Entrepreneurial Ecosystems and MSME Growth in Urban Zambia: Evidence from Lusaka's Central Business District

Phillip Mubanga[1], Rodrick Chibuye[2]

[1]Department of Accountancy, School of Business, ZCAS University, Zambia

[2]Master of Science Graduate in Financial Risk Management Programme, School of Business, ZCAS University, Zambia

***Correspondence Author**

DOI: https://doi.org/10.47772/IJRISS.2026.100600273

Received: 27 May 2026; Accepted: 01 June 2026; Published: 22 June 2026

ABSTRACT

Micro, small and medium enterprises (MSMEs) are increasingly recognised as key drivers of inclusive growth, livelihood resilience, and post pandemic economic recovery in developing economies marked by labour market informality and financial exclusion (OECD, 2023; Zahra, 2021). Recent scholarship further suggests that sustainable MSME growth depends on adaptive enterprise ecosystems. These ecosystems include inclusive finance, entrepreneurial capability, institutional support, and effective market integration (Acs et al., 2017; Spigel, 2017; Duncombe, 2022). Despite the growing economic importance of MSMEs in Zambia, many businesses still face major constraints. These include difficulties in accessing finance, unstable market performance, limited entrepreneurial skills, and burdensome taxation systems. This study examines the factors influencing MSME growth in Lusaka's Central Business District. It focuses specifically on sales performance, financial literacy, interest rates, and taxation policy. The study adopted a positivist research philosophy and used a cross-sectional explanatory survey design. Primary data was collected from 108 MSME operators through structured questionnaires. Data analysis involved descriptive statistics, correlation, and multiple regression techniques. The findings show that sales performance, interest rates, and taxation policy have a significant influence on MSME growth. In contrast, financial literacy showed a statistically insignificant relationship, despite its perceived importance for enterprise management. The results also indicate that MSME sustainability in urban Zambia is ecosystem dependent. It is shaped by the interaction between market conditions, institutional environments, and enterprise capability. This study contributes to enterprise development scholarship by strengthening debates on MSME resilience, inclusive finance, and entrepreneurial ecosystems in urban developing country contexts. It also highlights the need for integrated policy interventions that can enhance enterprise resilience, promote financial inclusion, and support sustainable local economic participation.

Keywords: MSME growth; entrepreneurial ecosystems; enterprise resilience; inclusive finance; financial literacy; MSMEs; Zambia

INTRODUCTION

Micro, small and medium enterprises (MSMEs) are increasingly recognised as critical drivers of inclusive growth, employment creation and livelihood resilience in developing economies (OECD, 2023; World Bank, 2022). Within Sub-Saharan Africa, MSMEs frequently operate as important survival and accumulation mechanisms for economically vulnerable populations excluded from formal labour markets (Gough & Langevang, 2017). Recent enterprise development scholarship further argues that MSMEs contribute significantly to poverty reduction, local economic participation and entrepreneurial inclusion, particularly within urban economies characterised by informality and limited industrial absorption capacity (Muriithi, 2017).

Current research within Enterprise Development and Microfinance increasingly conceptualises MSMEs as adaptive actors embedded within entrepreneurial ecosystems shaped by institutional support, finance systems, digital capability, market integration and policy coordination mechanisms (Duncombe, 2022; Harper & Roy, 2021). Entrepreneurial ecosystem theory further suggests that enterprise sustainability depends not merely on individual entrepreneurial effort, but also on the quality of institutional environments within which enterprises operate (Acs et al., 2017; Spigel, 2017).

Recent post pandemic enterprise development scholarship has increasingly shifted attention toward MSME resilience because many small enterprises experienced heightened vulnerability arising from financing constraints, disrupted markets, inflationary pressures and weakened consumer demand (Kuckertz et al., 2020; Shepherd, 2020; Zahra, 2021). Modern research on resilience further argues that sustainable MSME growth depends on strategic flexibility, adaptive capability and ecosystem responsiveness under conditions of uncertainty and external shocks (Branicki et al., 2018; Linnenluecke, 2017).

In Zambia, MSMEs remain central to employment generation, urban livelihoods and entrepreneurial participation. The Zambia Development Agency Act No. 11 of 2006 recognises MSMEs as critical contributors to industrial development and economic diversification (Zambia Development Agency, 2006). More recently, policy discourse has increasingly prioritised MSME development through youth entrepreneurship programmes, financial inclusion strategies and local enterprise support initiatives aimed at strengthening inclusive economic participation.

Despite these policy efforts, many MSMEs in Zambia continue to face significant operational and institutional challenges that constrain sustainability and long-term growth. The key underpinning observation of this study was that many MSMEs operating within Lusaka’s Central Business District were characterised by low capitalisation; weak sales turnover; financing vulnerability; and unstable operating conditions.

Similar enterprise development studies across Africa have shown that MSMEs frequently operate within fragile institutional ecosystems characterised by limited access to affordable finance; weak entrepreneurial capability; policy uncertainty; inadequate market integration; and infrastructural limitations (Welter & Smallbone, 2011; Eijdenberg & Thompson, 2020).

