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Investigating Operational Challenges Faced By Micro Small And Medium Enterprises (Msmes): Case Study On Mansa District.

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ABSTRACT
Zambia has an estimated 1.02 million informal micro, small, and medium-sized enterprises (MSMEs), along with approximately 30,000 formal MSMEs. These enterprises make up about 97% of all businesses in the country. They contribute up to 70% of the Gross Domestic Product (GDP) and 88% of the total employment in the country. As a result, these enterprises play a crucial role in providing income to the working population Micro Small and Medium Enterprises (MSMEs) play a major role in most economies, particularly in developing countries. This study, invested its time on Investigating Challenges faced by Micro Small and Medium Enterprises (MSMEs) in Zambia, particularly in Luapula province and specifically Mansa district business town. The study was undertaken to appreciate and understand challenges facing MSMEs in their effort to access funds for operational enhancement, from financial institutions such as commercial banks. MSMEs desire operational funds to undertake various activities including general business operations or carrying out expansion projects. Most of the MSMEs have limited capital and assets but are well placed with the market. The SMEs are known to be better placed in contributing to economic development and to some degree their contribution to provision of economic activities in their operational geographical areas is favorable. In order to investigate the challenges faced by the MSMEs in Mansa Central business town qualitative approach was adopted to facilitate the study. Questionnaires and face to face interviews were conducted to 50 MSMEs in Mansa Central Business District through a technique of random sampling. Based on the responses received through these questionnaires and interviews, the following major findings came to the fore. The study an invested time take stock of available banks in the study area and their position with regards to supporting the MSMEs. The banks and non-bank financial institutions are willing to provide funds to MSMEs on set conditions but Mansa MSMEs are not able to meet the requirements of these financial institutions. Hence, among these requirements is the issue of collateral, which most MSMEs cannot provide, beside small equity base of these MSMEs. The current interest rates does not support the profitability need for the MSMEs. The period of payback is equally not favorable making it very difficult to embark on any profitable developmental or expansion projects. The banks and financial institutions does not support the strategic business needs of MSMEs. If MSMEs access the finances through loan facilities there is high rate of defaults due to tight Cash flow situations, due to difficulties in the management of the account receivables. The study concludes with some recommendations to help free up capital or credit to the MSME sector. MSMEs are not able to invest in business information management and Strategic Management hence difficulties to claim a large market share, to attract credit worthiness and to survive.

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I. Background of the study

The World Bank defines MSMEs as enterprises with up to 300 employees and total annual sales of up to US$15 million (Zavatta, 2008). From the African perspective, an MSME is a firm employing 0-250 employees (Ayyagari, Meghana, Thorsten, etal, 2005). For the case of Uganda, according to Mbaguta (2003), an MSME is that firm that employs a maximum of 50 employees, with a working capital of about 50 million Uganda shillings and the turnover value of 10-50 million Uganda shillings. Therefore, SMEs are viewed as an engine of growth that contributes enormously to nation's Gross Domestic Product (GDP), employment generation, industrial output, poverty alleviation, export promotion and self-independence.

Micro Small and medium enterprises (MSMEs) are very key instruments for the development of an economy through creation of employment, increasing tax base for the country, improving incomes for the low earners among other benefits. (MCTI, 2007; MOF, 2002).

The banks have a different definition of the MSMEs Banks define MSMEs in terms of average annual sales, with thresholds that vary by country according to the size of the economies and structure of the corporate sector (Torre, Soledad, Peria, Schmukler, 2010). .

Looking at South Africa, SMEs operates in every city and they provide employment for people and about 4 million jobs are created through this sector which in some cases may be regarded as informal sector and the formal sector just provides only 7 percent (Thamas, 1989 and Aymes, 1988). The Majority of the SMEs in South Africa operate in the informal sector and there are about 700,000 such business which contribute and their contribution ranges between 16 to 40 percent of the country's gross national product (DeSmidt, 1990; Thamas, 1989). The MSMEs have played and continues to play a bigger role in the social economic development of the country. From previous studies by Kromberg (2005) on South African MSMEs, it was found out that they contribute 30 percent to gross national product considering MSMEs that are registered with the government, though the percentage could be higher if you consider MSMEs that could be operating but not formally registered because of fear to pay state taxes (Skinner, 2006).Micro Small and Medium sized enterprise across Africa face many and varied challenges to their growth and operations.

Considering the 1996 baseline survey of MSMEs in Zambia, about 97 percent of businesses are in the micro small and medium enterprises sector and the sector employs about 18 percent of the labour force and a lot of them are women accounting for 47 percent (Parker, 1996). There is no latest documented nationwide baseline survey on MSMEs in the Zambia the last been 1996. In 1981 the government realized the vital role of the micro small and medium enterprises sector in contributing to the social economic development of the country and it recognized that they were operating under extreme financial difficulties leading to the enactment of MSME the Small Industries Development (SID) Act of 1981 to make the sector more orderly and effective (MOF, 2002; FSD Zambia, 2009), in the same period another MSMEs came named Small Enterprise

Development Organization (SIDO), this was geared to help improve on the SID Act of 1981 (Kingombe, 2004; MCTI, 2007). In 1989, a provision was made in the legislation to enable micro small entrepreneurs to have access to business infrastructure, and accessibility to micro financing. The legislation provided a level playing field for MSMEs and an anticipation of for efficiency and effectiveness of SMEs to support the increased employment, and increased households incomes hence contribute reduced poverty (MCTI, 2007; OPM, 2012; Newman, 2011).

Zambia Development Agency is responsible for monitoring the activities of SMEs in the country and their development. The agency has an obligation to establishing strategic partnerships with different SME development organizations and building their capacity hence improve their operational proficiency (IFAD, 2013). There seems to be no clarity on MSMEs operations in the country and with no adequate documentation on their activities, it would be difficult to clearly portray their contribution to the country's economic development. Small and medium enterprises (SMEs) have overtime been at the forefront of accelerating economic growth in many countries and economic blocs. Mansa district has no industries and commercial manufacturing companies it is the MSMEs that are available on the economic front and they provide employment opportunity

The Zambian economy continued to grow at faster rates than the region as a whole. Preliminary estimates suggest that the economy grew at around 5.5–6.0 percent in 2014, which is a slight increase from the 6.3–6.7 percent recorded during 2011–12. The services sector accounted for around three-quarters of real growth the other year, with logistics, communications, and financial services industries growing by more than 13 percent. Construction grew by 7.5 percent, stimulated by mining industry investment and the government's capital projects, and accounted for 15 percent of total growth last year. The record maize harvest pushed agriculture growth to 6.5 percent (Zambia Economic Brief, 2015).

In order for the Zambian MSME's to continue contributing to national development they need access to finance to carry out their business operation and expansion. The seeming lack of finance for MSMEs is not only retarding their expansion but also the growth of the nation's economy and increased poverty levels. Macroeconomic conditions in Zambia in 2012 and 2016 severely constrained private sector access to credit.

In the Sixth National Development Plan, the policy of Government was to accelerate private sector investment in order to achieve increased and diversified growth. The Eighth National Development plan sets Zambia's strategic direction in terms of the development priorities and implementation strategies for the period 2022 to 2026. Government will therefore, continue with the strategy of attracting investment through facilitation by Zambia Development Agency and improving the overall business and investment climate. The overall effect intended is the creation of decent employment in the various areas of investment and investment in production sectors. MSMEs have the capacity to contribute economic development and provision of employment, but in their current form they lack economies of scale due to their limited size, investment capacity, low ability to use strategic management and low capital base. Poor absorptive capacity and limited funds are among the key gaps been identified as factors that hamper the development of MSMEs in Zambia, particularly in Mansa district.

Other challenging areas identified leading to low or poor MSMEs access to credit facilities is inadequate information and knowledge of the MSMEs managers and directors. The management team of the MSME's have no capacity to use strategic management skills. Small business owners most often possess more information about the potential of their own businesses but in some situations it can be difficult for business owners to articulate and give detailed information about the business as the financiers want (JCTR, 2017). It is important to note that some small business managers tend to be restrictive when it comes to providing external financiers with detailed information to facilitate the appraisal process.

The rising fiscal deficit makes the economy more vulnerable at a time when world financial markets are becoming more turbulent (CSO, 2015). High levels of spending on government salaries, political in nature operations and government service provision leave little space for the government to expand cash transfers and other poverty reduction programs. Cash transfer for vulnerable household is not integrated with skill development and accountability interventions.

The contributions of MSMEs to economic growth of countries have been very significant. The Bank of Zambia Monetary Policy Committee noted that inflation would likely rise later in 2015 and remain above the target of 7.0 percent towards the end of the year, fueled in part by depreciation of the kwacha. Consequently, it raised the policy rate by 50 basis points announcing that reserve requirements for commercial banks would be increased to 18 percent from 14 percent (BOZ, 2015).

Credit guarantee schemes are principal to alleviating the challenges facing MSMEs in accessing finance. A significant number of our SMEs in Zambia demonstrate good commercial viability, though they have limited access to conventional bank credit facilities following their failure to meet attached conditions including inadequacy of collateral and lenders' limited understanding of the MSME business model (JCTR, 2016). Access to credit is necessary to grow the MSMEs and accelerate the pace of industrialization.

The Economic Association of Zambia submitted that the lack of credit from commercial banks to SMEs slows down this group's ability to develop and grow Another matter has to do with the inadequate capital base of most MSMEs in the country to meet the collateral requirement by the banks before credit is given out. In a situation where some MSMEs are able to provide collateral, they often end up being inadequate for the amount they needed to embark on their projects. MSMEs assets backed collateral are usually rated at 'skeleton value' to ensure that the loan is realistically covered in the case of default due to the uncertainty surrounding the survival and growth of MSMEs

The interconnection between the theory of social capital and challenges faced by MSMEs in raising finance cannot be under-estimated. In the subsequent discussion, such an interconnection is revealed as inherently embedded in every challenge that MSMEs encounter either consciously or unconsciously. The main focus here is on dissection of challenges such as; inadequate collateral to secure loans; lack of information, low knowledge levels, low level technical and management skills; lack of professionalism; competition; inability to afford long term financing among others, (JCTR, 2016).

Statement of the problem

MSMEs in Zambia do not have the strategic management knowledge and skills for them to position their business well. Most MSMEs in Zambia and Mansa district in particular operate without set standards of production and management functions. No long term plans.

The absence of strategic management knowledge and skills results in large amounts of inventories, poor understanding of market needs, failure to meet customer demand thus failure to grow from small to medium and medium to large (Nenzhelele, 2017). Several negative features are postulated in small enterprise sector, poor service delivery, poor quality products; a lot of labour turnover, poor management and failure to reach targeted goals, (Nkonoki, 2016).

The MSMEs have inadequate skills to strategically management the business environment both internal and external and limited skill to facilitate getting of external finances through grants or the loan facility.

Failure of firm's internal environment management are no doubt the reason for the poor performance of the firm, these are factors such as finance (especially internal finance such as owner's equity contribution and collateral), managerial competency of the owner, location, investment in information technology, cost of production and networking (Cassar, 2014; Barbosa and Moraes 2014).

External factors like contractual and informational frameworks, macro-economic environment, social factors and technology are equally major influence on firm performance especially for the MSMEs, (Beck, 2014). The MSMEs have no foresight for future business opportunities and no investment plans and expansion capacity.

Many researchers have studied MSMEs business environment and their contribution in economic development, for example, (wines, 2007; hobohm, 2009; nenzhelele, 2009) distinguishing between strategies associated with high and low performance, but little is known on the relationship that exists between the MSMES success factors and MSMEs productivity ability, their strategic management skills that can drive their ability to increased access to financial facilities. Investigating challenges surrounding the two elements will contribute to the body of knowledge and enhance the development of strategies for both new and existing MSMEs. There is potential for improving MSMEs performance, demanding of the market share, ability to access finance and achieve the profitability goal when the relationship that exists between the success factors and MSMEs productivity ability are appreciated

Research Objectives
General Objective

- To investigate the specific operational challenges that MSMEs face in Mansa's central business district to propose some recommendations to help alleviate these challenges and contribute to the body of knowledge

Specific Objectives

- To analyze the challenges faced by MSMEs in their operations and in accessing financial credit facilities sustain and expand their businesses.
- To evaluate the key factors that hinder MSMEs to access extend financial injection into their business and barriers associated with low productivity
- To identify the effects of high loan interest rates on MSMEs in Mansa central district business

Research Questions

- What are the challenges that MSMEs face during operations?
- What are some of the factors hindering MSMEs to access credit facilities?
- What are key effects of high credit interest rates on the MSMEs in Mansa central district business

Significance of Study

MSMEs make up around 97% of Zambia's GDP in the rural districts such as Mansa, the MSMEs are great providers of employment opportunities and champions for poverty reduction. Despite their contribution to GDP, and efforts towards improved standard of living for the Zambian people, MSMEs in the Zambian, are still facing financial challenges.. . The challenges negatively impact on their expansion and growth hence limiting their potential to drive the national economy to higher standards. MSMEs in Mansa central district business are not empowered with strategic management knowledge and skills. Studying operational challenges MSMEs in Mansa central district business encounter will provide an opportunity for this study to propose recommendations. MSMEs are crucial in the business supply chain since they present as buyers and consumers of certain products and interface between the distributors and the consumers.

Limitations of the Study

The limitations that were encountered during this study were:

- The study used qualitative approach, and a nonprobability sampling framework attracting a small sample. Making the elements of the population not to have an equal chance of being selected hence the results may not be generalized to the whole district. However, the results of this study can be used as a starting point for further research assignments.
- Limitation of time for the researcher to exhaust all identified challenges considering that the respondents had limited time to spend in an interview due to limited labour force and man-hours.

Theoretical Framework
The theory of the Firm
Introduction

An establishment or corporation is the most important of modern economic institutions. The nineteenth century saw the emergence of business organizations with many employees and differing shareholders. Mostly, in the first instance, railroads and railways: bank and resource companies followed. And subsequently the manufacturing corporations which came to dominate the industrial scene in the twentieth century. (Hannah, 1976). *Fortune* produced its first list of the world's largest corporations in 1956.

Neoclassical economics is a broad theory that focuses on supply and demand as the driving forces behind the production, pricing, consumption of goods and services. It emerged in around 1900 to compete with the earlier theories of classical economics. The movement from classical to neoclassical economic theory grew from the work of William Stanley Jevons, Carl Menger, and Léon Walras in the late 1800s. The dominant text of neoclassical economics, *Principles of Economics*, was written by Alfred Marshall and used in the early 1900s

One of the key early assumptions of neoclassical economics is that utility to consumers, not the cost of production. This study has an interest in strategic management and hence strongly support this early assumption and encourage the management of MSMEs to always consider the satisfaction of the consumer as a first priority before the production or delivery cost. This is also good enough and wealth the salt for service providers such as the planners in education and health sector, as well as the teachers and public health workers who provide services to the customers. Good positioning of the customer is the most important factor in determining the value of a product or a service. This approach was developed in the late 19th century based on books by William Stanley Jevons, Carl Menger, and Léon Walras. Strategic managers strongly support the idea of placing the consumer on the centre of production of any kind and also provision of any service, in view of strategic management by different business undertaking including MSMEs. it is important to focus on the benefits of the stakeholders in all strategies and designs and it is from this perspective that financial institutions need to ensure that SMEs have access to credit facilities. .

Neoclassical economics dominates mainstream economics today, so the theory of the firm (and other theories associated with neoclassicism) influences decision-making in a variety of areas, including resource allocation, production techniques, pricing adjustments, and the volume of production. Strategic manager aim at adding value to the body of knowledge and this paper stands ready to add to the neoclassical economics, by encouraging SMEs managers and directors from different aspects of production and service delivery to be strategic in their thinking and hence place the customer at the Centre of the production and service delivery. The managers of SMEs should have a forward and creative thinking ability.

While early economic analysis focused on broad industries, as the 19th century progressed, more economists began to ask basic questions about why companies produce what they produce and what motivates their choices when allocating capital and labor. This focus should get to the financial institutions and their focus should be on SMEs.

However, the theory has been debated and expanded to consider whether a company's goal is to maximize profits in the short-term or long-term. Modern takes on the theory of the firm sometimes distinguish between long-run motivations, such as sustainability, and short-run motivations, such as profit maximization.

If a company's goal is to maximize short-term profits, it might find ways to boost revenue and reduce costs. However, companies that utilize fixed assets, like equipment, would ultimately need to make capital investments to ensure the company is profitable in the long-term. This is true for SMEs and hence their need for financial access from the banks. The use of cash to invest in assets would undoubtedly hurt short-term profits but would help with the long-term viability of the SMEs.

Competition (not just profit) can also impact the decision making of MSMEs executives. Strategic management supports competition and it is considered from the point of view of leveling the ground of MSMEs. From Strategic Management point of view MSMEs have limited knowledge and skills to position their business to access external finances from financial institutions. . Therefore, long-term profits could only be maximized if there's a balance between short-term profits and investing in the future and hence the need for MSMEs to access loan facilities with a strategic management approach. Some of the MSMEs who participated in the study have no well documented mission, vision and objectives.

The nexus of contracts

The rising of corporations led economists to give belated attention to the theory of the firm. Credit for founding this branch of knowledge is generally given to Ronald Coase, whose 1937 article (based, he later explained, on ideas put forward five years earlier when he was only twenty-one) remains seminal. (Coase, 1937, 1991) Transactions costs were central to Coase’s argument. The boundaries of the firm were defined by the relative costs of two methods of co-ordination: markets and the price mechanism versus central direction, and management hierarchies.

Companies such as General Motors and du Pont – companies featured in Alfred Chandler’s magisterial account (1962) of the rise of the diversified manufacturing corporations – appeared to have extensive need of hierarchy, with extensive horizontal diversification and vertical integration. Oliver Williamson (1975) greatly extended the Coaseian framework, emphasising the importance of idiosyncratic investments which were specific to the needs of a particular product – including both physical equipment and acquired skills. If the manufacture of a part required specialist tooling and knowledge, then the related functions would take place within an integrated firm. SMEs should take up the spirit of integration and joint venture.

This firm was ‘a nexus of contracts’. (Jensen and Meckling (1976), Easterbrook and Fischel (1989, 1993)). This idea was present from the very beginnings of the modern corporation in the legal doctrine of corporate personality – people dealing with the firm transacted with a corporate entity, not the individuals who represented the organization. From an economic perspective, the firm was at the centre of a web of legal agreements, with employees, suppliers, customers and lenders.

What of the position of shareholders? Legal agreements can never be sufficiently comprehensive to cope with all eventualities. Much of what is contracted is implicit, and the courts may identify and enforce implicit terms: but much remains to be resolved by hierarchy. Grossman and Hart (1986) Hart (1989) characterized the ‘owner’ within the nexus of contracts as the person who determines the indeterminate elements of inevitably incomplete contracts. The shareholders, residual claimants to revenues and assets, and at least in theory collectively possessed of the power to enforce their will, fulfilled this role of arbitrators of whatever was not spelled out contractually.

Thus the problem of strategic management is essentially reducible to the specification and resolution of principal-agent problems. And in the classic text of Milgrom and Roberts, this principal-agent problem explains the central issue of organizational design. Thus ‘although delegating authority to those with the information needed to make good decisions is an important part of good organization design, this includes the mission, vision, objectives and governance structures. it is of little use unless the decision makers share the organization's objectives and the vision, one would see the future of the business. MSMEs need to access the loan facility to expand their business or to use the loan facility as an incentive for their personal development agenda. We have already mentioned incentives as a way to align individual and organizational objectives….. incentives and delegated authority are complements: each makes the other more valuable'. (Milgrom and Roberts, 1992, p.17).

MSMEs need to engage in the contract with financial institutions. The contract is a device for creating incentives such that the individual (with local knowledge unavailable to persons more senior in the hierarchy) will act as if the objectives of the organization (and, by extension of the previous argument, the shareholders) were his or her own.

The scale of the twentieth-century corporation made inevitable the separation of such shareholder 'ownership' from control. This issue had been noted even before Coase and Chandler, famously by Berle and Means (1932) Such separation generated an additional principal agent problem: that of the shareholder 'owners' as principal and the executive managers as agent. The emphasis in Jensen and Meckling's 1976 article on the need to align these interests, by designing appropriate incentive schemes proved highly influential, not least because its conclusions were so congenial to the executive managers themselves. Over the following decades explosive growth in the use of stock options was associated with explosive growth in the levels of executive remuneration.

Milton Friedman's (1970) article 'The Social Responsibility of Business is to Maximise its Profits' may be one of the most cited articles ever published in the New York Times. Friedman's assertion followed naturally from the identification of shareholders as 'owners' and managers as 'stewards', and that article may be seen as a precursor of the era of 'shareholder value'. Jack Welch of General Electric is widely credited with inaugurating that era in a speech at the Pierre Hotel in New York soon after he took over as that company's CEO. (Welch, 1982) Welch did not in fact use the phrase 'shareholder value', but it become more and more widely heard in the two decades that followed. Only in 2009, some years into retirement, would Welch describe shareholder value as 'the dumbest idea in the world'. (Welch, 2009).

