

**Communication strategies used to promote small and  
medium enterprises (SMEs) development in Zambia. The  
Case of National Savings & Credit Bank.**

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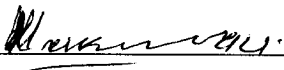
Submitted in partial fulfilment of the requirements for the degree of Master of  
Communication for Development offered by the Department of Mass  
Communication, University of Zambia.



## DECLARATION

I declare that this attachment report has not been previously submitted for a degree in this or any other University.

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## DEDICATION

To my late mother and father.

## ACKNOWLEDGMENTS

A number of people have contributed immensely to the publication of this report. I offer my sincere gratitude to my supervisor Mr. Kenny Makungu for his valuable guidance and direction through out the period of my thesis writing. His comments regarding the structure and content of my work are highly appreciated. I would also like to thank him for his patience when I could not finish my thesis on time due to other constraints.

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## ACRONYMS

BDS- Business Development Services

FGD- Focussed Group Discussion

GDP- Gross Domestic Product

GNP- Gross National Product

KSA- kingdom of Saudi Arabia

MFI-Micro Finance Institutions

MMD- Movement for Multi-Party Democracy

MSE- micro and small enterprises

NGOs- Non- Governmental Organisations

ODA-Overseas Development Association

SAP-Structural Adjustment Programmes

SMEs- Small and Medium enterprises

UNIP- United Nations Independence Party

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# CHAPTER ONE: INTRODUCTION AND BACKGROUND

## 1.0 Background

Small and medium enterprises (SMEs) worldwide play a significant role in promoting economic development and employment creation. One of the key determinants in the growth of SMEs is access to business related information. Information is critical not only to the SMEs but also to larger organisations. Business information is very supportive to SMEs in creating awareness about the presence of certain commodities, prevailing market prices, changes in the business environment, existing product demands, and knowing emerging competitors. This information enables SMEs to thrive as they are able to anticipate opportunities and threats emanating from the environment.

Thus, business information is a necessary ingredient in the sustainable growth and performance of many enterprises whether small or large. Increased access to commercial and value adding information has great potential of integrating SMEs into productive markets and developing commercial solutions to their constraints to compete in markets and benefit from market opportunities on a sustainable basis. Hence, many of these challenges that most SMEs face can be attributed largely to lack of access to information. With access to information, SMEs can solve some of the bottlenecks that often engulf them. Some scholars arguably have asserted that successful enterprises are those that have taken full advantage of opportunities that come with market information.

However, SMEs in Zambia face enormous challenges pertaining to access of business information. This is attributed to the fact that business information, communication business advisory and marketing service providers do not perceive small and emerging business as viable customers. As a result, most business information is designed for the more affluent large enterprises that can

afford and are willing to pay for business information. Consequently, lack of business information is perceived and indeed is one of the inhibiting factors to the sustainable growth of SMEs. Thus, in most instances, SMEs are not able to compete favourably with small international firms because they lack information to enable them exploit new markets other than those they have already established market niches. Hence, it's common among SMEs to engage in more or less similar businesses and competing for the same market with limited diversification.

However, lack of diversification cannot be blamed on SMEs alone but also on information providers. This is because there is very little recent and reliable information on small business markets. In fact, not much has been put into market research, data, and trend monitoring and as such the understanding of the small business market is marginal. One usually finds small business support services either not meeting the needs of SMEs as a result they are being characterised by a very low usage and awareness or are inadequately supplied by a very small number of private sector providers.

### **1.1 . Zambia's Profile**

Zambia is a landlocked country covering an area of 752,612 square km. Zambia takes its name from the Zambezi River, which arises in the north-west corner of the country and forms its southern boundary. The landlocked country lies between latitudes 10° and 18° south and longitudes 22° and 33° east.

Zambia is located between the southern run of the Congo DR basin and the Zambezi River. Its neighbours are; Congo DR, to the north and North West, Tanzania to the north east, Malawi to the east, Mozambique to the south east, Zimbabwe to the south, Botswana and Namibia to the west and Angola to the west (See figure 1).

Fig. 1. Map of Zambia



Zambia's 752,612 square kilometres makes it a large country about the size of France, the Netherlands, Belgium and Switzerland combined. It consists of a generally level plateau of between 1060 and 1363 metres above sea level broken by small hills of mineral rich granite. In the east the Nyika plateau rises to over 400 metres. The plateau is cut by the Zambezi River and its tributaries the Kafue and Luangwa rivers producing large valleys and waterfalls such as the Victoria Falls (Chenje, 2000).

The level of the land falls southward from the Congo DR/Zambezi divide in the north towards to the Zambezi depression in the south. The Kafue and Luangwa

rivers form the largest part of the plateau. One result of the plateau formation of Africa generally is the swift discharge of water towards the coast and the interruption of the rivers by waterfalls and rapids.

With the exception of the Northern and Luapula provinces, which are part of the Congo DR basin, Zambia lies on the watershed between the Congo DR and Zambezi river systems. The three great natural lakes of the country, Bangweulu, Mweru and the Southern end of Lake Tanganyika are all in the North and are part of the headwaters of the Zaire River. Lake Tanganyika is the second deepest natural lake in the world.

Lake Bangweulu, which with its swamps covers an area of about 38 000 square miles, is drained by the Luapula River. This river starts flowing south, turns west and northwards to pass through Lake Mweru on the way to Congo DR. Along the southern border of the country stretches Lake Kariba, the largest man made lake in Africa and the second largest in the world. It is about 280 km long and 40 km across at its widest point (Bwalya, 1998).

Although within the tropical latitudes of 10 to 18 degrees south of the equator, its altitude averaging 1,300m above sea level, gives Zambia a moderate temperature climate with humidity normally below 40 percent.

There are three distinct seasons in Zambia; cool and dry from May to August, hot and dry from September to November, and warm and wet from December to April. Only in the valleys of the Zambezi and Luangwa rivers is there excessive heat particularly in the hottest month of October, and it is only during the wet season that there is any noticeable degree of humidity. The average rainfall, between November and April, is about 950 mm. Summer temperatures range from 20 degrees to about 32 degrees. The country is prone to droughts from time

to time. The climate and location means that the country has considerable potential to develop its agricultural sector.

## **1.2. Population of Zambia**

Zambia's population has been growing over the years. Results from the previous four censuses show that from 1963 to 1990, the population has more than doubled from 3.5 million to 7.8 million (Nsemukila, 1998:1). In the latest census of 2000, the population of Zambia was placed at 10 million (Central statistics Office, 2003:2). The increase in both size and growth rate are mainly as a result of the persistently high levels of fertility and declining level of mortality.

The population density has also increased over time. While it was previously only 10.4 people per square kilometre in the mid 1990s, it was increased to about 13.7 people per square kilometre in 2000 (ibid). The highest proportion of the population is found in the Copperbelt at 19.3 percent (ibid). Other population related concerns in the country include women in development, HIV/AIDS, environment, street children and orphans. In 1996, Zambia had a total child population of 4.1 million under the age of 18 (UNICEF, 1999:9). 13 percent of them (500,000) were orphans having lost one or both parents.