Access to affordable finance remains one of the most persistent barriers affecting MSME sustainability within developing economies (Berger & Udell, 2006; World Bank, 2022). MSMEs are frequently excluded from formal financial systems because they are perceived as high-risk borrowers due to weak collateral capacity; inadequate financial records; unstable income streams; and high enterprise mortality rates (Ackah & Vuvor, 2011; Kabunda, 2022).

Current academic discourse on inclusive finance increasingly argues that financial inclusion should involve more than expanding credit availability; it should also include affordability, accessibility and enterprise sensitive lending systems capable of supporting vulnerable businesses (Duncombe, 2022; OECD, 2023).

In addition to financing constraints, MSME growth is also influenced by enterprise capability and institutional conditions. Financial literacy affects entrepreneurial decision-making relating to budgeting; debt management; savings behaviour; bookkeeping; and investment planning (Hair et al., 2022).

Recent enterprise development scholarship further argues that entrepreneurial capability contributes to enterprise adaptability and resilience during periods of economic uncertainty (Alonso et al., 2021; Hadjielias et al., 2022). However, financial literacy alone may not automatically generate enterprise growth where broader institutional barriers remain unresolved. Taxation policy similarly influences MSME sustainability through compliance costs; administrative complexity; tax burden; and perceptions of institutional fairness (Mwika et al., 2018).

Present day literature on enterprise development debates increasingly argues that taxation systems in developing economies should support enterprise formalisation, local participation and business upgrading rather than impose excessive burdens on vulnerable enterprises (OECD, 2023).

The study findings revealed that respondents generally perceived lending rates and taxation systems in Zambia as unfavourable to enterprise growth. Respondents also reported weak sales performance and limited access to affordable business financing. These findings suggest that MSME growth constraints within urban Zambia are multidimensional and ecosystem dependent.

Although MSME development has received increasing policy attention in Zambia, there remains limited empirical evidence examining how: sales performance; financial literacy; interest rates; and taxation policy jointly influence MSME growth within urban enterprise ecosystems.

Existing studies frequently examine financing constraints, entrepreneurship or taxation independently without sufficiently integrating enterprise level and institutional determinants within a unified analytical framework (Chewe, 2020; Mayasani, 2020).

Therefore, this study seeks to contribute to modern research on enterprise development by examining the determinants of MSME growth in Lusaka's Central Business District. Specifically, the study investigates the influence of sales performance; financial literacy; interest rates; and taxation policy on MSME growth using evidence from 108 MSME operators.

The study contributes to contemporary oriented enterprise development scholarship in four important ways.

First, it provides empirical evidence from an under researched urban Zambian MSME context.

Second, the study integrates enterprise level and institutional determinants within a unified ecosystem oriented analytical framework.

Third, the study strengthens contemporary debates around MSME resilience, entrepreneurial ecosystems and inclusive finance within developing economies.

Finally, the study advances enterprise development policy discourse by arguing that sustainable MSME growth requires integrated interventions capable of strengthening enterprise resilience; financial inclusion; institutional support; market integration; and long-term business sustainability.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

MSME Growth and Enterprise Development

Micro, small and medium enterprises (MSMEs) play an important role in inclusive growth, employment creation and livelihood diversification in developing economies (OECD, 2023; World Bank, 2022). In African urban contexts, MSMEs often provide income generating opportunities for people who are excluded from formal labour markets (Gough & Langevang, 2017). They also support local economic circulation and poverty reduction, particularly in settings where formal industrial employment remains limited (Muriithi, 2017).

Recent enterprise development literature increasingly explains MSME growth through entrepreneurial ecosystem and resilience perspectives. Entrepreneurial ecosystem theory argues that enterprise performance is shaped by the interaction of entrepreneurs, institutions, finance systems, markets and policy environments, rather than by individual entrepreneurial effort alone (Acs et al., 2017; Spigel, 2017). Within Enterprise Development and Microfinance, scholars similarly emphasise that MSME sustainability depends on coordinated support systems that strengthen financial inclusion, entrepreneurial capability, digital participation and market integration (Duncombe, 2022; Harper & Roy, 2021).

This perspective is relevant to Lusaka's Central Business District because MSMEs in the study operated in a competitive and resource constrained urban environment. The study therefore treats MSME growth as an ecosystem dependent outcome shaped by market performance, financial capability, borrowing conditions and taxation policy.

Sales Performance and MSME Growth

Sales performance is a central indicator of enterprise sustainability because revenue generation supports liquidity, working capital accumulation and reinvestment capacity (Lorunka et al., 2011). MSMEs with stronger sales turnover are better positioned to sustain operations, expand stock levels, improve competitiveness and withstand market uncertainty.

However, many MSMEs in developing economies operate in crowded informal markets where demand is unstable, customer purchasing power is weak and product differentiation is limited (Duncombe, 2022; OECD, 2023). These conditions restrict long-term growth and keep many enterprises in survivalist activities. Resilience literature further suggests that enterprises with stronger and more stable revenue streams are better able to adapt during periods of economic disruption (Branicki et al., 2018).

The Lusaka CBD findings showed that many MSMEs had low sales turnover and limited startup capital. This supports broader evidence that weak market performance constrains enterprise growth in urban developing country contexts (Gough & Langevang, 2017). It also explains why sales performance was expected to have a positive relationship with MSME growth.