The core model of the modern firm, then, visualises it as a cascade of principal-agent problems. That model was the logical culmination of what had earlier been described (though with a degree of scepticism which had increased over time) as 'scientific management'. Shareholders–owners, too busy and too numerous to manage the business themselves, contract with executives to run the business. These executive functions include determination of the appropriate scope of the firm, integrating idiosyncratic activities within the overall common organizational structure, and contracting in competitive markets where there are multiple potential suppliers of homogenous inputs. Internal organization requires decentralization to those who hold the diffuse information required for efficient production, while incentivizing them to use that information for the advantage of the firm rather than the holder of the information. The incompleteness of contracts requires that those with superior access to information are given appropriate incentives to internalize the objective of the firm – the maximization of value for its shareholders. A suite of models of these kinds provides a rationalist and reductive account of the role and functions of the firm which is still pervasive.

Neoclassical Economics in the real world

Neoclassical economic theory is important because of how it affects both markets and economic policy. Let me take an example of the government or public school that has the mandate to provide education to the citizen, in this case children. Depending on the government policies in place and how well the school management is organized will attract the clients to the school in large numbers to get the service and good management which includes respect of child rights to some degree will be a motivation to good academic performance of children. In this case the aspect of good management takes care of the climate change risk management.

The Business

The principles of neoclassical economics can be used by companies to set prices and grow their business.

A business that understands neoclassical economics, for example, won't just look at the cost of making a product when setting a price. It will also consider what competitors are charging, what customers are willing to pay, and how to use branding to increase what customers are willing to pay. A savvy business owner, for example, could create a marketing campaign that positions their product as the favorite choice of popular figures on social media. By influencing customer perception of their brand, the business will be able to charge more for their products.

Different forms of business organization

The approach to the theory of the firm still dominant today was derived from observation of the American manufacturing corporations of the twentieth century. But, as that century came to a close, that type of business organization came to be less and less representative of American industry – and the economic theory of the firm became more distinct from the study of actual business activity. And as business became global, the extent to which there are distinctive business organizations in countries with different history and culture became apparent.

General Motors would be displaced as the world's largest car producer by Toyota, which only a few years earlier had been a small manufacturer of textile machinery. If the American firm was a nexus of contracts, Japanese business was characterized by an absence of formal contracts. Elaborately hierarchical in one sense, the hierarchy was defined by deference rather than as a principal agent problem. And Toyota, in common with many other Japanese companies, functioned within a 'keiretsu' – a network of suppliers willing to engage in highly specific and idiosyncratic investment related to Toyota products without either the opportunity to sell in competitive markets or the need for an overarching hierarchy of common ownership. (See, for example, Miyashita and Russell (1994)).

Privately owned northern Italian business was characterized by clusters of firms. Independent entities within a small geographical area would specialize in the manufacture of particular products – the tie manufacturers of Como, the specialist metal workers of the Brescia valley, the suit makers of Prato, sharing knowledge and providing other kinds of mutual assistance. The notion of clusters was popularized by Porter (1990) who provides extensive accounts of both Japanese and Italian structures. But the most famous description remains that of Marshall (1890) – 'the mysteries of the trade become no mysteries, but are as it were in the air'. The economies of these businesses were bound up in the social reality of the communities. But were they one firm, or many? Like the keiretsu, they seemed to be neither markets nor hierarchies.

And these differences in the nature of business organization across countries were seen in the changing nature of US business itself. The trend to vertical integration seen in the earlier growth of manufacturing corporations was replaced by outsourcing and the construction of global supply chains. Companies such as distributors of branded apparel subcontracted the manufacture of shoes or clothes to low cost locations, mostly in Asia, and sold on the basis of design and branding. Production was in one location, value added accrued in another. The 'make or buy' was regarded as a key issue in the business community. But the approach to that decision, emphasizing competences and capabilities rather than specificity and idiosyncrasy, was very different from that which was suggested by the nexus of contracts/markets and hierarchies tradition.

The Government and Banks

Governments and banks can also follow neoclassical principles, which will impact economic policy and market regulation. Followers of neoclassical economics believe that there is no upper limit to the profits that can be made by smart capitalists since the value of a product is driven by consumer perception. This difference between the actual costs of the product and the price it is sold for is termed the economic surplus. From the point of view of this research, government has the obligation to develop policies that will be accommodative in meeting children rights in the face of climate change, its impact, and in the area of climate risk management.

This type of thinking was evident in the lead-up to the 2008 financial crisis. Modern economists believed that synthetic financial instruments had no price ceiling because investors in them perceived the housing market as limitless in its potential for growth. As a result, many investment banks and lenders continued to grow the market for subprime mortgages, assuming that continued growth in the market would prevent investment instruments that included these mortgages from losing value. These financial instruments were mostly unregulated by the federal government, allowing lenders and investors to drive growth in the subprime mortgage market. As a PhD student would support this thinking and approach to extend to climate risk management by ensuring that services and products designed for children especially in the face of climate change are considered with a higher level of risk management.

Both the economists and the investors were wrong, and the market for those financial instruments crashed. The housing market did eventually stop growing and begin to decline. Subprime lenders found themselves underwater on mortgages that they could not afford. They began to default in large numbers. This not only left huge numbers of borrowers unable to afford their homes, but it also undermined the stability of the banks and lenders who had backed their mortgages. The entire global economy suffered and required government intervention to stabilize.

Main Elements of Neoclassical Economics

The main assumptions of neoclassical economics are that consumers make rational decisions to maximize utility, that businesses aim to maximize profits, that people act independently based on having all the relevant information related to a choice or action, and that markets will self-regulate in response to supply and demand.

In contrast to Keynesian economics, the neoclassical school states that savings determine investment. It concludes that equilibrium in the market and growth at full employment should be the primary economic priorities of government. As a PhD student would sell this school of thought to planners in education and health sector to use the neoclassical theory in the face of climate change risk management.

These principles can be summed up in three assumptions that underpin neoclassical economic theory:

1. **Rational thinking**: People make rational choices between options based on the value that they identify in each choice.
2. **Maximizing**: Consumers aim to maximize utility, while businesses aim to maximize profits.
3. **Information**: People act independently based on having all the relevant information related to a choice or action.

Theory of the Firm Vs. Theory of the Consumer

The theory of the firm works side by side with the theory of the consumer, which states that consumers seek to maximize their overall utility. In this case, utility refers to the perceived value a consumer places on a good or service, sometimes referred to as the level of happiness the customer experiences from the good or service. For example, when consumers purchase a good for $10, they expect to receive a minimum of $10 in utility from the purchased good.

Special Considerations

Risks to Companies that Adhere to the Theory of the Firm

Risks exist for companies that subscribe to a profit-maximization goal. Solely focusing on profit maximization comes with a level of risk in regards to public perception—and a loss of goodwill between the company, consumers, investors, and the public.

A modern take on the theory of the firm proposes that maximizing profits is not the only driving goal of a company, particularly with publicly held companies. Companies that have issued equity or sold stock have diluted their ownership. This scenario (of low equity ownership by the decision-makers in the company) can lead to chief executive officers (CEOs) having multiple goals, including profit maximization, sales maximization, public relations, and market share.

Further risks exist when a firm focus on a single strategy within the marketplace in order to maximize profits. If a company relies on the sale of one particular good for its overall success, and the associated product eventually fails within the marketplace, the company can fall into financial hardship. Competition and the lack of investment in its long-term success—such as updating and expanding product offerings—can eventually drive a company into bankruptcy. As a PhD student I feel this is applicable to climate change risk management and hence the need to be strategic and Employ various strategies in the best interest of the child and sustainability.

Neoclassical economics theories underlie modern-day economics, along with the tenets of Keynesian economics. Although the neoclassical approach is the most widely taught theory of economics, it has its detractors.

Criticisms of the Neoclassical Economics

Critics of neoclassical economics believe that the neoclassical approach cannot accurately describe actual economies. They maintain that the assumption that consumers behave rationally in making choices ignores the vulnerability of human nature to emotional responses.

Neoclassical economists maintain that the forces of supply and demand lead to an efficient allocation of resources.

Other crtiques of neoclassical economics include:

- **Distribution of resources**: Resource distribution impacts how people make decisions, but resources are not distributed equally. There are important differences, especially between those whose income comes from performing labor and those whose income comes from owning capital.
- **Appropriation of resources**: Resources are often claimed by those with economic or military power, regardless of whether they were previously owned by people or groups with less power.
- **Available choices**: People may attempt to make rational decisions, but they can only choose between the available choices. For example, choosing between a job that endangers your health or losing your family home is not the same as choosing between a dangerous job and a safe one.
- **Irrational decisions**: People do not always make the most rational decision, or only consider the benefit to themselves as an individual when making choices. They may be influenced by social pressure, the needs of others, available choices, income restraints, imperfect information, or existing power structures to make choices that don't maximize utility to themselves.
- **Pursuit of profit**: Maximizing profit is not the only or best way for markets to function, as this can exacerbate inequality, exploit workers, and damage the environment or community. Markets or businesses structured around solving a problem, such as non-profit organizations or single-payer healthcare systems, can often function with equal levels of efficiency and effectiveness.
- **Standards of living**: Producing more goods and services (having a higher GDP) does not always equal a higher standard of living. Neoclassical economics equates standards of living with "amount of goods and

services consumed," but consuming more does not always improve measures such as health, life expectancy, social equality, economic stability, or other factors in quality of life.

Some critics also blame neoclassical economics for inequalities in global debt and trade relations because the theory holds that labor rights and living conditions will inevitably improve as a result of economic growth.

Other approaches

Somewhat different approaches to theories of the firm have been developed in at least three related disciplines – organization theory, business history, and corporate strategy. Peter Drucker published Concept of the Corporation in 1946 and claimed, somewhat extravagantly, to have created organizational theory, at least as applied to business organization. Reflecting many years later on a book which had achieved sales and fame far beyond the dreams of author or publisher, Drucker would say '(it) is not a book about business ….. it was the first book that looked upon a business as an organization, that is, as a social structure that brings together human beings in order to satisfy economic needs and wants of a community'. (Drucker, 1983).

Businesses had for long commissioned hagiographic accounts of their founders and their origins, but Alfred Chandler's Strategy and Structure, which appeared in 1962, established the writing of business history as a scholarly activity deserving of respect in its own right. Chandler focussed on the history of General Motors, the same company that had provided the impetus – and unprecedented access to its internal workings – for Drucker's book. And little exegesis is necessary to see that it was businesses such as General Motors which Coase – a British born and educated economist who formulated his thesis on a visit to the United States in 1931 – had in mind in preparing his famous article. Corporate strategy emerged as a subject, in business schools and through consultancies, in the 1960s. One of its principal founders, Igor Ansoff, was explicit about his motivation.

'Study of the firm has been the long time concern of the economics profession. Unfortunately for our present purposes, the so called microeconomic theory of the firm which occupies much of the economists' thought and attention, sheds relatively little light on decision-making process in a real world firm'. (Ansoff, 1965, p.16)

And indeed a discipline of corporate strategy emerged in business schools and consultancies in the 1960s and 1970s largely without regard to or reference to the economic analysis of the firm. Towards the end of that period, Michael Porter literally and metaphorically crossed the Charles River in an attempt to bridge the gap between economics and strategy. But Porter more or less ignored the theory of the firm: instead he used the structure-conduct-performance framework which had been the guiding doctrine of the institutionally minded industrial economics group in the Harvard economics department of the previous two decades. Porter's 'five forces' framework is effectively a translation of the S-C-P approach into business language. (Porter, 1979)

Yet the weakness of that S-C-P/five forces framework as theory of the firm is immediately apparent. The strategy of the firm is assumed to be determined by the 'five forces' of suppliers, customers, entrants and substitute products, mediated by competitive rivalry. There is no explanation of why different firms, facing the same five forces, perform differently.

Resource based theory

A different view of the theory of the firm had been proposed in 1959 in Edith Penrose's Theory of the Grown of the Firm. Penrose defined at the outset a perspective very different from what would become the transactions cost/market and hierarchies school. 'All the evidence we have indicates that the growth of firms is connected with the attempts of a particular group of people to do something'. And yet while Coase and Williamson would be awarded Nobel Prizes for their theorizing, Penrose would be largely neglected by subsequent generations of economists. It would be in business strategy that her ideas would make a real impact.

Penrose's central insight was that a firm was not so much a nexus of contracts as a collection of capabilities – capabilities which might be the creation of 'a particular group of people' or might indeed be the 'particular group of people, or the relations between them. This resource based theory of strategy, as it became known, was subsequently developed by Barney (1991) and Wernerfelt (1984). Only if these internal capabilities were valuable, rare and inevitable could they be a sustainable source of profit. The task of corporate strategy is to match the capabilities of the firm to its external environment. The boundaries of the firm are defined less by transactions costs than by the appropriate scope of the firm's distinctive capabilities. That is why Apple sells music but not groceries.

Fifty years later, Ansoff's comment that 'the so-called microeconomic theory of the firm….. sheds relatively little light on decision making processes in a real world firm' remains pertinent. It is impossible to construct a theory of the firm without insight from organization theory, business history, and corporate strategy, and that the focus on principal agent models within a nexus of contracts diverts attention from the complex issues of organizational design. The focus on the firm as collection of capabilities gives a different, and more illuminating, perspective for understanding the extraordinary diversity of business organization over geographies and over time.

Relevance

Understanding the role of the theory of the firm in business or organization management beyond the aspect of profit making helps the manager to widen their decision making network and to appreciate the engagement of the external environment in decision making and it is from this background that the MSMEs need to appreciate the theory.

The growth phenomenon among MSMEs is one that has not been properly and completely analyzed in existing literature. According to Farouk and Saleh (2011, p. 2) the existing theories have failed to establish conclusively why some enterprises fail while others beat the odds and survive. Some of the growth theories established thus far, including their criticisms have been briefly outlined below.

Stochastic model

According to Farouk and Saleh (2011, p. 3), authors such as Matthew Dobbs and R.T Hamilton (2006) came up with this model which is essentially based on the fact that firm growth is completely random and there are no defined groups of variables that can be used to predict the said growth. Needless to say, this stance has been fiercely disputed by various authors among them Enrico santarellia and Marco Vivarelli (1999) also cited in Farouk and Saleh (2011, p. 3).

Deterministic approach

According to Farouk and Saleh (2011, p. 4), this approach was championed by authors such as Jones and Neubaum (2005). The basis of this approach is that a specific set of internal and external variables can be identified that explain the growth of small and medium enterprises. Critics of this model are of the view that its contribution has been somewhat limited as it only provided fuzzy explanations leaving a great deal of issues unexplained. In addition, this model is said to be lacking empirical validation.

Stage model

Essentially the brainchild of accomplished authors Churchill and Lewis (1982) cited in Farouk and Saleh (2011, p. 4), this model states that each stage of a firm's development has corresponding characteristics, challenges and attributes. The main criticism of this school of thought is that it lacks validity as priority is placed on internal factors while relegating other equally important external factors to the background. (Farouk and Saleh, 2011, p. 4)

Perren's framework for growth of micro enterprises

According to Perren, growth in an enterprise may be defined according to two main indicators such as an increase in employee numbers (i.e. beyond 9 employees) and turnover of more than £ 600,000 and conversely, those enterprises that exhibit flat employee numbers as well as flat turnover are considered to be no growth enterprises. Given the above, in this study growth oriented enterprises are those that were found to have the desire to increase the number of employees and the desire to grow the business as a whole.

Perren (1999, p. 369), goes on to state that there are two main types of factors that affect the growth of micro enterprises. These two factors are independent factors and interim drivers that interact with each other, resulting in enterprise growth (assuming the interaction is positive). The two factors mentioned above together with their sub factors are discussed below as follows;

Independent factors, according to Perren (1999, p. 369) are factors which especially have a big influence on interim growth drivers. In his study, he found independent factors such as; personality attributes, transferable experience, stakeholder patronage and other external influences to be important to micro enterprise growth. This means that these independent factors must be positive in order to enable the interim growth drivers to initiate and sustain growth of a micro enterprise; it therefore follows that the absence of any of these factors will have a negative effect on the growth of a micro enterprise. In other words, the presence of these independent factors can be a catalyst for growth, whereas their absence may be a constraint to growth.

The first independent factor that falls under personality attributes is the desire to succeed. In his study, Perren (1999, p. 369) found that this factor was quite prominent. According to him, a micro enterprise owner must really want his enterprise to be successful and often this enterprise success is related to growth, meaning that if the motivation for growth is strong (owners motivation is also an interim growth driver), the owner will make his enterprise grow. It therefore follows that if the owner has low motivation for success, then enterprise growth will be negatively affected and hence a low motivation to succeed presents a constraint to growth.

The second factor that was identified by Perren (1999, p. 369) to have an effect on enterprise growth is state of the economy falling under the 'external influences' category of independent factors. According to him certain pieces of legislation as defined by the government may act as a constraint or catalyst to the growth of a micro enterprise. In the Zambian context, regulations such as the local government Act, Public health Act and business licensing Act as well as the various policies (for example; Micro enterprise development policy and

Citizens empowerment policy) through their exact prescriptions, application and enforcement may end up being a constraint or catalyst to enterprise growth.

The third factor identified by Perren (1999, p. 369) to have an effect on enterprise growth is competitive dynamics also falling under the 'external influences' category of independent factors. Perren's study indicated that when competition in a particular sector is high, the enterprise owner will be in an advantageous position because certain business costs will reduce therefore enabling the micro enterprise to increase volumes of production.

This increase in volume therefore translates to growth of an enterprise, but it must also be noted that if competition is too much in a market or if these competitors are larger and have an unfair advantage such as a cheaper source of inputs/ products or are enjoying economies of scale they might be able to offer their goods at a much cheaper price.

II. LITERATURE REVIEW

Overview

Small and Medium Enterprises (MSMEs) make a remarkable contribution to national economies. The small business sector makes a huge contribution to employment, social stability and economic welfare. In many countries, MSMEs dominate the economy and their contribution to the national economy is being acknowledged worldwide. Small businesses foster economic growth and job creation which results in the reduction of poverty (Ayyagari, 2007).

Stokes and Wilson (2010), state that the small business sector and entrepreneurship are recognized today as key elements in national economic growth. There is a fundamental gap between high and low income groups. Small business and entrepreneurship development serve as a facilitator in filling these gaps. As such this study will consider these two elements in order to gain a deeper insight on the issues facing SMEs.

Over the years there has been a wide recognition of the important role played by SMEs. This has resulted in the introduction of various initiatives with the intention of developing and improving their performance. Even though these programs do enhance the performance of SMEs to a certain extent, there are still a number of challenges that are faced by many of them (Tahir et al., 2011). It is therefore, apparent that there is a need to explore the environment in which these SMEs operate in order to get a better understanding of the underlying factors that affect their performance and growth.

This study intends to identify the challenges faced by SMEs in Lusaka with a view to identifying the critical factors that influence the success or failure of these businesses. Topics that will be considered include: Entrepreneurship, defining SMEs, SME Environment, SME challenges, Key success factors, the Role of SMEs in the economy and SME development in Swaziland.

Some SME Definitions

According to Ward (2005) there is no universal definition for SMEs since the definition depends on who is defining it and where it is being defined. For example, in Canada SME is defined as an enterprise that has fewer than 500 employees and small enterprise as one that has less than 100 employees. On the other hand, the World Bank defines SMEs as having no more than 500 employees. SMEs can be defined in two ways: based on the number of employees in an enterprise and/or the enterprises fixed assets. According to Boon (1989), the size of the enterprises employment is the most important criterion used in Ghana. But one must be cautious when defining MSMEs based on fixed assets because of the continuous depreciation in the exchange rates, which often makes such definition out-dated. UNIDO defines MSMEs in developing countries based on the number of employees in an enterprise. A Micro small enterprise has between 5 and 19 workers and takes the example of the ubiquitous small shops in the cities such as hair dressing saloons, Auto Spares and chop bars. A medium enterprise has 20 to 100 workers and these include manufacturing firm and exporting companies. The Ghana Statistical Service, in their 1987 Ghana Industrial Consensus, considers firms employing between 5 and 30 employees and with fixed assets not exceeding $100,000 as small scale, while those employing between 30 and 100 employees medium scale category. The National Board of Small Scale Industries (NBSSI) defines MSMEs as enterprises that employ no more than 29 workers, with investment in plant and machinery (excluding land and buildings) not exceeding the equivalent of $100,000. For the purpose of this research, the Venture Capital Trust Fund (VCTF) Act 2004 (Act 680 section 28) definition of MSMEs will be used since it's a more recent definition. MSMEs are defined by the VCTF as "an industry, project, undertaking or economic activity which employs not more than 100 persons and whose total asset base, excluding land and building, does not exceed the cedi equivalent of US$1 million in value".

MSMEs Contribution to Economic Development and Growth

"The private sector is the engine of growth of the economy therefore they must be given the necessary tools to increase their growth".(Anyima-Ackah, 2006).

