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Factors Effecting Startup Businesses in Entrepreneural Development in Lusaka, Zambia

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Abstract: ***This study investigated factors effecting startup businesses in entrepreneurial development projects in Lusaka provenance. The investigation revealed that the participation of entrepreneual was shaped by a variety of influences. The study utilized a conceptual framework to comprehend the connection between the factors influencing entrepreneur participation in these projects including characteristics specific to entreprenural does senitization and advocacy efforts socio - cultural elements economic conditions and the extent of their actual engagement. To conduct the research a descriptive survey method was employed involving the distribution of questionnaires to gather data the selection of participants followed a non - probability sampling approach. The total number of respondents was 35 and 2 key informants. The number is justified in qualitative research. It is typical in qualitative research to study a few individuals or a few cases. This is because the overall ability of a researcher to provide an in depth picture diminishes with the addition of each new individual or site.***

Keywords: Entreprenural Development Lusaka Provenance Factors Zambia Influence.

1. Introduction

Lack of employment, together with the swelling population growth are at the top of the list of problems faced among the less developed countries. Developed countries are also somehow affected by the same crisis. The situation in less developed countries has been worsened by white collar jobs that have declined tremendously (World Bank IMF (2017). As a result of such a situation, many startup small businesses have continued to languish in hostile business environments. To appreciate the role of SMEs, we need to understand that they’re one of the driving forces in economic development because the small businesses create jobs and take away some of the employment burden from the government. However, it is important to note that SMEs are hailed for their pivotal role in promoting grassroots economic growth and equitable sustainable development (Pelham 2000). The other way for SMEs to grow is through access to finance, however, 70 percent of SMEs fail because of poor capital funding as finance is the backbone of SMEs and any other business enterprise (Mckernan and Chen, 2005). As such governments are expected to boost the role of such private sector initiatives, however, the situation is different in most countries and that SMEs have struggled to have access to finance and grow their businesses (Evboumwan*et al*.2012 and Deressa (2014).

Small and medium - sized enterprises (SMEs) are crucial economic actors within the economies of nations (Wolff and Pett, 2006). They are a major source of job creation and they represent the seeds for future large companies and corporations. The small and micro enterprises (SMEs) play an important role in the Zambian economy. According to the Economic Survey (2012), the sector contributed over 50 percent of new jobs created in the year 2011. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Zambia Statistics Office, 2011).

Starting and operating a small business includes a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes. Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development (Oketch, 2000).

According to Amyx (2005) one of the most significant challenges in the performance of SMEs is lack of technological innovations. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone.

Timmons (2008) argued that SMEs primarily owe their business success and growth to the development of innovations, which gradually effect their transformation into large enterprises. Innovations can include new products, services and ideas, as well as new enterprise processes (production process, procurement process), new organizational structures and administrative processes (Amyx, 2005). SMEs are more innovative than larger firms, due to their flexibility and their ability to quickly and efficiently integrate inventions created by the firms’ development activities (Acs, 2009).

The personal characteristics of the SME owners have also been touted to play a significant role in the growth of SMEs particularly in rural areas. Personal characteristics like level of education, level of training, their adoption of technology among others have influenced SME growth. In fact, one of the key characters of an entrepreneur circling around development of economy in many countries is entrepreneurial education. The significance of entrepreneurship and entrepreneurial education and training ranges from commencing a small - scale unit to building up big business concerns (Alama, 2008). It should be noted that financial and capitation as a factor is important but its study is now saturated and will thus not form part of this study as a variable. As a country, Zambia has been struggling on how it could best address the issues that constrain the SMEs from performing at the frontier and a number of Micro Financial Institutions (MFIs) were established. According to Bank of Zambia (2017) there were currently 28 MFIs with 42 branches all engaged in micro financing and their main purpose is financing of SMEs. Even though the MFIs have been established to assist SMEs, Deressa (2014) revealed and acknowledged the low percentage of the SMEs obtaining loans from MFIs. The low percentage showed the extent to which microfinance was unattractive to SMEs in Zambia. He further acknowledged the extremely high interest rates charged by Zambian microfinance for Micro and Small enterprises. According to Zambia Manufacturing Sector Survey (2003) found that the SMEs sector in Zambia had stagnated due to a number of barriers hindering its growth. World Bank (2015) in its past and latest analysis of Zambia's business environment had acknowledged and shown that there was little support in access to finance by SMEs as financial institutions usually focused on largely formal sector enterprises.

2. Literature Review

The review of literature examines the secondary data available on factors influencing entrepreneurial in economic development projects in Lusaka provenance Zambia. This evidence derived from various studies highlights the challenges and facilitators that affect the extent of entrepreneur participation in these economic development projects, providing valuable insights into the dynamics of their involvement. .