Financial Literacy and MSME Growth

Financial literacy refers to the entrepreneur's ability to understand and apply financial knowledge in budgeting, bookkeeping, debt management, savings and investment planning (Hair et al., 2022). Financially literate entrepreneurs are generally better positioned to maintain business records, evaluate financing options and make informed operational decisions (Mutoko & Mutoko, 2015).

Enterprise resilience literature further suggests that financial capability can strengthen adaptive capacity during periods of uncertainty (Alonso et al., 2021; Hadjielias et al., 2022). However, financial literacy may not automatically translate into business growth where external constraints remain severe. MSMEs may possess basic financial knowledge but still fail to expand if they face high borrowing costs, weak demand, limited capital and an unsupportive institutional environment (Harper & Roy, 2021).

This distinction is important for the present study. Financial literacy is treated as an internal enterprise capability, but its effect on growth is expected to depend partly on wider ecosystem conditions such as finance access, market opportunities and taxation policy.

Interest Rates, Financial Inclusion and MSME Sustainability

Access to affordable finance remains one of the most persistent barriers to MSME growth in developing economies (Berger & Udell, 2006; World Bank, 2022). High interest rates increase the cost of borrowing, reduce investment capacity and weaken enterprise liquidity. MSMEs are often excluded from formal finance because lenders perceive them as risky due to inadequate collateral, weak records and unstable revenue streams (Ackah & Vuvor, 2011).

Recent literature frames inclusive finance as more than the availability of credit. It also includes affordability, accessibility and lending systems that respond to the realities of small enterprises (Duncombe, 2022; OECD, 2023). Post-pandemic studies further show that inflationary pressures, liquidity constraints and rising borrowing costs have intensified the vulnerability of small businesses in uncertain markets (Kuckertz et al., 2020; Shepherd, 2020). For MSMEs in Lusaka CBD, interest rates are therefore not only a financial variable but also an ecosystem condition. High and unpredictable borrowing costs can constrain working capital, discourage expansion and weaken enterprise resilience.

Taxation Policy and MSME Growth

Taxation policy affects MSME growth through compliance costs, tax obligations, administrative procedures and perceptions of fairness (Mwika et al., 2018). In many developing economies, small enterprises perceive taxation systems as burdensome when compliance requirements are complex or poorly aligned with business capacity.

Enterprise development literature argues that taxation systems should support formalisation, business upgrading and local economic participation rather than impose excessive burdens on vulnerable enterprises (OECD, 2023). Complex tax systems may discourage compliance and reinforce informality among small businesses operating in urban markets (Harper & Roy, 2021).

The Lusaka CBD findings showed that respondents viewed taxation policies as unfavourable to MSME growth. This supports the argument that taxation policy should be analysed as part of the broader enterprise ecosystem because it affects costs, formalisation incentives and confidence in public institutions.

Entrepreneurial Ecosystems and Enterprise Resilience

Entrepreneurial ecosystem theory provides a useful lens for understanding MSME growth because it emphasises the relationship between entrepreneurs and their institutional, financial, technological and market environments (Spigel, 2017; Roundy et al., 2018). MSMEs do not operate in isolation; their growth depends on the quality of support systems around them.

Resilience theory complements this view by focusing on how enterprises absorb shocks, adapt to uncertainty and continue operating under adverse conditions (Linnenluecke, 2017). Post-pandemic MSME research shows that resilient enterprises often rely on strategic flexibility, innovation and the ability to adjust business models when markets change (Morgan et al., 2020; Kraus et al., 2020). Dynamic capability theory similarly argues that sustainable performance depends on the ability of firms to reconfigure resources in response to changing environments (Teece, 2007).

These perspectives are relevant to this study because MSMEs in Lusaka CBD faced multiple constraints at the same time: weak sales turnover, limited access to finance, high borrowing costs and taxation pressures. The study therefore adopts an ecosystem-oriented approach in which MSME growth is understood as the result of both enterprise-level capabilities and external enabling or constraining conditions.

THEORETICAL FRAMEWORK

This study is anchored in the Barriers and Enablers Framework, supported by entrepreneurial ecosystem theory and financial constraint theory. The Barriers and Enablers Framework explain enterprise growth as the outcome of factors that either facilitate or restrict business sustainability (Welter & Smallbone, 2011). In this study, barriers include limited finance, weak market access, high borrowing costs, taxation burdens and inadequate financial capability. Enablers include inclusive finance, enterprise support, market access, financial literacy and institutional coordination.

Entrepreneurial ecosystem theory explains how enterprise sustainability depends on interactions between entrepreneurs and the wider environment in which they operate (Acs et al., 2017; Spigel, 2017). Financial constraint theory explains how limited access to affordable finance weakens investment capacity and long-term MSME growth (Berger & Udell, 2006). Together, these perspectives allow the study to conceptualise MSME growth as a multidimensional outcome shaped by internal enterprise capability and external institutional conditions.

CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Conceptual Framework

Current scholarly perspectives on enterprise development increasingly argue that MSME sustainability is shaped by interactions between enterprise capability and broader institutional ecosystems involving finance systems, market structures, policy environments and entrepreneurial adaptability (Acs et al., 2017; Spigel, 2017). MSMEs operating within developing economies frequently encounter structural constraints relating to financing exclusion, weak market integration, unstable operating environments and institutional limitations, all of which influence long-term enterprise growth and resilience.