Economic development is a process of economic transition involving the structural transformation of an economy through industrialization, rising GNP, and income per head. Economic growth on the other hand, contributes to the prosperity of the economy and is desirable because it enables the economy to consume and contribute to more goods and services by increasing investment, increase in labour force, efficient use of inputs to expand output, and technological progressiveness. Any nation that experiences economic development and growth will benefit from improvement in the living standards especially if the Government can assist in growth by implementing complementary and growth-enhancing monetary and fiscal policies (Pass et al. 1993)

The MSME sector is considered very important in many economies because they provide job, pay taxes, are innovative and very instrumental in countries participations in the global market. Beck and Kunt (2004) state that MSME activity and economic growth are important because of the relatively large share of the SME sector in most developing nations and the substantial international resources from sources like the World Bank group, that have been channeled into the MSME sector of these nations.

MMSMEs account for nearly 93% of the registered businesses in Ghana and therefore play an important role in economic development by providing employment opportunities, opening up new business opportunities, enhancing entrepreneurship, and fostering creativity among many other things. Kayanula and Quartey (2000) recognize them as the engines through which the growth objectives of developing countries can be achieved and are potential sources of employment and income in many developing countries. Mensah (2005) makes the analogy that MSMEs act like sponges by soaking up surplus labour to provide a large share of employment and income in Ghana.

Many researchers have observed that MSMEs enhances competition and entrepreneurship therefore they suggest that direct government support can boost economic growth and development. In most developing countries including Zambia, MSMEs growth boost employment more than large firm because they are labour intensive and make better use of scarce resources with very small amount of capital. Hellberg (2000) also states that developing countries should be interested in MSMEs because they account for large share of firms and development in these countries. Young (1994) contended that MSMEs are not only important because they are a source of employment but also because they are a source of efficiency, growth and economic decentralization. Finally, they are very important in the fight against poverty as they help in the poverty reduction strategy for most government especially those in the developing countries were poverty is most severe. Since they employ poor and low income workers and are sometimes the only source of employment in the rural area, their contribution cannot be overlooked.

Constraints Faced by MSMEs in Accessing Credits

Cuevas et al. (1993) indicates that access to bank loans by MSMEs has been an issue repeatedly raised by numerous studies as a major constraint to industrial growth. A common explanation for the alleged lack of access to bank loan by MSMEs is their inability to pledge acceptable collateral and their inadequate skill to prepare the required documentations.

In their view the current system of land ownership and transfer regulations clearly retards and to some extend limits access to formal credit. First, due to lack of clear title to much usable land in Zambia, there is a limited amount of real property that can be put up as collateral. At times , where title or lease is clear and alienable, transfer regulation needlessly delay the finalization of mortgages and consequently access to borrowed capital (p 24). Aryeetey et al. (1993) supported the view of Cuevas et al. (1993) that from the view point of private sector, problems related to finance dominate all other constraint to expansion (p 50).

They claimed that the available of collateral plays a significant role in the readiness of banks to meet the demand of the private sector. Collateral provides an incentive to repay and offset losses in case of default. Thus collateral was required of nearly 75 percent of sample firms that need loans under a study, which they conducted on the demand supply of finance for small enterprises in Ghana (p 19). The study also indicated that 65 percent of the total sample firm had at various times applied for bank loans for their business. Nevertheless a large proportion of the firm had their application rejected by banks. For firms that put in loans applications there was almost 2:1 probability that the application would be rejected. Firms receive loans for much less than they requested for. Among firms that had their applications rejected, lack of adequate collateral (usually in the form of landed property) was the main reason given by banks. Aryeetey et al. (1994) suggest that banks can offer alternative to property as collateral such as guarantors, sales contract and liens on equipment financed.

The above was also corroborated by Dr. Kwadwo Ansah Ofei (JEL: G21, I30, N27). In his view small and medium enterprises are unable to assess loans because of the conditions attached to the banking methodologies. This he grouped into two: Formal bank methodologies: These consist of several techniques to pre-screen clients and concentrate on relatively few large transactions. They include;

feasibility studies, collateral, track record and minimum deposits. Informal banking methodologies include: personal relations family connections and knowledge business relations.

Also it is contained in Dr. Ansah Ofei's Journal that the fear of risk, especially the loss of their (SME operators) wealth prevented them from pursuing a loan.

SMEs face more challenges in doing business than large enterprises because of the difficulties in financing start-up and expansion. Schiffer and Weder (1991) found that small firms tend to experience more difficulties than medium-sized firms, which also experience more difficulties than large firms. In most countries, especially developing nations, lending to small businesses and entrepreneurs remain limited because financial intermediaries are apprehensive about supplying credit to businesses due to their high risk, small portfolios, and high transaction cost.

According to Cuevas et al. (1993) cost of transaction contributes to the inability of the SMEs to access finance. They are of the opinion that "if transaction cost of lending are high the net margin banks expect from loans operation do not compare favourably against safe investment represented by treasury bonds" (p 30). Aryeetey et al. (1993) also shares the same view that if a lender face information asymmetry, the issue often becomes somewhat persuasive authority he or she holds in ensuring repayment. These push up transaction cost as the probability of default is assumed to be high and has to be contained. Thus lenders may avoid lending to smaller or lesser known clients or impose strict collateral requirements when they do. They may perceive clients in ways that would overcome the latter own perception of the difficulty in obtaining formal finance.

In investigating "whether lending to SMEs in Ghana was more expensive that lending to larger enterprise in terms of loan screening, loan monitoring and contract enforcement, banks estimate that screening to gather information about the applicant and project, review the feasibility study, do the credit analysis and make a decision, an average of 16 man days for large scale applicant and that of small scale applicants takes 24 man days. Similar results obtained for loan monitoring and contract enforcement suggest that the transaction cost of SME lending were higher than those for large enterprise per loan though a similar study undertaken in 1992 by Aryeetey and Seini on the transaction cost of lending covering sixty bank branches in Ghana suggested that there was no statistically significant difference in the cost of administering loans to smaller and larger enterprises".

They further state that the internal organization of most banks is such that SMEs applying for loans deal with branch staffs that have little say in the decision, whereas major decisions are taken at the head office of official who know little about the enterprise. This arrangement ensures that many potential MSME borrowers do not have the chance to interact with the few trained project personnel before applications are made. There is a high probability that many potential good project are turned down because distant credit officers lack enough undocumented information to form an opinion on the projects and especially on entrepreneurs.

Despite SMEs strong interest in credit, commercial banks profits orientation may deter them from supplying credit to SMEs because of the higher transaction cost and risk involved. First, MSMEs loan requirement are small so the cost of processing the loan tend to be high relative to the loan amounts. Second, it is difficult for financial institutions to obtain the information necessary to assess the risk of new unproven ventures especially because of the success of small firms often depends heavily on the ability of the entrepreneur. Third, the probability of failure for new small ventures is considered to be high (Ibid pp 24-27)

Cuevas et al (1993) however indicates that other alternatives to loans secured by real and movable property have practical constraints. For example, it is possible to take security interest in liquid assets, the foreclosure upon which is much quicker than that for real and movable property. However many debtors especially traders are not in the habit of saving money in liquid accounts, rather they turn to either move it into the informal economy or re-invest in their business. Another alternative would be for the banks to accept the assignment of contractual benefits from borrowers. Though this arrangement is known in Ghana, it is not chosen by banks as they prefer to stay out of other contracts. Cuevas et al.(1993).

Types of Financing available to MSME

Boom et al.(1983) and Longenecker et al.(1994), like most writers on the subject of MSME financing, describe two basic types of financing, namely debt and equity. Hisrich and Peters (1995) and Anderson and Dunkelberg (1993) describe debt as funds borrowed to be paid at a future date and a fee, referred to as interest to be paid an at agreed time schedule. The payments of interest are supposed to be done regardless of whether the firm makes profit or loss. Equity, on the other hand, is defined as funds contributed by entrepreneurs or investors who become owners or part owners of the firm and whose returns are primarily based on the profits. This implies that if a firm fails to make profits its owners do not get any returns. Generally, equity funds are long-term funds but debt may be short to medium or long-term.

Hisrich and Peters (1995) mention another basic classification of funds: internal and external funds. Internally generated funds come from a number of sources within a company and are more frequently employed. They include operational and investment profits, sales of assets, extended payment terms, reduction in working capital and accounts receivable. Another important source of internally generated funds is expediting the collection of receivable accounts. This releases funds that may be locked up with suppliers and distributors for the firm's use. Sources that are external to a firm include owners, friends and relatives, commercial banks suppliers and distributors, government and non-government agencies**.**

Equity versus Debt

It is very important to carefully evaluate the reasons for the choice of one form of funding against another or a particular mix. A number of factors must be considered and they include the following:

Purpose of funds

The choice of the type of financing, that is, whether to use equity or debt depends on several factors and one such important factor is the intended purpose of the funds. Wert and Henderson (1979) note that the suitability of funds obtained and project for which funds are obtained is very important. Long-term funds as long-term debt may not be suitable for short-term projects. This will burden the firm with the cost of servicing an unnecessary debt. Similarly, short-term debts are not appropriate for financing long-term projects since the loan may have to be repaid before the end of the project. Wert and Henderson (1979) concluded that a more flexible short-term debt is more suitable for short-term projects, whereas long-term funds such as long-term debt or equity are more suitable for long-term financing such as acquisition of equipment or the construction of a new plant. The phenomenon is described by Brealey and Myers (1996) as "matching maturities".

Leverage and Owner's Equity

Borrowing creates financial leverage since payments of interests add to financing costs. Thus a percentage of increase in the earnings before interest and tax of a firm will result in a higher percentage increase in the net earnings of the firm. Consequently, the value of the owner's equity will appreciate. Similarly, a percentage reduction in net earnings before interest and tax will lead to a greater percentage reduction in net earnings, and consequently, the depreciation of owner's equity. Therefore the use of debt results in higher earnings volatility and increase the risk to owner's equity. Equity capital does not result in financial leverage (Brealey and Myers, 1996; Wert and Henderson, 1979).

Sources of Financing for MSMEs

A number of sources of capital exist but many of them may not be accessible to companies of small and medium sizes.

Debt

Friends and Relatives Loans and contributions from friends and relatives are common source of funds, especially for new business since the financial institutions are reluctant to providing funding for start-up business because of the risk involve. This source of funds, however, bears a potentially dangerous price. Many friends' relatives find it very difficult to stay as passive creditors or investors. They usually try to interfere with policy and operational issues (Kuriloff et al. 1993; Longenecker et al. 1994). As a remedy to this problem, Kuriloff et al. (1993) recommended the treatment of such loans like bank loans by putting in writing all the terms including interest rates and payment schedule. Commercial Banks Hisrich and Peters (1995) make an assertion that commercial banks constitute the most widely used source of debt financing for small companies. This assertion is also supported by longenecker et al. (1994). Again Longenecker et al. (1994) claim that commercial banks loans to small companies are mostle short-term loans, though some do offer long-term loans to small and medium size companies. According to Kuriloff et al. (1993), commercial banks usually provide loans for working capital or for the purchase of fixed assets. They demand evidence of a company's ability to pay the interest and principal as scheduled. This evidence is usually in the form of cash flows statements. They also demand some form of security.

Collaterals are the most widely used form of security demanded by commercial banks. Longnecker et al. (1994) classify commercial bank loans as line of credit and term loans.

Business Suppliers Companies can enjoy some form of credit from their business suppliers. This is a very important source of credit, especially for MSMEs. The suppliers allow the company some time to pay for the supplies. The credit periods varies from a few days to several years according to Broom et al. (1983). Credit from business suppliers may be trade credit or equipment loans and leases.

i.Trade Credit: Basically it involves the purchase of goods and services from a supplier on credit. The purchasing firm is given a few days, usually between 30 and 120 days, to settle the debt (Broom et al. 1983).

This type of credit is very important to SMEs for a number of reasons: •Broom et al. (1983) and Moyer et al. (1992) assert that suppliers are more flexible in dealing with MSMEs than the banks. Suppliers may only check the credit standing of an MSME whereas a bank is likely to demand financial statement and cash flow budgets before extending a credit facility. Generally, suppliers are very eager to add to their customers (irrespective of the size of firm) and thereby increase their sales hence they are more willing to assume greater risk.

•Suppliers are more flexible regarding adherence to terms of credit. Banks required strict adherence to loan terms and monitor borrowers more closey that suppliers do.

•The amount of trade credit granted may be readily increased just as the volume of a company's purchases increases. It may not take a lot of negotiations to make this possible. Banks are less willing to substantially increase the amount of credit they grant to customers, especially small and medium scale companies (Peirson et al., 1990) Trade credit, however is not cost- free. The cost associated with trade credit may not be explicit as interest on bank loans, for instance. Suppliers incur costs by supplying goods on credit and they must recover cost. They usually pass the costs on implicitly as part of the purchase price of the merchandise.

Trade credit may come with an offer of cash discount. A cash discount may be quoted as 3/12 net 40. This means that the customer has 40 days to pay the full amount but can enjoy a 3 percent discount if payment is done within 12 days. Failing to take cash discount may constitute an opportunity cost of trade. In the above quote, for example, failing to utilize such discount implies borrowing the amount for 28 days (i.e. 40-12) days at 3 percent. Therefore it is important to compare the cost of forgoing a trade discount and the cost of other available short-term credit facilities before decision is made (Moyer et al., 1992; Brealey et.al, 2001)

ii.Equipment Loans and Leases: Many MSMEs find it very difficult to raise funds for outright purchase of certain equipments and machinery. They resort to purchasing such equipment on installment basis. Longenecker et al. (1994), noted that down payment of about 25 to 30 percent of the price of the respective equipments are usually made initially. The remainder may be amortized over 3 to 5 years. This practice is referred to as equipment loans. An alternative to this is equipment leasing. This arrangement allows firms greater investment flexibility; and smaller amounts of capital are required by the firm at any given time. However, the total cost involved in equipment leasing is usually higher than the cost of outright purchase. On the other hand, in a situation where continuous specialized maintenance and protection against obsolescence are required, leasing may be more suitable (Broom et al.,1983) Equity

Personal Resources

Again Longenecker et al. (1994) observe that personal savings of the owners and partners of businesses constitutes an important source of funds, particularly in the formative stages of a firm. Personal contributions also help to raise additional funds from other sources. Significant financial commitments made by owners of a company tend to build a lot of confidence among potential investors. Kuriloff et al. (1993) also note other personal resources apart from personal savings. These include borrowing using one's personal assets such as house and bonds as collateral.

Other Individuals (Business Angels)

There is a category of private individuals who invest in business ventures. These individuals are referred to as 'business angels'. Many of such individual investors tend to have some experience in business and/or are affluent professionals, who may have a lot of money to invest. Business angels constitute the informal capital source. They are said to represent the informal capital because there is no formal market place where their investment transactions are carried out. They are usually contacted through dealmakers such as business associates, accountants and lawyers (Longenecker et al. 1994)

Venture Capital

Venture capital, according to Stevenson et al., (1999), is a pool of equity capital contributed by wealthy individuals, as limited partners, and professionally managed by general partners for a fee and a percentage of the gain on investments. Thus venture capital firms are investment firms. Owing to the highly risky nature of the investments they undertake, venture capitalists demand very high returns on their investments, with target returns of about 50 percent or 60 percents being considered normal (Stenvenson et al. 1999). Tuller (1994) notes that owing to their high expected returns, venture capital companies usually target companies that have prospects of rapid growth and above average profitability. The targeted companies must also have the prospect of going public in the foreseeable future – usually within five to seven years. Venture capital firms aim to capitalize on initial public offerings (IPOs) and cash in on their investments if prices are substantially above their initial investments in the respective companies. Apart from the provision of capital for very promising business ventures, venture capital firms also provide useful advice to these young enterprises, having acquired much more experience in business. They also provide additional financial assistance in the future if a firm they have invested in runs into financial difficulties. It will not be considered prudent to stand aside and watch their investments go to waste with a firm for lack of cash provided throwing in more cash will not amount to reckless investment. (Tuller,1994; Longenecker et al.1994). Tuller (1994) summarizes this as "future availability of funds can be an enormous boost to achieving long-term strategic goals". One of the clear weaknesses in the Ghanaian financial system is the limited medium and long-term financing available to the private sector in the market place (Morse et al, 1996).

While commercial banks are the major source of loanable funds in the market, they focus on providing only short-term financing for their clients. As a consequence, many companies inappropriately use short –term funds to finance long-term project (Morse et al, 1996). The short–term nature of the loans from the banks does not support the expansion programs of SMEs. As another measure with the intended purpose of assisting SME overcomes their financing difficulties, Venture Trust Funds has been set by State and other developing partners. As defined in the Cambridge dictionary, a venture capital is money that is invested or is available for investment in a new business or company, especially risky one. In 1991, U.S. Agency for international Development (USAID) and the Commonwealth Development Corporation (CDC) sponsored the formation of a venture capital fund in Ghana in respect to a perceived need for financial products and services designed to meet the long-term financing requirements of growing businesses in Ghana within the context of Ghana's financial sector reform program (Mensah, 2004).

In the absence of a regulatory environment, the sponsors agreed to establish, a non-bank finance institution to hold the funds –Ghana Venture Capital Fund (GVCF), and a management company, Venture Fund Management Company (VFMC) to make investment decisions. It became operational in November 1992, and was fully invested with 13 investee companies of which their average investment was \$250,000 (Mensah, 2004). In addition to the management of GVCF, VFMC was awarded the management of a \$4 million Enterprise Fund, promoted by the European Union. According to Mensah, 2004, all these funds have been targeted at growth oriented large enterprises simply because the risks and cost involved in managing shareholdings in SMEs have so far rendered those investments not interesting.

Joint Venture

Various forms of strategic alliances have become important and common practice in business today. One such important form of strategic alliances is joint ventures. A joint venture typically involves two or more companies coming together to form a new entity. The main objective of joint venture formation is to gain competitive advantage and become more profitable. Combining the resources of the firms involved in a joint venture most often leads to the attainment of synergy. The new company may be able to perform a service more efficiently, produce a product at a less cost or utilize a facility or funds more effectively. This ultimately results in greater profits for the firms involved than they would have achieved as separate business entities. Financing is also a common goal of joint venture. Smaller firms in particular tend to benefit from the usually better financial positions of larger firms. In addition, joint venture stand a better chance of obtaining credit or raising more equity as creditors and investors confidence in the new firm is often greater. As a joint entity, they provide better guarantee for creditors fund as their assets base is widened.

Promoting MSME Developmen

There are several institutions, programmes and government agencies that aim at promoting MSME development. These were created to help SMEs in various ways such as: access to finance, training programmes and technological development. These are discussed briefly below.

i.Government Institution

Government has implemented several programmes to benefit the MSME sector in Ghana. This started in 1969 with the establishment of the Credit Guarantee Scheme, which was administered by the Bank of Ghana (BOG) to assist entrepreneurs to obtain bank credit. Shortly after this, in 1970, the Ghana Business Promotion Programme was established to provide financial assistance to newly establish MSMEs. Unfortunately these schemes did not have the intended impact because of low loans repayment rates and the fact that beneficiaries were politically connected to former managers of foreign-owned enterprises (BOG Policy Brief, 2006)

Under an Act of Parliament in 1981, Act 434, The National Board for Small Scale Industries (NBSSI) was established to promote and develop the small-scale industrial sector because of their importance and contribution to the economic development of Ghana. The NBSSI also has a revolving loan scheme that is intended for working capital and fixed assets acquisition by enterprises in selected sectors. It collaborates with and receives support from several NGOs and international organizations such as the Friedrich Ebert

Foundation, World Bank, and UNDP. Unfortunately, according to Adu-Amankwah(1999), this institution is poorly funded thus limiting the assistance that they can offer to help SMEs develop and grow in the economy.

GRATIS is another organization that was established by the Government of Ghana to promote small and medium scale industrialization, provide employment opportunities, improve incomes and enhances the development of Ghana. This is accomplished through the dissemination of appropriate technologies by developing and demonstrating marketable products and processes for small and medium enterprises. The Ministry of Private Sector Development (MPSD) was also established to coordinate and harmonize inter-sectoral efforts to propel the development of private sector as an engine of growth and poverty reduction. With a majority of the working population in this sector, government is aiming at a successful reform that will have a major effect on the development of society and economy. Within the MPSD is the Business Development Unit, which aims to facilitate business support services targeted especially at the informal sector and access to credit for micro and SMEs. Some of these services are the African Development Fund (ADF) and Ghana Government providing between 5 to 8 SMEs with up to US$500,000 each for the next 5 years; the Italian Credit Facility of 10 million Euros; the Danish Government's contribution of US$30 million for the Business Sector Programs Support; and the Swiss Government support of US$5 million which is being administered by The Trust Bank Limited. Also in addition to a US$40m HSBC credit, MPSD has arranged for the SOFITEL Bank of USA to approve a release a US$17m facility to the Ghana Commercial Bank (GCB) to enable the bank to provide long-term project credit to SMEs. Government has also issued several policy papers to support SMEs. These include the Investment Code 1985 (PNDC Law 116), Draft Policy Paper on Micro and Small Enterprise Development (May 2002), MPSDs Policies, Strategies and Action Plan: 2002-2004, Ghana Poverty Reduction Strategy Paper (2002-2004), and the National Medium-Term Private Sector Development Strategy (2004-20008), which articulates government's commitment to facilitate private sector-led growth. There have also been various programs and initiatives over the past 10 years to support the sector such as Vision 2020 and the Fund for Small and Medium Enterprise Development (FUSMED).