Zambia

In Zambia, Nuwagaba (2015) carried out a research on Enterprises (SMEs) in Zambia. The main objective was to understanding the state of the SMEs sector in Zambia and how they contribute to the country's economic development. Both Primary and secondary data were collected using instruments such as: questionnaires, interviews and review of previous literature on the subject. The study was exploratory and qualitative.

The research revealed that over 90 percent of SMEs operated in the informal sector and this made it difficult for the government to support the sub sector efficiently. Therefore, SMEs' contribution to the country's development was not very clear. Because, majority of SMEs operated in the informal sector, attracting - funding from micro finance institutions (MFIs) was a challenge and this made SME sector weak. Entrepreneurs Financial Centre (EFC) was used as a case study. This is a specialized micro finance institution that provides SMEs lending. Period considered in this research was 2012 - 2014.

3. Statement of the problem

Reviewing past statistics indicate that three out of five small and medium scale businesses fail within the first few months of operation (BOZ, 2016). While there are various reasons for such failure, one central reason is lack of proactive and sustainable innovations. When SMEs don't take advantage of technological, product and service quality, new marketing techniques and innovative organizational structures, such SMEs fail. Therefore, lack of innovativeness has seemingly created poor business performance. However, the state of businesses growth in Chipata town in relation to factors that influence such business growth has not been explored. At the moment, several numerous studies have dealt with innovativeness in SMEs. However, little research has linked such factors to small business growth particularly in developing countries like Zambia and dealing specifically with technological innovation, entrepreneurial training and skills, product and service quality and marketing innovation as variables. This study therefore investigated the factors influencing the entrepreneurial growth of Small and Medium Enterprises in the town of Lusaka Zambia.

4. Theoretical Reviews

A case study done in Thailand, Asia

In another theoretical review study, Grimsholm and Poblete (2010) studied internal and external factors that hampered SME growth in Thailand. A qualitative case study of SMEs in Thailand was used. Three companies were selected for the research. The primary data was collected by semi - structured qualitative interviews with managers of SMEs in Bangkok as well as representatives from different institutions cooperating with SMEs in Thailand. The sample was based on a non - probability approach. The results from the empirical investigation were analyzed with the support of the theoretical framework.

The research revealed that there were a number of significant factors hampering Thai SMEs to grow, these were internal and external factors. For external factors; access to finance, competition, corruption, barriers to trade and macroeconomic factors as amongst were some of the most significant issues. For internal factors; poor management competences, lack of skilled labor, deficiencies in marketing strategies, little efforts on research and development, lack of new technology and low awareness concerning Corporate Social Responsibility were identified as some of the most important obstacles.

5. Research Methodology

5.1 Research Design

The descriptive research design was considered the best design for this investigation by the researcher because of the need to identify and describe what factors influence the growth of SMEs to a larger population and to gain an understanding of the relationship between dependent and independent variables that were being studied. The dependent variable for the study was the growth of SMEs while the independent variables were the demographic factors of the SMEs. Therefore, a descriptive method clearly outlines the relationships of these variables. This method is also best suited for studies involving an individual, a group, or a particular situation.

5.2 Population of the study

The research population considered for this study was Lusaka town, urban area. define a population as a total collection of elements that have common observable characteristics or patterns that the researcher wishes to make some inferences. Other sources describe a population as a universe of all members of a real or hypothetical set of people, events or objects to which an investigator wishes to generalize the results.

5.3 Sampling Procedure

The research adopted a non - probability sampling technique to collect diverse views from the respondents. The purpose of non - probability sampling when selecting respondents was to make sure that specific respondents were not left out in the study. The total number of respondents was 35 and 2 key informants.

Sampling techniques include; the probability and the non - probability techniques. They distinguished probability sampling techniques where a sample is chosen based on known probabilities and were given equal chances in order to avoid biasness. For probability sampling many different techniques are available for the researcher that comprise simple random, stratified random, cluster random and systematic random sampling technique. Non - probability sampling techniques on the other hand involve choosing a sample not based on random sampling methods and include convenience, judgmental, quota and snowball sampling technique

5.4 Sample size

The total number of respondents was 35 and 2 key informants. The number is justified in qualitative research. It is typical in qualitative research to study a few individuals or a few cases. This is because the overall ability of a researcher to provide an in - depth picture diminishes with the addition of each new individual or site. In some cases, you might study a single individual or a single site. In other cases, the number may be several, ranging from 1 or 2 to 30 or 40.