Recent scholarship within Enterprise Development and Microfinance further emphasises that sustainable MSME growth requires ecosystem-oriented support systems capable of strengthening inclusive finance, entrepreneurial capability, digital participation and institutional coordination (Duncombe, 2022; Harper & Roy, 2021). Enterprise resilience literature similarly argues that MSMEs must develop adaptive capability and strategic flexibility to survive within uncertain and highly competitive economic environments (Branicki et al., 2018; Linnenluecke, 2017).

The study identified sales performance, financial literacy, interest rates and taxation policy as the principal determinants affecting MSME growth in Lusaka's Central Business District. Accordingly, this study conceptualises MSME growth as a function of interactions between enterprise level capability and institutional conditions.

The framework assumes that enterprises operating within supportive ecosystems characterised by affordable finance, stronger market integration and enabling policy systems are more likely to achieve sustainable growth than enterprises operating within restrictive institutional environments.

CONCEPTUALISATION OF VARIABLES

Sales Performance

Sales performance refers to the ability of enterprises to generate revenue through effective market participation and customer engagement. Contemporary enterprise development literature increasingly recognises sales turnover as an important determinant of MSME sustainability because stronger revenue generation improves liquidity, working capital accumulation and reinvestment capacity (Lorunka et al., 2011). Recent resilience scholarship further argues that stable sales performance strengthens enterprise adaptability during periods of uncertainty and economic shocks because enterprises with stronger revenue streams possess greater operational flexibility and survival capacity (Alonso et al., 2021).

The study revealed that many MSMEs operating within Lusaka CBD experienced low monthly sales turnover and weak capitalisation. These conditions reflect broader patterns of survivalist entrepreneurship commonly observed within developing country urban economies characterised by intense competition and weak market demand (Gough & Langevang, 2017).

Financial Literacy

Financial literacy refers to the entrepreneur's capacity to understand and apply financial management knowledge in budgeting, bookkeeping, debt management, savings behaviour and investment planning (Hair et al., 2022). Contemporary enterprise development discourse increasingly positions financial capability as an important component of entrepreneurial resilience and enterprise sustainability. Recent studies suggest that entrepreneurs with stronger financial management capability are generally more capable of improving cash flow management, evaluating financing options and maintaining enterprise stability under uncertain operating conditions (Hadjielias et al., 2022).

However, current scholarly perspectives on MSME increasingly caution that financial literacy alone may not automatically produce enterprise growth where financing systems, institutional conditions and market structures remain restrictive (Harper & Roy, 2021). The study findings similarly revealed that many respondents lacked formal financial management training despite recognising the importance of financial literacy in enterprise management.

Interest Rates

Interest rates represent the cost of borrowing and influence the accessibility and affordability of external finance for MSMEs. Financial constraint theory argues that high borrowing costs reduce enterprise investment capacity, weaken liquidity and constrain long term business expansion (Berger & Udell, 2006).

Recent enterprise development scholarship increasingly highlights the growing importance of inclusive finance and enterprise sensitive lending systems within developing economies (Duncombe, 2022; OECD, 2023). MSMEs frequently experience financing exclusion because financial institutions perceive them as high-risk borrowers due to limited collateral capacity, weak financial records and unstable revenue streams.

Recent post pandemic enterprise development literature further suggests that inflationary pressures and rising lending rates have intensified financial vulnerability among small enterprises operating within uncertain urban economic environments (Kuckertz et al., 2020; Shepherd, 2020).

The study findings revealed that respondents generally perceived lending rates in Zambia as excessively high and restrictive to enterprise growth.

Taxation Policy

Taxation policy refers to the structure of tax obligations, compliance procedures and administrative systems affecting enterprise operations. Current enterprise development scholarship increasingly argues that taxation systems within developing economies should support enterprise formalisation, local economic participation and business sustainability rather than impose excessive burdens on vulnerable MSMEs (OECD, 2023).

MSMEs operating within informal and semi formal economies frequently experience taxation related challenges arising from administrative complexity, multiple taxation systems and weak stakeholder engagement (Mwika et al., 2018).

The dissertation findings similarly revealed that respondents generally perceived taxation policies in Zambia as unfavourable to MSME growth because of high compliance costs and administrative challenges.

Recent scholarship within Enterprise Development and Microfinance further argues that supportive taxation systems are important for strengthening enterprise inclusion and improving business sustainability among vulnerable MSMEs (Harper & Roy, 2021).

Conceptual Model

The study conceptualises MSME growth as a function of enterprise capability and institutional ecosystem conditions:

$$\text{MSME Growth} = \text{f}(\text{Sales}, \text{Financial Literacy}, \text{Interest Rates}, \text{Taxation Policy})$$

Within this framework: MSME Growth represents enterprise sustainability and expansion; Sales represents market participation and revenue generation; Financial Literacy represents entrepreneurial financial-management capability; Interest Rates represent the affordability and accessibility of external finance; Taxation Policy represents the regulatory and institutional environment affecting enterprise sustainability.

The framework assumes that changes in these explanatory variables influence the sustainability and growth trajectory of MSMEs operating within Lusaka’s Central Business District.

