

The Role of Local Government in the Growth of Small and Medium Enterprise in Kafue, Zambia

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ABSTRACT

Due to several limitations, the business climate for small and medium-sized firms has grown more complicated, dynamic, and uncertain. Therefore, firms should work with local governments to boost their efforts to retain competitiveness in the market. Local government needs to support entrepreneurship if small and medium-sized businesses are to become more adaptable and competitive.

In order to better understand how local governments might support the expansion of Small and Medium enterprises (SMEs), this study sought to take a comprehensive approach to the topic. It focuses on SMEs and how they might advance rural development in the Kafue district by looking at cases of SMEs operating within cooperatives.

The study's methodology involved a qualitative descriptive inquiry on interaction, continuity, and situations that were framed by data collection from the respondents. Three local authorities, two SME officers, and 10 certified small and medium-sized businesses were specifically chosen for the interviews. The study augmented the proposal theoretical framework that was built as the ultimate result in connection to the study findings after thematic data analysis from the interviews was initiated.

According to the study's findings, local governments play an important role in the expansion of small and medium-sized businesses as a result of the decentralization policy that was put in place. This is because SMEs gained training in areas like financial literacy, business registration, access to loans and grants, and the knowledge of how to develop high-quality production. The study primarily helps the Local Authority (LA) create a business management system and entrepreneurial abilities that promote socioeconomic development.

The study suggests that the government keep aiding citizens by offering business loans, streamlining business permits, reducing the percentage of income taxes, and offering business help.

Keywords: Local Government, Small and Medium Enterprise, Growth and Decentralisation

BACKGROUND

In any nation, the policies that have been implemented will determine the role that local government plays in the development of small businesses. Building SMEs requires a strong decentralization policy. When Zambia gained its independence in 1964, decentralization became a part of its history. Local Government Act, No. 30, was passed in 1965. The Act created Local Authorities, of which 24 were urban authorities and 43 were rural councils, and allocated over 60 responsibilities to be carried out within their purview. The Native Authorities, which had been set up to assist the colonial government, were also abolished by the Act.

The Registration and Development of Villages Act, No. 30, which was adopted by the Zambian government in 1971, established the Ward Development Committees and Village Development Committees.

The local development centered on these buildings. The decentralization program of the nation underwent modifications once multi-party democracy was restored in 1991. According to an African or regional vision that objectively addresses African challenges for the development of least developed nations, the Zambian government developed policies with the goal of reducing poverty and promoting development. Zambia signed the African Charter on the Values and Principles of Decentralization, Local Governance, and Local Development in 2015 as a requirement to distribute resources from the central to the local level, which created many opportunities for stakeholders like SMEs. This was done in pursuit of the nation's desire to decentralize her governance system. Through the (Amendment) Act, No. 2 of 2016, decentralization was solidified in Zambia's Constitution, demonstrating the country's commitment to a decentralized system of governance.

According to the African Union Commission (2015), Agenda 2063 is a call to action. In order to realize this vision for a better future, policymakers at all levels, business, religious, community, women's, and youth leaders, as well as regular citizens, must act decisively, muster the needed resolve, and exercise greater unity of purpose to confront the challenges facing Africa, including the likely headwinds in an uncertain global environment. If the rising expectations of ordinary Africans are to be met, African governments and people must pursue the correct policies individually and collectively over an extended period of time. If properly supported, small companies may play a significant role in the African agenda to address the difficulties they face, which calls for local government to embrace everyone.

Decentralization has been a frequent element of development policies and public finance reform among developing countries, according to Rodriguez-Pose and Gill (2003). SMEs need money, and local governments must completely overhaul their financial policies in order to promote small businesses locally. According to a study conducted in South Africa, the government offered a good legislative framework to foster the growth of SMEs and assist them in realizing their full potential. This is something that other African nations may also encounter. For instance, the Small Business Amendment Act of 2018 (South African government, 2019), the National Business Amendment Act 102 of 2019, The Downstream Aluminium Centre for Technology (DACT) incubator, based in Richards Bay, Kwa-Zulu Natal, and the Small Medium Enterprise Development Agency (SEDA) were both founded to aid in the establishment of SMEs and generate jobs (DACT, 2021). This demonstrates the government's dedication to fostering SME growth through various national economic measures.

The Local Administration Act, No. 15 of 1980 was repealed and replaced with the Local Government Act, No. 22 of 1991, which also separated political party structures from governmental institutions. Additionally, the nation established its first National Decentralization Policy in 2002. It was later updated in 2013. Increased human and financial resource allocation to lower levels for improved service delivery and local service development closer to the people was another accomplishment. Another important aspect of the 2013 Policy was the creation of a new, legally supported, decentralized system of government with four levels: national, provincial, district, and sub-district. Revised Decentralization policy (2023)

- **Statement of the problem**

In September 2021, Zambia established the Ministry of Small and Medium Enterprise Development to foster the growth and development of cooperatives and small and medium-sized businesses in order to generate wealth and jobs throughout the nation. In order to achieve or foster growth for small and medium-sized businesses, the ministry does not appear to have quality standards when collaborating with the

ministry of local government at the district level. SMEs have a variety of opportunities and difficulties. Some of these chances and difficulties are brought on by SMEs themselves, while others are brought on by business and government. According to Yoshino and Hesary (2016:10), the lack of collateral, high default risk, and asymmetric information are the key causes of the undersupply of loans to SMEs. Compared to larger companies, SMEs face additional obstacles when trying to acquire financing. Despite the fact that the government should support SMEs, it was noted that many SMEs were losing business as a result of being relocated from designated areas of operation for the sole purpose of fostering a favorable environment, promoting better health, and enhancing security for the town or urban populations, and the vendors. Kafue town was not an exception to this rule. This occurred following the local government's enactment of a statutory instrument in 2023, which resulted in the removal of several street vendors from key locations where trade moved more quickly. Instead of joining other small businesses in marketplaces, several SMEs have chosen to operate independently, such as at a rail line crossing close to the Zambia compound (ZC) market, leaving them open to the full force of the law on particular days. Tambunan (2008) discovered that SMEs experience a range of issues, such as capital, marketing, knowledge gaps, and inadequate human resources. However, due to low levels of knowledge, it has contributed to low productivity of SMEs. Knowledge is a crucial aspect for boosting the competitiveness of SMEs. The local authority still had difficulty monitoring and carrying out local policy. Regulations were published by the local government to help the current SMEs through the Constituency Development Fund. But it appears that there were numerous issues with how this assistance was put in place. For instance, the local government only paid attention to boosting the number of SMEs in order to lower unemployment. On the other hand, they devoted less attention to using cutting-edge tactics to outwit the competitors on a worldwide scale. These issues are in line with earlier research by Sudibyoy (2017:5), who found that "Satisfaction has a good relationship to performance, thus local governments should think about how to build legislation connected to the development of SMEs. The local government should assist SMEs by putting in place a cutting-edge plan to become competitive on a global scale.