→

## **1.3. Zambia's Economic performance since 1964**

At independence in 1964, Zambia was one the most prosperous countries in Sub-Saharan Africa. Endowed with abundant agricultural and mineral natural resources, Zambia's prospects for economic growth and human development at first seemed bright. However, the country faced enormous challenges which included among others extreme poverty, lack or inadequate developed infrastructure, and lack of access to effective means of production as viable industries were still owned and controlled by foreigners.

Thus, to ensure more equitable distribution of resources, the state took an active role in national development through the Mulungushi declaration in 1968. According to McCulloch et.al (2000:2), this declaration transformed the economic policy from semi liberal to economic nationalisation. The government introduced restrictive fiscal and monetary policy instruments aimed at regulating most economic activities like price controls of essential commodities, interest rate, exchange rate and wage rate controls, regulations governing the borrowing of financial resources and remittance of profits. Furthermore, the government took over private enterprises, some wholly and others partially. The reasons for these changes were to orient the economy towards benefiting the indigenous people.

The Zambian economy was dominated by mineral production which contributed 87 percent to exports (Hopwood, 1989). The government became a key player in production through its 51 percent ownership of the mines in line with the nationalisation policy. The nationalisation policy created a number of monopolies in the production, utilities and service sectors. Millimo in Donald Chanda and Richard Sakala (1999) writes that as a result of the national development policy, in almost all economic sectors, there was one or two dominant monopoly parastatal company (ies). This unfortunately did not allow the private sector to blossom as the government then favoured industrial development through public sector. Mwanawina and Mulungushi (2002) argue that the labour market continued to be uncompetitive with both the government and the parastatal sector emerging as the major players. The financial market continued to be narrow, despite the increase in the number of commercial banks and non-bank financial institutions while the role played by these institutions remained the same. The availability of credit continued to be constrained and biased towards serving the public and parastatal sectors.

After 1975, Zambia faced a collapsing copper price, conflict in neighbouring countries and the severe repercussions of the first oil shock (McCulloch, 2000:3). Initially, the collapse in the copper price was seen by government and the international community as temporary. The government therefore, borrowed to maintain high levels of consumption. This was the beginning of economic woes in Zambia as the copper prices continued to dwindle on the international market and the external debt continued accumulating.

Therefore, there was a realisation that the economic reform policies pursued in the 1970s were not effective. As a result, a more serious IMF/World Bank Structural Adjustment Programme (SAP) was attempted between 1983-85 with strong conditions attached. The government was compelled to abandon this agreement and re-imposed numerous controls in May 1987 after political discontent resulted in food riots in the Copperbelt at the end of 1986 (McCulloch, 2000:3).

However, as the economy continued to decline, the government had little option but to enter into fresh negotiations with the IMF. In June 1989, it decontrolled all consumer prices except maize and in early 1990 the government and the IMF drew up a new Policy Framework Paper outlining the economic policies to be pursued between 1990 and 1993. As part of this framework, the government increased the prices of high grade maize meal by over 100 percent in June 1990. This led to widespread rioting in Lusaka and Copperbelt towns (Simutanyi 1996).

Though there were attempts to adopt SAPs by the UNIP regime, it should be pointed out that the regime was cautious in the implementations of these policies. However, the Movement for Multi-party Democracy (MMD) after assuming office in 1992 implemented fully fledged SAPs whose main tenets

include decontrol of prices, liberalisation of the foreign trade and exchange rates, privatisation of and restructuring of industry and agricultural marketing and enforcement of cash budgeting to liquidity and public services.

The adoption of SAPs has had adverse social and economic consequences which are difficult to comprehend in the short time but are unacceptable in the long run. To start with, by the early 1990's real consumption per person had fallen by two-thirds over 15 years. More worrying still was the decline in certain social indicators such as school enrolment, infant and under-5 mortality and the number of malnourished children was good. However, continued economic decline was improvements falter. Gross enrolment rates in primary schools showed a downturn after 1992; infant mortality rate which had fallen from 147 in 1969 to 79 per 1000 live births in 1977-78, actually rose to 107 during 1991 - 1994; a higher percentage of children under 5 years of age were stunted or wasted in 1992/93 than 1970/71 (McCulloch 2000:4).

The restructuring of the civil service and the privatisation of state owned enterprises aggravated the economy through job losses and liquidation of companies. For example, the SAP monitor in Chigunta et.al (1998:7) asserts that 60,000 jobs have been lost since 1991 due to liberalisation policies. Of these job losses, 6,000 have been attributed to the privatisation programme during the period 1992-1995. Thus, it is evident that stabilisation policies have adversely affected the overall formal employment situation in Zambia. Mwanawina and Mulungushi (2002:39) writes that Zambia's formal sector employment situation has continued to decline by an annual average of 1.6 percent. The workforce dropped from a total of 546 000 in 1992 to 476 000 in 2000. Given the country's population, estimated at 10.3 million people in 2000 of which half constitute the labour force, the employment level was quite low at 9.2 percent.

Agricultural market reform had a similarly poor record. A 2000 World Bank study acknowledged that the removal of all subsidies on maize and fertilizer led to stagnation and regression instead of helping Zambia's agricultural sector. Devastating droughts in 1992 and 1994 deepened poverty in rural areas.

In its 2003 Human development, the United Nations Development Program (UNDP) reported that Zambia was the fourth worst performing economy in Africa with a growth rate of -1.7% per capita year. The HIV/AIDS pandemic had an enormous effect on life expectancy, which fell from 54.4 in 1990 to 33.4 in 2001, the lowest life expectancy of any country in the world.

Declining employment in the formal sector displaced a large number of workers into the informal sector. Data on informal sector employment is scarce. The Central Statistical Office (CSO) estimate that the total informal sector employment was around 2.3 million in 1993 of whom around 59 percent were self-employed or owner operators, whilst the others were employed in small enterprises or were un paid family workers (Republic of Zambia, 1997b). Informal sector employment has grown substantially in recent years with a 35 percent increase in informal agricultural employment and a 15 percent increase in informal non-agricultural employment between 1995 and 1998 (Republic of Zambia 1999).

The growth of the informal sector activities and the emancipation of SMEs related activities escalated with the adoption of liberal policies which has thrown retrenched people from the formal sector into economic disarray. Thus, with increasing unemployment levels in the country, there is realisation that small businesses are equally important in cushioning the impact of economic structural adjustments through job creation.

In 1996, Zambia qualified for the Highly Indebted Poor Country (HIPC) initiative as the first comprehensive effort to eliminate unsustainable debt. This programme entailed that for the country to be given debt relief, the government had to adhere to the IMF and World Bank conditionalities which among others included fiscal discipline. As a result, the government imposed a wage freeze on the civil servants and strictly regulated its expenditure. In 2005, Zambia reached the HIPC completion point and was given a debt relief of about US \$3.8 billion out of approximately US \$6.5 billion. The dividends of this debt relief were pervasive in 2006 as inflation dropped to a single digit of 8.1 and economic growth rate rose to over five percent.

#### **1.4. Institutional Profile**

National Savings & Credit Bank (NSCB) is a government institution created by an Act of Parliament Number 24 of Chapter 5 of the Laws of Zambia. It is 100% owned by the Government of the Republic of Zambia through the Ministry of Finance and National Planning.

The Bank has 27 branches through out the country and employees a total number of 257 workers. As of 31<sup>st</sup> December 2006, NSCB had a total number of 110216 active accounts from the Southern Region and 53534 from the Northern Region. The original cost of fixed assets, as of October 2006 was about ZMK 15 billion and the value of depreciated assets were estimated to be slightly over ZMK 12 billion.