Importance of Financial Institutions in SME Development

"Finance is the oil for growth. It is indeed the life-blood of the economic system. The financial system is the vessel that carries this life-blood through the economic system. Faulty vessels prevent the life-blood from reaching essential parts of the economic system". (Sowah N.K., 2003) Gockel and Akonea (2002) offer a historical account of the banking industry in Ghana. They write that Ghana Commercial Bank (GCB) entered the banking market with the purpose of providing credit to large indigenous enterprises since the expatriate banks refused to offer assistance. National Investment Bank (NIB), established in 1963, provided credit facilities for manufacturing and agro-based industries with Agricultural Development Bank (ADB), which was established in 1976 with the aim of providing financial assistance for the development of agricultural and allied industries. SSB (now SG-SSB) and NSCB (National Savings and Credit Bank) emphasized not only consumer credit but also finance for small-scale projects. Even though banks were established to cater for all sectors in the economy financing small businesses was still a problem therefore government started rural banking to mobilize funds and channel them to SMEs and other informal activities in their localities.

As time progressed, Ghana's monetary system went from the best in Sub-Saharan Africa to the worst. According to Steel (1998), this was affected by the deteriorating economy and high inflation rates. The financial sector was fragmented with different institutions using different lending technologies to serve clients, which resulted in funds not flowing from one segment of the financial system to the other. This resulted in the implementation of two major financial liberalization programs, ERP and FINSAP. ERP led to the liberalization of financial markets, removal of restrictions and the deregulation of interest rates but it had a minute effect on the conditions that inhibit banks from financing SMEs leaving their demand for credit unsatisfied (Aryeety et al., 1994). In 1988, FINSAP was embarked upon with the main objectives to restructure financially distressed banks, improve savings mobilization and enhance credit allocation especially to SMEs, enhance soundness in the banking sector by promoting competitive banking practices, develop money and capital markets and establish NPART(non-performing assets recovery trust). In a study conducted by Galindo et al.(2002), financial liberalization leads to improvement in the efficiency with which investment funds have been allocated. Antwi-Asare and Addison (2000) state that FINSAP sought to ensure that businesses have access to institutional credits and deposit mobilization. Unfortunately, Gokel and Akonea (2002) state that SMEs have rather been marginalized from the credit market after financial liberalization and therefore they are still suffering from credit scarcity. Llewllyn (1997) argues that financial system play a crucial role in development through the reduction of information and transactions cost and its efficiency in reducing those cost influences savings rates, investment decisions, technological innovation and long run growth rates. Patrick (1966) stated in his work that financial institutions play a major role in promoting economic growth by ensuring the availability of cash flow cost credit to potential investors. Likewise, King and Levine (1993) agree with the above that countries with better financial systems have superior economic growth while

Arestis and Demetriades (1996) add that this varies across countries. Goldsmith (1969) and Gerschenkron (1962) argued that in the early stages of economic development suppressed interest rates, credit policies and institution building provided the financial impetus necessary for economic development. It is in the interest of financial institutions to ensure that the economy is growing efficiently by playing an intermediary role between suppliers and lenders of funds in any economy by gathering surplus funds in the economy and then lending these funds to those who need them. According to Mishkin (2001), banks are the most important source of external funds especially for loans. This suggests that bank play an important role in financing business activities especially in developing countries. Even though banks may be faced with constraints, Aryeetey et al. (1994) suggest that they do active banking by mobilizing resources and distributing them to needy SMEs. Sowah (2003) further suggest that bank should be urged to take "reasonable risk" in vetting loan applications from small and medium enterprises, especially for business ventures in new areas and technology.

Entrepreneurship

Entrepreneurship may be defined as a process that results in the establishment and growing of new businesses. It brings with it innovations and new venture creations thus causing changes in the economic system. This results in the creation of value for the entrepreneurs and the society at large (Deakins, 2006). According to Timmons and Spinelli entrepreneurship is "a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced for the purpose of value creation and capture" (2009: 101).

Nieman and Nieuwenhuizen define an entrepreneur as "a person who sees an opportunity in the market gathers resources and creates and grows a business venture to meet these needs. He or she bears the risk of the venture and is rewarded with profit if it succeeds" (2010: 9)

The Global Entrepreneurship Monitor (GEM), is an annual report that assesses the current state of entrepreneurship in different countries from a global perspective.

According to the GEM (2011), entrepreneurs are job creators and drivers of innovation. Entrepreneurship thus embraces the emergence and growth of new businesses.

Entrepreneurs have a potential to make major contributions to the empowerment of the societies they live in. Entrepreneurship calls for a strange, sometimes conflicting mixture of qualities but they are all essential for the success of the business. Entrepreneurs tend to have unique characteristics that distinguish them from other individuals. This has led to researchers trying to analyze their personalities, skills attitudes and the conditions that foster their development (Green, 2005).

Timmons and Spinelli (2009), concur with this view, and they state that successful entrepreneurs possess a combination of traits, attitudes and behaviors. Studies have shown that there are certain characteristics that are common to a majority of successful entrepreneurs. The following are some of them:

- Commitment Determination Ambition Confidence Persistence Risk Innovation Motivation Locus of control

It is important for entrepreneurs to carry out SWOT analysis their capacity of operations and skills. This will help them to capitalize on their strengths while working on improving their weak points and positioning their business strategically with the available opportunities. (Moore et al., 2008).

Entrepreneurship as a driving force behind Micro small business.

Nieman and Nieuwenhuizen (2010), argue that entrepreneurship is strongly linked to small, medium and micro enterprises and most entrepreneurial activity takes place in these enterprises. MSMEs act as a medium for the promotion of entrepreneurship. This is made possible by the close proximity that small businesses have with their customers and the hands-on approach by the owner managers. MSMEs are more flexible thus they can quickly adjust to changes in the business environment. They are therefore in a better position to embrace and promote entrepreneurship (Sha, 2006). It is worth noting that there is a distinction between entrepreneurship and small
business management. Nieman and Nieuwenhuizen (2010), state that a small business is one whose ownership and operation is independent and it is not a major player in its industry. For small business owners, growth may not necessarily be a key objective as is the case with entrepreneurial ventures. They just see themselves as successful when their businesses are making profits.

Entrepreneurship as a catalyst for economic activity.

Nieman and Nieuwenhuizen (2010), state that the combination of all businesses from small to big, determines the state of the economy. Research by the Global Entrepreneurship Monitor reveals that there is a direct relationship between the level of entrepreneurship and the stage of development of an economy. This suggests that the economic development of a country is highly defendant on the level of entrepreneurial activity therein.

In many countries entrepreneurs are seen as the drivers of economic growth. Their contribution to the economy is mostly seen in the creation, establishment and growth of new businesses.

The majority of the commercial enterprises are very small and small enterprises that occupy one up to 49 persons (over than 90% of the enterprises). According to the recent studies and clues, Micro Small and Medium Sized Enterprises (MSMEs) of the commercial sector in periods of prolonged economic crisis may suffer disproportionately from economic downturns, because of their limited financial resources and dependence on banks' lending, paying such high interest rates. Adding to the financial aspect, their relative shortcomings in terms of technological, managerial and human capabilities may reduce their capacity to overcome the economic crisis. On the other hand, their greater dependence on (fewer) customers and suppliers may lead to increased difficulties in maintaining their activity in the face of the crisis. (NCHC 2012, Papaoikonomou & all 2012, Penrose 2000, Shama 1993).

The above ascertain is getting enforced from the clues of the National Confederation of Hellenic Commerce Research Project. This research took place between March-June 2013 in sample of 2375 traders from all over the country, during the period of crisis, that is to say the period between 2009-2013. According to the clues of the search the commercial enterprises lost approximately the half of sales. More specifically, the average circle of works, from 425.000 euros in 2009, there is going to be a decrease into 232.000 euros at the end of the year (a loss of 45,2%) while in period 2012-2013 the decrease of sales are 27%. The loss to the net profits of the commercial enterprises is bigger, from 49.000 euros in 2009, there are going to be limited into 7.000 euros in 2013 (a decrease of 86%, the loss the last two years is about 45%).

On the contrary, lots of studies show that there are still some sectors that have been affected a lot from the financial crisis, there are companies, which show a remarkable yield and it seems that they get a benefit from the crisis and make use of chances. The difference of the companies' attribution still observed in the same geographical region even though to the same local market. Penrose (2000) says that a crisis can be perceived both as a threat and as an opportunity, reciting an old Chinese proverb. Therefore, he continues, the way decision makers perceive the crisis directly affects the way they will respond to it and they will involve in any activity. As Shama (1993, p. 62) mentions, the response to recession depends on how decision makers "perceive its meaning and impact on their businesses." Assuming that entrepreneurs are the decision makers, an SMEs strategic development occurs as a result of the perceptions formed about the context, the existing difficulties, and possible opportunities for growth. Entrepreneurs' perceptions of recession are dependent upon their context and the wider social structures that might facilitate or hinder their functioning. The wider institutional context and the interaction with stakeholders such as investors, government, and competitors all contribute to the formation of perceptions. On the basis of those perceptions, opportunities are identified and strategies are shaped (Kitching et al. 2009). In a broad yet similar vein, Hall and Silva (2005) focus on the effects of national culture on existing empirical evidence regarding entrepreneurship, claiming that even when the exact same variables are tested, cultural factors should be taken into account and empirical results should be contextualized.

The conclusion of those international searches are confirmed and from the data of the search of the National Confederation of Hellenic Commerce four to ten commercial enterprises (42%) are "very or possible enough" to be closed in the near future. On the contrary 58% of the commercial enterprises said that "the shutter" is not "so possible" or "non-possible". So six to ten Greek Commercial Enterprises believe that they will survive at the end towards economic crisis. As it comes from the data of the search this conception is not based of the traders' subjective views, but to original clues that have to do how enterprises have handled crisis up today. One impressive clue is about what is going to happen with the employees to those enterprises. The 74% of MSMEs of the commercial sector expect that the number of the employees will remain the same. According to this paper some strategies present, tactics and successful practical MSMEs of the commercial sector that belong to the optimistic enterprises of the sample search ESEE. Some primary data gathered through entrepreneurs' interviews and questionnaires that fulfilled parallel to the interviews.

Small and medium enterprise or small and medium-sized enterprise (SMEs, small and medium-sized businesses, SMBs and variations thereof) are companies whose personnel numbers fall below certain limits. The abbreviation "SME" is used in the European Union and by international organizations such as the World Bank, the United Nations and the World Trade Organization (WTO).

In most economies, smaller enterprises outnumber large companies by a wide margin. MSMEs are said to be responsible for driving innovation and competition in many economic sectors. Statistically, in countries for instance, in Japan, 80% of the total industrial workforce is with SMEs Sector, 50% in Germany and 46% in USA are utilized in SMEs. In USA, MSMEs help almost 39% to their national income (Udechukwu, 2013).

According to Ward (2005) there is no universal definition for MSMEs since the definition depends on who is defining it and where it is being defined. For example, in Canada MSME is defined as an enterprise that has fewer than 500 employees and small enterprise as one that has less than 100 employees. On the other hand, the World Bank defines MSMEs as having no more than 500 employees.

MSMEs can be defined in two ways: based on the number of employees in an enterprise and/or the enterprises fixed assets. According to Boon (1989), the size of the enterprises employment is the most important criterion used in Ghana. But one must be cautious when defining MSMEs based on fixed assets because of the continuous depreciation in the exchange rates, which often makes such definition outdated.

UNIDO defines SMEs in developing countries based on the number of employees in an enterprise. A small enterprise has between 5 and 19 workers and takes the example of the ubiquitous small shops in the cities such as hair dressing saloons and chop bars. A medium enterprise has 20 to 99 workers and these include manufacturing firm and exporting companies.

In general, different authors (Robbins and Pearce 1993, Michael and Robbins 1998, Latham 2009) affirm that SMEs are the first and the most important victims of a prolonged economic crisis. SMEs may suffer disproportionately from economic downturns, because of their limited financial resources and dependence on banks' lending, paying such high interest rates (Mulhern 1996 for the crisis of 1989–1994 in Venezuela, Domac¸ and Ferri 1999 for the 1997 Asian financial crisis and Ozar et al. 2008 for the 2001 Turkish financial crisis). Adding to the financial aspect, their relative shortcomings in terms of technological, managerial and human capabilities may reduce their capacity to overcome the economic crisis (Gertler and Gilchrist 1994, Forbes 2002 Beck et al. 2005, Butler and Sullivan 2005, Regnier 2005, Marino et al. 2008 Das and Pradhan 2009). On the other hand, their greater dependence on (fewer) customers and suppliers (Nugent and Yhee 2002) and markets (Butler and Sullivan 2005, Narjoko and Hill 2007 OECD 2008) may lead to increased difficulties in maintaining their activity in the face of the crisis. Papao ikonomou & all, (2012) argue that in this context, most SMEs suffered from demand shock.

As mentioned in the Organization for Economic Cooperation and Development (OECD 2009), there has been a drop in demand for goods and services and a tightening in credit terms for SMEs at a global level. But there are some researching works that are putting the situation into doubt that all the SMEs take a bigger effect of the economic crisis in connection with the large-scale enterprises. Gregory et al. (2002) say that Korean MSMEs during the Asian financial and economic crisis of 1997 decided that it would be better to strengthen themselves in marketing activities and technology innovation. This adaptation was the easiest for MSMEs businesses in connection with the big unites. Shama (1993) mentions that MSMEs react using market segmentation tactics much more effectively and quickly than the big businesses, whereas Pearce and Michael (1997) comment that investment in sales and marketing improved MSMEs' performance during economic recessions.

In the literature, we find valid reasons why small firms may have different effects from larger firms. Smaller enterprises may be more flexible in adapting to an economic downturn because they are less resistant to inertia, rigidity, and sunk costs (Tan and See 1997), more able to exploit market niches (Gregory et al. 2002, Narjoko and Hill 2007, Hodorogel 2009, concentrated on activities characterized by economies of agglomeration, rather than economies of scale (Berry et al. 2001, Hall and Harvie 2003), and less reliant on formal credits compared with their larger counterparts, which are more burdened by debts (Sato 2000, ter Wengel and Rodriguez 2006).

Even their disadvantages at technological and knowledge levels can be overcome by imitation of other firms' best practices (Nugent and Yhee 2002). As a result, MSMEs may be more able to sustain their sustainability and thus counteract the negative effects of the crisis, helping to stabilize the economy. Indeed, there is robust empirical evidence showing that MSMEs, and specifically export-oriented MSMEs, are better able to adjust to crises (Sato 2000, Berry et al. 2001 and ter Wengel and Rodriguez 2006 for Indonesia, Gregory et al. 2002 for Korea; Tan and See 2004 for Singapore, and Regnier 2005 for Thailand, all in the context of the 1997 Asian financial crisis). Furthermore, as Harvie and Lee 2001 mention, MSMEs are of strategic importance for the economic recovery because they help restructure industries because they can act as a source of competition for larger companies, can promote regional trade, contribute to technology transfer, and also regional development. Entrepreneurs' importance has been historically crucial for economic recovery and growth by contributing to job creation and social progression (Elmore 2009). We don't have easy solutions and direct effective strategies to anticipate crisis effects. In the wake of the economic crisis, many firms were faced with severe threats that called for immediate action to ensure firm survival. When choosing the measures to cope with this crisis situation, responsible decision makers were confronted with the challenge to manage the trade-off between the benefits and costs of short-term crisis reactions (Rhodes and Stelter 2009).

On the one hand, short term action like massive cost-cutting, cash generation, shorter reporting cycles, increased employee monitoring and tight budget control seemed necessary to cope with a decline in orders and revenues and to ensure an appropriate and well-coordinated response to changed environmental conditions. On the other hand, such short-term measures might damage the long-term growth potential and go at the expense of the long-term health of the firm as key stakeholder relations may be irreversibly harmed (Asel & all 2010).

Education and skills are needed to run micro and small enterprises. Research shows that majority of those carrying out micro and small enterprises in Tanzania are not quite well equipped in terms of education and skills. Study suggests that those with more education and training are more likely to be successful in the MSME sector

(King and McGrath 2002). As such, for small businesses to do well in Tanzania, people need to be well informed in terms of skills and management. MSMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running MSMEs in this sector have at least attained college level education (Wanjohi and Mugure, 2008).

The Central bank of Nigeria in its 1990 credit Guidelines for financial institutions characterized SMEs as those whose yearly revenue does not top N200, 000,000 or capital use does not exceed N200, 000,000. Nevertheless, the CBN act 2001 placed the level of employment by SMEs of less than 50 and medium scale enterprises of less than 100 labour forces. In term of the asset based; small scale has capital of less than N 1 million while medium scale has less than N150 million (IFC 2002).

The Central bank of Nigeria in its 1990 credit Guidelines for financial institutions characterized small-scale enterprises as those whose yearly turnover does not exceed N200, 000,000 or capital use does not exceed N200, 000,000. Nonetheless, the CBN act 2001 placed the level of employment by small scale enterprises of less than 50 and medium scale enterprises of less than 100 labour forces. In term of the asset based; small scale has capital of less than N 1 million while medium scale has less than N150 million (IFC 2002 referred to in Ogboru 2007). The SMIEIS characterized MSME as any business undertaking with a most extreme capital base of N200 million barring land and working capital and with the amount of workers at the very least 10 or more than 300.

The contributions of MSMEs to economic growth of countries have been very significant. SMEs are viewed as an engine of growth that contributes enormously to nation's Gross Domestic Product (GDP) employment generation, industrial output, poverty alleviation, export promotion and self-independence. Statistically, the contribution of MSMEs in the Nigerian GDP base on the sector reveals that industry about 41% agriculture 32%, and service 27% (Weller et al., 2009). In countries for instance, in Japan, 80% of the total industrial workforce in with MSMEs Sector, 50% in Germany and 46% in USA are utilized in SMEs. In USA, SMEs help almost 39% to their national income (Udechukwu, 2013). However, in nations, for example, India, Indonesia and Mali MSMEs have been recognized to constitute more than 95% of manufacturing sector and have become a very strong engine for development in terms of provision of employment, industrial output and export promotion.

Economies throughout the world are nowadays turning their attention to small and medium-size enterprises. Since, attempts to promote economic progress by establishing large corporations have usually failed to improve the lives of majority of the populations concerned. Therefore, Micro Small and Medium Enterprises (MSMEs) are now viewed as important players in even and equitable economic development process (Memba, Gakure and Karanja, 2012). Mbugua et al. (2013) also observe that growth of MSMEs has been in the recent past of great concern to many government policy makers and researchers globally because of realization of their economic contribution to Gross Domestic Product (GDP) and economic growth. As such they are no longer viewed as stepping stones to real business but as a means of industrial and economic growth and as well as tools of poverty eradication (Mbugua et al., 2013). According to OECD (2014), MSMEs are known to contribute to over 55% of GPD and over 65% of total employment in high income countries.

They also account for over 60% of GPD and over 70% of total employment in lowincome countries (OECD, 2014). Growth of MSMEs thus contributes to employment and job creation. Further, growth offers the opportunity for financial gain, return on investment and also increased chances for survival (Dobbs and Hamilton, 2007). Hyland (2013) classifies growth strategies to either organic or inorganic clusters. Companies growing organically not only measure their success on financial metrics but also they take note of other internal metrics like customer satisfaction, in-house competencies and product quality. On the other hand, inorganic (external) strategies deal with increasing output and business reach by acquiring new businesses by way of mergers or acquisitions (Hyland, 2013). There are various theoretical perspectives which explain the growth of SMEs and associated strategies, but Dobbs and Hamilton (2007) claim that there is no single theory which can adequately give the explanation.

The organic/evolution theory by Greiner (1972), cited in Gupta, Guha and Krishnaswami (2013), asserts that firms learn about their efficiency overtime and move through distinguishable stages. New firms entering the market are unaware of their true efficiencies immediately but as they mature, they are able to uncover their productive efficiencies and adopt strategies befitting the circumstances (Staines, 2005). According to dynamic stage theory by Papadaki and Chami (1982), cited in Levie and Lichtenstein (2010), MSMEs have certain characteristics that are associated with the propensity for operation (Kisumu Constituency Development Fund (CDF) Strategic Plan, 2013). The report affiliated this to the failure of the entrepreneurs to come up with effective strategy that could enhance SMEs' performance. However, it did not offer details on the structured growth strategies, if any, that the SMEs were adopting. Various studies have previously been conducted regarding SMEs and Jua Kali operations but none has specifically focused on the unique context of Kibuye Jua Kali. Bowen et al. (2009) conducted a study on challenges affecting small and medium sized manufacturing firms in Kenya. They emphasized on general challenges facing SMEs survival in Kenya. Thus, the study did not give sufficient light on growth strategies that could spur growth and competitiveness in the sector. Atieno (2001), studied SME growth but with bias on 'credit access' as a catalyst for the survival of the Jua Kali sector in Kenya, while Kipyegon (2009) did a survey on positioning strategies by firms in Kenya. Based on these studies, it is evident that strategies for growth of the Jua Kali sub-sector remain largely unexplored. Hence, this study will be expected to fill this knowledge gap by answering the question: What strategies for business growth are adopted by the Jua Kali artisans in Kibuye market of Kisumu County?