5.5 Sampling Area

Sampling area refers to a method of breaking a larger sample area into smaller areas. This technique is used when no complete frame of reference is available. The total area under investigation is divided into small sub - areas which are sampled at random or according to a restricted process. Each of the chosen sub - areas is then fully inspected and enumerated, and may form the basis for further sampling if desired. The area considered was Lusaka town. The town was then divided into three classes: low, middle, and upper. Samples were collected from all three factions.

5.6 Sources of Data Collection

Data is a collection of measurements and facts and a tool that help an individual or a group of individuals to reach a sound conclusion by providing them with some information (geekforgeeks). Sources of data can be classified into two (2) generic classes: primary and secondary sources. Primary source implies the collection of data from the origin source of the data, the small business owners in this research. Secondary sources of data refer to the agencies and companies that collect the data through the primary source. In this research, the secondary source was PACRA and ZANACO.

5.7 Methods of data collection

- **Direct Personal Investigation:** As the name suggests, the method of direct personal investigation involves collecting data personally from the source of origin. In simple words, the investigator makes direct contact with the person from whom he/she wants to obtain information. This method can attain success only when the investigator collecting data is efficient, diligent, tolerant and impartial. For example, direct contact with the household women to obtain information about their daily routine and schedule. This method was used when getting information from ZANACO and PACRA officials.
- **Indirect Investigation:** In this method of collecting primary data, the investigator does not make direct contact with the person from whom he/she needs information. Instead, they collect the data through some other medium such as a questionnaire. This method was used to get data from small business owners.

5.8 Tools for Data Collection

The Questionnaires: This study used qualitative system and espoused descriptive exploration design in studying the nature of the problem. For qualitative system to use descriptive exploration design, the need to use a questionnaire was consummate in order to increase the sample size that enabled the exploration to arrive at a specific relative standing in terms of statistics similar as frequentness and modes. adding the sample size needed the data collected to be anatomized using descriptive exploration design for ease of analysis using soft - earthenware similar as excel, SPSS among others. Using descriptive design bear quantitative data that helped the experimenter to arrive at a certain percent. The percent revealed the point at which the variable was standing, which could have been delicate in qualitative data to arrive at such a point. thus, a questionnaire, though it isn't the most suitable instrument to collect data as compared to interviews, experimental and concentrate group in qualitative exploration, it was chosen because of the exploration design chosen that bear a big sample size with quantitative data to arrive at a stage point. With quantitative data using a questionnaire, one can continue to increase the sample size especially in quantitative models where the power of the test (P value) has to increase so that results are significant. The questionnaire was designed by the experimenter according to the set objects. The main end was to directly get the data that could answer the exploration questions. The questionnaire was closed. There were numerous other benefits the experimenter attained in unrestricted concluded questions especially when it came to analysis or data processing using a computer. The experimenter enjoyed numerous benefits from the use of a questionnaire. Among these benefits were lower time was spent on the exercise; the instrument was quick to collect data; repliers weren't disturbed when answering questions. Interviews: In order to verify the accuracy of the data that was collected from the use of a questionnaire with respondents, it was necessary to cross check with other officials from ZANACO and PACRA. These informants were interviewed with structured interviews. Babbie (2007: 186) on research informant notes; "a person who is well versed in the social phenomenon that you wish to study and who is willing to tell you what he or she knows about it". The interviews were standardized semi - structured open - ended interviews. Standardized in the sense that it made it possible for the researcher to arrange and organize data into important sub themes. According to Hambulo (2016), the approach enables the researcher the much - needed flexibility to explore more areas in depth and also allow further questions to emerge in the course of the discussions with the research participants. The strength of qualitative research in collecting data lies in how interviews are held to get the in - depth data.

5.9 Tools for Data Analysis

Data analysis is largely concerned with organizing the raw data in order to make sense out of it. Raw data on its own is useless unless it is organized. This research utilized both qualitative and quantitative datasets. The quantitative data collected was processed by checking, cleaning and finally coding it. The missing data was arrived at by using averages for each variable. After the quantitative data was coded properly, it was entered into software for analysis called IBM Statistical Package for Social Sciences (SPSS) version 27.0. The purpose was to come up with descriptive statistics. Some statistics were later manipulated with the use of Microsoft Excel 2019 to come up with graphs and figures of the researcher's choice. The statistics was also made into tables so that various graphical presentations were made. Once the statistics were used to make tables, graphs and figures, they allowed objectivity with regard to interpretation, valid conclusion and recommendations. The information collected from Key Informants using an in - depth interview were analyzed qualitatively based on the themes and contents. Content or thematic analysis is good because it grouped similar items or themes together from many voluminous words.