NSCB was established in order to conduct the following business:

- Accept deposits
- Operate savings schemes in Zambia
- Make loans

- Conduct any other banking transactions to suit the different needs of customers

The Bank was created with a social mandate to deliver banking services to all parts of the country especially the rural areas at an affordable price. The Bank views rural areas as potential places for both savings and credit facilities. Lately, Zambia has seen the proliferation of micro financing institutions some of whom may not be genuine and the rural poor communities may be exposed to exploitation. NSCB being a Government Institution stands to safeguard the interest of both the Government and citizens at large in ensuring that credit facilities are disbursed properly and within the confines of regulatory provisions.

The Bank has identified itself with the rural people and it views rural areas as priority areas in the distribution of financial services and wealth creation.

Further, the withdrawal of big banks from rural areas has created a vacuum, which requires the bank to emerge as a substitute financial institution. It is true that if this is not done, rural areas would always lag behind in economic development.

The Bank considers itself a vehicle by which national development can be attained in rural areas through savings and innovative financial credit schemes.

#### **1.4.1. National Savings & Credit Bank's clientele and Services.**

As already alluded to, the bank was established with a social mandate to deliver banking services to all parts of the country at affordable rates. This, therefore, follows that the bank's main clientele are government workers although it includes, Traders, Marketers, Women Groups ,Clubs, Associations , Non Governmental Organisations, Private Sector Employees , Limited Companies , Schools ,Churches , Sole Proprietors e.g. Contractors, Mining Industries i.e.

Mopani, Chambeshi Metals ,Road Construction Companies i.e. this has been small, medium scale road construction companies, more so those trained under the roads training schools.

NSCB offers limited number products and services to its clients. These include the following:

### **1. Credit Facilities**

National Savings and Credit Bank offers a wide range of credit facilities including the following;

#### **a. Salary Loans**

These are availed to customers whose salaries are paid through the bank. The bank can disburse up to K50 million. The loans can either be arranged by the employee whose salary comes to the bank or by the employer on behalf of employees.

The following loans are available under this arrangement:

#### **Natlink**

- This is a salary loan repayable over a period not exceeding 12 months.
- The applicant must have an account with the bank which has successfully operated for three months.
- The monthly loan repayment should not exceed 50% of the bankable salary.

#### **Thandizo**

- This is a salary loan repayable within a period of three months.
- The applicant must be an account holder for at least three months
- The monthly loan repayment should not exceed 50% of the bankable salary.

## **Institutional Loan**

- The employer agrees through a memorandum of understanding, to deduct through payroll from employees salaries and pay the bank monthly. Under this arrangement the employees may not need to be customers of the bank.

### **b. Micro Loans**

Under micro loans, the bank will lend to an individual, an individual in a group for an individual project or a group for a group project provided they meet the following requirements:

- Applicant to have 20% of loan amount in the Savings Account
- Maximum amount is K5 million
- Term of loan not to exceed 12 months
- Applicant must have had an active account with the bank for at least 6 months
- Group to comprise of minimum five and maximum of 10 members
- Group to maintain a Group Account with weekly or monthly savings as agreed with the bank
- Individuals in the Group to contribute 10% of loan amount to Group Account

### **c. Medium Enterprise Loans**

For clients wishing to get medium enterprise loans, they have to meet the following requirements:

- Customers borrowing will have to comply with requirements under normal commercial lending. Applicant must have an active account, which has operated for at least 6 months
- Maximum amount is K50 million
- Term of loan not to exceed 12 months

## **2. Ordinary Savings Account**

This is a type of account which is designed for both urban and rural areas. This account attracts charges because the customer is allowed to withdraw every seven (7) days. With this account, withdraws are only allowed at NSCB branches and interest is given in June and December of each year. The Bank charges K 3,000 per withdraw and the account also attracts a monthly charge of K 15, 000. A further K 12,000 is charged on the account when one withdraws below the minimum bank balance.

## **3. Regular Savings Account**

This account is designed for customers who wish to save on a regular basis. With this account, the account holders can save on a daily, weekly and monthly basis. In addition, bank statements are given quarterly or on request. With this account, customers are only allowed to withdraw twice in a year, i.e. in June and December. However, the customer can deposit money into his account as many times as possible.

## **4. Fixed Deposit Account**

These are contractual accounts where a customer opens an account for a fixed period of time. The period may range from 30 to 90 days. The account attracts interest at the end of the contract and during the contract, no withdraws are allowed. Thus, the customer can only deposit or withdraw money from account only after the account has matured otherwise a charge will apply. Also, upon depositing the money into the account, the bank issues a certificate of deposit to the customer.

## **5. Investment Account**

This is a high value account suitable for customers who wish to save a larger part of their surplus income. This account can be renewed as many times as possible

but the customer is only allowed to withdraw at the end of the contract period. Interest accumulated varies according to the amount invested. Usually, this investment is made for a specific time. Account holders can deposit their valuables such as contracts, insurance covers, title deeds at a fee of K 20,000 per month.

#### **6. Commercial Savings Account**

This product is designed to cater for small and medium scale entrepreneurs who are able to save a surplus of their income. Commercial savings account is available at all NSCB branches and attracts competitive interest rates. Like ordinary and regular savings account, interest on commercial savings account is paid twice in year that is, in June and December and Bank statements are given on request.

#### **7. Savers Capital Account**

This account is specifically designed for customers who wish to save surplus funds with a view of getting high investment returns. This account allows customers to borrow up to 50% of principal amount without need for security and with easy approval conditions. Interest on the money invested may be paid up-front and withdrawals are only allowed at the end of the account contract period. The account attractive interest rates and the account can be renewed as many times as possible.

#### **8. Market Account**

This is a product suitable for individuals who conduct business in markets. It is suitable for all types of businesses. With this account, customers qualify for group or individual loans and savings by members is on a daily basis. The loans maximum repayment period is 12 months and the account attracts competitive

interest rates. The bank also demands for flexible security and easy recovery terms.

### **9. Money Transfer**

This is a service offered to customers and the general public. The funds are transferred within our branch network.

### **10. Safe Deposit**

This is a service offered in some of NSCB branches countrywide. Customers can deposit with the Bank valuable items such as certificates, title deeds, gold etc.

This is offered to both customers and non-customers

### **11. Invoice Discounting**

This is a service available to customers with pending payments on jobs done or services done. The bank pays the holder of the invoice in advance of the payments' due date. There is minimal charge for this service.

### **12. Guarantees**

This is an undertaking issued by the bank on behalf of the customer that the customer is capable of offering or providing certain services or perform certain contractual obligations

The Bank offers the following under guarantees; Bid Bonds, performance Bonds, Advance Payment Bonds & Export Guarantees. Guarantees are given under the requirements given below:

- The amount of the facility will not exceed K50 million
- The period of the facility will not exceed 24 months

## **CHAPTER TWO: ATTACHMENT CONTEXT**

### **2.0 Introduction**

The preceding chapter among other things outlined the historical establishment, services and products offered to the clients by the bank. This chapter demonstrates the rationale of the attachment, method of data collection and the review of literature on the importance of Small and Medium Enterprises world over including Zambia.