However, despite the fact MSME has been identified as a tool for economic development and provision of employment, but lack economy of scale due to their limited size. (Basil 2005). Poor absorptive capacity and limited funds have also been identified as factors that hamper the development of MSMEs in Nigeria. (Taiwo, Ayodeji and Yusuf, 2012)

Nevertheless, MSME can be perceived as a tool for economic development, even though variety of challenges seems to have a negative impact that constraint MSMEs from playing the vital role of stimulating economic development, but they provide employment opportunities in developing nation like Nigeria, if utilise might reduce some hardship and may reduce the poverty level of citizens.

In Nigeria, Small business was defined by the third National development plan (1975-1980) as a firm that is capable of providing employment to not more than ten employees. (Taiwo, Ayodeji and Yusuf, 2012). However, MSMEs also refer to as a business with a fixed asset and working capital of an amount not exceeding N60, 000 and capable of employing 50 workers. Moreover, SMEs is a firm with an annual turnover worth N2 million and a net asset of an amount not exceeding N1 million. (Companies and allied matters act 1990, Federal ministry of Industry; Nigeria cited in Taiwo, Ayodeji and Yusuf, 2012).

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A distinguishing feature of SMEs from larger firms is that the latter have direct access to international and local capital markets whereas the former are excluded because of the higher intermediation costs of smaller projects. In addition, mMSMEs face the same fixed cost as Large Scale Enterprises in complying with regulations but have limited capacity to market product abroad (Kayanula & Quartey, 2013).

Cuevas et al (2014) however indicates that other alternatives to loans secured by real and movable property have practical constraints. For example, it is possible to take security interest in liquid assets, the foreclosure upon which is much quicker than that for real and movable property. However many debtors especially traders are not in the habit of saving money in liquid accounts, rather they turn to either move it into the informal economy or reinvest in their business. Another alternative would be for the banks to accept the assignment of contractual benefits from borrowers. Though this arrangement is known in Ghana, it is not chosen by banks as they prefer to stay out of other contracts. Cuevas et al. (2014).

There are varieties of MSMEs in Tanzania that can be distinguished according to the nature of activities and type of energy services they use for production or performing their services. MSMEs such as brick burning, local beer brewing, salt drying, fish drying and charcoal production depend on biomass fuels as a source of power. Other MSMEs like retail shops, salons, restaurants and bars, wood processing, welding, depend on electricity services for lighting, refrigeration, entertaining customers, cooking/baking, grain grinding and oil processing (Sawe, 2004). The MSMEs in Tanzania are characterized by very low productivity, poor infrastructure, inadequate power supply, low capital, poor market access, and high prices of inputs and shortage of water (Kazungu, Ndiege, Mchopa & Moshi, 2014). Most are self-employed and located at home due to lack of designated work premises and not linked to modern sector (larger enterprise) because of people's ignorance of regulations. This means that they do not go through business formalities such as registration, keeping accounts and even paying taxes (Maleko, 2015).

The Korean Development Institute (KDI) in its study, "Building the Foundations for the Development of MSME in Ghana" (September 2008) noted rather grimly, the obstacles these SMEs face daily in Ghana. The study enumerated these as smaller sizes of the MSMEs; they are few in number and lack competitiveness internationally. These factors affect the MSMEs in many ways. For instance, over 80% of MSMEs in Ghana are reportedly having employees numbering less ten. The smaller size of these MSMEs means less value addition as fewer processes are possibly involved in the production.

To some writers (Cofie, 2012; Ahiawodzi and Adade, 2014), the MSMEs sector can do better with respect to its current contribution to GDP growth. Invariably, the sector can grow faster and better contribute to employment in Ghana. These arguments are indirect ways of saying that the sector is not realizing its full potential logically as a result of some constraints. Ackah and Vuvor (2011) are among several writers who have acknowledged that some of these constraints are challenges faced by MSMEs in having access to credit facilities from financial institutions (banks, micro-finance firms, savings and loans companies among others), which are the sector's financiers.

In the microfinance and MSMEs literature, several challenges are identified as militating against access to credit facilities among MSMEs. Some of these challenges are: MSMEs lacking collateral security; poor records keeping; poor credit rating as a result of poor savings history , and stringent lending criteria used by financiers (Ackah and Vuvor, 2011; Cofie, 2012). The fact is that these and other challenges have been consistently found in researches conducted in both developed and developing country contexts, making them strongly confirmed constraints faced by MSMEs in the global MSMEs industry. However, these challenges have been found in previous studies (Adjei, 2012; Cofie, 2012) only from the perspective of MSMEs.

Zairani and Zaimah (2013) are of the view that this situation is unwholesome and poses a major gap in the literature because some of the challenges faced by MSMEs in accessing credit are best identified entrepreneurial behavior. MSMEs with more of these characteristics are more likely to grow faster than those with fewer ones (Papadiki and Chami, 2002). In other words the attitude of the individual entrepreneur in taking risks, motive of going into self-employment, his or her managerial abilities to raise capital and perceive new markets, will determine the growth of the firm. Finally, the life cycle model by McMahon (1998) and similar in principle to the organic theory, explain the growth of an enterprise using the biological metaphor of the "lifecycle". The model postulates that organizations are born, grow and decline. The iterative life cycle stages help to determine the genre of growth strategies to adopt (McMahon, 1998). In Kenya, like other growing economies, MSMEs play a significant role that could not be overemphasized. According to the Micro and Small Enterprises baseline survey (1999), the number of enterprises in the sector grew from 910,000 in 1993 to about 1.3 million in 1999.

The survey also points out that MSME contribution in terms of output product and services reached a significant 30% of the GDP in 1999 (GOK, 1999). In job creation, micro and small enterprises have been on the forefront in the absorption of ever increasing supply of young unskilled school leavers and the unemployed in general. In 1999 for instance, the sector employed 2.4 million persons. This number increased to 4.2 million in 2000 and to 5.1 million in 2002, accounting for 74.2% of the total persons engaged in employment (GOK, 2005). Emphasizing further on their role in employment creation, Wachira (2006) points out that 12.8% of the retrenches who received the 'golden- handshake' in the year 2002 started their own MSMEs. This percentage grew to 19.2% and 21.4% in the year 2003 and 2004 respectively. However, despite the importance of MSMEs, studies reveal that most MSMEs have no growth incentive and majority remain at their initial level, or choose to expand horizontally by starting other similar ventures or change to other unrelated activities (Ng'ang'a, 2003). The case of Kibuye market MSMEs which covers Jua Kali artisans is not yet documented, hence a justification for this study.

A 1992 study by the Ghana Statistical Service revealed that nearly 93 percent of all registered businesses in Ghana are of the MSME category. The National Board of Small Scale Industries (NBSSI) defines MSMEs as enterprises that employ no more than 29 workers, with investment in plant and machinery (excluding land and building) not exceeding the equivalent of $100,000. Small enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment of Ghana (Steel and Webster, 1991; Aryeetey, 2001). MSMEs are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana.

Again, from an economic perspective, however, enterprises are not just suppliers, but also consumers; this plays an important role if they are to position themselves in a market with purchasing power: their demand for industrial or consumer goods will stimulate the activity of their suppliers, just as their own activity is stimulated by the demand of their clients. Demand in the form of investment plays a dual role, both from a demand-side (with regard to the suppliers of industrial goods) and on the supply-side (through the potential for new production arising from upgraded equipment) (Berry et al., 2002).

The private sector of Uganda is still in its infancy, covers a broad range of areas, and predominately consists of micro, small, and medium enterprises (MSMEs). According to the Bank of Tanzania Sector Report (2009), MSMEs contribute to economic development through job creation, innovation, and the competitive disciplining of markets. This is justification why both developed, developing and emerging economies like Tanzania have continued to recognize MSMEs as a major economic entity, and MSME performance, an opportunity for accelerating the country's sustainable economic growth (Bank of Tanzania Sector Report, 2009).

It is increasingly recognized that Micro Small and Medium Enterprises (MSMEs) play a crucial role in employment creation that leads to income generation in devekoping countries including Tanzania and Zambia (MSMEs Development policy, 2003, Wangwe, (1999), Massawe (2003), Nenzhelele, (2009) and also extended its importance in creating global employment thereby reduce poverty. In Tanzania it is estimated that about a third of the GDP originates from the MSME sector. According to the informal sector survey of 1991, micro enterprises operating in the informal sector engaging 1.7 million small business consisted of about 20% of the labor force (3 million people then), and more recent data show the contribution of MSME to account for a significant share of 30% of the GDP, (policy brief, 2008). Though data in Tanzania, especially in the MSME sector, are somewhat unreliable and sketchy, the above data saves to show how crucial the MSME sector is to the Tanzania economy, (Nkonoki, 2010).

MSME is growing fast in Tanzania however the main challenge has been on the nature of employment itself in this sub-sector. In all developing countries, self-employment comprises a greater share of informal employment than wage employment and specifically, self-employment represents 70% of informal employment in Sub-Saharan Africa (Becker, 2004). The Government has expressed its aspirations through designing and implementing a number of policies and programs to support the development of MSMEs. Examples of policy development includes the Tanzania Development vision 2025, The Sustainable Industrial Development Policy-SIDP, 1996, National Microfinance policy (2000), Mineral Policies (1997) and the National Economic Empowerment Policy of 2004 which all together supports the improvement of the Small and

Medium Enterprise (SME) sector, in order to boost economic growth of the national at large and business in the informal sector where the majority can be employed.

Since 2010, Stanbic Bank Ghana Limited, Ghana Commercial Bank, Standard Chartered Bank, and other commercial banks have improved their financial commitment towards MSMEs lending (Ghana Banking Survey, 2013). Stanbic Bank in particular has repeatedly increased its annual budget allocation for MSMEs lending in the last few years (Ghana Banking Survey, 2014). Unfortunately at the end of each year, the bank disburses just a small fraction of this budget to a very limited number of SMEs. While in each year large amounts of money is spent by the bank on personal and corporate loans, lump sums loaned to MSMEs continue to reduce in size, a totally discouraging situation. Stanbic Bank Ghana Limited and other banks are irrefutably committed to supporting SMEs financially. Sadly, Stanbic Bank’s inability to reach many MSMEs with credit facilities is attributed to some challenges. According to Waari and Mwangi (2015), these challenges are faced by both the banks and the SMEs in Ghana.

A business or entrepreneurial venture is successful if it is growing. Growth has various connotations: It can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. It can also be measured in the form of qualitative features like market position, quality of product, and goodwill of the customers (Kruger, 2004). Business growth is a vital indicator of a flourishing enterprise. There are many factors like characteristics of the entrepreneur, access to resources like finance, and manpower which affect the growth of the enterprise and differentiate it from a non-growing enterprise (Morone and Testa, 2008). Gilbert et al. (2006) suggest how and where questions are important in the context of the growth of the enterprise. The authors highlight that growth is a function of the decisions an entrepreneur makes, like how to grow internally or externally and where to grow in domestic market or international market. Mateev and Anastasov (2010) argue that an enterprise's growth is related to size as well as other specific characteristics like financial structure and productivity. They further observe that the total assets have a direct impact on the sales revenue, but the number of employees, investment in research and development, and other intangible assets have not much influence on the enterprise's growth prospects.

Lorunka et al. (2011) also attest that the gender of the founder, the amount of capital required at the time of starting the business, and growth strategy of the enterprise are very important factors in predicting growth in a small enterprise. They have further highlight that apart from human capital resources, the growth of an enterprise can be predicted on the basis of commitment of the person starting a new enterprise (Lorunka et al., 2011). Chaston and Mangles (1997) suggest that if an enterprise adopts multi-strategy transformation initiatives, the probability of achieving the growth objective increases. They further points that in planning a performance improvement program, different capabilities must be given priority depending upon the development stage of the firm. In their study, Kolvereid and Bullvag (1996) found that almost 40% of the respondents do not want to grow. Further, they found that there is a significant relation between education, industry, past growth turnover, past growth in employees, and entrepreneur's aspiration to grow.

Aspirations are also significantly related to many factors like experience, sex, location, and size of the firm. They concluded that entrepreneurs who want their firm to grow will have higher level of education and will tend to have manufacturing firms rather than service firms (Kolvereid and Bullvag, 1996). Majumdar (2007) acknowledges that economies have included many policies for the promotion of the SME sector like product reservation, infrastructure support, direct and concessional credit, tax concession, and special assessment in procurement of equipment, facility of duty drawback, quality control, and provision of market network (Majumdar 2007). Muthaih and Venkatesh (2012) suggest that many factors contribute in the SME growth; similarly, there are many barriers to growth. For small businesses, barriers can be of two types, institutional and financial. An institutional barrier includes the enterprise's interaction with government, issues related to legalization, taxation, and government support. Financial barriers will involve lack of financial resources.

Further, the authors notice that SMEs can also face external and internal barriers along with social barriers which would cover aspects of market position of an enterprise, access to right kind of human resources, and access to network (Muthaih and Venkatesh, 2012). Moreover, Gaskill et al. (2003) assert that small businesses are dependent on the owner's insight, managerial skills, training, education, and the background of the company's leader. Often, lack of these characteristics is the cause of small business' failure (Gaskill et al., 2003). The Kisumu County Integrated Development Plan [CIDP] (2013) estimates that there are 2,438 SMEs accommodated within the Kibuye Market stretch out of which there are 900 Jua Kali artisans. Compared to the Kisumu Municipal Council Report of 2008, indicating that the market had 1870 SMEs, it is evident that the market is growing in terms of operators and economic activities alike. Abayo (2014) noted that Kibuye market is one of the leading informal employers in Kisumu town owing to its strategic positioning thus attracting a bigger number of sellers and buyers. Notably however, there is no information regarding growth strategies that the existing SMEs in general and Jua Kali artisans in particular, adopt.

Business Growth Strategies Barney (2002) argues that a firm has a wide range of strategies to pursue in creating and sustaining internal growth. The author advocates for the Porter's Generic Strategies which include cost leadership, differentiation and focus. Firms can achieve cost leadership through low-cost access to factors of production and adoption of technology. Moreover, they can differentiate their products in different ways such as product features, linkages between functions, timing, location, product mix, links with other firms, product customization, product complexity, consumer marketing, distribution channels, service and support, and reputation. Finally, firms focus on a particular market niche and company resources to maintain market leadership in that niche (Barney, 2002). Besides these, marketing, development of alliances and the focus on the ethical issues comprise important components of the growth strategy (Kazem, 2004). O'Gorman (2001) notes that 'success strategies' are characterized as high growth businesses.

High growth businesses in turn are competitive on product quality, price and new product offering. Firms seeking growth on the basis of innovation would essentially be oriented towards continuously offering a product that would take a high rank on the 'state-of-the-art' scale in the market (O'Gorman, 2001). Porter and Stern (2001) attest that business growth is also realizable through innovation, which the OECD (2000) defines as encompassing any new development in firms. This strategy involves creating or reengineering products or services to meet new market demand, introducing new processes to improve productivity, developing or applying new marketing techniques to expand sales opportunities, and incorporate new forms of management systems and techniques to improve operational efficiency (Porter and Stern, 2001).

The most important impediments to innovation in the MSMEs, according to OECD (2000) are limited resources within many MSMEs for carrying out research and development, risk of investing in new knowledge, access to new technologies and know-how, ineffective rules, procedures, education and training programs. In addressing these limitations, Grant (2008) stresses the way in which internal factors including knowledge, skills, patents and brands are combined in unique ways by means of managerial capabilities. Hoffman (2007) identify positive relations between the MSME's innovation and profitability, hence growth. In a study by Scozzi et al. (2005) in Niagara region of Canada, it was found that innovators performed higher in terms of sales and exports. Also, there were direct links between increased research and development expenditure and innovativeness in terms of the introduction of new products. Furthermore, quality, specialization, speed of delivery and after sales services were regarded as much more important in terms of improved competitiveness by innovators in comparison to non-innovators who tended to concentrate on low-cost leadership strategies. Also, high innovators placed more emphasis on a wide range of network linkages to access services such as market research, advertising, legal, banking, insurance and technical support (Scozzi et al., 2005). Pecas and Henriques (2006) opine that MSMEs belonging to clusters and networks are often more innovative than those operating in isolation and thus have a higher growth propensity. Networking allows the SMEs to combine the advantages of smaller scale and greater flexibility with economies of scale and scope in larger markets – regionally, nationally and globally.

A large number of firms result in greater growth for new ideas. Ramsden and Bennett (2005), also write that growth of small firms is strongly influenced by the level of the inter-firms collaboration. The links take different shapes in which different firms join together to co-produce, co-market, or co-purchase, cooperate in new product development, or share of information. While networking is viewed as an important requirement in enterprises of all sizes, these learning opportunities are argued to be of particular importance to small firms in order to offset the vulnerability of size acting as the key determinant of organizational success (Pecas and Henriques, 2006). Finally, Jones and Tilley (2003) present organizational flexibility as another strategy to sustaining business growth. The authors argue that, MSMEs offer some of the best options for making meaningful productivity gained in the global marketplace based on their flexibility and speed in adapting to market dynamism. Rothwell (2009) supports this premise that organizational flexibility is the key source of growth for most MSMEs.

The pivotal role played by MSMEs is widely acknowledged, but there is no standard definition of MSMEs. Nonetheless, the scale of enterprise can be measured in terms of total work force, turnover, investment and number of business units (KIPPRA, 2006). In the Kenyan context, enterprises are mostly classified by the number of employees engaged in the business. According to National Micro and Small Enterprises Baseline Survey (1999), MSMEs are defined as enterprises in both formal and Informal sectors employing 5-99 fulltime employees. Small scale enterprises employ 5-49 employees while medium enterprises employ 50-99 fulltime employees. A feature in the Kenyan economy, MSMEs cut across all sectors, providing a prolific source of employment, income, and government revenue and poverty reduction. The sector comprises 98% of all businesses in the country, employs more than 4.6 million people (30%) and accounts for 18.4% of the country's GDP. Total capital employed in the sector is 28 billion (GOK, 2013).

The sector provides goods and services; promotes competition, innovation and an enterprise culture and provides opportunities for the development of appropriate technological and managerial competencies. Since they dominate the business sector in Kenya, SMEs are acknowledged as an important factor in the context of poverty reduction as a source of income and employment especially for poor households (Oluoch, 2002). According to Kiveu and Ofafa (2014), growing concern about persistent stagnation and decline in economic growth accompanied by chronic unemployment, poverty and its resultant social problems has led to increased search for strategies which could stimulate economic activity in Kenya. SMEs development has been at the centre of these efforts based on the notion that small businesses form the context within which entrepreneurial activity takes place. Nevertheless, access to markets and marketing information remains a severe constraint to MSMEs development and competitiveness in Kenya. Prescribed policies to address these challenges seem not to be effective (Kiveu and Ofafa, 2014). Overall, aggregate demand is low; markets are saturated due to dumping and overproduction, and in most cases markets do not function well due to lack of information and high transaction costs. Most of the MSMEs are ill-prepared to compete in globalised liberalized markets while fewer are capable of venturing into the export markets to tap into new market frontiers. This confines majority of SMEs to narrow local markets characterized by intense competition. Small capital base and limited technology also confine MSMEs to poor quality products that cannot compete effectively in a globalised competitive market environment (KIPPRA, 2006).

The Kibuye Jua Kali cluster is situated in Kisumu town along Kakamega road and is nearby the town's busy bus station. The cluster forms over 70% of the MSMEs currently registered and operating in the entire Kibuye open-air market (Onyango, Wagah, Omondi and Obera, 2014). The enterprises sell their merchandise daily although the market peaks on Sunday, running from early morning to late at night. The number of traders is about 7,000 but this number doubles on the peak day. There are also 2,800 traders doing wholesale and about 1,000 artisans (Abayo, 2014). The market provides an outlet for raw products and manufactured goods. The Jua Kali units at the market majorly include a number of timber and metal artisans fabricating goods for local sale and export to other markets in the region. There are also units dealing with tailoring and related works (Abayo, 2014). There have been various initiatives to provide stalls for the Jua Kali traders inside the market. However, the interventions have been piecemeal and do not address the needs of the large multitude of traders and customers.