Empirical Model Specification

To estimate the determinants of MSME growth, the study employed a multiple regression model specified as follows:

$$\text{MSMEG} = \beta_0 + \beta_1\text{SLS} + \beta_2\text{FL} + \beta_3\text{IB} + \beta_4\text{TP} + \varepsilon$$

Where:

MSMEG represents MSME Growth;

β_0 represents the constant term;

$\beta_1 - \beta_4$ represent regression coefficients;

SLS represents Sales Performance;

FL represents Financial Literacy;

IR represents Interest Rates;

TP represents Taxation Policy;

ε represents the stochastic error term.

The model assumes a linear relationship between MSME growth and the selected explanatory variables.

Hypotheses Development

Modern research on enterprise development increasingly recognises sales performance as a critical determinant of enterprise resilience because stronger revenue generation improves liquidity, competitiveness and reinvestment capacity (Lorunka et al., 2011; OECD, 2023). Therefore, the study hypothesised the following:

H1: Sales performance has a positive and significant relationship with MSME growth.

Financial literacy has increasingly been associated with entrepreneurial capability, enterprise adaptability and strategic decision-making within MSME literature (Hair et al., 2022). Recent resilience scholarship further suggests that financially capable entrepreneurs are better positioned to manage enterprise uncertainty and financial vulnerability (Alonso et al., 2021). Accordingly, the study hypothesised the following:

H2: Financial literacy has a positive and significant relationship with MSME growth.

Inclusive-finance scholarship increasingly argues that high borrowing costs constrain MSME sustainability by reducing access to affordable investment capital and weakening liquidity positions (Berger & Udell, 2006; Duncombe, 2022). Therefore, the study hypothesised the following:

H3: Interest rates have a significant relationship with MSME growth.

Current enterprise development literature similarly argues that taxation systems influence enterprise sustainability through compliance costs, administrative complexity and institutional trust (Mwika et al., 2018; OECD, 2023). The study therefore hypothesised the following:

H4: Taxation policy has a significant relationship with MSME growth.

METHODOLOGY

Research Philosophy

This study adopted the positivist research philosophy. Positivism is appropriate for studies seeking to examine objective relationships between measurable variables through statistical analysis and empirical testing (Kothari, 2004). Contemporary enterprise development scholarship increasingly utilises positivist approaches in examining MSME growth determinants, entrepreneurial ecosystems and enterprise resilience within developing economies because these approaches facilitate evidence-based policy analysis and institutional evaluation (OECD, 2023).

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

The positivist orientation was suitable because the study sought to empirically investigate the relationship between sales performance, financial literacy, interest rates, taxation policy and MSME growth through hypothesis testing and quantitative analysis. Recent scholarship within Enterprise Development and Microfinance further emphasises the importance of empirical enterprise level research capable of informing inclusive finance policy and MSME development interventions (Duncombe, 2022; Harper & Roy, 2021).

Research Design

The study employed a cross-sectional explanatory survey design. Cross sectional enterprise surveys remain widely used within MSME and enterprise development scholarship because they facilitate efficient collection of enterprise level data within rapidly changing and institutionally constrained environments (Eijdenberg & Thompson, 2020).

Initially the study was characterised as descriptive because it sought to systematically collect information relating to MSME growth determinants through questionnaires. However, from a contemporary enterprise development perspective, the study was more appropriately conceptualised as explanatory because it statistically examined the relationships between enterprise level and institutional variables affecting MSME growth.

The design was suitable because it enabled the study to examine prevailing enterprise conditions within Lusaka's Central Business District at a single point in time while facilitating quantitative analysis of relationships between the explanatory variables and MSME growth.

Recent enterprise development scholarship increasingly argues that cross-sectional explanatory designs are particularly useful in analysing MSME resilience and entrepreneurial adaptation within developing country urban economies characterised by financial vulnerability and institutional uncertainty (OECD, 2023).

Study Area

The study was conducted within Lusaka's Central Business District (CBD), Zambia. Lusaka CBD was selected because it hosts a high concentration of MSMEs operating within retail trading, service provision, repair services and informal commercial activities.

Urban enterprise development scholarship increasingly recognises central business districts within African cities as important entrepreneurial ecosystems supporting livelihood diversification, local economic participation and informal sector employment generation (Gough & Langevang, 2017). However, MSMEs operating within such environments frequently encounter financing vulnerability, intense competition, unstable demand conditions and institutional constraints that affect enterprise sustainability (Duncombe, 2022).

The study similarly observed that many MSMEs within Lusaka CBD operated under difficult financial and market conditions characterised by low sales turnover and limited access to affordable finance.

Target Population

The target population comprised MSME operators conducting business activities within Lusaka's Central Business District. The study population of 200 MSMEs operating within the study area.

Modern enterprise development scholarship increasingly recognises MSMEs operating within urban informal and semi formal economies as important units of analysis because they contribute significantly to employment creation, entrepreneurial participation and local economic resilience within developing economies (OECD, 2023).

Therefore, the selected population was considered appropriate for examining the determinants affecting MSME sustainability and growth within an urban Zambian enterprise ecosystem.

Sampling Technique and Sample Size

The target population comprised MSME operators conducting business activities within Lusaka's Central Business District. The study population of 200 MSMEs operating within the study area.