### **2.2 Background to the Attachment**

The ability of Small and Medium Enterprises (SMEs) to survive in an increasingly competitive global environment is largely predicated upon their capacity to leverage information resource, yet one of the most notable obstacles limiting their capacity is access to timely, current, relevant and adequate information for informed decision making. It should be stated that relevant information is essential to any business decision, which in the hands of an informed individual leads to better business decisions. However, most organizations more so SMEs in Zambia struggle to gain access to important information that they need in a timely manner for improved productivity, profitability, customer satisfaction and improved cycle time. Often, SMEs are confronted with this information struggle because they either did not understand what relevant information is needed and/or they did not know how to obtain it efficiently. The problem of information access by SMEs in Zambia is pervasive. Most SMEs in general are under performing due to lack of relevant information to access credit, business skills and popular markets.

Information has long been regarded as very important aspect of informed decision making. It is referred to as the fourth organizational resource after financial, human and physical resources. Harris (1993) likens information as a

factor of production to land, capital, people and equipment. Forgiogne (1991) pointed out that information was needed by a variety of users for various purposes within enterprises. For example, the global economy relies on producing high technology goods and services within an information society. In such a society, enterprises transform human effort, materials and other economic resources into products and services that meet consumer demand.

Managers on the other hand, utilise these resources to plan, organise, staff, administer and control activities in ways that best achieve the enterprise's objectives. In the information society environment, successful enterprises will produce high technology goods and services. SMEs would need high quality information and effective systems to deliver such information to achieve success.

The objective of this study therefore is to present communication strategies used to promote SMEs in Zambia. The paper will establish existing inadequacies in communication used by various organisations in promoting SMEs.

### **2.3. Justification**

As already stated in the introduction, the MCD programme trains development specialists who are able to transfer knowledge and use information to support various development projects. The assumption is that people can only make meaningful investment decisions if they have access to information. Therefore, it is important that people are involved in the development of information products through to their utilization to ensure sustainability of development programmes.

Thus, the importance of this study fundamentally lies in establishing communication strategies used to promote Small and Medium enterprises (SMEs) in Zambia. This is born from the realization that entrepreneurs are the

engines of economic development world over. Success of entrepreneurs depends on how skilled, passionate and innovative they are about their ideas.

SMEs have great potential to contribute to the growth of the economy through job creation and increased tax contribution. It is important to note that with increasing reduction of the formal sector, hope is left to the private sector to create jobs and get the economy moving. However, despite the increase in the number of micro-finance institutions, a lot of people especially those in the informal sector are not able to start business ventures due to a lot of factors including lack of information on the business opportunities prevailing in the economy.

Therefore, the attachment is a very important part of the MCD programme as it enables the student to evaluate government through NATSAVE's business information leverage to the public with a view of promoting entrepreneurship in the country. The attachment therefore, familiarises the student with not only theoretical but also practical assumptions of information provision and access by members of the public.

Further, the justification of the research also lies in the fact that the study will add to the already existing body of knowledge and the data collected will be helpful to a lot of policy makers, businessmen and students.

Finally, the study is important because it is the partial fulfilment towards the requirements for the award of the Master of Communication for Development offered in the department of Mass Communication of the University of Zambia.

## **2.4. General objectives**

The general objective is to evaluate the effectiveness of communication strategies used to promote SMEs in Zambia.

### **2.5.1. Specific objectives**

The objectives are, to:

- 1) Evaluate communication channels used to promote SMEs in Zambia
- 2) Evaluate how well business information is transmitted to SMEs in Zambia.
- 3) Evaluate the impact of communication strategies used to promote SMEs in Zambia.
- 4) Enable entrepreneurs have access to information to help them in making business decisions.

## **2.6. Methodology**

In order to answer the research questions, data for this research was collected through the use of qualitative techniques such as active participation and in depth interviews. Semi-structured interviews were used to obtain quantifiable and general information from the sampled SMEs. This was helpful in gaining a range of insights on specific issues e.g. socio-economic, specific characteristics and medium used to promote entrepreneurship in Zambia.

## **2.7 Limitations**

Any limitation in this report is attributed to any of the following:

1. The student was unable to visit all NATSAVE branches in the country due to insufficient funds and time
2. The student was unable to conduct Focused Group Discussions (FDGs) with SMEs because they live apart from each hence it was very difficult to bring them together.

3. The student did not receive adequate support from the Business Development Manager for the bank.

## **2.8 LITERATURE REVIEW**

According to Chanda and Sakala (1999) in the 1970s and 80s, the dominance of one or two monopoly state enterprises did not allow private sector development as government policies favored industrial development through the public sector. Most of these companies went through a phase of poor management, financial loss and abuse and run down infrastructure. This compounded with the oil crisis of the early 1970s crumbled most African economies especially those that depended on mineral endowment like Zambia.

However, in Zambia the wave of democratization, economic liberalization and the shrinking of the formal sector are responsible for the emergence and growth of SMEs. The prevailing socio-economic environment has compelled most men, women, retirees and many youths to undertake business ventures. Additionally, the reduction of the tax base mainly from the formal sector has obliged government to seek alternative sources of revenue through SMEs. Thus, there is a realization that SMEs play a very important role in national development.

### **2.8.1. Entrepreneurship in the World**

In order for any country world over to reach its full potential for economic and social development, every one must focus their attention on the country's SMEs. There is growing evidence in the world that SMEs play a cardinal role in the economic emancipation of any country. SMEs make significant contribution to economic growth in terms of GDP, employment and export. It is prudent to state that SMEs are attractive because they typically require small capital. The initial capital may vary from country to country, however, Shaebia (2006:4) states that in case of developing countries, it may require a paid up capital of \$33,333.

SMEs are leading sectors in robust national economies. As earlier indicated SMEs contribution to GDP is incredibly high. For instance, many studies indicate that in the world's leading economies small businesses alone contribute 50-70% to GDP (Asgedon, 2006). According to World Bank Report (2005), the Eritrean manufacturing sector in 2003 had a contribution of 24.7 % of GDP. In Saudi Arabia, Radwan (2001) asserts that over the past thirty years, development planning has witnessed tremendous achievements with the number of factories increasing ten-fold, the share of the private sector has risen from a third to a half of GDP and now accounts for 14% of the non oil GDP. According to Herberer (1999:9), 80% of businesses in Vietnam are small and medium scales... contributing approximately 24% to the country's GDP. Freeman (1997:19) writes that there are 3.7 million SMEs in the UK which have remained virtually unchanged over the last five years. They have a combined annual turnover of around a trillion pounds and accounts for 40 % of UK GDP.

Therefore, it is because of this invaluable economic contribution that the sector represents a significant number of businesses in most developed countries. For example, according to Thuss (2003), SMEs account for 51%, 95%, 96% and 99% of all companies in the USA, Germany, Taiwan and UK respectively and in the European Union, 98.8% of all companies are SMEs.

In terms of job creation, SMEs play a crucial role in creating job opportunities because they are labor intensive hence, creating new jobs at low costs. In the world's leading economies, at least half of the working population is employed in the SME sector (Muuka, 2002). Hence, it is evident that in the African context where there is already a high unemployment rate, in some cases 50-70%, a meaningful presence of the sector would, undoubtedly, play a significant role in alleviating the employment problems and make the sector of paramount importance.