The market is divided into upper Kibuye which houses fishmongers and food-stalls and the whole units, Middle Kibuye which is where most retail trade takes place and Lower Kibuye which houses most of the artisans and cereal traders. Kakamega road which joins Nairobi road links the market to key towns in Kenya through these highways and the public transport system. The market spills over the fence onto the road reserve and this has made it difficult to provide security in all locations. The market is complex of shops, stalls and open air traders operating a flux of symbiosis and competition depending on location and say. The large number of customers selling more or less the same goods makes the trade cut-throat (Onyango et al., 2013).

To banks, impromptu Bank of Ghana regulatory activities such as review of policy rate, and other economic situations such as high inflation and unstable exchange rate may be challenges hindering them from issuing credit facilities to MSMEs (Zairani and Zaimah, 2013), though they may have the financial means for MSMEs lending. Moreover, the inability of MSMEs to meet the conditions required by the financial institutions for advancing credit constitutes a limiting factor. For instance, a principle and model of lending requires that an MSME provides collateral security and other evidences of creditworthiness to be able to secure a loan (Waari and Mwangi, 2015). Unfortunately, most MSMEs are not able to meet these stringent requirements.

Sector definition

The MSME sector is made up of three classes of enterprises which fall under micro, small and medium enterprise classifications. These classifications are defined based on factors such as business investment value, annual turnover and number of employees. By looking at these factors above, it can be noted that they are the same factors used to distinguish growth oriented firms from none growth oriented firms as earlier stated by Perren (1999, p. 368)

For instance, according to Mbuta (2007, p. VII) an enterprise is described as micro if it has a maximum business investment of ZKR 70,000 , turnover of ZKR 140,000 and no more than 10 employees. Small enterprises on the other hand must have a maximum business investment of no more than ZKR 500,000 for those in the manufacturing sector and ZKR 100,000 for those in the trading/ services sector. Furthermore a small enterprise must have annual turnover of no more than ZKR 800,000 for the manufacturing sector and ZKR 800,000 for those in the trading sector. Maximum number of employees is 45 for both the manufacturing and trading sectors.

Mbuta (2007, p.VII) continues to state that a firm is considered medium if it has a total investment of ZKR 1 800 000 for manufacturing sector and ZKR 600, 000 for those in he trade sector. Such a firm must also have an annual turnover of no more than ZKR 5 000 000 for both the trade and manufacturing sectors with a maximum number of 100 employees in both cases.

Aside from just investment, turnover and employee number, this sector is also defined by the business activities pursued. These business activities tend to fall within four broad categories, namely: manufacturing, which encompasses; textile products, carpentry, light engineering, metal fabrication, food processing, leather processing, handicrafts, precious stone processing, essential oil production and ceramics. Trading comprises; consumable products, industrial products, agricultural produce and printing. Services consist of; restaurants and food production, hair dressers, passenger and goods transportation, telecom services, financial services, business centers, cleaning services, guest houses, building and construction. Lastly, mining consists of small scale mining and small scale quarrying. (Chisala, 2008, p. 7)

Furthermore, this sector is made up of enterprises which are both in the formal and informal sector, although the distribution of enterprise in these categories is not equal. Those enterprises in the formal sector are registered with Patents and Companies Registration Agency (PACRA) or any government authority. According to the Zambia Business Survey carried out by Clarke et al (2010, p. 10), it was found that only 1 in 20 MSMEs are registered making these enterprises largely informal in nature. Their survey also found that the informal sector employs about 88% of the employable population in Zambia.

Importance of micro enterprises to the Zambian economy

As mentioned earlier, micro enterprises are very important to the Zambian economy because of their contribution to employment and wealth generation. According to Clarke et al (2010, p. 1) in Zambia, *"Of the 4.1 million Zambians who are employed, most (88 percent) work for informal enterprises with less than five employees".*

These enterprises being described by Clarke et al (2010) are clearly micro enterprises.

The above statement is essentially the reason why this study focused on the micro enterprises only since they absorb the majority of the employed population making them very important players in the Zambian economy

MSMEs in Zambia can be categorized into urban and rural enterprises. The former can be subdivided into 'organized' and 'unorganized' enterprises. Organized ones tend to have employees with a registered office and are mostly solely owned by an individual whereas the unorganized ones are mainly made up of artisans who work in open spaces, temporary wooden structures or at home and employ little or in some case no salaried workers. The MSMEs that participanted in the study most of them are organized and have 1 to 10 employed staff in the areas of sales, marketing and logistics, however few rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this sector include: soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, timber and mining, bricks and cement, beverages, food processing, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Liedholm & Mead, 1987; Osei et al., 1993) as cited by (Chibamba Kanyama, 2015)

Kundhavi Kadiresan the World Bank Country Director for Zambia assessed the recent economic developments and outlook in the short to medium term, and its analysis of a specific development topic or theme. Many economic indicators are positive. Zambia continues to grow faster than many of its neighbors, even though the growth rate dipped in 2014.

He further highlighted three main issues blocking the flow of credit from banks to SMEs. These are lack of equity in MSMEs, lack of organization in terms of human resources, accounting, and administrative management among others and finally the firm's lack of forward-looking vision. For him, most firms were born on the impulse on the part of the entrepreneur, without any in-depth- analysis of the market or competition, which often leads to disillusion in terms of turnover and, consequently, in repayment capacity for bank loan. These are some theories from the perspectives of financial institution but are these really the issues from the perspective of MSMEs?

Having looked at the various perspectives on the issue of MSMEs difficulties in accessing credit, there is a better understanding of the direction of the study.

Many theories have raised the issue on the financing gap for Micro small and medium enterprises (MSMEs), meaning that there are a good number of MSMEs when given access to credit could use it profitably to grow their businesses but cannot obtain credit from the formal financial system, because of the inability of the MSMEs to meet the stringent requirement of these financial institutions. The issue of lack of credit to MSMEs can be looked at from two fronts: the financial institutions and the MSMEs operators.

Government wishes to promote industrialization as a means of diversifying the economy. This will be through the facilitating of value addition in the agriculture, mining and manufacturing sectors. In 2017, the private sector and government will invest US$100 million in the Economic Zones across the country. (National Budget, 2017). Industrialization cannot take place without financing to SMEs that form the backbone of the economy. To address this, Government has accessed US$50 million for lending to MSMEs. This will create dynamic MSMEs that will contribute to growth and generate jobs. (BOD, 2017)

Government will further develop financing instruments that will attract pension funds led by the National Pension Scheme Authority (NAPSA) and other investment companies to support industrialization under the Industrial Development Corporation (IDC). Priority will be given to projects that add value to output of the agriculture, mining and other primary sectors managed by MSMEs. (National Budget, 2017)

These are some of the factors already acknowledged by some researchers as blocking most MSMEs in accessing credit from the financial institution in the country. But are these really the case in Zambia? MSMEs in Zambia do not also have the luxury of picking a financing scheme that will be appropriate for their businesses. The major type of financing open to them is debt financing from the financial institutions, which most often comes with a long list of requirements that most MSMEs find them difficult to meet. The other type that is Asset financing, aside the long list of criteria also requires operators of MSMEs to provide 50% of the funds and the financing institution providing the other half to fund the purchases of the assets. This type of financing do not allow for growth of the MSMEs sector since they are all short term in nature.

Over the years, the challenges faced by MSMEs in accessing credit facilities have been largely empirically examined from the perspective of MSMEs. As a result, researchers have hardly incorporated the views of financiers into existing frameworks of these challenges. The gap in the literature provides opportunity for this study to address the issues of: (a) the absence of reliable evidence on what constitutes a full framework of challenges preventing MSMEs from accessing credit facilities from financial institutions; and (b) the lack of a holistic framework that reconciles all challenges faced by MSMEs from the perspective of financiers and MSMEs themselves. This study, therefore, provides a dual focus approach to viewing the challenges that inhibit access by SMEs to credit and financiers' lending to MSMEs. This is important in identifying and implementing the most valuable model for MSME lending.

A person carrying on a business in Zambia which involves handling or dealing in goods which are imported or exported or which are subject to excise duty or surtax shall keep or cause to be kept in Zambia, in the English language, reasonable and complete records of all of that person's transactions for a period of six years. (2) A person required to keep a record under subsection (1) shall, if required at any time within a period of six years after the date of the importation, exportation, manufacture or purchase of any goods, produce the bills of lading, rail notes, invoices, and all other documents including electronic documents containing all particulars regarding those goods, and shall allow such books, accounts, and documents including any electronic documents and electronic record systems at all times within such period to be open for inspection by any officer. (3) A person required to keep records under this section shall keep records for the period required by or under this Act. (4) The Commissioner-General may require a person to keep records for a longer period where the Commissioner-General determines that the records are required for the purposes of enforcement of this Act; and This amendment increases the period required for a taxpayer to retain records to six years from five years. However, the Commissioner-General may require a person to keep records for a longer period if required for the purposes of enforcement. (ZRA, the Customs and Excise (Amendment) Act No. 18 of 2015).

Prices have been growing at a somewhat slower rate in recent months. The inflation rate fell to 7.4 percent (year-on-year) in February 2015 from 8.1 percent in November 2014, after having risen fairly steadily since February 2012. Food price inflation has continued to rise since mid-2014. In contrast, the rate of growth in transportation prices has fallen sharply to 2.7 percent (year-on-year) in February 2015 from 7.3 percent in January 2015 and 11.9 percent in February 2014. (Economic Association of Zambia, 2015)

Meanwhile, government borrowing to finance the fiscal deficit has been pushing up interest rates. After falling during the third quarter of 2014, average yields at Treasury bill auctions have risen to 20.3 percent in February 2015 from 17.6 percent in October 2014. The small size of the local capital market imposes a constraint on the government's ability to finance any increase in the fiscal deficit through domestic borrowing. (Zambia Economic Brief, June 2015, Issue 5)

In 2014 and 2015, while fiscal policy has been expansionary, monetary policy shouldered the burden of moderating inflation. In Q1 2015, the BoZ increased the statutory reserve ratio to 10% from 14%, but kept the policy rate constant at 12.5% until November 3, 2015 when it was increased to 15.5%. Caps on lending rates were removed to improve the functioning of the credit market. The rising interest rates have helped moderate inflation, but at a cost. Higher interest rates increase the cost of borrowing and make it even harder for firms and individuals to access credit. In a 2013 published Enterprise Survey of 720 Zambian firms, access to finance was highlighted as the largest business environment constraint. (World Bank Group, Powering the Zambian Economy, 2016)

Poverty in Zambia remains stubbornly high, especially in rural areas where three out of every four people had income below the national poverty line in 2010. Such situation is likely to continue this year linked to the failure- and late onset of 2015 rains, which will reduce agricultural incomes in 2016 and cause some households to fall into poverty. On the other hand, the benefits of growth have accrued mainly to urban areas where many of the gainful economic activities in the country take place, such as in the highly urbanized Copper belt and Lusaka regions. But recent adverse developments in the country, such as power shortages (and effects on MSMEs in industry and services) and depreciation may impact adversely on urban centers. Zambia also has one of the most unequal distributions of income in Sub-Saharan Africa, with a Gini coefficient of 55.6. (Htpp//: www.jctr.org.zm, 2017)

A number of major challenges or constraints exist in the Zambian sugar market including the high cost of doing business in Zambia as reflected in high taxes, high fuel, electricity and transportation and distribution costs and the high wages that push the domestic price of the commodity upwards. The sugar industry is capital intensive and requires heavy capital investments such as setting up irrigation facilities and factory plants. In Zambia, the cost of borrowing is very high and this limits growth of the sugar industry particularly for small industry players and potential new entrants. Zambia also faces a major challenge with transportation which affects is competiveness in the international market. Zambia is a landlocked country and coupled with poor transport infrastructure, this makes it very expensive to access export markets. (Thomson Kalinda and Brian Chisanga, Asian Journal of Agricultural Sciences 6(1): 6-15, 2014).

Establishment of the gap

Most studies reviewed show that financing has a bearing on MSMEs' operations and productivity; the effect on MSMEs has not been stressed fully in Zambia and Lusaka district to be precise.

Globally, regionally and locally, the influence on MSMEs by operational challenges. Consistent also in the studies has not shown that operational challenges badly affects levels of their success. It is also important to mention that most studies have concentrated more on impact on the national level.

Challenges MSMEs growth

A number of researchers that have carried out studies on the MSME sector discovered a number of challenges that constrain the growth of micro, medium and small enterprises. Below is a discussion of the factors that were identified taking different contexts such as sub Saharan Africa, South Africa, Tanzania, Kosovo and a few other countries into consideration.

Inadequate access to finance

One factor that has been identified as a challenging factor is inadequate of access to financing or credit facilities. This resource access factor is among the interim growth drivers identified in Perren's framework. Finance is very important in a business for reasons of survival and growth, it is used to buy supplies, making capital investment and making payments for business related costs, for example, wages and rentals to mention but a few. To appreciate the gravity of the problem of lack of finance among MSMEs, findings from researchers both from Africa and around the world need to be examined. Taking a worldwide perspective, the findings on MSMEs in Kosovo are examined and it was reported by Soini and Veseli (2011, p. 49) that of the enterprises studied; 100% had used their own finance to start their businesses due to the difficulty of accessing finance from outside sources at startup, 66.67% used finance such as loans from banks to expand their business and it was in this case concluded that lack of access to finance was a major problem in Kosovo largely in the start up phase.

This situation is also present in Zambia, according to the MCTI 2003 survey cited in Chisala (2008, p. 12) it was discovered that only 7.2 % of SMEs in Zambia were privileged enough to access credit at start up with the majority 92.8 % being denied this necessary facility. Furthermore, authors such as Konge (2011, p. 225) are of the view that lack of finance in order to boost business operation is also a challenge among Zambian enterprises.

Conclusion

This chapter has discussed the conceptual framework upon which this research will be anchored on together with the literature review. It has highlighted how challenges faced by SMEs affect their success could be maintained and alleviated at international, at the regional and finally at the domestic levels. It has through the review of literature observed that the perception that local SMEs suffer as a result of operational difficulties. The next chapter will look at the methodology that the study will employ in order to come up with the findings based on the research objectives as highlighted in chapter one.

III. METHODOLOGY

Overview

This chapter presents the research methodology that was used to conduct the study. It presents details relating to the research design, area of study target population and the sampling procedure engaged. It highlighted data collection methods, data analysis, validity and reliability of research instruments and looked at issues related to ethical considerations and limitations of this study.

Research Design

The research applied pure qualitative approach. This involved collecting, analyzing, and interpreting data in a single study, investigating the same underlying phenomenon, and this was argued that its logic of inquiry included the use of induction, deduction and abduction. This decision was largely influenced by research questions, asking both the 'how' and 'what' dynamics of survival strategies among retrenched miners.

Qualitative approach was used to collect data, mainly relating to people's judgments, preferences, priorities and perceptions about mining, retrenchment and survival strategies (Carvalho, 1997). The reason was that questions were open-ended, evolving, non-directional and tending to seek, discover, explore processes, or describe experiences (Creswell, 1998). It can be argued here that such questions can take a grand scale form, representing broad or specific sub-questions, thereby yielding more invaluable data.

The design used was a case study approach. A case study connote, inter alia, a study that is focused on in-depth fieldwork, which concentrates on one or a few instances of a phenomenon (small-N analysis). This permitted the researcher to yield a critical case, thereby comprehensively examining operational challenges that SMEs face. In this regard, causal linkages were easily identified and analyzed. In a way, this allowed that this investigation oscillates between deductive and inductive reasoning (Hugland, 2010).

To achieve the proposed research objectives of highlighting the specific challenges inhibiting businesses in the CBD in their quest for growth and expansion. The researcher adopted a research method which was efficient and cost-effective research method. In view of this, the study focused on businesses in Lusaka Central Business area in the Lusaka province of Zambia. The survey was designed to investigate the challenges that SMEs face when operating and the suggested solution to the problem.

Target Population

Basha and Harter (1980 cited in Djan, 2013) "a population is any set of persons or objects that possesses at least one common characteristic." The term population" should not be taken in its normal sense when sampling rather it represents the full set of cases from which the sample is chosen (Saunders et al., 2012). Thus, the population from which sample for the study were chosen are owners of Micro and Small scale enterprises (MSEs) in the Lusaka's CBD Area.

Study Location

The study was conducted in Mansa District of Luapula Province. Mansa district has a total population of over 327,063 (2022) census. The research was only centered on retrenched workers based in Mansa district (Geo Hive, 2000 - 2011). Mansa Central Business District was suitable for this investigation because of the presence of MSMEs, thereby providing valuable insights into the study.

Sample Size

The sample for this study was drawn from the businesses in Mansa's Central Business District. The study adopted Fisher et al. (1983) formula in Mugenda & Mugenda (1999) to determine the sample size of businesses in the central business district. The sample for this study was drawn from Micro small and medium enterprises dealing in groceries, local farm products, retailing, stationery, auto spares and hard ware. In purposive sampling, sampling is done with a purpose in mind. We usually would have one or more specific predefined groups we are seeking (Babbie, 1986:165).

All of the methods that follow can be considered subcategories of purposive sampling methods. The researcher proposes to sample specific groups of MSMEs as in modal instance, here it will be the stakeholders of these MSMEs. In this method the researcher sampled with a purpose.

Sampling Techniques

The survey population includes randomly selected businesses seeking finance from financial institutions. Multistage sampling design was proposed to be adopted for the MSMEs. These businesses were first stratified into various categories of Micro Small and Medium enterprises.

Secondary information, which was meant to review information regarding current situation was collected from financial institutions such as commercial banks and micro finance institutions.

Data Sources

In order to achieve the objectives of the research, two types of data sources, such as primary and secondary sources, were used for this research.

Secondary Data

Secondary data refers to data that was collected by someone other than the user or collected from the original source. . It also refers to data based on research by others as well as published and unpublished sources in private and public domain. This study an opportunity to access secondary data.

The purpose of consulting secondary data was to develop a deeper understanding of the problem. Partly, this was to understand the historical dimension of MSMEs in Zambia and also the prevailing circumstances, policy options and debates. This helped appreciate what was already known and assisted in formulating research questions. Moreover, secondary data was used in collaboration with primary information, and in further exploring of the topic (Tashakkori and Teddie, 2003). The sources of secondary data included journals, books and other research that was previously done on a similar topic either in Zambia.

Primary Data

Primary data refers to data that is collected by the researchers for their research and archival documents. Primary data was collected by using questionnaires, and focus group discussions due to its low cost and convenience. This was administered to owners and operators of MSME businesses and other stakeholders who are represented in the sample. The sample includes Mansa Municipal Council and financial institutions that do business with these MSMEs. The aim of doing so was to get a wide range of views from as many stakeholders in Mansa district business centre.

Semi - Structured Interviews

Structured interviews are a social survey where the range of possible answers to each question is known in advance (Nichols, 1991). Possible answers are listed on the form so that the interviewer simply marks the appropriate reply in each case. This research had both open ended and closed ended questions. The closed ended questions were used with a view of limiting the respondents from giving unnecessary data and partly to assist the researcher in collecting specific data from the field. Structured interviews were undertaken to collect quantifiable data around their survival strategies. The pre-designed questions were standardised, and made coherent. This was to make comparisons and analysis simpler.

The objective here was to collect detailed quantifiable data and adopt a more confirmatory approach towards the prevailing social construct. Moreover, interviews embraced more sensitive issues that could not be covered in groups. At an investigation level, research bias was in a way minimized, owing to low literacy levels among retrenched miners. Therefore, the researcher and research assistants played a major role in administering the interviews, recording, and note-taking.

Instruments Of Data Collection

The questionnaire was used in financing assessment on MSMEs.

It was deemed important to understand the possible challenges faced by MSMEs and how the same has impacted these MSMEs located in the central business district of Mansa,

The questionnaire consisted of two parts. The first part contained questions about the businesses the MSMEs Operations, that is, location, their operational challenges.

The second part included the direct cost estimation of operational challenges. This part solicited the actual impact of the operational challenges on the MSMEs. This will be in regard to the level of operation affected and prevented investment as a result of operational challenges.

Before the questionnaire is validated, it will be tested in smaller focus groups followed by a final survey study of administering of not less than 50 copies of questionnaire to the corresponding respondents.

Secondary some data was collected from Mansa Municipal Council and financial institutions themselves such as commercial banks (Access Banka, ABSA, ZANACO and other micro financial institutions available in the district.

Data Analysis Techniques

This investigation employed the framework for analyzing data in mixed methods research spearheaded by Onwuegbuzie and Teddie (2003). The rationale lied in legitimation, and representation allowing the researcher to use the strengths of both methods. This was to deepen the understanding the phenomenon under investigation. This was adopted because it allowed for the use of qualitative and quantitative analytical techniques, either concurrently or sequentially at some stage, beginning with data collection process, from which interpretations are made in either a parallel, an integrated or iterative manner. This was important to this research because analysis was treated as a continuous process stemming from the field, thereby feeding into the methodological sequencing (ibid). This model identifies seven steps feeding into data analysis, data reduction, display, transformation, correlation, consolidation, comparison, and integration. Drawing from the research objective, this model was beneficial because identified themes could easily be compared.