- **Specific Research Objective**

Explore the part that local government plays in the development of small and medium-sized businesses in Kafue, Zambia.

- **Theoretical Framework**

Social Capital Theory

Social capital theory served as the theoretical foundation for this study, and research has shown that this theory is helpful in understanding the integrity of cooperative societies toward the growth of SME. The relationships, attitudes, and values that guide interpersonal interactions and support social and economic development are thoroughly explained by the social capital theory. According to Basargekar (2010), the idea explains how people cooperate to resolve societal problems and provide fair access to development's advantages. Previous research supports the social capital theory's claim that by providing cooperatives with access to loans with lax terms and long payback periods, it can help them address the issue of financial exclusion. According to Gomez and Santor (2001), social capital is the outcome of people's relationships in social organizations and is frequently an unintended consequence of people achieving their goals, such as financial empowerment. According to Basargekar (2010), social capital is a tool for a person's economic development that has an impact on their society as well. The theory therefore suggests that SMEs must use cooperative societies in order to be financially inclusive. According to the UN (2004:3), entrepreneurship is a "source of innovation and change" since these businesses promote changes in production and the attractiveness of commerce and industry. According to the UN conference, "intuition, common sense, and pure economic observation" make up the thesis that relates entrepreneurship to economic growth.

LITERATURE REVIEW

• Conceptual Issues

Small-scale business still lacks a widely agreed definition. Small-scale businesses are the kind of companies that are owned and run by one or more people. It can be a sole proprietorship or, in some situations, a partnership, meaning that it is held by two or more people. According to a research on the evaluation of the government's involvement in fostering small companies in Kogi State, with a focus on the Kabba/Bunu Local Government Area, The definition of SMEs provided by Mawoli and Aliyu (2010:87) was "SMEs refer to all profit-making undertakings that are small in size, have a small number of employees, capital employed, number of customers, and sales turnover." Governments in both developed and developing countries, including the UK, have intervened in entrepreneurial activity because of the advantages that a healthy economy and job creation bring (Huggins and Williams, 2009).

According to Potluri et al. (2012:6), "The Government of India has been implementing major assistance measures decided from time to time through its industrial policy resolutions by anticipating significant contribution from the sector. The small business community has been very supportive of the country's phenomenal economic growth rates, especially over the previous two decades. The proportionate contribution of this industry to output, employment, and exports is growing rapidly every year. The movement and training of researchers, technologists, and entrepreneurs, particularly those from LDCs, could be supported financially by developed nations to enhance technology transfer, particularly for innovations that are crucial for the development of public infrastructure and services like governance, sustainable energy and agriculture, and health (UNIDO, 2008). Several studies, however, demonstrate that bringing teachers and human capital to developing nations is significantly more advantageous and less expensive than sending such resources to receive training overseas." (Grogger and Hanson, 2013)

• Government financial support

Some researchers in the external stream appear to be leaning toward the governmental role at an advanced level. According to Gunerergin et al. (2012), the government is to blame for a number of external issues; including unfair competition, the institutionalization process, and the difficulty SMEs have accessing finance. Furthermore, Tran (2015) contends that governments must significantly assist SMEs in terms of the formal procedures, access to credit, and business environment. Similar issues are listed in Al-Maskari et al. (2019) paper. However, they do not suggest a remedy for the internal problems; instead, they solely advocate governmental actions to reduce the exterior difficulties. According to studies carried out by numerous researchers after analyzing relevant material, a second crisis affecting SMEs is a lack of finances. For instance, Bahrain (2016) says that the incapacity to address issues and make rapid decisions is another aspect related to the financial issue. The SMEs are unable to address their problems and make the best options, either because they are oblivious of the truth behind the banks' worries or because they are aware of how the banks see them (Ravi, 2017). SMEs that experience challenging financing issues for these reasons, Bahrain's SMEs are urged to ensure that they have the capacity to respond simultaneously to urgent issues, find solutions quickly, and organize business operations effectively. This will allow a firm to ensure that it has a competitive advantage over its competitors and to secure a leading position. (2016) Gillett

• Government Institution

According to the study conducted in Ghana, the government has put in place a number of initiatives to support the SME industry there. The loans Guarantee Scheme, which was run by the Bank of Ghana (BOG) to help enterprises acquire bank loans, was established in 1969 and marked the beginning of this. A short time later, in 1970, the Ghana Business Promotion Programme was launched to give newly founded SMEs

financial support. Due to the poor loan payback rates and the recipients' political ties to former foreign-owned firm management, these schemes unfortunately did not have the desired effect (BOG Policy Brief, 2006). The promotion of an entrepreneurial development program, according to Ojo (2009), is one of the solutions to Nigeria's development issues. Promoting small-scale firms by the government is a real strategy to achieve this. It has been determined that entrepreneurship is essential for the modern market to remain vibrant and allow for the emergence of more enterprises, improving both competition and economic growth (Klapper & Love, 2011). The focus of Maunganidze's (2013) investigation was on the function played by the Zimbabwean government in the formation and growth of SMEs. The study found that there are numerous regulations and policies pertaining to these businesses that are motivated by politics and act as talk shows, particularly when an election is approaching and treasury funding is insufficient for the government's organizations established to promote SME development. According to Maunganidze (2013), the government in Zimbabwe functions as a barrier to the establishment of SMEs as well as a facilitator. The establishment in Zimbabwe of the Ministry of Small and Medium Enterprise and Corporative Development, the Small Enterprises Journal of Business Administration, and the Education for Development Corporation demonstrates the government's strong commitment to the creation and growth of SMEs. Small and medium-sized businesses undoubtedly function as significant economic agents, according to Chacuamba (2011). Especially where a more vibrant local economy is required, which is in rural areas. The relevance of SMEs is typically due to both the creation of new innovative ideas in the business sector as well as the creation of jobs. Small and medium-sized enterprise (SME) sectors have been highlighted by Ayyagari et al. (2007) as essential components of [a community's] plan to promote economic growth, employment, and poverty alleviation. Decentralization has been a typical element of development policies and public finance reform among developing nations over the past few decades (Rodriguez-Pose and Gill, 2003; Smoke, 2001; Dillinger, 1994). Through inter-jurisdictional competition, decentralization can also encourage greater governance and efficiency. Local officials are motivated to improve service delivery and to do so at the lowest cost when local governments compete and consumers and businesses have the ability to "vote with their feet" (Weingast, 1995). On the other hand, many African nations have started decentralization-related programs to improve the role of regional and local government in development (United Nations, 1996). Increased fiscal decentralization is anticipated to improve citizen participation in government by enabling the delivery of public goods and services at the levels and costs that local communities prefer (Bahl, 1999).