In demonstrating the significant role played by SMEs in job creation, Rwadan (20001) writes that in Saudi Arabia, total employment by the private sector has risen from 1.83 m in 1970 to 6.16 in 1999 and now accounts for 85.9% of total employment. In the United States, as per statistics published by the Small Business Administration, SMEs represent 99% all employers and 52% of the private workforce. They provide virtually all the net new jobs and provide 51% of private sector output and 96% of all goods (Barakat, 2001:1).

According to Freeman (1999), in the UK, around 12 million persons are employed by SMEs, representing 56% of the employed workforce. Of these, 80% are employed in firms of less than 50 persons, and 23% are sole traders and make up 64 of the total.

In the case of Taiwan, the SMEs offer a good example of their worth in economic development. In Taiwan, SMEs which go along with private ownership in the cooperative division of labor are praised for being dynamic, flexible, and highly effective. They offer many job opportunities for local workers, requires small investment and quick return of capital, could easily be shifted to other products that the market demands, promptly up grades technology and improves the quality of goods (Hebereret.1999:8). Taiwan is an economy with limited natural resources yet its one of the most resilient economies in Asia. According to Barakat (2001:1), over the last decade Taiwan has established itself as a world-class supplier for a wide range of electronic hardware products. SMEs in Taiwan have been at the heart of this impressive success. In 1993, SMEs accounted 96 percent of the total number of companies, 69 percent of total employment and 55 percent of Taiwan's manufacturing exports. According to Heberer et.al (1999) in 2003, almost 98 % of the approximately 1.2 million enterprises were classified as SMEs, which realized 31.55 of total sales and employed 77.5% of the workforce.

Besides, SMEs accounted for 99.4 % of the 112,154 newly established enterprises in Taiwan.

Accurate statistics are difficult to obtain in the KSA as there is no single data base. However, existing estimates show that the KSA is no exception with some 374,000 of 392,000 registered commercial establishments classified as SMEs and micro-enterprises. These enterprises absorb about 75 % of the foreign labor force reflecting the limited progress made in the field of Saudisation. Approximately, 17,000 firms employ more than 10 workers and thus have to contribute to social security fund (Radwan 2001).

Nelson and Nelson (1987: 6) quoted in Kasongo (2000) states that in Japan, small enterprises with less than 100 employees accounted for 76.2 percent of total employment in the private, non-farm sector in 1978. In the manufacturing sector alone, 58.5 percent of the jobs were created by small firms.

In Tanzania it is estimated that about a third of the GDP originates from the SME sector. According to the Informal Sector Survey of 1991, micro enterprises operating in the informal sector alone consisted of more than 1.7 million businesses engaging about 3 million persons that was, about 20% of the Tanzanian labour force. Though data on the SME sector are rather sketchy and unreliable, it is reflected already in the above data that SME sector plays a crucial role in the economy, (United Republic of Tanzania 2002).

Since SMEs tend to be labour-intensive, they create employment at relatively low levels of investment per job created. At present, unemployment is a significant problem that Tanzania has to deal with. Estimates show that there are about 700,000 new entrants into the labour force every year. About 500,000 of these are school leavers with few marketable skills. The public sector employs only about

40,000 of the new entrants into the labour market, leaving about 660,000 to join the unemployed or the underemployed reserve. Most of these persons end up in the SME sector, and especially in the informal sector. Given that situation and the fact that Tanzania is characterised by low rate of capital formation, SMEs are the best option to address this problem (United Republic of Tanzania 2002).

The World Bank Report (1994) estimates that 80 percent of the workforce is engaged in small scale activities. In Zambia, the ODA (1996) sponsored national wide survey revealed that MSE sector consists of approximately 336,000 income earning activities. Only 36 percent of these activities are based in Zambia's largest cities, another 11 percent in small towns and the remaining 80 percent in rural areas. In total 714,000 individuals are employed in the MSE sector, nearly 47 percent of whom are women. At estimated national labour force of roughly 4 million individuals, the MSE sector provides employment for 17.9 percent of the current labour force in Zambia (Donald Chanda & Richard Sakala, 1999).

### **2.8.2. Constraints of SME Development**

Despite the wide-ranging economic benefits, SMEs face a variety of constraints owing to the difficulty of absorbing large fixed costs, absence of economies of scale and scope in key factors of production, and higher unit of costs of providing services to smaller firms (Schmitz, 19982). Below is a set of constraints identified with the sector.

Firstly, access to finance is often seen as one of the most constraint to SME development. Aryeetey et.al (1994) reported that 38% of the SMEs surveyed mention credit as a constraint, in the case of Malawi, it accounted for 17.5 5 of the total sample (Daniels & Ngwira, 1993:30-31). This stems from the fact that SMEs have limited access to capital markets, both locally and internationally, in part

because of the perception of higher risk, informational barriers, and the higher costs of intermediation for small firms ( Kayanula Dalitso & Quartey Peter, 2000),

Secondly, SMEs have difficulties in gaining access to appropriate technologies and information on available techniques. This limits innovation and SME competitiveness. The patent system on most technologies coupled with other constraints such as capital and labour restrict innovation among SMEs. 18% of the samples of the sampled firms in Aryeetey et.al (1994) mentioned old equipment as one of the four most significant constraints to expansion.

Thirdly, most SMEs especially in Africa were insulated from international competition. However, this scenario has changed with the adoption of trade liberalization. This problem was mostly identified in medium-sized enterprises in Ghana (12.5 in Aryeetey et.al, 1994:13), less than 1% of the total sample complained there were too many imported substitutes coming into the country. Daniels & Ngwira (1993) also reported a similar figure for Malawi (0.9%). However, Riedel et.al (1988) writes that Tailors in Techiman (Ghana) who used to make several pairs of trousers in a month went without any orders with the coming into effect of trade liberalization. Limited international marketing experience, poor quality control and product standardization and little access to international partners, impede expansion into international market. It is reported that only 1.7 % of firms export their output in Africa (Aryeetey et.al 1994). Further trade policies tend to favor large scale and capital intensive enterprises.

The World Bank (1989:138) states that one of the major constraints to SME development involve burdensome taxation and regulation that deter small scale entrepreneurs from linking their activities with formal financial and information system. As a result, their ability to pool resources is limited to informal networks. Also, interest rate ceilings and sectoral credit allocations intended to benefit

SMEs have in practice distorted financial resources (World Bank, 1989:138). Banks generally avoid lending SMEs because they lack collateral. Thus, SMEs lack of capital is attributed to the unwillingness by the banks to lend small firms.

Lack of managerial know-how is another constraint faced by most SMEs. Kayanula Dalitso & Quartey Peter (2000) writes that even though SMEs tend to attract motivated managers, they can hardly compete with larger firms. The lack of support services or their relatively higher unit cost can hamper SME effort to improve their management because consulting firms often are not equipped with appropriate cost effective management solutions for SMEs. Furthermore, absence of information and time to take advantage of existing services results in weak demand for them.

Despite the numerous institutions providing training and advisory services, there is still a skills gap among SME sector as a whole. According to Daniels & Ngwira (1993:3), about 88% of Malawian SMEs desired to training in various skills but as of 1992, less than 6 % have actually received it.