Introduction

This chapter presented the findings of the study which are in tables, pie charts and graphs. The first section begins by giving background information of the respondents while the second part is a presentation of the research findings in relation to the three research objectives of the study. The graphs and the charts make easy to visualize the statistics of the research. The details of the statistical analysis have been included in the appendix of the document.

Tables

Table 1: The following results represent age distribution of the respondents.

Age Group (Years)	Males	Females	Total	Percent
20 - 35	10	4	14	(40%)
36 - 50	2	8	10	(29%)
51 - 60	3	5	8	(23%)
61 - 70	0	3	3	(8%)
Total	15	20	35	(100%)

Table 2: The respondents were asked to state their marital status. The table below represents the statistics

Status	Frequency	Percent
Married	14	40
Single	15	43
Divorced	6	17
Widows & Widowers	0	100
Total	60	100

Table 3: The respondents were asked to state whether their enterprises were registered. Their responses are shown in the table below

Response	Frequency	Percent
Yes	25	71
No	10	29
Total	35	100

Table 4: Sources of funds for SMEs

Responses	Frequency	Percent
Family / friend	13	37
Savings	14	40
Financial institutions	8	23
Total	35	100

Table 5: How Lack of Equity Base has affected their Business

Responses	Frequency	Percent
Strongly Agree	24	69
Agree	6	17
Not Sure	5	14
Total	35	100

Table 6: Lack of Technology has affected their Businesses

Responses	Frequency	Percent
Strongly Agree	14	40
Agree	11	31
Not Sure	4	11
Disagreed	3	9
Strongly disagreed	2	6
Total	35	100

Table 7: Whether high taxation had affected their business

Responses	Frequency	Percent
Strongly Agree	20	57
Agree	11	32
Not Sure	4	11
Total	35	100

Table 8: Effects of high interest rates has affected their business

Responses	Frequency	Percent
Strongly Agree	18	51
Agree	12	34
Not Sure	5	15
Disagreed	0	0
Strongly disagreed	0	0
Total	35	100

Table 9: Tight conditions with the bank have affected their business.

Responses	Frequency	Percent
Strongly Agree	23	67
Agree	9	25
Not Sure	3	8
Total	35	100

Figures

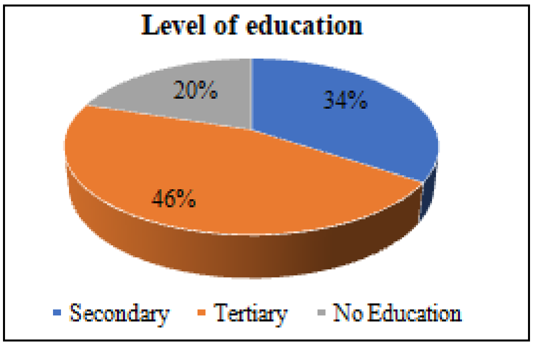

Figure 1.1: Educational Level of the Respondents

6. Interpretation

The data presented in this chapter was organized from the data collection tools that are results from the questionnaires and interviews. The findings from both the questionnaires and interviews were similar. That clearly showed that the majority of the respondents had a strong feeling that there were factors affecting growth in a negative way in SMEs financing. The findings on whether there were internal factors that affect growth in finance, the research revealed that internal factors have been affecting growth in SMEs in Lusaka town in that the majority SMES stated tight conditions with banks hampered their business operations due to the unwillingness of banks to finance them. Some SMEs lacked management experience in managing this type of business. A majority of the small businesses lacked technological advancement to enhance the overall performance. The findings on whether there were external factors that affect growth of SMEs, the research revealed that external factors have been affecting growth in SMEs in Lusaka. Results have revealed that 57% of the SME owners/managers stated that tax laws have added to the administrative burden of small businesses, 51% stated high interest rates affected businesses, 67% stated that financial institutions have tighter conditions on loans. Other factors stated that corruption had hindered so much of their operations, 60% stated that competition from other SMEs makes them fail to compete with many businesses and over 50% stated that inflation had made them to lose the value of their capital.

7. Findings

The results revealed that 20 of the respondents constituting a resounding 43% registered their enterprises whilst the 57% did not register their SMEs. It was discovered that the majority of the SMEs were not legally registered. Not legally registered in the sense that business is not done in a formal way. When businesses are formally registered, there are many advantages that they get from the business and outside business such as supplying goods to government departments and many more lucrative opportunities. When businesses are not formally registered, there are many disadvantages. One such disadvantage is that SMEs cannot apply for a loan from the banks and micro finance institutions. This means that the capital for the business cannot grow. When there is no financial growth, it means the business is static. The majority of the SMEs rely on personal savings and family/friends as the source of business finance of the enterprise. The finances come from family members, their own labor, and very few get from Micro Finance Institutions as most of them can't manage to attain the conditions necessary from the banks.