• **Defining and Measuring Decentralization**

Decentralization is the movement of duties, authority, and powers from the top levels of government to the lowest levels (Rodden, 2004; Von Braun and Grote, 2002; Litvack et al., 1998). Stegarescu (2005) adds that even though spending and revenue-generating duties are formally delegated to local governments, it is possible that local governments do not have complete control over these funds because the central government may have a significant influence on how they are used. The autonomy of sub-national governments is not reflected in local government expenditures that are made on behalf of the national government or that are made in accordance with central government directives.

• **Loan Borrowing**

The World Bank (1999) makes the following arguments in favor of local governments borrowing. Investment spending by local governments that is wholly funded by existing tax receipts is undesirable for equality reasons. The local governments value investment in this area because it will benefit present and future generations. Additionally, local governments will be at least somewhat accountable for their spending thanks to this. The second is that borrowing by local governments is relevant given the persistent gap between revenue and spending in the majority of developing nations, and the third is that borrowing by local governments demonstrates political responsibility. According to Manchester Business School (2001), a lack of government assistance causes people to be uninformed, unconfident, and have weak networking skills.

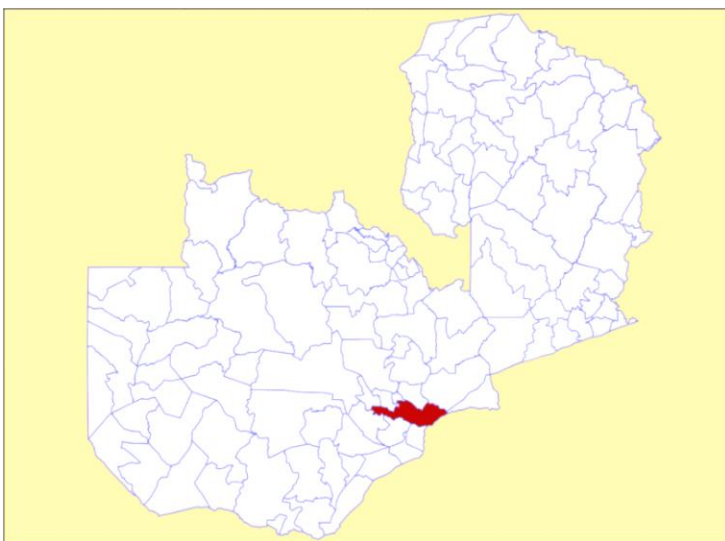
The economic actions of entrepreneurs may be impacted by government backing. Fairness, conformance, reflectability, distribution, consistency, public relations, efficiency, and scale of support would all be used to gauge how well the government is performing. According to Barkan (2008), “The Constituency Development Fund (CDF) is a project based on direct distribution of allocated cash from the central government to parliamentary constituencies for financing local development. “CDFs represent a form of proximal governance and policy-making within a framework of decentralized development,” claims Caritas Zambia (2011:11).

METHODOLOGY

This study employs a descriptive qualitative methodology. In order to assess the level of government involvement and role in supporting SMEs, information was gathered through semi-structured interviews with a number of SME actors, the local government, the ministry of small and medium enterprises, SMEs, Manpower, and Transmigration, as well as through the documentation of data from the local government. Denzin and Lincoln (2005) claim that qualitative research is a type of inquiry that is used in many academic fields, initially in the social sciences but now also in market research and other situations. Utilizing a qualitative approach, the social reality of the working community of MSMEs is evaluated. In the hopes that readers would be able to understand more about the situations in the neighborhood, this is used to gather reliable and in-depth data sources from informant comments and interactions. In this study, the method of gathering data requires the utilization of interviews and in-person field observations. A better grasp of reality that the informant is unable to directly transmit is the goal of observation. This work employs a wide range of literature studies to gather data sources and supporting articles that can improve the discussion of the discovered research findings.

• Study Area

The study was carried out in the Zambian district of Kafue, whose town is named after the Kafue River and is located on its north bank. In order to help small and medium-sized enterprises (SMEs) in the District, the study concentrated on the function of local government and line ministries. Alongside is a red-hued map of Zambia that shows the boundaries of the Kafue District.



• Study Sample

15 respondents made up the study’s sample, of whom 10 were certified SMEs. There were also 3 local council officials in charge of planning and community development, and 2 officers from the Ministry of

Small and Medium Enterprise Development.

- **Sampling Technique**

In this study, the researcher employed practical sampling. Convenience sampling is a sampling technique in which the researcher uses subjects who are easily accessible to take part in a study. 82 Journal of Social Sciences and Business Administration were used in the study. Experts in cooperative business and community development were also involved in the study. The remaining five (5) technocrats participated in focus groups while the remaining ten (10) SME participants had semi-structured interviews; The focus group was seen to be beneficial in that participants may encourage one another to engage via brainstorming, according to Coolican (2009).

- **Data Generation and Analysis**

Key informants in the interview guide and focus group discussions were employed as the instrument for the study, which collected data. The major issues emerging from the data were then categorized and common themes were found. A theme analysis was conducted when codes connected to the objectives were found. Similarities and divergent points of view were highlighted during the categorization process and critically assessed on the basis of the theoretical framework.

FINDINGS OF THE STUDY

The results of semi-structural interviews and focus groups on the contribution of local government to the growth of small and medium-sized businesses in Kafue District were as follows.