The World Bank (1989) further writes that government extension services and programmes of technical assistance to SMEs have largely failed because of unsustainable overhead costs, limited participation and poorly adapted services. Also most developing countries lack basic infrastructure to support SMEs. Rwadan (2001) state that in the past Saudi Arabia's investment environment has been quiet restrictive by international compassion restrictions on market entry because of bureaucratic procedures and the scope of business licenses although originally intended to create as important obstacle to the creation of new as well as the expansion of existing businesses from competition and stunt their development and competitive resources.

### **2.8.3. Impact of information services on SMEs in Zambia.**

Charles Banda et.al (2004:8) conducted an information needs assessment in Kitwe. According to this assessment a total of 61 (29.2%) indicated that they needed information on business marketing, 59 (28.2%) needed information on sources of supplies, 43 (20.6%) wanted information on business management skills, 39 (18.7%) credit facilities, 6 (2.9%) were not sure about their information needs and, only one (0.5%) needed health information. Respondents were asked to state whether they faced any problems when searching for information. 160 (76.6%) indicated that they faced problems, whilst 49 (23.4%) stated that they did not. In terms of specific problems they faced when searching for information, one hundred and sixty five, 78.9% of the respondents indicated the lack of access to information as the major problem whilst 5, 2.4% respondents were not sure about the kinds of problems they faced.

Also BDS Zambia has carried out a study on the impact of information services on SMEs. According to BDS Zambia impact assessment report, the emerging issues related to the impact, viability and sustainability of these business services as follows:

- The awareness level of these business services is low; the overall being less than 50%. The awareness of the small business radio programmes, Post Business Supplement and Livingstone Business directory was 30%, 36%, and 39% respectively.
- The usage of the small business radio programmes, Post Business Supplement and Livingstone Business directory was 29%, 21%, and 22% respectively. Although this is equally low, given that most of the business services are just about 1 year ago, it is apposite picture in terms of recognition of the value of these business services by the MSE sector. The results indicate that radio captures relatively more MSEs. However, it must be noted given the MSE media consumption pattern, much of this

listenership comes from MSEs with lower incomes (less than US \$1,110 annually)

- With the exception of the local business directory, there were more male entrepreneurs than female entrepreneurs using these business services. For instance, the study revealed that out of the total sample of female entrepreneurs interviewed in this study only 22% listen to business radio programmes compared to 32% for male entrepreneurs.
- The study revealed an overall positive impact of these business services. 33% of the businesses reported growth and improved performance. This was mainly expressed in terms of income and increase in customer base. Significant growth that is 15% and above was reported in the trade and service sector (BDS Zambia 2006:34-5).

## **CHAPTER THREE: CONCEPTUAL & THEORETICAL FRAMEWORK**

### **3.0 Introduction**

The main reason for the student's attachment at National Savings & Credit Bank was to enable the student get the practical experience of the Bank activities used to promote entrepreneurship in the Country. The government is using NATSAVE to reach to the low income groups in society by providing affordable credit facilities aimed at steering entrepreneurship in the Country. The student's interest was to evaluate the extent to which the government and the Bank were succeeding in meeting this objective.

For the student to establish the link between his observations during the attachment and the findings, it is imperative to ensure that concepts such as development, small and medium enterprises, communication, and participatory development are clearly defined and elaborated.

### **3.1. Micro, Small and medium -sized enterprises (SMEs)**

Small and medium -sized enterprises (SMEs) are very heterogeneous groups of business usually operating in service, trade, agri-business, and manufacturing sectors. They include a wide variety of firms such as village handcraft makers, small machine shops, and computer software firms that dynamic, innovative, and growth-oriented while others are satisfied to remain small and perhaps family owned. SMEs usually employ mainly wage-earning workers (Rwadan 2002: 3).

SMEs are often classified by the number of employees and /or by the value of their assets. According to Asgedopm (2006: 3), the number of employees, total net assets, sales and net investment levels are some of the criteria's that are used to define the term SME. The measures of SMEs are not uniform; they vary from

country to country, region to region and continent to continent. It is important to note that there is a minimum as well as a maximum size for SMEs. In Saudi Arabia, enterprises that employ less than 10 workers and have capital of less than \$50 000 are considered micro-enterprises. Many of these enterprises will traditionally operate in the informal sector. In the kingdom, small enterprises are those that employ between 10 and 25 workers. In KSA, firms with capital between SAR 200 sr 1 m( up to \$ 250,000) are considered small enterprises, while current market practice considers firms with capital up to SAR 5 millions, and up 100 employees , as medium enterprises (Radwan, ibid).

In Zambia, the Small Enterprise Development (SED) Act 1996; views micro-enterprise as any business enterprise with the following characteristics:

- Whose amount on total investment, excluding land and buildings, does not exceed ten million Kwacha.
- Whose annual turnover does not exceed twenty million Kwacha. Therefore small enterprise according to Donald Chanda and Richard Sakala (2003) means any business enterprise.
- Whose amount of total investment, excluding land and buildings, does not exceed in the case of manufacturing and processing enterprises, K50 million Kwacha in plant and machinery, and in the case of trading and service providing enterprises, ten million Kwacha.
- Whose annual turnover does not exceed eight million Kwacha, and
- Employing up to thirty persons.

Small enterprises are those that employ from 10 up to 20 persons. They have a turnover that does not exceed K80, million. Their total investment, excluding land and building, in case of manufacturing and processing, not exceeding K50 million. In case of trading and services not exceeding K 10 million.

Medium enterprises refer to total investment excluding land and buildings, in case of manufacturing and processing, not exceeding K 80 million. In case of trading and services, not exceeding K50 million.

Generally speaking, firms with less than 10 employees are referred to as small scale enterprises and with more than 10 employees as medium and large scale enterprises.

### **3.2 Development**

Development as a concept is very difficult to define. This is attributed to the fact that it manifests differently to different people, nations and continents. As a result, there is no unanimously agreed definition of concept among scholars.

In strictly economic terms, Todaro (1997: 87) writes that development has traditionally meant the capacity of a national economy, whose initial economic condition has been more or less static for a long time, to generate and sustain annual increase in its gross national product (GNP) at rates of perhaps 5% to 7% or more.

The above definition has been criticised on grounds that GNP does not offer a standard measure of development. This is because GNP measures the current output of economic activities in and outside the country. However, this measure is inappropriate to countries like Zambia, where all production and productivity is not commercialised. For instance, the value of services rendered by a housewife is not generally evaluated on the basis of prevailing wage rates. Also, work that is done in most if not all villages is not recorded in GNP. GNP therefore, does not show differences among nationals in the standard of living. It just presents average figures and does not reveal the differential income levels between the rich and the poor within a country. According to the Human

Development Report (1990), GDP is a narrow measure of economic welfare that does not take into account of important non-economic aspect e.g. leisure time, access to education and health, environment, freedom or social justice. In as much as economic growth is important, it is not a sufficient condition for economic development.

As a result of the inadequacy in the economic definition of development, Inayatullah (1967:1) defined development as change towards patterns of society that allow for better realisation of human values, that allows a society greater control over its environment, and over its own political destiny and enables its individuals to gain increased control over themselves.

Further, Todaro (1997:95) argues that economic development must be redefined in terms of the reduction or elimination of poverty, inequality and unemployment within the context of a growing economy. Development may therefore be conceived as a multi-dimensional process involving major changes in social structure, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty. Development, in its essence, must, represent the gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individual and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory towards a situation or condition of life regarded as materially and spiritually better (World Bank 1988:15).