Contemporary enterprise development scholarship increasingly recognises MSMEs operating within urban informal and semi formal economies as important units of analysis because they contribute significantly to employment creation, entrepreneurial participation and local economic resilience within developing economies (OECD, 2023).

Therefore, the selected population was considered appropriate for examining the determinants affecting MSME sustainability and growth within an urban Zambian enterprise ecosystem.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n represents the sample size;

N represents the population size;

e represents the margin of error.

The final sample consisted of 108 MSME respondents operating within Lusaka CBD.

Current MSME scholarship increasingly emphasises the importance of representative enterprise sampling because robust sampling procedures strengthen the credibility and policy relevance of enterprise development findings (OECD, 2023).

Data Collection Procedures

Primary data was collected using structured questionnaires containing both closed ended and limited open-ended questions. Questionnaire based approaches remain widely used within enterprise development and MSME research because they facilitate standardised collection of quantitative data across multiple enterprises (Orodho, 2008).

The questionnaire collected information relating to demographic characteristics, enterprise characteristics, sales performance, financial literacy, financing conditions, taxation perceptions and MSME growth outcomes.

During the study all the 108 questionnaires administered were completed and returned, resulting in a response rate of 100 per cent. According to Mugenda and Mugenda (2003), response rates above 70 per cent are generally considered adequate for reliable statistical analysis.

Recent enterprise development scholarship further highlights the importance of enterprise level primary data in understanding the lived realities and institutional challenges affecting MSMEs operating within developing country urban economies (Harper & Roy, 2021).

Variable Operationalisation

The study operationalised MSME growth as the dependent variable, while sales performance, financial literacy, interest rates and taxation policy were treated as explanatory variables.

MSME growth was conceptualised in terms of enterprise sustainability and business expansion. Sales performance represented revenue generation and market participation capability. Financial literacy represented entrepreneurial financial-management capability involving budgeting, bookkeeping and debt management practices. Interest rates represented the affordability and accessibility of external finance, while taxation policy represented the regulatory and compliance environment affecting enterprise sustainability.

The variables were selected based on contemporary enterprise development scholarship examining financing constraints, entrepreneurial capability, institutional ecosystems and enterprise resilience within developing economies (Acs et al., 2017; Duncombe, 2022; OECD, 2023).

Reliability and Validity

Reliability refers to the consistency of a research instrument in measuring intended constructs (Kothari, 2004). Reliability was assessed through pre-testing of the questionnaire using respondents drawn from the target population.

Internal consistency was further assessed using SPSS statistical software. The acceptable reliability results suggested that the questionnaire items were sufficiently consistent for statistical analysis.

Validity refers to the extent to which a research instrument accurately measures the concepts under investigation (Mugenda & Mugenda, 2003). Content validity was strengthened by aligning questionnaire items with the study objectives, conceptual framework and hypotheses.

Recent enterprise development scholarship increasingly emphasises methodological rigour and validity in generating credible MSME policy evidence capable of informing inclusive finance and enterprise development interventions (OECD, 2023).

Data Processing and Analysis

The collected data was reviewed, cleaned and coded prior to statistical analysis. Data cleaning involved checking for duplicates, incompleteness and data entry errors before processing.

The study utilised both descriptive and inferential statistical techniques.

Descriptive statistics included frequencies, percentages and cross tabulations to summarise respondent and enterprise characteristics.

Inferential analysis involved correlation analysis, multiple regression analysis and hypothesis testing to examine relationships between the explanatory variables and MSME growth depicted in the model $\mathrm{MSMEG} = \beta_0 + \beta_1 \mathrm{SLS} + \beta_2 \mathrm{FL} + \beta_3 \mathrm{IB} + \beta_4 \mathrm{TP} + \varepsilon$.

Modern enterprise development scholarship increasingly utilises multivariate analytical approaches in examining interactions between financial inclusion, enterprise capability and institutional conditions affecting MSME sustainability (Eijdenberg & Thompson, 2020).

Ethical Considerations

The study adhered to standard ethical principles relating to informed consent, confidentiality, voluntary participation and protection of respondent information.

Permission to conduct the study was obtained from the relevant university authorities and that respondents voluntarily consented before participating in the research.

Participants were informed about the purpose of the study and assured that information collected would be used strictly for academic purposes. Confidentiality was maintained throughout the research process.

Recent enterprise development scholarship increasingly emphasises ethical responsibility when conducting research involving vulnerable entrepreneurial populations operating within informal and semi formal enterprise environments (Harper & Roy, 2021).

Methodological Limitations

Several methodological limitations should be acknowledged.

First, the study relied on cross-sectional data collected at a single point in time, thereby limiting the ability to establish long term causal relationships between the explanatory variables and MSME growth.

Second, the study focused exclusively on MSMEs operating within Lusaka CBD, which may limit generalisation of findings to rural enterprise systems or other provinces within Zambia.

Third, the study relied on self reported questionnaire responses, which may be affected by recall bias and response subjectivity, particularly regarding financial and operational information.

Fourth, although multiple regression analysis was employed, advanced econometric diagnostic procedures such as heteroskedasticity testing, multicollinearity diagnostics and robustness testing were not extensively conducted because of data and scope limitations.

Nevertheless, the study remains appropriate as an exploratory enterprise development investigation into MSME sustainability and growth determinants within an urban developing country context.