- **Theme.1 Low businesses because of global factors**

The study found that local government, specifically the Ministry of Small and Medium Enterprise Development and local authorities, were only encouraging the formation of cooperatives and SME cooperatives, which sustains a good number of jobs but raises the cost of living and makes it difficult for SMEs to operate because the majority of their potential customers are unable to buy goods and services due to poverty. R1 stated that, *“we need many strategies that can help both a customer and entrepreneurs. The war between Russia and Ukraine I hear is one of the causes of the reason of high cost of living. Remember when the cost of living is high it means commodities prices go up and demand goes down resulting in us fail to make profit. Government should help in subsidizing fuel and essential items. Things are bad sir.”* One officer indicated that, *“the local government was trying by all means to find better solutions to monitor SMEs activities in the district and we are happy to inform you that through constituency Development fund we managed to procure a vehicle to monitor constituency projects as you are aware it was a directive from the new policy guidelines. The purchasing of CDF vehicle was another important role by local government to monitor and evaluate SMEs projects tendered and won by the local citizens. The task now remains with the SMEs will be awarded contracts in the district to do a quality job.”*

- **Theme 3: Legal context**

There is need to strength of weak empowerment laws, in as much as the country is able to devolve the system of governance to strength democracy credentials. More strategies are needed to support the SMEs through the decentralisation policy. R15 advised that *“The country was supposed to be holding district business indabas to discuss matters of the district on economic empowerment and make reports on how businesses are surviving. Such strategies increase the growth of the SMEs in town. All local government officers involved illegal activities the by-laws should indicate clearly what punishments should be slapped to*

them. Unfortunately, in Kafue any misunderstanding and conflict of erring officers always is never in the public domain even when the same officers are holding public offices. We will only hear this one is transferred and one new officer has reported to the office. No stakeholders meeting”.

- **Theme 3. Infrastructure development**

Kafue district has vast land and plans by local government to establish new site for trading is not exposed and the planning for the future has not been disclosed to the citizens. R3 viewed that, *” one of their critical concerns we have as businessmen is the place or space for trading seems to be limited due to population increase in the district that has registered businesses. We have noted that most of the economic companies at the macro level are not in operation and the spillover of this results in small enterprises failing to thrive well. Further, strategic economic facilities in Kafue district are no longer part of Kafue because of new districts that were created. What economic activities can we boast about apart from the Nitrogen chemical of Zambia which is not effective like in the past when our youths used to get employment? Many industries are no longer there where we can order or purchase products at cheaper prices in order to do business.*

R4 confirmed that “things are expensive running businesses nowadays it’s just losses than more profits. The government should increase the fund for SMEs among the youths and women and they should build more shelters for our businesses.” 9

- **Theme:4 Pieces of Training of SMES**

Zambia has a Teveta-registered institution and Cooperative College that offers recommended training that is encouraged by the local government for SMEs or cooperatives to apply in order to attain skills in managing business. R14 confirmed that *“However, it is noted that many institutions have mushroomed to offer illegal training institutions and are giving acceptance letters to unsuspecting students to apply for sponsorship under the Constituency Development Fund (CDF) skills bursary. It was noted that some SMEs are being robbed of citizen skills empowerment Government is implementing the Zambia Youth Group Agenda for job and wealth creation. There is a need to take legal proceedings against the illegalities in the training sector”.* R15 emphasized the roles of the local government in Kafue and she stated, *“Government under bursary schemes we managed to train more than 280 applicants from both SMEs and school leaders who have been taken to school to attain skills which in return will create jobs for the district. We need more of our youths and women in businesses to sharpen their skills.”*

- **Theme 5: Production Process in Kafue**

Local government is engaged in skills training of SMEs such as bricklaying, carpentry, electrical wiring and agricultural farming skills in different cooperatives. It is a known fact that SMEs who are actively involved in their business, flourish better because of skills training and when they have attained those trainings we expect production to increase in any form of business they are engaged in. An increase in the production of any product satisfies demand and when is covered there will be no conflict in the district that the government has abandoned its citizens the SMEs.

Our findings indicate through R5 that, *“education is very important in the growth of SMEs through the helping hand by local authorities. Education is used to measure a household’s environmental attitude, behavioural change, and socio-economic status”.* The study findings through R6 revealed that *educated households were less likely to participate in stream banks of Kafue cultivation. Attaining higher education levels can increase the ability of a household member to process information regarding the goals for participating in land-use changes.”* Following these findings, it is clear that education is a crucial variable as it intertwines with employment opportunities and income potential.

Table 1. Implementation of SME policy by Local Government

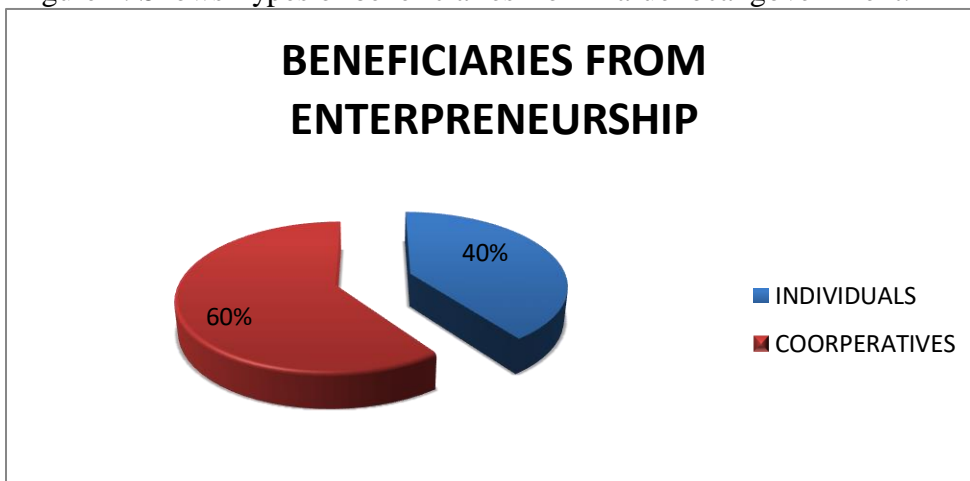
Policy approach	Capital & social development	Strategy to build community capacity	Main market
Decentralisation policy approach	Based on the local workforce(community)	Limited for the local community	Export to international and local markets
Constituency Development Fund approach (CDF)	Community members involved in group business	Contracts, individual enterprises, SMEs within cooperatives	Kafue constituency
Exploiting of resources. Foreign direct investment (FDI)	Local labour force(SMEs)	Not limited to the local community	Exports to the international market

Source: fieldwork

• **Theme 5. Financing Process of smes in Kafue**

The funding for SMEs in the Kafue district started through the process of reforms in the public sector that was focused on the District level or Local Community. This initiative was launched in 2002 under a decentralised policy. The idea of decentralisation policy was initially meant for the locals to make decisions on the resources created. The proposed package for promoting community development was decentralisation policy as the mother of all policies. The plan established the birth of the Citizen Economic Empowerment Fund and Constituency Development Fund to ensure that small businesses can be awarded from this fund. The financing package for local development activities is called CDF as well as CEEC Loans to enable small businesses to survive through harsh economies like Zambia.