The World Bank definition of development is very sensible and comprehensive because it does not look at development only in terms of economic progress but also in terms of improvement in the conditions of the people. Thus, development must be viewed from the perspective of increasing or decreasing human affliction. In this regard, development should be measured by the size and

magnitude of poverty and unemployment. Therefore, the best measure and an important indicator of development is one that has to do with the quality of life. In this case, development must encompass a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting there from (Teran 2003).

In measuring the quality of life, there are various criterion used which include among others literacy, life expectancy and infants mortality. This has to be coupled with basic goods and services necessary for a person's survival.

Most often development is explained in terms of economic development. This is attributed to the fact that economic development implies the development of economic wealth of countries or regions for the well-being of their inhabitants. The economic development process supposes that legal and institutional adjustments are made to give incentives for innovation and for investments so as to develop an efficient production and distribution system for goods and service (Dewette 2004). It is imperative to state that economic development involves improving the well-being of the people by ensuring that they have access to basic necessities of life. These basic needs that make life whole and satisfactory include food, shelter, health and protection. The focus of any society's economic activity is to provide with as many people as possible with means of overcoming problems afflicted by lack of food, shelter, health and protection.

In view of the foregoing, development is only meaningful when it provides conditions necessary for the improvement in the quality of life. According Todaro (1997:97), without sustained and continuous economic progress at the

individual as well as the societal level, the realisation of the human potential would not be possible.

It should be realised that human potential can only be achieved in an economy that provides equal access to available resources. This ultimately contributes to the growth of the whole economy leading to rising levels of per capita income. With increased levels of income, people can afford decent food, can access health care, and can live in decent shelter. Human potential also implies the elimination of absolute poverty. It's only true that the realisation of oneself entails reduced poverty levels. The existence and persistence of poverty means that a given society is not developing. However, this poverty can be effectively eliminated through the creation and provision job opportunities. Through job creation, income inequalities between and among the rich and the poor are fundamentally reduced.

Access to basic needs of life and the creation of employment opportunities can only be attained if there is a rise in national incomes which occurs as a result of economic growth. Savings are possible when national incomes rise, which ultimately leads to capital accumulation. It is this capital accumulation, which is used by individuals and governments at large to provide the basic necessities of life (food, shelter and clothing), which make life complete. Therefore, development should be explained in terms of improving people's standard of living.

### **3.3 Communication**

Human development has been defined as the realization of human potential and expanding the choices of people so that they lead lives that they value. Participation is central in the attainment of human development. Through participation, people exchange valuable information and this exchange is

continuous throughout the project cycle. If people's potential is to be achieved, they must fully participate in formulation, implementation, monitoring and evaluation of projects. Throughout the projects, people must communicate if they are to succeed.

Communication has been defined differently by different researchers. Communication is the transmission of a message from a source to a receiver (Baran 2004:4). According to Moemeka (1995:11-12) Communication is the transfer of information between individuals or technical means. It is not the mechanical transfer of facts and figures. It is also not talking at people. In the process of communication, the roles of sending and receiving information change hands depending on who is talking and who is listening. Communication is a symbolic process in which people create shared meanings (Myron W. Lustig and Jolene Koester (1996:29).

Communication is transactional and not linear process. By that, it means communication involves people sending each other messages, which reflect the motivation of the participants. People expect others to react to their messages; in terms, they expect to respond to the messages of others (infante, Rance and Womack, 1997:22).

### **3.3.4 Types of communication**

There are various types of communication. This is because communication occurs in context which may vary from one situation to another. The following are the types of communication.

- 1) **Interpersonal communication**-this is communication that occurs between two or more people
- 2) **Intra-personal communication**- Intrapersonal communication is about communication at the level of the individual

- 3) **Mass communication-** This is a type of communication that is mediated by electronic or print media such as radio and newspapers. The communication is not between two people but between mass medium organisations and involves a scattered and heterogeneous audience.
- 4) **Inter-cultural communication** -Intercultural communication refers to the communication between people from different cultures. According to Samovar and Porter (10:1991) intercultural communication occurs whenever a message is produced by a member of one culture for consumption by a member of another culture, a message must be understood. Because of cultural differences in these kinds of contacts, the potential for misunderstanding and disagreement is great. To reduce this risk, it is important to study intercultural communication.

### **3.4 Development Communication**

Development communications are organized efforts to use communications processes and media to bring social and economic improvements, generally in developing countries. Development communication rests on the premise that successful development calls for the conscious and active participation of the intended beneficiaries at every stage of the development process; for in the final analysis rural development cannot take place without changes in the attitudes and behaviour among the people concerned (FAO, 1989: 3). However, Yadava (1993) writes that development communication is basically meant to equip with new information and skills and mobilise them for participation in various development programmes and activities. It means that there is the need for people to understand and appreciate development programmes and schemes (Yadava, 1993:109).

### **3.5 Agenda Setting Theory**

In studying communication strategies used to promote SMEs, the Agenda Setting Theory is very relevant. In explaining the Agenda Setting Theory DeFleur (1998:272) writes that Agenda setting implies a relationship between the treatment of an issue or event in newspapers, television and radio news, and the beliefs about its importance or significance of the part of individuals who make up the news audience. The media meets this objective by selectively deciding which stories to give prominence and which one to live out. Thus, by placing special attention on some topic while eliminating others, the media influences people's prioritisation of issues around their setting.

Therefore, it is important to state that the press determine what issues people would be discussing among them and how much importance they would attach to different ones. According to this theory, the media develops its own agenda concerning particular issues and decide how much prominence to accord them. This may be done through the selection and omission of major issues. However, Baran (2004:429) writes that the theory argues that the media may not tell us what to think, but media will certainly tell us what to think about.

### **3.6 Diffusion of Innovation Theory**

This theory looks at the way innovations are adopted in a population. An innovation is an idea, practice, or object that is perceived as new by its audience. Thus, proponents of this theory depend on the conditions which increase or decrease the likelihood that a new idea, product or practice will be adopted by a given audience.

This diffusion of innovation theory supposes that media as well as interpersonal contacts provide information and influence opinion and judgement. Rogers (1995) writes that the theory consists of four stages: invention, diffusion (or

communication) through the social system, time and consequences. The information flows through networks. The nature of networks and the roles opinion leaders play in them determine the likelihood that the innovation will be adopted. Innovation diffusion research has attempted to explain the variables that influence how and users adopt a new information medium, such as internet. Opinion leaders exert influence on audience behaviour via their personal contact, but additional intermediaries called change agents and gate keepers are also included in the process of diffusion. Five adopter categories are as follows

**(i) Innovators-**These are committed visionaries' often imaginative and focussed. They lead the way for others and are the test- bed for innovations. Their ideological approach often frightens off pragmatic people, and yet no environmental education can thrive without their energy and commitment. They are the ones who have already personally adopted the new behaviour, often investing a great deal of time and effort.

**(ii)The Early Adopters-** these are 'private visionaries': imaginative people who are open to new ideas that provide personal benefits. They are often on the look out for a strategic leap forward in their lives or businesses and are quick to make connections between clever innovations and their personal needs.

**(iii)The Early Majority-**these are pragmatists, comfortable with moderate environmental ideas, but will not act without solid proof of benefits. They are influenced by other pragmatists and by mainstream fashions and fads. They have no time for risks, but will accept simple, proven, better ways of doing what they already do.

