banking towards financial management amongst micro-businesses cannot go unnoticed as such there was a need for a deliberate strategy to deepen financial management skills among MSEs (Bangen & Soderberg, 2011).

According to economic development theory, access to business finance is an imperative aspect of business management and development and has therefore received a lot of attention from policy makers. The theory suggests that access to capital at a reasonable interest rate is important for business growth. However, micro-small businesses in Lusaka have continued to face serious financial related challenges due lack of access to financial due to failure to meet requirements such as collateral.

5.2 MICRO AND SMALL BUSINESSES ACCESS TO MARKETING OPPORTUNITIES

The Government of the Republic of Zambia has added some efforts aimed at improving the business environment. The effort has yielded positive results as it saw Zambia being ranked 10th by Forbes Magazine among sub-Saharan African countries in terms of the business environment in 2019.

In line with the research findings, it was established that most MSEs did not use advertising mediums such as Newspapers, Radio and Television, Banners and Posters, Social media, and the Internet for accessing marketing opportunities. Most of MSEs depended on window shoppers and impulse buyers for their customer base. This was due to a lack of well-defined strategies aimed at growing their businesses. On the other hand, owners of the business argued they could not afford advertisement podiums because their businesses were not making enough to support such activities. Therefore, the general public provided the major source of customers for MSEs thus offering them a market for their goods and services. It was clear that larger firms posed serious challenges to the MSEs because of the predominant market limitations (Bieron, 2016). Most of the big firms could sell both wholesale and retail thus making it hard for micro and small businesses to handle the stiff competition.

Overall, the report noted that although the business environment improved substantially, Zambia still required vast improvements in its business environment for its micro-enterprises to become more productive, and for them to compete with those large firms within and outside the country. The report showed that despite the low productivity of the large enterprises, they had been able to compete with other enterprises and export other goods, unlike the micro-enterprises that could not produce in bulk and relied on the domestic market only. According to an investigation of the factors which influenced the growth of small and medium enterprises (Muchoka, 2020), from the interviewed sample of Micro Small Medium Enterprises, argued that competition affected their businesses negatively, this was because operating in an open competitive environment require excellent marketing skills for a business to survive. While a small number of MSEs argued that competition had nothing to do with their challenges and they perceived competition as a sign of healthy business environment. Innovation is a vital part of entrepreneurship, and a business is likely to remain stagnant and marginalized without it, sadly it is the reality of most micro-small enterprises in Lusaka District. Most of the micro-small businesses fail to take initiative therefore it is very difficult for them to compete on large established businesses especially those owned by Lebanese, Chinese and Indians. Hence, just like it revealed in a research that over three quarters of the MSME owners believed that competition had negatively impacted their businesses as they failed to compete with many enterprises. This was because micro and small businesses lacked the capacity to equally compete with the large firms with mature resources to respond to the demands of the customers. For example, large firms imposed stiff competition because they could afford advertisements using different media platforms such as radio, and newspapers, which was not never the case with most micro and small enterprises (Bieron, 2016).

Additionally, globalization had posed serious competition to MSMEs. It was further argued that MSMEs were not very competitive when it came to market knowledge, innovation, prudent investment, business operations, and good management. Development of marketing strategies in order to equally compete with large multinational firms such as Shoprite was hard on the part of micro and small enterprises because they lacked the required knowledge and skills to do so. Therefore, most micro and small enterprises remained stagnant and marginalized. It was therefore important for the government to put in place policies to spearhead the growth of micro and small enterprises through the creation of policies aimed at improving MSEs in Zambia, especially among women.

Zambia, with many other third-world countries, adopted import-substitution industrialization as a strategy of economic development. The success of the import substitution industrialization strategy in Zambia would have certainly resulted in the abundance as opposed to scarcity of foreign exchange; economic diversification; resolution of the sky-rocketing unemployment and problem; possible linkages in the economy with significant usage of indigenous raw materials as inputs and a host of downstream industries especially industries (Bam, 2011). The strategy was equally aimed at helping local businesses such as micro-small enterprises from collapsing due to excessive competition in the market. The business environment was perceived as friendly by a lot of micro-small businesses because they were protected by the government due to the market controlling mechanism. However, the noble government objectives remained largely unrealized due to the lack of capacity to produce more to meet the demand for the goods, especially food items. Owing to the stated problem, the government later adopted an open market economy which killed the backyard industry to a larger extent due to due stiff competition. The open market economy has made the survival of micro-small enterprises difficult and some micro-small businesses blamed the government for not giving them enough support. It is due to this reason that participants in a study felt the government did not give the required support to the MSMEs in Luska District, Zambia (r0.47).