Figure 1. Shows Types of beneficiaries from Kafue local government.



Source: Adapted by author

First, financing was mostly focused on the individual activities. The Green Revolution, a new political strategy, however, related to the encouragement of farmers’ associations. The local government focused on the farmers’ association at this time and made a substantial contribution to the formation of new organizations involved in agricultural production. In this way, the strategy of supporting various cooperatives is intended to promote community development, such as farmers’ cooperatives started by the local government and NGOs. According to prior experience, the majority of projects funded by individual SMEs were not seen as sustainable. The local government is more likely to provide funding for SMEs

founded by farmers with suitable project outlines. Above are two examples of local government beneficiaries. 40% of participants were individuals, and 60% had received CDF benefits at the time of the study.

● Economic factors in the growth of SMEs in Kafue

Compared to how the area was previously known outside the Copper belt province, Kafue Industries tend to make the district look like a white elephant. For instance, Kafue Textiles shut down and is no longer in business. Shoe leather tannery Bata Tannery is no longer in business. However, a few businesses still operate but require assistance, such as the Kafue integrated iron and steel factory, Universal Mining and Chemical Industries Limited (UCML), and Nitrogen Chemicals of Zambia (agr. fertilizers). These businesses are running and capable of producing 7,000 tonnes or more of completed goods, such as finished iron for both domestic and foreign markets. On the banks of the Kafue River is the contemporary five-star hotel known as Kafue River Cliff. The district's agricultural businesses include Kafue Fisheries Ltd, which was founded in 1981 and has since expanded to include 60 hectares of fish ponds and 1800 hectares of wildlife and cattle scheme. The entire aquaculture system is built on an integrated pig and fish operation with annual production reaching 7000 and 4000 heavy hog pigs.

The respondent 10 said, "Kafue George upper power station(990 megawatts generation capacity), is operated by Zambia Electricity supply company(ZESCO) unfortunately due to the mandate of the government to realign district this facilitates is no longer for Kafue district but Chinkata district, meaning Kafue is no longer able to collect tax from such an industry." Similarly, R11 stated that "multi economic zone facilities are located in Kafue district Land because it is close to Lusaka and all taxes are collected from Kafue to Lusaka." Nampudwe District presently includes the Kafue sugar plantation. As a result, the Kafue local government no longer has a stranglehold on several industries that were formerly her pride and joy for the people of Kafue. Shimabala toll gate is another income source that could aid in the administration of Kafue's concerns." Unfortunately, the function of local government appears to be very tough, since the glory of large revenue collection is no longer the same, and this has an influence on small and medium-sized businesses that require economic assistance such as land, finance, education, and many others. As a result, a researcher concludes that the role of local government is constrained due to a lack of funding to appropriately administer its mandate. As a result, Kafue Council is merely a Constituency Development Fund in its perspective. The truth is that the district requires economic activities to improve people's living standards.

Figure 2 Obstacles of the entrepreneurship process.



It was found that SMEs cannot enjoy policy benefits at the local government level, as they have weak

market positions and less access to information. Market barriers as a result of strong competition with large firms, when looking at the Policies about market and information, can only be tied up with opportunities, skills and pieces of training.

C 5 Monday and Friday market. Source: fieldwork

It was discovered that during disasters such as COVID-19, places such as Kalukungu market and C5 were immediately shuttered because these regions are generally open on Monday, Tuesday, and Friday. Many businesses travel from Lusaka to Kafue to sell their wares at lower prices, and most residents endure the high expense of life in Kafue by shopping on Mondays and Fridays. R7 contended that “the behaviour of Kafue municipal council to close such markets when they are unable to have alternative solutions does affect consumers and the retailers who buy to resale in business and traders are always encouraged to go and trade in established markets in their respective location.” R8 stated, “Another impediment to opportunities for small businesses is the government’s failure to continue with the presidential slash funds for marketers’ allocation.” R2 stated that “the PF Government forced us to become accustomed to receiving presidential funds for marketers, which is why things have changed under the New Dawn government.” Are we safe?

Table 2 shows obstacles to SME opportunities

Themes	Limitations(codes)	Description of each barrier (verbatim)	Respondents
Cooperatives & registration	Market barriers	“High market entry barriers, no markets we need help”	R10
Citizen participation	Networking	“Lack of information and guidance is another obstacle”	R1
Efforts by Government	Government related	“Lack of access to advice & general support”	R4
Creation of jobs	Entrepreneurs	“Lack of experience is affecting us”	R5
Financial literacy	tax	“Tax burden is too much sir!”	R8
Proposed framework	Political changes	“Failure to adapt to new policies”	R2
Training institutions	Technology changes	“Lack of human capital” (experts)	R9
The production process in Kafue	Demographic changes	“Difficulties in transporting goods and services”	R6

Source: Author’s Filed work

Table 2. Above shows different obstacles that SMEs face and these limitations enabled the researcher to find out how local government comes in to help the situation with the dwindling growth of SMEs. The summarized challenges were repeatedly mentioned in the study. The role of local government and its challenges in helping small enterprises were gathered and one of the main concerns that came out was policy issues, capacity building, political will and lack of strategic planning to enhance production among SMEs at the local government level.

Table 3 shows the tools, purposes and problems of each information and Market support.

Information and Market	Tools	purposes	Problems
Contracts	Geographical Gathering of technology tools	Indirect connection to local government	Lack of skills Contracts are awarded to SMEs outside the district
Concessions on procurement to SMEs	Announcement	Give priority to SMEs when competing with large firms	Hardly benefits the SMEs
Concessions on the law of tender and bid to SMEs	announcement	Give priority to SMEs when competing with large firms	Hardly benefits the local SMEs within cooperatives

In order to survive in business, SMEs must have access to information about contracts and procurement concessions. In Kafue, SMEs require a great deal of assistance. The tools in the table above allow SMEs to access information such as public announcements or notices, as well as challenges they confront. The goal of local economic planning is to give SMEs first consideration while competing with other bidders or competitors. R 9 stated that because SMEs encounter numerous obstacles, such as a lack of expertise and failure to win contracts, local government should always be quick to assist them.