**(iv)The Late Majority-**these are environmentally conservative pragmatists, uncomfortable with green ideas. They hate risks but do not want to be left behind, hence they will follow the mainstream and established standards. They are often influenced by sceptics.

(v) **The Sceptics**-they will act to block progressive change. Take their arguments seriously-often they identify real problems that need to be solved before the majority segments can accept the innovation.

## **CHAPTER 4: CHALLENGES AND PROBLEMS OF THE BANK**

National Savings and Credit Bank (NSCB) has enormous problems which mostly are blamed on the Ministry of Finance and National Planning which has imposed a lot of operational ceilings on the bank. For instance, the Ministry of Finance and National Planning does not allow the bank to commercially advertise to members of the public. It should also be mentioned here that some of the problems in the bank emanate clearly from lack of strong leadership determined to improve service delivery to clients. This chapter explains some of the problems and challenges faced by the bank in its service delivery to its clients.

### **4.1. Tedious and cumbersome procedures**

The process of withdrawing money in the bank is protracted, tedious and frustrating. In the case of Lusaka main Branch, first of all, the client has to go to counter 10 which is the enquiries desk to check for the bank balance. Thereafter, the client goes to counter 8 to get the withdrawal slip. The withdrawal slip is filled in and then returned to the same counter. The slip is then taken for specimen verification in the back office. If the signature specimens are correct, the withdrawal slip is taken to the processing desk. Here, the staff checks whether the account is in the system and the amount of money available in the account. If there is enough money in the account, the withdrawal slip is taken to the cashier for payment.

In instances which involve cheque deposits in the account, the cheque is taken to the accountant for verification and cheque clearance. Hilarious enough, if there is no money in the account, the cheque is returned to counter 8 and the customer is advised accordingly. In most cases, clients have to start the process again.

As a result of this lengthy process, customers spend up to 2 hours to be serviced especially during month ends when most people are withdrawing their salaries.

In whatever way one views this process, it discourages entrepreneurship especially SMEs. Business promotion can only be enhanced in an environment where there is efficient and effective delivery system. For banking to encourage business, it must be fast and efficient in its attendance to clients. Most businesses operated by SMEs are managed by one or two people. This implies that for the period one goes to the bank to carry out monetary transactions, S/he in most instances has to close the business enterprises or leave another person to attend to customers. This trend erodes customer confidence as a new person may not give satisfactory responses to the clients. The unsatisfactory response does not only lead to loss of business but it also stains the reputation of the entrepreneur. The ultimate result of this is that business operators lose not only their money but their reputation which is costly in the long run.

#### **4.2. Non Transaction in Foreign Currency**

National Saving & Credit Bank prides itself in the vision "to be Zambia's leading financial institution in the provision of financial services for wealth creation". It's difficult for an institution to envisage itself, as Zambia's leading financial institution in the provision of financial services for wealth creation if it does not transact in foreign currency. Firstly, the bank's primary role is to provide financial services to micro-entrepreneurs. Unfortunately, in the modern era of globalization where money markets play a vital role, it is very difficult to conduct business without dealing in foreign currency. Therefore, by not making this service available to its clients, the bank is not helping entrepreneurs in this respect. As at now, the entrepreneurs borrow money from the bank and then change it with other banks or Bureau de change. This could greatly help the clients by making sure that this service is available in the bank.

Secondly, by not dealing in foreign currency, the bank is missing an opportunity to increase its financial reservoir. Foreign currency unit is one of the most profitable units of most of the other banks. This means that if the bank embarked on the transaction of foreign currency, the bank would generate a lot of revenue and the benefit would be passed over to its clients by making more loanable money available at relatively reduced interest rates. Currently, the interest rate stands at 38% which is on higher side compared with other commercial Banks like Zambia National Commercial Bank (ZANACO) whose interest rates are now at 15 %. Considering the market niche of NASAVE, the bank would double its current loan base with a reduction in the interest rate.

#### **4.3. Inadequate Computers.**

Currently, the bank does not have adequate computers hampering the speedy processing of information necessary to quickly service and address customer's queries and concerns. For instance, the personal banker does not have a personal computer and for any information that requires the use of a computer to check for bank details, she has to use the operations officer's computer or any other computer which may be free at that particular moment. The branch has only one computer connected to printer. This means that when there are a lot of things to be printed especially information demanded by customers like bank statements, one has to wait for another to finish using the computer before commencing with his or her tasks. This without doubt delays the extent to which information demanded by the clients is processed and is one of the causes of inefficiency in the bank.

The computers in the bank are not only inadequate but also old. The bank needs state of the art technologies, in this case flat screen computers which bestow the bank with dignity.

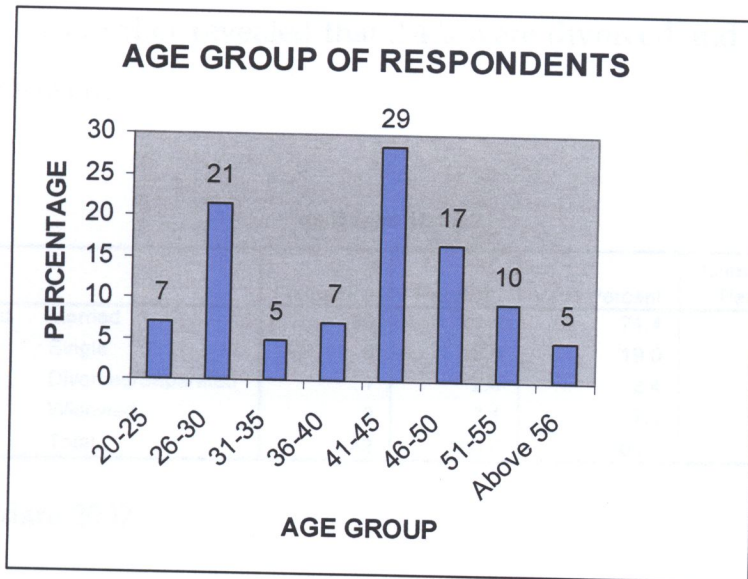
#### **4.4. Not online**

All NATSAVE branches are not connected through online. This is causing serious delays in the procession of cash between and among branches. Using this technology, when one is receiving or sending money through this branch to or from other branches, they have to communicate through fax before any transaction is carried out. The biggest problem is that such transactions depending on the volume of transactions in that bank may take up to maximum of three hours. This is inconveniencing people who wish to quickly get the money and do other things of equally paramount importance.

## CHAPTER FIVE: RESULTS AND DISCUSSION

### 5.1 Age of NATSAVE's clients

Graph 5.1



Source: own data 2007

The study sought to establish the age groups of the bank's clientele. This information is vital for designing products that are intended to satisfy a particular clientele and also to bring on board those people that have potential but are not attracted to the bank. This study ascertained that majority of NATSAVE's clients were over 30 years old. The research revealed that 28.6% of the respondents were in the age group 41-45( Graph 5.1), about 21.4% of the were in the range of 26 to 30 years of age while 17% were in the age group of 46 to 50. Age groups 20-25 and 36-40 had 7% respectively. This study further showed that those in the age group of 51 to 55 years were 10% of the bank's total clientele. Statistics further showed that 5% of the respondents were in the age groups 31 to 35 and above 50 years respectively.