Consequently, findings revealed that government did not offer adequate support to MSEs in accessing marketing opportunities though some MSEs accessed marketing opportunities via government linkages to various corporate firms both government and privately owned. In terms of rating government support in Micro and Small Enterprises (MSEs) access to marketing opportunities, it was found that a good number of the micro-enterprises regarded the government support as very bad, and so the support given was not adequate. Despite the inadequate government support, MSEs faced numerous challenges in accessing marketing opportunities including; high costs of advertising; lack of adequate finances for advertising; immersion competition for a limited number of customers; economies of scale: lack of access to production equipment; inconsistence with regards to quality and quantity of products; and immerse competitions with foreign low-quality goods on the market among others. Nevertheless, having access to marketing opportunities had a positive effect on MSEs as it promoted; their growth and expansion, increase sales thereby increasing business profits, increase in the customer base, advertising, and market research thus enhancing their levels of business planning. However, access to mobile money banking loans which not assist SMEs to have access to marketing opportunities because the money offered was not enough to meet the cost that came with market needs. Hence, Mobile Money Banking had not been effective in promoting Micro and Small Enterprises' access to appropriate Business finance which would in turn help with access to marketing opportunities respectively.

In summary, micro-small enterprises are a significant driver of an economy as they respond not only micro economic but play a significant macroeconomics role. Therefore, based on Economic Development Theory, which is purely concerned about entrepreneurship and innovation, entrepreneurial profits and business cycle which are critical survival of the business, the business environment leaves much to be desired if micro-small enterprises are to escape stagnation. On one hand, owners of the business have not displayed innovativeness in order for them to have the competitive urge in the market. Micro-small businesses have the potential to be competitive when given the proper support and attention by policymakers and implementers.

5.3 MICRO AND SMALL ENTERPRISES CONTRIBUTION TO EMPLOYMENT CREATION.

Micro and Small Enterprises fill a crucial role in society because they tend to provide employment to a huge segment of the utmost vulnerable sections of the workforce in the country. Therefore, increasing the competitiveness of these businesses would help decrease the youth underemployment and unemployment rates as well as increase the population of women in employment. This would similarly contribute to advancement towards attaining the United Nations Sustainable Development Goals and Zambia vision 2030 development plan of reducing social exclusion and enhancing productive capacities

Furthermore, SMEs can contribute to the preservation and sustainable management of natural resources. By adopting sustainable production processes, these enterprises can directly help achieve the Sustainable Development Goals on biodiversity and the protection of wildlife, forestry, and water that affect climate change. Small firms in the manufacturing sector are involved in various activities, from wood and textile production to light engineering and metal fabrication. Service sector SMEs operate mainly in building and construction, restaurants, cleaning, and personal care services, transport, telecommunications, financial services, and business centers. Businesses in the trading sector. Focus on agricultural inputs and produce industrial and consumable products, and printing. Only a few SMEs operate in small-scale mining and quarrying. Strengthening the competitiveness of these firms would give them more opportunities to add value and participate in regional and global production networks. Acknowledging the positive link between SME growth and job creation, the Government of Zambia has implemented several policies and regulatory measures to promote the growth and development of smaller companies.

Based on the research findings, the majority of Micro and Small enterprises had 1 and 2 employees while the least had 3 and 4 employees. The number of employees employed by informal micro and small enterprises differed from the expected minimum of five as defined by the micro, small and medium enterprises policy. However, that did not dilute the importance of micro and small enterprises with regards to employment creation in Lusaka. This was in line with the research results that revealed that a nearly a quarter of Micro and Small Enterprises in Lusaka rated employment creation as Good as well as an equivalent rating of Bad, and so employment creation was moderate in the Past two years. Therefore, the role of micro and small businesses in Lusaka has remained very important in the creation of jobs, especially for the fast-growing population. It is due to the stated reason that the new dawn government under the leadership of President Hakainde Hichilema created the Ministry of Micro and Small Enterprises. This in line with the Economic Development Theory that realizes that there is a symbiosis between economic, social and political of a sound and development of capitalist economy like Zambia. Therefore, the findings correlate with the theory.