DISCUSSION OF THE FINDINGS

- **The legal framework**

The study's findings suggest that progress at the local governance level is dependent on all stakeholders. While Zambia remains a unitary state, the Constitution of Zambia (Amendment) Act of 2016 states that the country must establish a devolved form of governance to strengthen democracy and achieve sustainable, equitable, and social development. Zambia's National Decentralization Policy promotes economic development at the local level while also fostering national unity. It further states that the Local Authority shall govern the district and oversee district programs and projects. This essentially indicates that for SMEs to obtain contracts and profit from local finances, they must be willing to collaborate with the local government, which is supported by the social capital theory used in this study. The Provincial Administration was founded as an extension of the national government to oversee and coordinate the implementation of government policies and programs in the province. Despite these accomplishments, the country has yet to fully devolve powers and responsibilities from the national government to Local Authorities and other subnational entities in accordance with the Constitution and Vision 2030. Some existing laws and policies are not yet in line with the constitutional decentralisation principles. Furthermore, the country has yet to attain equity in resource distribution to the subnational level. Revised Decentralisation Policy (2023).

- **Citizen Participation in governance**

Participation of citizens in democratic government at the local level is critical for a devolved governance system. To that end, the current legal framework for decentralisation encourages citizen participation in democratic governance and accountability of Local Authorities. Since 2016, significant progress has been made on promoting a decentralized governance structure. This has been accomplished by instituting directly elected Mayors/Council Chairpersons through universal suffrage within district boundaries. This decentralized governance has expanded the local democratic space for civic engagement and downward responsibility, as well as promoted public-private partnerships for local-level development among Local Authorities and other subnational entities. Significant progress has been made at the sub-district level in increasing citizen engagement in decision-making with the passage of the Local Government Act of 2019,

which established Ward Development Committees (WDCs). As a result, by 2022, all 1,858 WDCs in the country would be fully functioning. (ibid:2023).

Tax•Base

The attachment of revenue sources required to fund spending functions is referred to as a revenue assignment. User fees and charges, municipal taxes and levies, intergovernmental transfers, and capital borrowing are all sources of revenue. Previous strategies have focused on determining the exact structure of local own-source income that accrue to Local Authorities and over which Local Authorities have some legal and administrative authority. According to the Revised Decentralisation Policy (2023:18), the administration has also begun the process of establishing a new local government revenue base deriving from enlarged devolved functions and already designated revenue streams. Aside from these initiatives, the mobilization of own source income by Local Authorities is limited by revenue base erosion, which includes flaws in property rating legislation, weak Local Authority capacities, and a slow pace of digitization.

• The Production Process In Kafue

The study discovered that the Kafue River Basin is an economic giant supplier, as it is Zambia's third largest river and one of the rivers that has seen a development of agricultural activity along its banks over the previous four decades. The Kafue River contributes significantly to Zambia's economic system by supporting numerous businesses such as mining/industry, tourism, hydropower generation, fishing, and agriculture, among others. The accomplishment of the African Union Agenda 2063 and the United Nations Sustainable Development Goals (SDGs) (2015- 2030) is dependent on environmental sustainability.

The study found that while local governments are more involved in agricultural production and producer aid, more efforts are needed to empower SMEs in this sector. The empowerment of SMEs through the Kafue River Basin can enhance output for income and food security while also attracting investment capital in the area of agro-business export. Regardless of the socioeconomic benefits of riverbank farming (e.g., improved livelihoods and food security).

• Obstacles Of Local Government

It is evident that local government was expected to carry out numerous responsibilities, but a shortage of cash was a major stumbling block in the efficient operation of the local authority due to a variety of factors. The decentralisation program was supposed to be a successful policy that could have done a lot to help small enterprises; however all of the cash it was supposed to generate were wasted due to previous mistakes made by the central government. Furthermore, the local government, rather than surviving independently, still relies on the central government for major funding because what it is able to earn is insufficient to support numerous projects and adequately compensate its employees. The government has recently made it apparent that local governments do not make choices alone, but that the central government makes the final call. This means that many African countries are still struggling to decentralize development to lower levels. For example, the central government still controls the Constituency Development Fund (CDF). One may still wonder where the local government's autonomy in carrying out its mandate is.

The results of this study agreed with those of Chibomba (2013), who found that the role of local government is critical for community development. However, challenges to the function of local government remained. While local government officials viewed the CDF as a laudable effort, they pointed out that, while local councils were the Fund's caretakers, they were underfunded and could not sustain themselves on modest government handouts and other limited sources of revenue. That CDF provides a reliable and additional source of funding for development initiatives that would otherwise be the responsibility of the local council. The other side of the story was that local councils had created planning institutions and better-equipped employees, thus funding to these councils was not raised.

The autonomy of local government remains a story based on the historical backdrop of the local government operation system. In her study, Chibomba (2013) sheds further light on the fact that the independence of local government is still a disadvantage in carrying out its mission because of the upper hand that dictates the functions of the local government as it cannot entirely disassociate itself from the central government. Over time, the central government has deprived local governments of several of their traditional sources of revenue. For example, in 1996 government directed local councils to sell their houses to sitting tenants and local councils which had a big pool of houses lost a sure revenue source in the form of rentals. Further, the Rating Act of 1997 reduced the categories of ratable properties because exemptions were given to too many institutions. These are just two among many examples of sources of funding that have been taken away from councils.

- **Efforts By Local Government To Promote Smes**

- i. The Act to Create Jobs**

The local government has implemented an action plan in collaboration with other line ministries such as youth and sports and child development to provide strategies to address the challenges of youth employment and empowerment through a multi-sectorial approach to increase employment and empowerment opportunities for young men and women. Currently, the mayor's office has a Whatsapp group where all adolescents may gather information on the latest job opportunities across the country. The Mayor's Whatsapp group functions as a job pool since every week, all adolescents with skills get hired in and out of the Kafue District. The findings of this study are in line with the study that was done by the Labour Force Survey (2018) reported however that about 73.4% of the employed population are in informal employment and therefore lack employment benefits, basic social or legal protection and may be subjected to unsafe working conditions. During the year economic growth rate was projected to be only 2.0%. The poor performance of the Zambian economy was largely attributed to low rainfall, low copper prices and climate change. Statistics both from the Labour Force Survey and the World Bank indicate that unemployment has been falling in recent years.