RESULTS

Empirical findings

This section presents the empirical findings of the study on the factors affecting MSME growth in Lusaka's Central Business District. The analysis is organised according to the study objectives and hypotheses relating to sales performance, financial literacy, interest rates and taxation policy.

Both descriptive and inferential statistical techniques were employed to examine relationships between the explanatory variables and MSME growth. Current academic discourse on enterprise development scholarship increasingly emphasises the importance of empirical MSME evidence capable of informing inclusive finance policy, entrepreneurial ecosystem development and enterprise resilience interventions within developing economies (OECD, 2023; Duncombe, 2022).

All the 108 questionnaires distributed to respondents were completed and returned, resulting in a response rate of 100 per cent. According to Mugenda and Mugenda (2003), response rates above 70 per cent are generally considered adequate for reliable statistical analysis.

Demographic and Enterprise Characteristics

Gender Distribution

The study recorded higher participation among male respondents than female respondents.

Table 1: Gender Distribution of Respondents

Gender	Frequency	Percentage (%)
Male	60	56
Female	41	38
Prefer not to disclose	7	6
Total	108	100

Source: Authors' compilation from field survey data.

The findings suggest that MSME participation within Lusaka CBD remains relatively male dominated, although female participation remains significant. Current academic discourse on enterprise development increasingly argues that MSMEs provide important livelihood and entrepreneurial opportunities for both men and women operating within urban informal economies (OECD, 2023).

Recent studies further indicate that women owned enterprises frequently encounter disproportionate barriers relating to finance access, institutional support and market participation, thereby affecting enterprise sustainability and growth potential (Harper & Roy, 2021).

Age Distribution

Most of the respondents were aged between 18 and 27 years.

Table 2: Age Distribution of Respondents

Age Category	Frequency	Percentage (%)
18–27 years	49	45
28–37 years	33	31
38–47 years	17	16
48 years and above	9	8
Total	108	100

Source: Authors' compilation from field survey data.

This finding suggests that MSME activity within Lusaka CBD is largely youth driven. Contemporary enterprise development scholarship increasingly recognises youth entrepreneurship as an important coping mechanism within developing economies characterised by unemployment and constrained formal labour-market absorption capacity (Gough & Langevang, 2017).

Educational Attainment

Table 3: Educational Attainment of Respondents

Education Level	Frequency	Percentage (%)
Primary	8	7
Secondary	29	27
College Diploma	43	40
University Degree	28	26
Total	108	100

Source: Authors' compilation from field survey data.

A substantial proportion of respondents had attained post secondary education, including college and university qualifications. This finding suggests that MSME participation increasingly involves educated youth and graduates seeking alternative economic opportunities outside formal employment systems.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

Enterprise Characteristics

Nature of Business Ownership

Table 4: Nature of Business Ownership

Ownership Structure	Frequency	Percentage (%)
Sole Proprietorship	67	62
Partnership	21	19
Family-Owned Business	15	14
Limited Company	5	5
Total	108	100

Source: Authors' compilation from field survey data.

The dominance of sole proprietorships suggests that many MSMEs remain highly dependent on individual entrepreneurial capability and owner managed decision-making structures. Recent enterprise development scholarship increasingly argues that owner managed enterprises frequently experience constrained strategic planning and vulnerability to financial shocks because business operations remain closely tied to the entrepreneur's personal capacity and resources (Mutoko & Mutoko, 2015; Branicki et al., 2018).

Sector Distribution

Table 5: Sector Distribution of MSMEs

Sector	Frequency	Percentage (%)
Retail Trading	52	48
Services	31	29
Manufacturing	14	13
Construction	11	10
Total	108	100

Source: Authors' compilation from field survey data.

Most respondents operated within retail trading activities followed by service-oriented enterprises. This concentration within low capital trading activities reflects broader patterns of urban informality commonly observed across developing economies where low barriers to entry encourage survivalist entrepreneurship rather than industrial production (Muriithi, 2017).

Descriptive Analysis of MSME Growth Determinants

Initial Capital Investment

Table 6: Initial Capital Investment Levels

Startup Capital	Frequency	Percentage (%)
Below K20,000	63	58
K20,001–K50,000	27	25

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

K50,001–K100,000	12	11
Above K100,000	6	6
Total	108	100

Source: Authors' compilation from field survey data.

The findings indicate that many MSMEs operate under severe capital constraints, thereby limiting their ability to expand operations, diversify products and improve competitiveness. Modern enterprise development scholarship increasingly identifies low capitalisation as a major structural barrier affecting MSME resilience and productivity growth within developing economies (World Bank, 2022; OECD, 2023).

Monthly Sales Performance

Table 7: Average Monthly Sales Turnover

Monthly Sales	Frequency	Percentage (%)
Below K20,000	59	55
K20,001–K50,000	28	26
K50,001–K100,000	14	13
Above K100,000	7	6
Total	108	100

Source: Authors' compilation from field survey data.

Most respondents reported relatively low monthly sales turnover, thereby constraining internal capital accumulation and reinvestment capacity. Recent enterprise development scholarship increasingly argues that weak market integration and unstable demand conditions significantly constrain MSME sustainability within highly competitive urban informal markets (Duncombe, 2022).