Profit is an important determinant of employees a micro or small enterprise can employ, it is therefore important for entrepreneurs to employ market strategies that will enable them to have maximum return on investment. Businesses that make a profit create room to employ an extra workforce. This was in agreement with both the economic development theory and the findings that puts importance on entrepreneurial profit in order for MSEs to graduate, there must be good profit margin. The findings indicated that a lot of Micro and Enterprises could make a profit which in turn enabled them to employ, hence, the it can be argued that majority of Micro and Small Enterprise Businesses made a profit ($r=0.74$). The profit was the major determinant of micro and small enterprises' ability to hire employees. Therefore, there was a correlation between the number of employees with the profit made by the micro and small enterprises in Lusaka. This was because profits are critical if a business is to survive and contribute to national development.

Nonetheless, a profit made by most of the MSEs were being diverted to household consumption due to the high cost of living and dependency level which reduced the chances and ability to employ more workers. It was due to the stated reason that most of the micro and small businesses opted to employ family members and friends. Moreover, the profits made were inadequate thus it negatively affected the prospects to create employment, while some positive responses showed profit-making increased the demand for more workers by Micro and Small Enterprises. However, to increase employment creation, there was the need for government to promote Micro-Small Enterprises' access to appropriate business finance through loans, grants, and other forms of financial aid, promotion of Government driven initiatives of entrepreneurship education, promoting entrepreneurship through equal access to business opportunities between females and males, finally increase advertising and promotion of a culture of hard work among Entrepreneurs, and most importantly the financial lending institutions (Airtel, Mtn, and Zamtel) to increase the number of loans borrowed to micro and small enterprises.

To this end, micro-small businesses are important providers of employment not only in Zambia but in many other countries. However, profit was revealed as a major determinant of job creation and there was a clear correlation between profit and job creation. The findings were in tune with economic development theory.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.0 Overview

This chapter presented the conclusion of the research and further gives recommendations for the study. It will in this case be broken into two sections, one indicating the conclusion and the other recommendations.

6.1 Conclusion

The objective of this research was to evaluate the effect of mobile money banking on financial performance in selected Micro and Small Enterprises in Lusaka. Therefore, upon analyzing the data collected from the field, the following were the conclusions of the research findings;

According to research findings on the extent to which micro-enterprises had access to appropriate business finance in Lusaka District, Zambia, it was concluded that most Micro Enterprises were engaged in the Grocery business with startup capital for Enterprises ranging from K1, 001 to K2, 000 and this stood at 35.3 percent, and the most dominant source of this startup capital was from personal saving at a percentage of 64.7%. However, other findings revealed that 64 percent of Micro Enterprises had not accessed financial loans and only 36 percent had accessed financial loans from various sources. Based on access to loans, it was concluded that mobile money banking did not have a meaningful effect on financial performance (r = 0.28, coefficient determinant = 0.079. Nevertheless, the size of loans that most Micro enterprises accessed was above K5, 001, and the least was from K1 to K2, 000. Moreover, to access these financial loans, the most required loan condition was collateral which came in different forms and this stood at 38.5%, followed by a properly written business plan that stood at 30.8%, and the rating for these loan conditions was average. Furthermore, interest rates on most accessed loans fell in the range of 10 to 15% as well as those ranging from 16% and above, and these stood at 30.8%, so the process for accessing these financial loans was rated average. Herein, high-interest rates were cited as one of the many conditions that impeded the level of access to financial loans by Micro enterprises. Nevertheless, with proper access to appropriate Business finance, Micro Enterprises would be positively affected in ways that include; enabling them to increase investment, expand of product and services base, acquisition of production equipment and stock, and increase capital stock for investment and reinvestment among others. Nevertheless, despite these positive effects, access to appropriate business finance was still marginalized, limited, and still stumpy, so mobile money banking did not adequately enhance Micro and Small enterprises' access to appropriate business finance.