- ii. Agriculture Support**

According to the report submitted to Parliament in 2020, the Zambia Input Support Program was critical to job generation. The government launched the Aquaculture Enterprise Development Project, which planned to teach over 1,000 farmers by 2022. These efforts aimed to boost productivity and make Zambia self-sufficient in fish production. In the 2019/2020 farming season, the government has been working on irrigation projects to lessen reliance on rain. The Chanyanya Chiansi irrigation project in Kafue is perfectly linked with Zambia's Poverty Reduction Strategy's core objectives.

Agriculture and in particular irrigated production has been given particular priority by the Government to form the basis of its national development programs and policies through its PRSP and in particular the 6th National Development Plan (2011-2015).



iii. Financial Assistance

The government's role includes aiming to accelerate financing for banks and the private sector, aiding SMEs with facilities and infrastructure, disseminating business information, simplifying business licensing, and assisting with trade promotion. Metrics for SME empowerment such as finance, trade promotion, and institutional help have not been utilized correctly. Second, a lack of community socialization regarding SMEs in the form of entrepreneurship training, product packaging that cannot compete with other products, budget constraints, human resources, and a lack of government policies regarding improvement and development all have an impact on the role of empowering SMEs.

Furthermore, the Constituency Development Fund will be channeled through the Local Authorities for Constituencies, as specified by the Government. The system, however, does not entirely adhere to the universal norms of intergovernmental transfers, such as the notion of vertical and horizontal equity. The vertical equity sharing mechanism of national resources between the central and local governments has not yet been fully realized. Horizontally, grants have been granted to local governments without regard for their operating circumstances and performance, or as a reward to local governments that follow good governance, transparency, and accountability principles in the execution of their projects. According to the newly revised decentralization policy (2023:13), "the fiscal decentralisation objective 5 is to enhance financial capacities at the local level in order to support the implementation of devolved functions and 6 is to promote prudent financial management and accountability in Local Authorities and subnational structures in order to enhance service delivery."

iv. Financial Literacy

The local government plays an important role in ensuring that SMEs begin to understand how to use their funds to build their operations. The Ministry of Small and Medium Enterprise Development facilitates this through financial literacy initiatives. How to make more money is one of the lessons kids learn. This is a condition in which agricultural cooperatives are encouraged to diversify their economic activities owing to drought spells in certain seasons and are encouraged to try livestock business in certain circumstances to earn more money. Furthermore, SMEs learn the best ways to keep their money rather than hoarding strategies, which were typically used by SMEs in rural areas. Furthermore, SMEs receive training and are encouraged to obtain loans from the Constituency Development Fund in order to be financially empowered. They are told in specific instances where to obtain funds at banks and citizen economic empowerment funds with low interest rates. However, many people resisted getting bank loans because of the excessive interest rates, and banks were found to be hesitant to assist SMEs with lending empowerment because to their inability to repay. In short, banks are concerned about the danger of lending to SMEs. Fernando (2023:6) states that, "financial literacy is the ability to understand and effectively apply various financial skills, such as personal financial management, budgeting, and investing." When you are financially literate, you have the foundation for a relationship with money that will last a lifetime. The earlier you begin; the better off you will be, because education is the key to financial success."

v. Cooperatives and Registration

Local government is responsible for registering small enterprises and accepting comprehensive business applications for registered cooperatives, social groups, and individual firms in the Kafue area. This allows SMEs to benefit from the Constituency Development Fund and other economic empowerment initiatives in the district. As the study was being done, these services were laborious and slow for potential SMEs to benefit from; it was discovered that the government is improving a new technique of online application. The Registrar of Societies (RoS) provides the services, which are currently available via the ZamPortal government e-services platform. The Registrar of Societies can register a cooperative online and provide e-

services to new cooperatives and existing societies. It is hoped that during national calamities, web apps will allow businesses to continue smoothly without disruptions, as happened during the COVID-19 epidemic, when Kafue town was the first district in Zambia to be placed under lockdown. Many SMEs suffered during this period, but the introduction of online services resulted in faster transactions and more comfortable and secure methods of providing government e-services to clients. According to Zamportal (2021), visitors to the government e-services portal can access the following e-services: Amendments, Annual Return, Cancellation of Registration (by Applicant), Copy of Extract from Document, Exemption from Registration of a Society Filing Documents, Issuance of a Duplicate Certificate, Registration of a Branch of a Registered Society, Registration of a Branch of an Exempted Society, Registration of Society, Reinstatement Registration, Search and Examination of Registers, Society Name Reservation. On Zamportal, you can access all of the e-services provided by the Registrar of Societies at any time.

vi. Training institutions

The government's job is to ensure that SMEs receive some training in order to keep their enterprises running. According to the report, anyone caught engaging in bogus SMEs training will face a five-year prison sentence. It was discovered that the officers in charge of CDF at the local council do not have a verification system linked to Taveta Zambia, which was put in place to bar all applications from unlawful institutions of training who are seeking funding for their students under the CDF skills bursary. However, only a few common institutions are known to be under Taveta Zambia, and new or unknown institutions are likely to lose out due to uncertainty about their legality. Other applicants have been rejected in some cases because they applied to institutions unknown to CDF authorities. Another significant obstacle for local governments in fostering SME growth is technological advancement. Fernandez et al. (1996) stated that government assistance (capital investment, research and development) would assist small businesses in reaching their objectives. Many studies have shown that government assistance is important for entrepreneurs.