The source of business finance of any enterprise is an important factor in business as it gives a relative standing in a way one uses the capital at his/her own discretion. Capital in the hands of the sole proprietorship, partnership and cooperative are differently handled and used in business. The source of business finance of the enterprise which is solely from the owners of the SMEs means she/he has control to use the finances without being questioned and as such, can disadvantages the business if the owner is careless in financial transactions.

The findings have revealed that SMEs did not have enough capital and only depend on owners investing large amounts of money from personal resources. The aspect therefore of investing more is of a challenge as they need capital which in most cases is not available and thereby having lesser returns due to little investment, they manage to put in. This is due to the fact that, when a large amount of money is invested in a business it gives a chance for the owners to purchase modern inputs including machines transportation equipment's (trucks, cars), building warehouses, employ skilled labors, and investing in market research which in turn will lead to the higher outputs. Therefore, SMEs that were established with investing in large amount of money performed better compared to those started by the small amount of money. Hence, capital structure (capital size) has a great effect on SMEs growth since it can determine the amount of income accrued by the owners.

The results show clearly that the majority of SME owners/managers agreed that lack of management experience in managing this type of business has hampered their businesses. Management is not only needed in SMEs, but in many business organizations. Owners/managers of such need to plan and control, lead, organize and hire (staffing) if SMEs are to survive in order to obtain the necessary skills to run these businesses. SMEs failure is a result of lack of managerial experience in many instances

The majority of the SME owners/managers believed that technological advancement can improve growth of the SMEs. Capital or loans could be channeled to many SMEs owners, but without technology in the modern world, business becomes difficult and hard to attain. Technology simply means tools that can simplify many issues of life in the business environment such as the use of a computer, calculator, and internet among others. With technology business life becomes easy and exchanging of information. Therefore, technology is undeniable in our businesses.

This result of the importance of having technology had been supported by studies carried out by Levey and Powell (2000) in that application of technology adoption of Information Technology assist organizations in storing information, as well as communicating with customer, suppliers and business partner who facilitate business transactions, and enhance the overall performance of SMEs, leading to a better performance in reducing the operating expenses as a whole

The survey results revealed that most of the business owners/managers believe that tax laws have affected the growth of their business. This could be true in many developing countries; regulations on tax have not been consistent and in most cases, taxes have impacted negatively on the profit of these SME owners/managers.

The survey results revealed that nearly all small business owners believe that financial institutions have tighter conditions on loans they give to SME and that had impacted negatively on their businesses as they cannot afford to get a loan. Tighter conditions do not mean lack of collateral, but many stringent states of affairs in which SMEs are unable to provide answers to the lenders. Tighter conditions mean SMEs remain with their equity in their businesses because of inaccessibility to credit facilities.

This finding is consistent with the findings of Oaya&Mambula (2004) in which it was revealed that due to stringent conditions that were set up by industry to access credits to SMEs, the credits granted to SMEs had little impact on their growth.

The research results revealed that over 56% percent of the respondents believe that competition had impacted negatively on their businesses as they fail to compete with many businesses. It is without doubt that developing countries such as Zambia among others compete with other countries due to globalization resulting in increased trade barriers and other restrictions generally favor those countries. As a result of globalization coupled with market economy, SMEs fail to compete with foreign companies. Competition is good in a market economy because it increases efficiency and quantity supplied.

8. Suggestions and Recommendations

This chapter examined the findings, offered suggestions, and suggested more research to advance the understanding of SME financial growth.

The researcher suggested that SMEs owners work hard to formalise their businesses, such as registration, in order to do business in a formal way and receive benefits that come with formal registration, in order to help themselves try to overcome the factors that affect growth in SMEs financing.

The government must to start providing training in fundamental business and financial management techniques so that SMEs may choose their investments wisely. This will improve their entrepreneurial abilities, enabling them to:

9. Conclusion

- The contribution of SMEs to entrepreneurial growth in Lusaka, as well as the internal and external variables influencing that contribution, are inextricably intertwined with a variety of issues.
- According to the study, some factors have had a significant impact on the expansion of SMEs in Lusaka.
- Financial deficiency has greatly hampered the growth and expansion of the Lusaka SME sector.
- Another critical problem limiting SMEs' growth and expansion is a lack of access to new technology.
- However, access to new technologies is directly related to financial resources.
- Government regulatory regulations on imports and exports, particularly levies and limits on specific raw materials, also hamper the growth and expansion of SMEs.

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