This model also assisted in creating space for drawing a clear distinction between descriptive data and the researcher's interpretation. This also created an opportunity to assess and find causal linkages, discover gaps, make inferences, attach meanings and possibly deal with contradictory

cases (Boyden and Ennew 1997). It was also selected to strengthen the triangulation point which refers to the use of multiple methods to gather or analyse data (Denzin, 1979).

The analysis of quantitative data was at another stage also, done by using the Statistical Package for Social Sciences (SPSS). The qualitative data was done by arranging the data into respective categories and analysed by using an appropriate frequency, which was presented into table form. The research used the narrative approach for presenting the findings.

Personally administered questionnaire surveys were used to collect the data in order to reduce misinformation biases. The respondents will be informed of the purpose of the research. The data from the questionnaires will be cleaned, coded, collated using SPSS.

Ethical Consideration

The researcher endeavored to seek respondents consent before administering the questionnaire and assured them of confidentiality of results or the discussion. The study used codes for all transcripts and concealing of names of all respondents. Therefore the study was conducted with respect and concern in the interest of all informants.

Conclusion

This chapter has brought out the methodological approaches that have been employed in this study based on the research objectives. It has among other things highlighted such; the research design, the target population and the methodology used in collecting and analyzing the research. The chapter further highlighted ethical considerations and limitations to the study.

IV. Discussion and Results

This chapter has the main aim of presenting the primary data that was collected during this study. This primary data was collected in order to answer the main objective of the study, which was to identify the main factors that negatively affect the growth of micro Small enterprises in Mansa district.

The data collection for this study was done basically through the usage of interviews and focus group discussions. The targeted population was 50 SMEs and the questionnaires were presented among them. Out of the 50 questionnaires circulated, 40 were returned representing about 80 % of response rate, which was deemed impressive considering the short time given to these respondents. A higher response rate would have been preferred, but there were many reasons for the percentage achieved. Two of the most crucial reasons were:

• Some of the MSMEs were reluctant in answering the questions because they thought the information they will provide will in one way or the other fall in the hands of the tax authorities despite the assurance given in writing that all information given would be treated confidential

• Others also complained about the time given to them to provide answers to the questions. According to them, it was too short and as a result their inability to complete answering the questions. In spite of these problems, the response rate of 85% for the purpose of this study is quite good.

Below are the presentations of the details of the responses. Out of the 50 respondents, 60 % had their businesses registered as Limited Liability Companies. The rest are registered as Sole proprietorships, Partnerships and Family owned as shown in table (I). However only 20% of these business had the written down Mission, Vision and Objectives.

The following illustrates the presentation and analysis of the collected primary data.

Presentation of age distribution data (n=50)

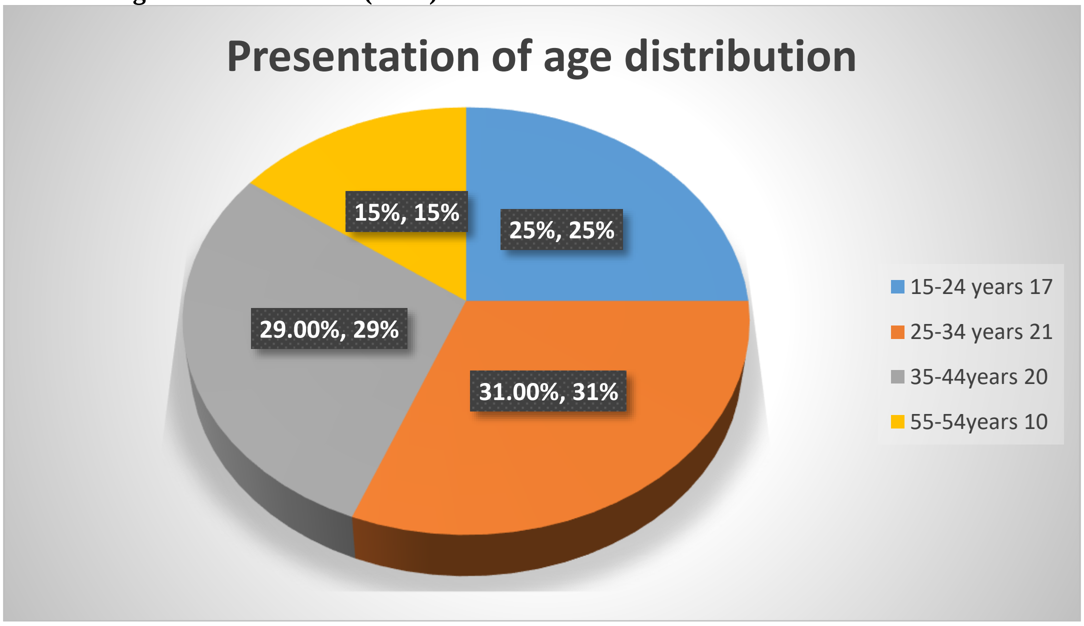

Figure 4.1 shows that the total sample consisted of 50 micro enterprise owners.

Source Field Data 2019

From the table it can be seen that the majority of the micro enterprise owners that were included in this study were between the ages of 25-34 years old. This presents an arithmetic mean age of 31 years using the formula:

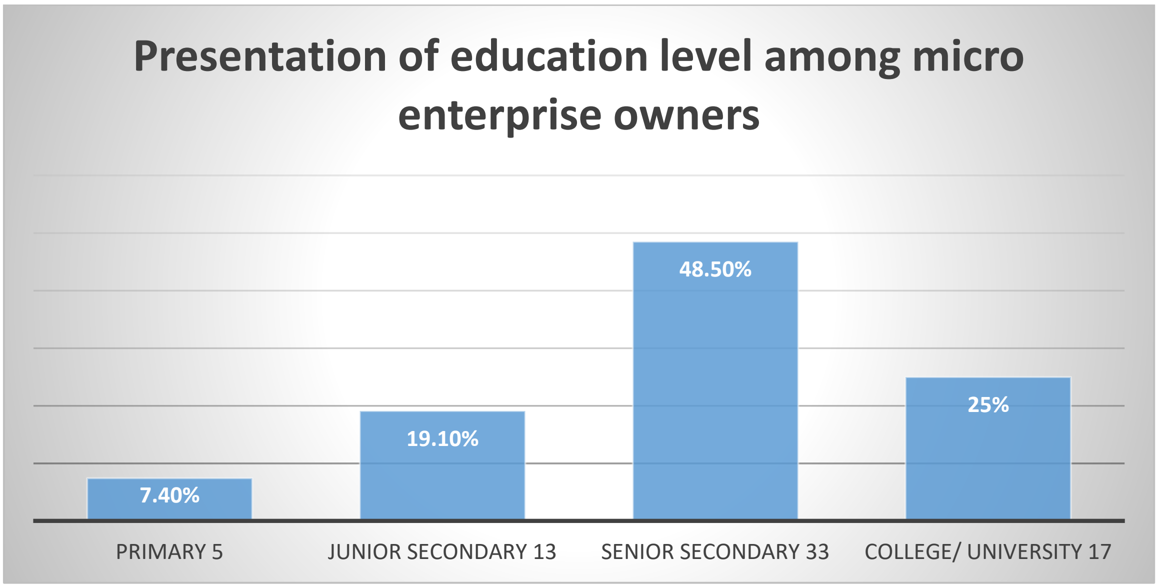

Figure 4.2 Educational Level

Source Field Data 2019

From the above table, it can be seen that the majority of micro enterprise owners had attained senior secondary education followed by college/ university, junior secondary and lastly primary education.

Presentation of Gender composition

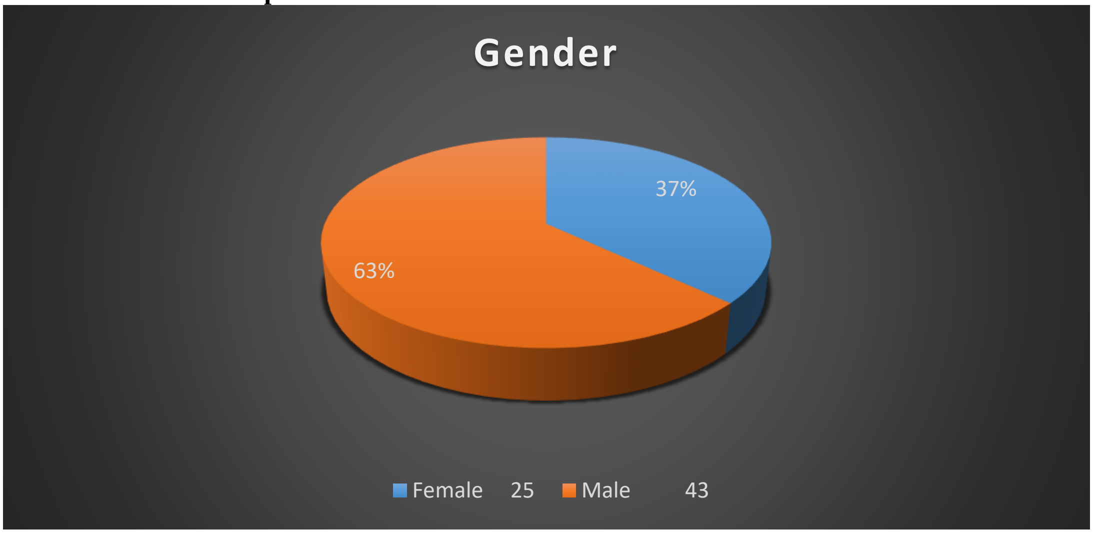

Figure 4.3 Gender
Source Field Data 2019

The table above shows that the sample was made up of a larger percentage of males than females.

Characteristics of SMEs

All the respondents are MSMEs located in the Mansa district, Luapuala province of Zambia, have a working force of between 1 to 50 employees with professionals in some managerial positions of the business. Out of the 50 respondents, 50 % have had their businesses registered as Limited Liability Companies. The rest are registered as Sole proprietorships, Partnerships and Family owned as shown in table below.

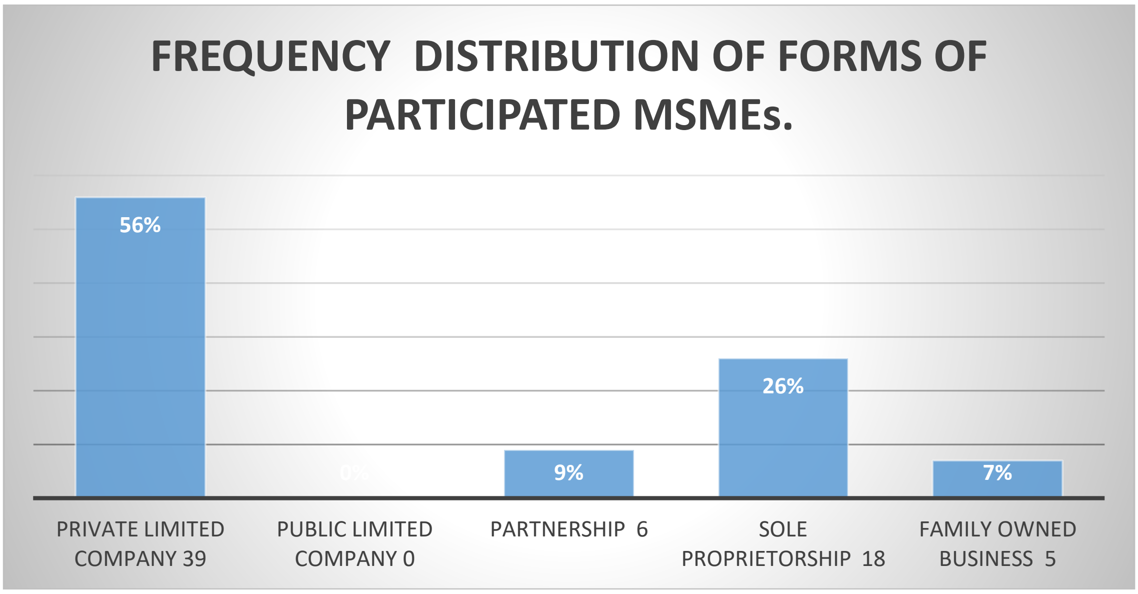

Figure 4.4
Source Field Data

As can be seen from table I, the bulk of the respondents MSMEs are registered as Private Limited Liability Companies. They accounted for 30 out of 50 respondents, representing 60 %. None of the respondents were Public Limited Liability Company. 10 respondents, representing 26% were Sole Proprietorship with 6 being Partnership. The remaining 8% of the respondents SMEs were registered as family owned businesses.

Frequency Distribution of Nature/ Kind of Participant SME

Nature	Frequency	Percentages(%)	Cummulative (%)
Retail Trading	32	47	47
Export	15	22	69
Manufacturing	8	12	81
Services	10	15	96
Real Estate industries	3	4	100
Farming	0	100	
others	0	10	

Table 4.1 Frequency Distribution of Nature/ Kind of Participant SME
Source Field Data 2019

It is a general knowledge that SMEs cut across the various sector of an economy, hence the 68% responses received were fairly spread across a wide range of the Zambian economy with the most concentration centered in the retail trading sector. This sector alone accounted for 47% of the total responses as can be seen from table above. The export sector accounted for 15, representing 22%, Services, 10 or 15%, Manufacturing 8 or 12% and the Real Estate industries accounting for 3 or 4%. For all intent and purposes, apart from the Agricultural sector, all the key sectors of the economy were captured in the sample.

Presentation of number of years in operation

Figure 4.5 Presentation of number of years in operation
Source Field Data 2019

The table above shows that larger percentage of micro enterprise owners have been running their business for 5 years and above followed by 4 year, 1 year and lastly 2 years.

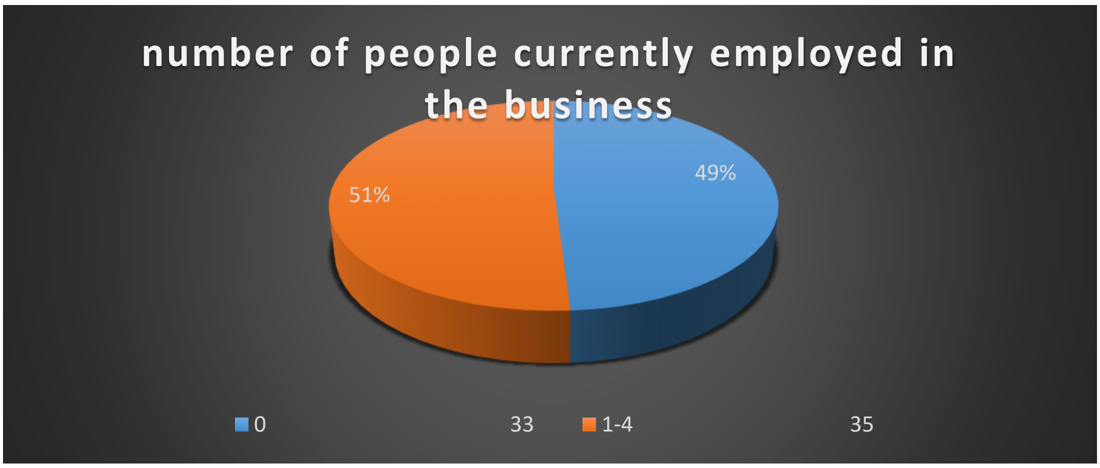

Figure 4.6 Employment in the business
Source Field Data

The table above shows that an equal number of micro enterprise owners reported having 1-4 employees and 0 employees.

SMEs Challenges

SMEs known all over the world are faced with lots of challenges in their operations and this was not different from the responses received from target respondents from Mansa central district business. SMEs operators who took part in the study were however asked to rank the major challenges they face in operating and growing their businesses. Lack or inadequate access to finance (bank loans) were considered to be a major challenge as it recorded 20%. This means that among all the challenges faced by SMEs in their operation ranging from competition, high utility tariffs, infrastructure among others, the participant SMEs saw the lack of credit facilities as the major challenge.

Major Challenges Faced By Smes In Lusaka

Form
Taxes
Competition
High utility tariffs
Lack of finance
Infrastructures

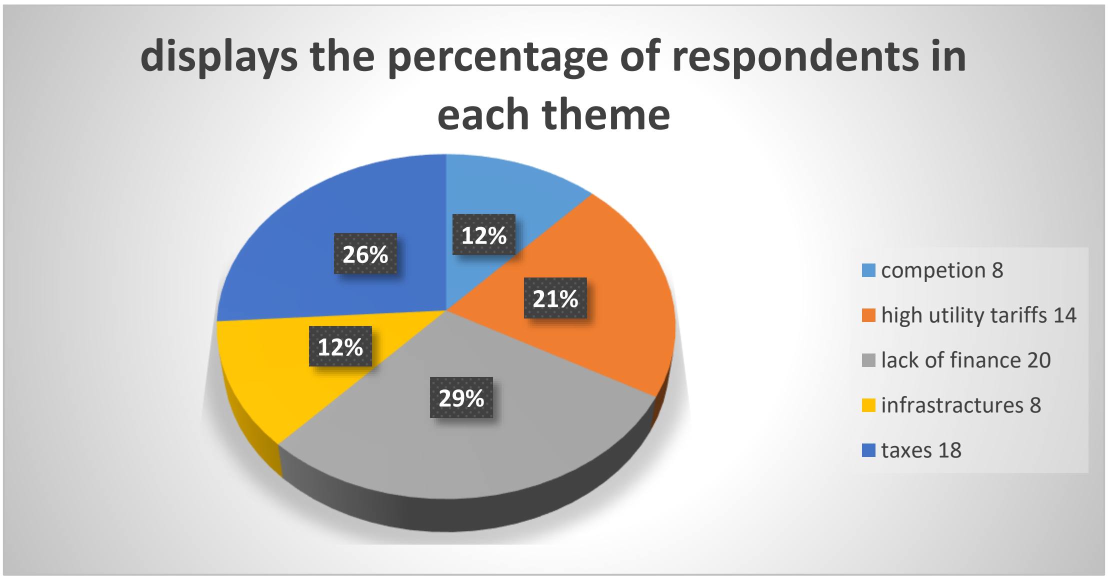

Figure 4.7 challenges
Source Field Data 2019

The table above shows participants rankings of the major problems facing the growth of their businesses in order on importance. 20 or 29% of the participant ranked lack of finance as the major constraints to the growth of their business followed by high taxes, which recorded 26%. High utility tariffs were ranked as the 3rd major constraint to the growth of SMEs with just 12% thinking that infrastructure and completion also constrained their growth. This result reinforces the theory by Cuevas et al (1993) where they indicated that access to bank credit by SMEs has been an issue and continues to be raised by numerous studies as a major constraint to growth, which was also supported by Aryeetey et al. (1993) that from the view point of private sector, problems related to finance dominate all other constraints to business expansion. These go to also indicate that finance for SMEs particularly in Ghana is still a major problem even though the number of banks operating in the country has increased tremendously since 1993 when Aryeetey et al. came out with their studies. With a total number of 25 banks (www.bog.gov.gh) and number of non-bank financial institutions operating in the country one expects that access to credit by these SMEs will greatly improve as competition becomes keen. But the expectation has not been met since the results confirm the numerous theories that lack of access to credit bank loans remains a key constraint that needs attention to resolve to enhance SMEs growth. This notion was also in line with Schiffer and Weder (1991), who found that small firms tend to experience more difficulties than medium-sized firms, which also experience more difficulties than large firms.

High Operating Costs (Taxes)

Most of the respondents stated that they obtain their inputs or stock from neighboring South Africa. This results in high costs mainly due to transportation and custom duties that are paid at the border posts. Another element that makes operating costs to be high is the recently introduced Value Added Tax (VAT). The payment of this type of tax had not been practiced in the past, it was introduced in 2011. The respondents mentioned that their expenses have been increased by the VAT amount. These expenses include rent and utilities such as electricity. The respondents stated that the unfortunate thing about this is that they were not given enough notice about the coming into effect of the VAT hence when it started it was not budgeted for and it had a negative impact of their businesses' cash flow.