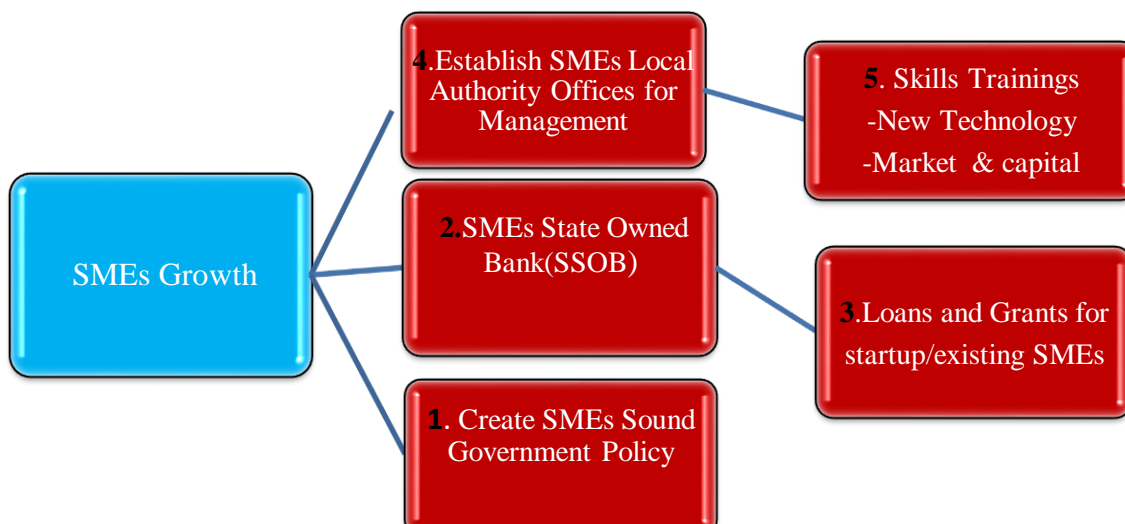
Infrastructure development

The government has not constructed much infrastructure for small enterprises, which does not appear to be a favorable development for SMEs when contrasted to years ago when the Local Government erected storefronts in which SMEs could rent and provide revenue or tax to local authorities. Second, future private sector growth may be hampered if local governments do not build ways to engage the private sector in order to facilitate its continuous growth and development. There will be no growth if local governments are unaware that SMEs require assistance, so serious engagement by local governments is essential. Our findings on infrastructure are analogous to the OECD study (2004:34), which states, "Evidence shows that infrastructure investment in developing countries is insufficient, and that poor maintenance results in the decay of investments before they can achieve their full benefits." Local SME participation in infrastructure construction (e.g., community-based power generation through private SMEs in distant areas in a number of less developed nations) and maintenance has been quite beneficial in terms of sustainability. However, infrastructure investment (both foreign and domestic) has declined significantly, but the understanding of the negative repercussions of this trend is prompting the pendulum to swing back. The growth of industrial towns like Kafue near the capital city is an essential feature worth noting because the establishment of such cities either directly or indirectly generated profound economic changes. This study's findings align with the study's conclusions, which were the Role of Governments in Developing MSMEs in Line with Social Changes. Barkhtiar et al. (2022: 293) stated that "the government's role includes attempting to speed up finance for banks and the private sector, providing facilities and infrastructure assistance to MSMEs, socializing business information, simplifying business licensing, and assisting with trade promotion" in response to the Covid-19 Pandemic.

Proposed Framework That Augments Smes’ Empowerment

Based on the study’s overall findings, a framework was built using the following outcomes: The first stage in this theoretical framework is for the government to adopt strong regulations that would allow the formation of a SME state SME-owned bank, which will be the second stage, and when these banks make loans and grants to SMEs, it means we will have addressed the major issue facing SMEs. Third, the SMEs will be divided into two groups: startup/beginners and current SMEs in business, both of which will be able to receive money at cheap interest rates from banks with the approval of local authorities. Implement, monitor, and evaluate all activities with line ministries to create management competency of SMEs and look at their affairs for economic growth at the local level. The **Fifth** step is that local government should be able to create great opportunities such as skills training, advanced technology, capital and market for the growth of SMEs. This process will result in experiencing Small and Medium Enterprise growth which will be the final stage. When this proposed system is adopted, we expect nothing else but massive development in our communities. However, the proposed framework in Figure 3 can be used in large organisations for development as well.

Figure 3. Shows the process of SME growth through Local government support



Limitation And Future Research

One limitation encountered in the conduct of the study was the insufficient data provided by the local government that was used to describe the evolution of SMEs at the district level. The inability to generalize the research findings is one of the main limitations of qualitative research (Polite & Beck, 2010). However, the knowledge gathered was in a manner of highly trustworthy and ethical. However, the model constructed (Figure 2) is based on quadruplex factors based on previous kinds of literature, theories and research findings, thus it can be adapted and practised in the development of SMEs in the context and similar contexts as well. This study explored a wider knowledge of the concept of decentralisation which is a new concept within the context.

CONCLUSION AND RECOMMENDATION

- **Conclusion**

The local government indeed plays a key role in the development in the growth of Cooperatives and Small

and Medium Enterprises. The study identified some of the roles: training skills, registration of their existence, formation of cooperatives and financial literacy in order to create jobs and wealth across the country. Although their execution has not been enhanced clearly, these activities can be classified as SMEs' growth and development, as well as the expansion of access and collaboration networks amongst SME actors.

Mentoring programs, marketing help programs, and the simplicity of getting permission to qualify for capital loans at banks are among the government's attempts to grow MSMEs and able to register SME cooperatives to access the Constituency Development Fund (CDF) in Kafue. This study identified that without government intervention; most small-scale businesses would have gone into extinction. Measures taken by the government in the past have been seen to have a significant and positive impact on their businesses.

This foreshadows that policy actions implemented by the government towards promoting small-scale businesses produce a favourable outcome on their operations. Government initiatives related to entrepreneurship development have had a significant and optimistic influence on the performance of small-scale businesses. Small-scale businesses are widely seen as a training ground for the development of entrepreneurship skills. The government has identified them and has taken initiatives to develop entrepreneurship abilities in them. However, more bursary skills training was identified to have more school leavers than SMEs who seek some training in their area of operations or business. These initiatives have improved the performance of small-scale business operations and encouraged them to continue doing business

• **Recommendations**

The following shall be the recommendations to increase the growth of small and medium enterprises in Kafue District.

1. The Ministry of Local Government and Small and Medium enterprises should ensure that more skills training centres such as trade schools in Kafue are built to improve skills and enhance productivity in the District.
2. The line ministries and Local Government should be strengthened by having SMEs Indaba conference sessions from time to time to reveal matters of business enterprise in the district.
3. The model proposed should be considered to push the operation of the responsible ministries in charge of SMEs at the local level to solve some of the current financial challenges in line with the current weak SME policies.
4. The study used a cross-sectional analysis; hence suggest conducting more research for each theme or subbing sections in this study. Conducting action research or longitudinal research would be recommended for gathering further knowledge about the concept of the role of local government and SMEs.
5. The Ministry of Local Government and Line Ministries to help in creating opportunities to access information and guidance as an efficient method to develop technology-based SMEs.

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c. The Ethical Considerations

The study was conducted in accordance with the declaration of the University of Zambia after receiving clearance consent from the Humanities and Social Science Research Ethics Committee for ethical considerations.

d. Informed Consent Statement

The informed consent was obtained from subjects involved in the study. Written informed consent has been obtained from the participants to publish a paper.

e. Conflict of Interest

The authors declare no conflict of interest

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