According to research findings on the extent to which micro and small enterprises had access to marketing opportunities in Lusaka, it was concluded that most Micro and Small Enterprises did not use advertising mediums such as Newspapers, Radio and Television, Banners and Posters, and Social media and the Internet for accessing marketing opportunities, as compared to those that did. On the other hand, the general public provided the major source of customers for Micro and Small Enterprises thus offering them a market for their goods and services. Despite this, consequent findings revealed that government did not offer adequate support to micro-enterprises in accessing marketing opportunities though some Micro and Small Enterprises accessed marketing opportunities via government linkages to various corporate firms both government and privately owned. In terms of rating government support for Micro-Enterprises to marketing opportunities, it was found that 58% of the micro and Small enterprises rated the government support as very bad, and so the support given was not adequate (r=0.47). Besides the above, the research results revealed that despite the inadequate government support Micro and Small Enterprises faced numerous challenges in accessing marketing opportunities including; high costs of advertising; lack of adequate finances for advertising; immersion competition for a limited number of customers; economies of scale: lack of access to production equipment; inconsistence with regards to quality and quantity of products; and immerse competitions with foreign low-quality goods on the market among others. Nevertheless, having access to marketing opportunities had a positive effect on Micro and Small Enterprises as it promoted; their growth and expansion, increase sales thereby increasing business profits, increase customer base, advertising, and market research thus enhancing their levels of business planning. To this effect, Mobile Money Banking has been effective to a lesser extent in promoting Micro and Small Enterprises' access to appropriate Business finance.

Furthermore, according to research findings on the extent to which micro and small enterprises have contributed to employment creation in Lusaka, the majority of Microenterprises had 1 and 2 employees while the least had 3 and 4 employees. Nevertheless, research results revealed that a percentage of 29.4 of Micro and Small Enterprises in Lusaka rated employment creation as Good as well as an equivalent rating of Bad, and so employment creation was moderate in the past two years. Additionally, 88.2% of Micro and Small Enterprises indicated they made a profit while 11.8% did not, hence, the majority of Micro and Small Enterprise Businesses made a profit which was a critical determinant of micro-small enterprises' ability to employ ($r = 0.741$). Nonetheless, profits made were diverted to consumption due to the high cost of living which reduced the chances and ability to employ more workers. Moreover, the profits made were inadequate thus it negatively affected the prospects to create employment while some positive responses showed that profit-making increased the demand for more workers by Micro and Small Enterprises. However, to increase employment creation, there was a need for government to promote Micro and Small Enterprises' access to appropriate business finance through loans, grants, and other forms of financial aid, promotion of government-driven initiatives of entrepreneurship education, promote entrepreneurship through equal access to business opportunities between females and males, and finally increase advertising and promotion of a culture of hard work among Entrepreneurs.

Therefore, it can be concluded that the research findings fit well with economic development theory and were in agreement to a larger extent with the reviewed literature.

6.2 Recommendations

Based on the literature review and the research findings, the study made the following recommendations;

The government should consider to increase funding to the Ministry of Small and Medium Enterprises Development, and other relevant institutions so as to promote the growth of Micro and Small Enterprises so that they are able to access marketing opportunities.

Financial lending institutions should consider revising the conditions for accessing business finance as a way to create an enabling environment for the establishment of Micro and Small Enterprises.

Government should put in place deliberate measures that will promote access to appropriate business finance through the debasement of SME funds to other government institutions such as the Citizens Empowerment Commission, and the Zambia Development Agency (ZDA).

Financial lending institutions should have an option of removing loan ceilings borrowed by Micro and Small Enterprises for startups, and expansion of their business.

Financial lending institutions should provide Low-interest loans schemes for Micro and Small Enterprises that offer loans with interest rates as low as 10%.

Ministry of small and medium enterprises development should provide training to entrepreneurs already engaged in Micro and Small Enterprises on how to grow their business.

Government should put in place a mechanism that will promote value addition to products and services provided by Micro and Small Enterprises to improve their quality to with-stand competition in the market.