Other challenges

The respondents cited lot of other challenges which were not necessarily categorized into particular themes. These included the following: Lack of management skills to properly manage their businesses. Financial management was found to be the key skill lacking for some of the respondents. This finding is in line with what was stated in paragraph 2.8.2, that with a lack of management training business owners would not have the required skills to run successful businesses. Bad economic climate in the country. Respondents highlighted that they were experiencing difficulty in collecting payments from debtors including the government. Importing products from South Africa has some challenges relating to the procedures that have to be followed. This includes obtaining import permits that expire quickly and the process of declaring goods at the border post is very cumbersome and frustrating. Lack of entrepreneurial culture among business owners. Most owner managers treat the business as a personal project thus they use the proceeds anyhow they wish. The entrepreneurial model discussed in chapter two is confirmed by this finding in that it reveals that the respondents were not oriented for success in the way they conducted their businesses. Physical limitations such as poor infrastructure. Poor transportation and communication facilities make it difficult for SMEs to receive inputs and make deliveries on time. Whilst still discussing challenges with the respondents,

Factors Contributing to SMEs challenges

The inability of SMEs in Zambia to readily have access to credit from the country's financial institutions (banks) can be attributed to a lot of factors. Schiffer and Wider (1991), attributed this factors to the perceived high risk nature of these SMEs, small portfolios of these businesses and the high transaction cost that banks go through in performing credit appraisal on them before granting credit to these SMEs. Berger and Udall (2006) in finding out factors contributing to the challenges in financing SMEs attributed some of the causes to the type of lending infrastructure of nations. For them, it affects the feasibility and profitability of using the different lending technologies in SME financing. Before revealing what this study came out with, the study first tested the possibilities of these SMEs being denied credit from the country's banks. That can be referenced from the result below:

TOTAL NUMBER OF PARTICIPANT SMES GRANTED OR DENIED ACCESS TO CREDIT

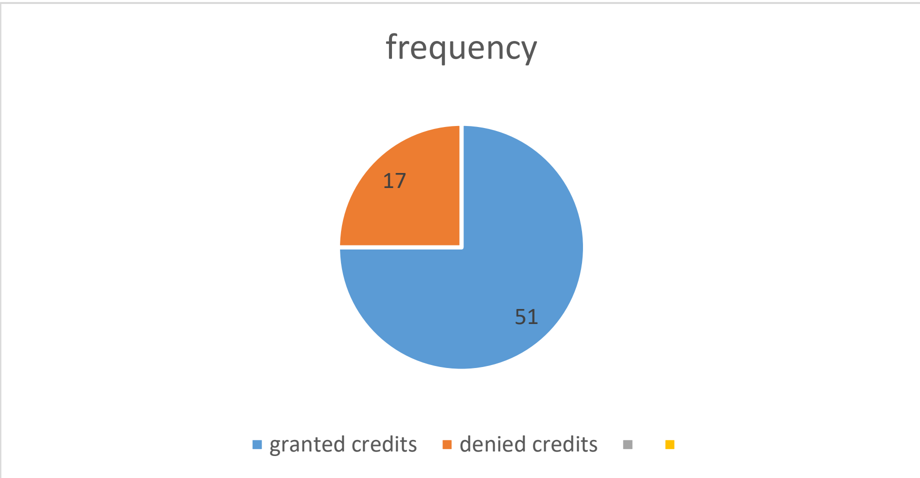

Figure 4.8
Source Field Data

The above pie chart shows a number of participant SMEs who in one way or the other has been granted or denied access to credit from financial institutions. From the chart above, 75% (51) of the total respondents say they have been denied access to credit, whilst 25% (17) of them responded No to the same question. Out of the 68 respondents sampled, 60% of them attributed their lack of access to bank loans or credit to their inability to provide the required security or collateral for the loans or credit being requested for and in situations where they are able to provide, it ends up to be inadequate, which accentuate the opinion of Banks et al., 1992. For them, they attributed this factor to the inability of the SMEs to provide collateral and in some cases where they do, they are inadequate and also the SMEs asset-backed collateral are usually rated at "carcass value" thereby making it difficult for these SMEs to get access to the credit they want.

Frequency distribution of factors that hinders participants smes access to credit

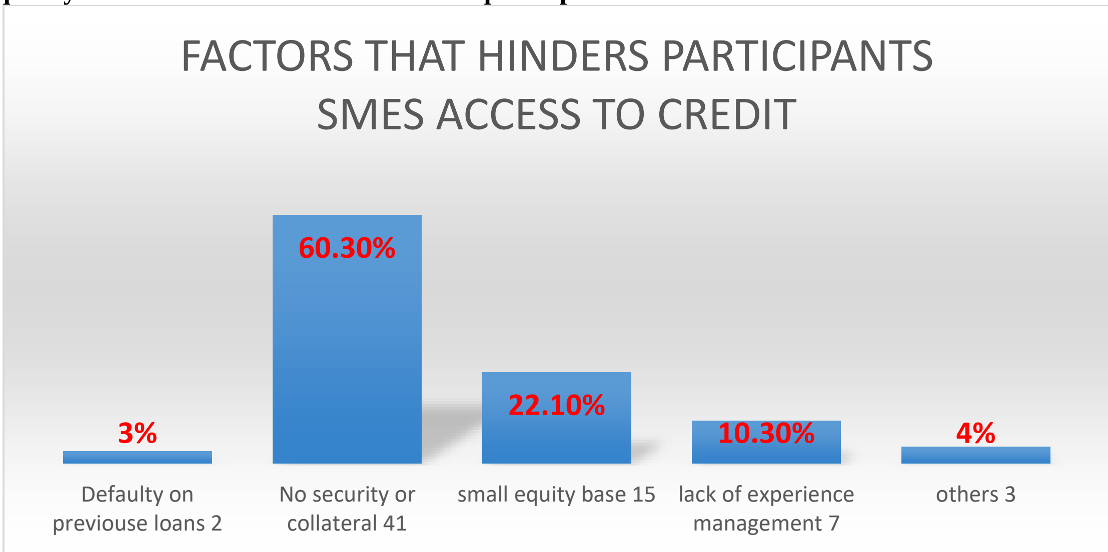

Figure 4.10 hinders participants smes access to credit
Source Field Data 2019

60% representing 41 of the total respondents of 68 ranked lack of collateral as the major factor preventing them from accessing loans from the financial institutions. 15 or 22% ranked small equity base as factor affecting their access to credit. Lack of experience management was the opinion of 7 or 10% of the respondents with 4% thinking that other factors such as 40 the inability to provide audited financial statement are preventing them from accessing credit with 3% relating their inability to access credit to default on previous loan. Again apart from the collateral issues and other factors as indicated above, which makes it very difficult for SMEs to access the maximum amount needed for various expansion projects, the interest rates charges on the loan facilities by the various banks are outrageous and also unattractive for most SMEs to access these credits. Almost all the respondents expressed an opinion on the level of interest rates charged by financial institutions on facilities received, to be extremely high whiles others also say the rates are just high. Table below shows the figures:

Frequency distribution of the level of interest rates on loans

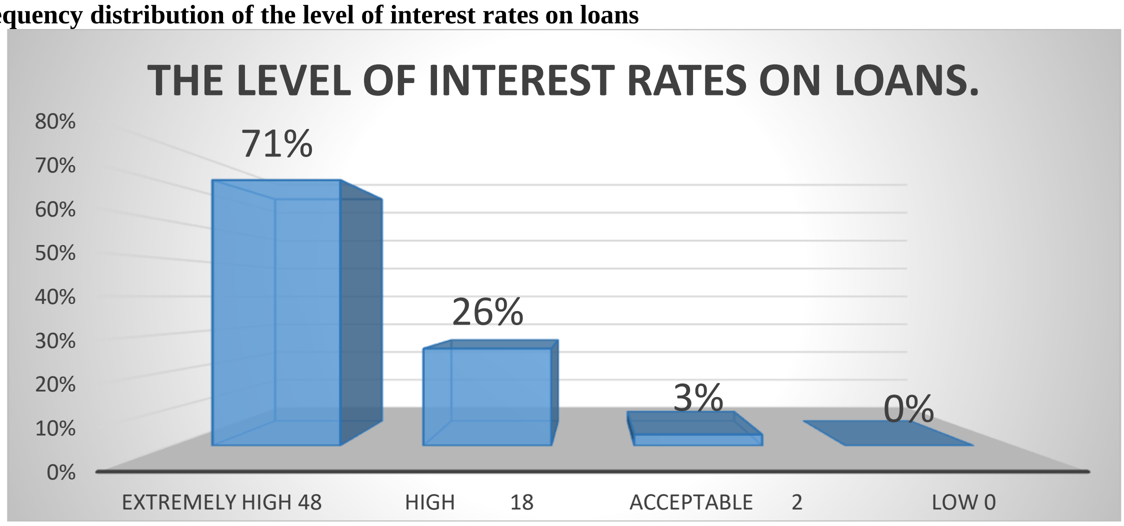

Figure 4.11 interest rates on loans
Source Field Data 2019

The above table shows the opinion of respondents on the level of interest rates charges on loans from the bank and non-bank financial institutions. 48 out of the 68 responses received from participants saw the interest rates on loans to be extremely high. This represented 71% of the total responses. 18 or 26% of the total respondent think the rates are high with just 3% saying the rates are manageable. One significant thing is that among the respondents, none saw the interest rates charged on loans by the financial institutions to be low. The extremely high interest rate group numbering about 48 out of the total respondents of 68 pays interest between 31% and 40% per annum. 26% of the respondents, which indicated that the rates charged by the financial institution are high, also pay interest of 21% to 30% per annum, with just 3%, which we will term the "fortunate" ones servicing their loans at an interest of less than 20% per annum. This makes their businesses unprofitable as the profits made are eroded by the huge finance cost. 41 This high interest rate demanded from the SME sector by the banks is due to the high risk nature of this sector, resulting from the high default rates associated with SMEs financing. The high default was also linked by the respondent SMEs to the delay in receiving payments for their goods and services rendered. This was revealed in the answers given in one of the questions, which sort to find out the causes of high default on the part of SMEs in honoring their loan obligation. One shocking revelation was that about 85% of the total respondents linked the problem to delays in receipts of debtors' payments. These delays, affect their cash flow considerably making it difficult for them to meet their loans repayment dates leading to them bearing extra cost in financing loan contracted in respect of additional fees to the already high interest charge on the loans facility.

Alternative Sources of SMEs Financing

Boom et al.(1983) like most writers on the subject of SME financing, described two basic type of financing namely debt and equity, which were further classified by Hisrich and Peters (1995) also into two sources internal and external. Since finance is the major constraints to SMEs development and growth, various sources ought to be explored by these SMEs to run their businesses. It came to the fore through the survey that most of these SMEs depend on mostly on external sources such as the banks, nonbank financial institution, families and friends and also personal savings the only internal source as alternative source of financing for their businesses. Table (VIII) below shows these sources.

Distribution of SMEs Major Sources of Funding

Nature	Frequency	Percentages(%)	Cummulative (%)
Retail Trading	32	47	47
Export	15	22	69
Manufacturing	8	12	81
Services	10	15	96
Real Estate industries	3	4	100
Farming	0	100	
others	0	10	

Table 4.3 Major Sources of Funding
Source Field Data 2019

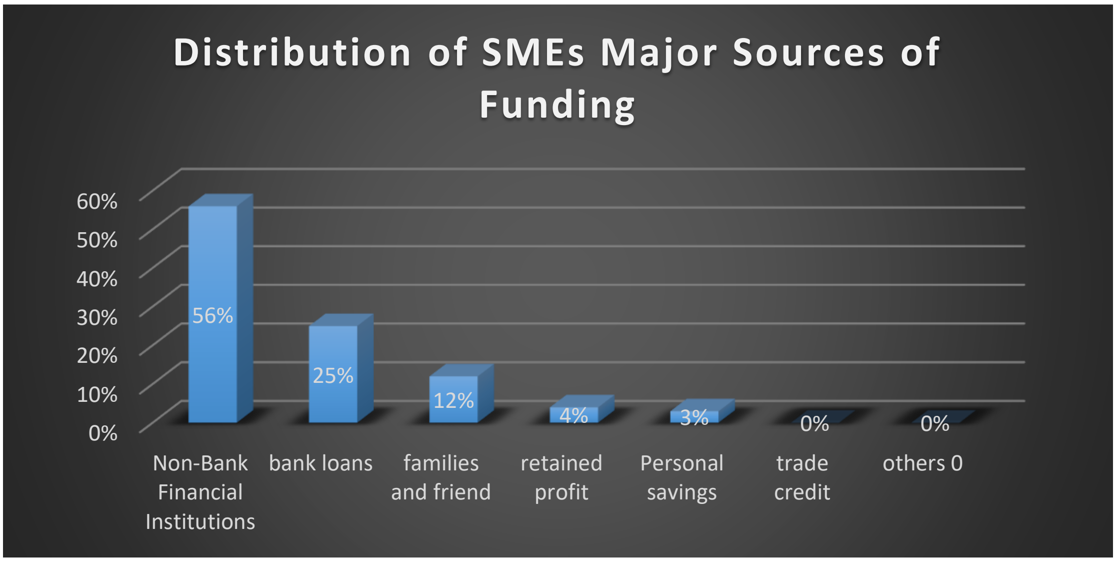

Figure 4.13 Major Sources of Funding
Source field Data 2019

Among the various sources in Table 4.3, which is also presented in the graph, 56% out of the total respondents ranked their major sources of funding from the Non-Bank Financial Institutions followed by 25% getting their financing from bank loans. The third ranked sources of funding for SMEs operation are from families and friend with 12% and the fourth being retained profit with 3%. Personal savings was ranked the fifth with trade credit not resorted to as a source.

This goes to show that the SMEs operating in Zambia are skewed more towards the external source of funding, which is not also easy to access thereby inhibiting their growth. From the above the only internal source of funding is just from their personal savings none of the other internally generated options of funding are being exploited. These internal sources include operational and investment profits, sales of assets, extended payment terms, reduction in working capital and proper management of accounts receivable, which are less expensive and also reliable.

The kind of banks operating in the country have limited interest in funding the SMEs sector most especially those seeking funds as start up capital for their businesses because of the risk associated with new businesses where it is known that 8 out of 10 new businesses fail within the first three years (Mason, M.K, 2011). The limited interest of banks to finance start up businesses is also supported by the data.

Frequency Distribution of Sources of Funds for Start-up Businesses

Sources	Frequency	Percentages(%)	Cummulative (%)
Personal savings	25	37	37
Bank Credit	8	12	49
Friends and Relatives	31	46	94
Others	4	6	100

Table 4.4 Funds for Start-up Businesses
Source Field Data 2016

The above table shows the distribution of SMEs sources of funding in establishing their businesses. It is clear from the table that 37% and 46% of the funds are generated from personal savings and relatives and friend respectively with 12% of SMEs start-ups getting their finances from the banks. The reaming 6% get their funds from other sources.

This makes it extremely difficult for the SME sector to pursue growth thereby hindering their growth just to stay afloat. In spite of these challenges there is a strong desire among these SMEs to pursue the agenda of growth when the question was asked as to whether or not they would like to expand their business to other cities within the country should their financing needs be met. 60% of the respondents showed interest in that direction as indicated in Table 4.4.

Distribution of Participants SMEs Establishing More Branches in the Major Cities in Zambia

Ranking	Frequency	Percentages (%)	Cumulative (%)
Strongly Agree	41	60	60
Agree	24	35	96
Not Sure	3	4	100
Disagree	0	0	100
Strongly Disagree	0	0	100

Table 4.5
Source Field Data 2019

This table shows the distribution on the question relating to SMEs expanding their businesses to the other cities of the country. 60% of the respondents strongly agreed to the statement, meaning that all things been equal they would like to grow their business. 24 or 36% of the same respondents also agreed to the statement with just 4% not sure as to whether they will expand or not. One critical point is that none of the respondents disagree with the statement of whether SMEs would like to establish more branches in the major cities of the country.

This table shows the distribution on the question relating to SMEs expanding their businesses to the other cities of the country. 60% of the respondents strongly agreed to the statement, meaning that all things been equal they would like to grow their business. 24 or 36% of the same respondents also agreed to the statement with just 4% not sure as to whether they will expand or not. One critical point is that none of the respondents disagree with the statement of whether SMEs would like to establish more branches in the major cities of the country. This seems to remain a dream for them as the funds to undertake such an expansion projects are difficult to access because of the stringent criteria of the banks. The only sure way of getting such an amount to embark on these expansions is mainly through the banks and the listing onto the Ghana Stock Exchange, which most of the SMEs are not qualified. This leaves the banks as the only viable source and even then because of the duration given in repayment of loan, which is mostly up to two years (see Table XI), such facility will not be appropriate for investing into business expansion.

V. CONCLUSION AND RECOMENDAION

CONCLUSION

The theme of this study which is " Investigating operational challenges faced by SMEs in Mansa central district business" sort to highlight difficulties faced by these SMEs in accessing credit facilities from the financial institution to operate and grow their businesses. In achieving this, the study sort to answer the following questions:

- What are the challenges that SMEs face during operations?
- What are some of the factors hindering SMEs to access credit facilities?
- What are key effects of high credit interest rates on the SMEs in Mansa central district business

The following conclusions can be made from the findings of this study:

Respondents who have a higher level of education were found to be running their businesses in a more professional manner. They keep the relevant records of the business and their transactions are well planned and well managed. This shows that there is a need for those who do not have business management skills to obtain some training in order for them to be more effective in their management approach thus improving the success rate of their businesses. Prior work experience is an important element which helps people in managing their businesses. The participants who have been exposed to business skills and routines such as planning and control are more likely to be successful than those with no experience (Petrus, 2009). The experienced participants were found to be implementing policies and procedures that result in better business management than the ones with no experience. This is because their businesses are based on better planning, organizing and control practices as opposed to doing this on a trial and error basis. The study has revealed that most of the participants do not attend formal training on how to run a business. They just rely on their academic qualifications which, in some cases, are not necessarily business oriented. This indicates that academic training alone is not enough for one to be able to operate a successful business. There is need for continued empowerment through the acquisition of business management skills (Scarborough et al., 2009).It can be concluded that there are some business sectors that have too many businesses that are similar to each other. An example is the salon and fruit and vegetable street vending. This shows that there is lack of innovation as new businesses just emulate what the others are already doing. This leads to high levels of competition and less profits for their businesses as these industries are already saturated. The findings of this study have also revealed that there are a lot of challenges facing SMEs. The first challenge cited by most of the respondents was lack of access to financial resources. It is evident that current sources of funding for SMEs are not producing the desired results as they seem to be not easily accessible to the intended recipients. This confirms what was mentioned in a lot of literature. In paragraph 2.8.1, it was stated that access to finance was often cited as a major challenge facing SMEs

According the questionnaires circulated, it became evident that SMEs in Lusaka like most SMEs in other countries are faced with major challenges in accessing credit. These challenges were revealed by the study to include, the inability of SMEs to provide collateral and other information needed by banks such as audited financial statement couple with the high cost of loan in terms of high interest rates make it extremely difficult to access bank loans. The above also support the result of Aryeetey et al. (1993), which concluded that 75 percent of sampled firms that need loans under the study conducted on the demand supply of finance for small enterprises in Lusaka, among those that had their application rejected, lack of adequate collateral were the main reason given by the bank. Because of these constraints, which relate to access to bank loans and the difficulties SMEs have in managing their receivables, mainly due to delays in receiving payment for goods and services rendered, SMEs in Lusaka are not able to mobilize cash as quickly enough to grow and expand in a way that they are supposed to. They still remain small without expanding their businesses to the other regions of the country, even though SMEs have expressed the desire to do so when they have the financial assistance required.

In urging banks to take "reasonable risk", we suggest that government should institute some form of tax incentives to banks involved in SME lending. This will encourage others to consider the option of lending to this sector. Also banks (that are not into SME financing) could consider setting up an SME division or department to provide specialized services to SMEs. Specially trained SMEs credit officers could manage such unit in the bank. For large financial institutions that already have such division, they are usually perceived to be less important compared to other corporate lending 49 divisions. Elevating the importance or status of SME divisions would encourage greater interest and focus on the SME sector. SMEs should also reduce the reliance on banks and take advantage of institutions set up by the state to assist them in terms of finance and training needs. Institution such as Micro Finance and Small Loans Centre (MASLOC) are viable options in terms of loans availability to SMEs in Zambia.

Recommendations

The Study has the following recommendations: Believing that if these recommendations are done the sector will improve and extend its benefits to a large population. The recommendations are based on the findings.

Borrowers without access to collateral have been constrained in accessing credit. Credit information sharing will enable borrowers build a track record that can be used in accessing credit. As banks are unwilling to extend credit without the assurance that SMEs are creditworthy and that it will be possible for them to pay back, the establishment of more of these bureaus and the commitment of the government to make it obligated for banks to disclose such information to these bureaus will bring some transparency to the credit market, which will also go a long way to improve access to credit as a whole and to MSMEs in particular. Provisions of incentives for banks' lending to SMEs even though banks may be faced with constraints, Aryeetey et al. (1994) suggest that they do active banking by mobilizing resources and distributing them to needy SMEs. Sowah (2003) further suggests that bank should be urged to take "reasonable risk" in examining loan applications from small and medium enterprises, especially for business ventures in new areas and technology.

The study concludes with some recommendations to help the Commission improve its operations in the disbursement of loans to MSMEs hence empower and improve the operations of the sector. The following are the recommendations: the Commission should relax collateral requirements and charge lower interest rates; scale down standard requirements before loans are disbursed and increase Public Awareness. The government should provide adequate financial resources to CEEC and increase the independence and autonomy of the Commissioners. Furthermore, the following should be taken into consideration: Development of social capital through networks, Policy framework, Enhancing information management in MSMEs, Improving management skills, offer better education and skills training. With decentrazation taking shape the Local Government and councils in particular should have a component to facilitate the financial needs of the MSMEs.

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