Mobile Money Banking institutions should consider increasing the number of loans if they are to play a pivotal role in shaping the growth of Micro and Small enterprises in Lusaka Zambia.

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Research Project work-plan

Table 1.0 Research Project Work Plan

ACTIVITY	**MONTH**		
	June	July	July
Develop Data collection instruments			
Collect Data			
Edit, code and enter Data			
Analysis Data			
Write the Report			
Submit the report			

Research Project financial Budget

Table 2.0 Research Project Budget

Number	**Item**	**Amount (ZMW)**
1.	Transport to and from the field and logistic	**K2500**
2.	Meals	**K1500.00**
3.	Ethical Clearance	**K1000**
4.	Photocopying data collection instruments	**K400.00**
5.	Printing Data collection instruments and Research report	**K400.00**
6.	Binding research report	**K400.00**
	Total	**K6200.00**

APPENDICES

Appendix A: Questionnaire

Questionnaire no……….

THE UNIVERSITY OF ZAMBIA IN COLLABOLATION WITH ZIMBABWE OPEN UNIVERSITY

INSTITUTE OF DISTANCE EDUCATION

RESEARCH QUESTIONAIRE

TOPIC: EFFECT OF MOBILE MONEY BANKING ON PERFORMANCE IN SELECTED MICRO AND SMALL ENTERPRISES IN LUSAKA, ZAMBIA.

Dear respondent

The above research topic is being conducted by final year Master of Business Administration student at the University of Zambia in the school of humanities and social sciences. In this brief survey, you have been randomly selected to participate in this research as a research respondent and your answers will be helpful in acquiring relevant information for the research. Please be advised that the research is purely academic exercise and your response will only be used for academic purposes and be treated with maximum confidentiality.

INSTRUCTIONS:

1. Do not indicate your name, computer number or anything that can identify you
2. Only one response is required for questions that have options
3. Please answer as objectively and as genuinely as possible
4. Tick your answer that expresses your view as shown ✓

Your co-operation will be highly appreciated

SECTION A: BACKGROUND INFORMATION

No	Questions	Coding Categories	Official use
Q1	What is your sex?	1. Male 2. Female	
Q2	What was your age at last birthday?	1. 15-19 2. 20-24 3. 25-29 4. 30 and above	
Q3	What is your marital status?	1. Single 2. Married 3. Divorced 4. Widowed 5. Separated	
Q4	What type of business activities are you engaged in?	1. Restaurant 2. Grocery 3. Tailoring & Design 4. Hardware and Electronics 5. Printing 6. Vegetables 7. Saloon/ Barbershop 8. Laundry/ Shoe Repairer 9. Others specify……………..	
Q5	What year did you start your business?	1. 1991 to1996 2. 1997 to 2001 3. 2002 to 2006 4. 2007 to 2011 5. 2012 to 2017	

SECTION B: ACCESS TO APPROPRIATE BUSINESS FINANCE.

Q6	What was the size of your start-up capital for your business?	1. K0 to K1, 000 2. K1, 001 to K2, 000 3. K2, 001 to K3, 000 4. K3, 001 to K4, 000 5. K4, 001 to K5,000 6. K5, 001 to above
Q7.	What was your source of capital?	1. Family & Friends 2. Personal Savings 3. Inherited 4. Local Money Lenders 5. Government Fund 6. Financial Institution (Bank, Micro-Finance, etc)
Q8.	Have you ever accessed a Loan from any Mobile Money Banking Institution?	1. Yes 2. No
Q9.	If yes in Q8, which Mobile Money Banking Institution did you access the Loan from?	1. MTN 2. Airtel 3. Zamtel 4. Other

Q10.	What was the size of your Loan?	1. K1 to K2000 2. K2,001 to K3,000 3. K3,001 to K4,000 4. K4,001 to K5,000 5. K5, 001 and above
Q11.	What were the condition for the Loan?	1. Collateral 2. Credit history 3. Payslip 4. Business Plan 5. Record of Financial Returns 6. Others specify………….
Q12	How do you rate the conditions for the Loan?	1. Very bad 2. Bad 3. Average 4. Good 5. Very Good
Q13	What was the rate of interest on your Loan?	1. 0% to 5% 2. 5% to 10% 3. 10% to 15% 4. 16% and above
Q14	How did you find the process of accessing business finance?	1. Very bad 2. Bad 3. Average 4. Good 5. Very Good

Q15 Are the loans offered by Mobile Money Banking institutions enough to facilitate the growth of your business positively?

…………………………………..

…………………………………..

…………………………………..

…………………………………..

Q16 How secured is mobile money banking with regards to safety of your money?

1. Not Secured
2. Somewhat Secured
3. Not Sure
4. Secured
5. Very Secured

Q17 Has Mobile Money Banking improved your financial management skills?

1. Yes
2. No

Q18 What do you like most about mobile money banking?

1. Convenient
2. Safe
3. Flexible loans
4. Lower rates
5. Easy to use

SECTION C: ACCESS TO MARKETING OPPORTUNITIES

Q19. What modes of advertisement are available for your business?

	YES	NO
1. Newspaper		
2. Radio & Television		

	3. Banners & Posters 4. Social Media & Internet	
Q20	Who are your customers?	
		YES **NO**
	1. Government 2. Private Sector 3. Community (General Public)	
Q21	Does government offer you support to access marketing opportunities?	1. Yes 2. No
Q22	If YES in Q18, how would you rate the support towards accessing marketing opportunities?	1. Very good 2. Average 3. Bad 4. Very bad
Q23.	What challenges does your business face in terms accessing marketing opportunities?	………………………………………….. ………………………………………….. ………………………………………… …………………………………………
Q24	How does access to marketing opportunities affect the growth of your business?	…………………………………………. …………………………………………. ………………………………………….

SECTION D: EMPLOYMENT CREATION

Q25	How many employees do you have?	1. 1 2. 2 3. 3 4. 4 5. 5 and Above
Q26	How would you rate employment creation in the past two (2) years?	1. Excellent 2. Good 3. Moderate 4. Poor 5. Very Poor
Q27	Does your business make profit?	1. Yes 2. No
Q28	If YES to Q24, how does it affect your prospect to employing workers?	……………………………………… ……..……………………………… ……..…………………………… ……………………………………….
Q29	What do you think should be done to increase employment creation in Micro and Small enterprises?	……………………………………… ……………………………………… ……………………………………… ……………………………………… ………………………………………

Appendix B: Interview Guide

THE UNIVERSITY OF ZAMBIA IN COLLABOLATION WITH ZIMBABWE OPEN UNIVERSITY

INSTITUTE OF DISTANCE EDUCATION

INTERVIEW GUIDE FOR RELEVANT INSTITUTONS.

TOPIC: EFFECT OF MOBILE MONEY BANKING ON PERFORMANCE IN SELECTED MICRO AND SMALL ENTERPRISES IN LUSAKA. ZAMBIA.

Dear respondent

The above research topic is being conducted by final year MBA student at the University of Zambia in collaboration with Zimbabwe Open University. In this brief survey, you have been randomly selected to participate in this research as a research respondent and your answers will be helpful in acquiring relevant information for our research. Please be advised that the research is purely academic exercise and your response will only be used for academic purposes and be treated with maximum confidentiality.

INSTRUCTIONS:

1. Do not indicate your name, computer number or anything that can identify you
2. Only one response is required for questions that have options
3. Please answer as objectively and as genuinely as possible

Your co-operation will be highly appreciated.

1. What role does your institution play in supporting the Micro and Small Enterprises financially?
2. To what extent have Micro and Small Enterprises accessed appropriate Business Finance? Please explain.

3. What challenges do you think Micro and Small Enterprises are facing in accessing appropriate Business Finance?
4. What measures has your organisation put in place to protect Mobile Money Banking users from scam?
5. To what extent have Micro and Small Enterprises contributed to employment creation? Please explain.
6. What challenges do you think Micro and Small Enterprises are facing in contributing to employment creation?
7. To what extent have Micro Enterprises accessed marketing opportunities? Please explain.
8. What challenges do you think Micro and Small Enterprises are facing in accessing marketing opportunities?
9. What do you think should be done to promote financial management of Micro and Small Enterprises in Lusaka?
10. What do you think should be done to make the Micro and Small Enterprise financially viable?
11. Do you have any contribution on the topic?