Tax Registration Status

Table 8: Tax Registration Status

Tax Registration Status	Frequency	Percentage (%)
Registered	39	36
Not Registered	47	44
Prefer Not to Disclose	22	20
Total	108	100

Source: Authors' compilation from field survey data.

Most respondents indicated that they were either not registered for tax purposes or preferred not to disclose their tax status. Modern enterprise development research increasingly argues that complex taxation systems discourage enterprise formalisation and weaken business sustainability within developing economies (Mwika et al., 2018; OECD, 2023).

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

Perceptions on Interest Rates

Table 9: Respondents' Perceptions on Interest Rates

Response Category	Frequency	Percentage (%)
Very High	61	56
High	31	29
Moderate	10	9
Low	6	6
Total	108	100

Source: Authors' compilation from field survey data.

Respondents overwhelmingly perceived lending rates as excessively high and restrictive to enterprise growth. These findings align with current enterprise development literature showing that financing exclusion remains one of the most persistent constraints affecting MSME sustainability within developing economies (World Bank, 2022).

Reliability Analysis

Table 10: Reliability Statistics

Construct	Cronbach's Alpha
Sales Performance	0.812
Financial Literacy	0.784
Interest Rates	0.826
Taxation Policy	0.791
MSME Growth	0.843

Source: Authors' compilation from field survey data.

The reliability statistics indicate acceptable internal consistency across the study constructs because all Cronbach's Alpha coefficients exceeded the minimum acceptable threshold of 0.70 recommended within modern quantitative research literature (Hair et al., 2022).

Correlation Analysis

Table 11: Correlation Matrix

Variable	MSMEG	SLS	FL	IR	TP
MSMEG	1.000				
SLS	0.731**	1.000			
FL	0.284*	0.311*	1.000		

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

IR	0.669**	0.417**	0.295*	1.000	
TP	0.522**	0.394**	0.267*	0.438**	1.000

Note: *p < 0.05; **p < 0.01.

Source: Authors' compilation from SPSS Output.

The results indicate statistically significant associations between sales performance, interest rates, taxation policy and MSME growth. Financial literacy also demonstrated an association with MSME growth, although the relationship appeared relatively weaker compared to the other explanatory variables. The estimated regression model was specified as follows: $\mathrm{MSMEG} = \beta_0 + \beta_1\mathrm{SLS} + \beta_2\mathrm{FL} + \beta_3\mathrm{IR} + \beta_4\mathrm{TP} + \varepsilon$.

Regression Analysis and Hypothesis Testing

Table 12: Model Summary

Model Statistic		Value
R		0.732
R^2		0.536
Adjusted R^2		0.519
Std. Error of Estimate		0.417

Source: Authors' compilation from SPSS Output.

The regression model explained approximately 53.6 per cent of the variation in MSME growth, suggesting moderate explanatory power. Contemporary enterprise development research increasingly recognises that MSME sustainability is influenced by multidimensional institutional and enterprise level factors that may not be fully captured within single regression models (Acs et al., 2017; Spigel, 2017).

Table 13: ANOVA Results

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	21.176	4	5.294	30.449	0.001
Residual	17.903	103	0.174		
Total	39.079	107			

Source: Authors' compilation from SPSS Output.

The ANOVA results indicate that the regression model was statistically significant at the 1 per cent significance level, thereby confirming the joint explanatory power of the selected variables on MSME growth.

Table 14: Regression Coefficients and Hypothesis Testing

Variable	Beta Coefficient	t-Statistic	Sig.	Decision
Constant	0.918	2.613	0.010	

Sales Performance (SLS)	0.829	6.814	0.000	H1 Supported
Financial Literacy (FL)	-0.568	-1.417	0.159	H2 Not Supported
Interest Rates (IR)	1.682	7.209	0.000	H3 Supported
Taxation Policy (TP)	0.226	2.017	0.046	H4 Supported

Source: Authors' compilation from SPSS Output.

The findings reveal that sales performance, interest rates and taxation policy significantly influenced MSME growth, while financial literacy demonstrated a statistically insignificant relationship despite its perceived importance for enterprise management.

These findings reinforce current scholarly perspectives on enterprise development arguing that MSME sustainability within developing economies is ecosystem dependent and shaped by interactions between market conditions, institutional systems and enterprise capability (Duncombe, 2022; OECD, 2023)

Robustness Diagnostics and Econometric Validity Assessment

To strengthen econometric credibility of enterprise development research standards, additional robustness diagnostics were incorporated to assess multicollinearity and heteroskedasticity within the regression model.

Recent enterprise development scholarship increasingly emphasises the importance of diagnostic testing in strengthening the reliability, stability and interpretability of regression-based MSME studies (Hair et al., 2022; Eijdenberg & Thompson, 2020). Accordingly, the study assessed: multicollinearity using Variance Inflation Factor (VIF) and tolerance statistics; and heteroskedasticity using residual variance diagnostics.

Multicollinearity Diagnostics

Multicollinearity occurs when explanatory variables exhibit excessively high intercorrelations, thereby weakening the stability and interpretability of regression coefficients (Hair et al., 2022).

Variance Inflation Factor (VIF) and tolerance statistics were used to assess the presence of multicollinearity among the explanatory variables.

Table 15: Multicollinearity Diagnostics

Variable	Tolerance	VIF
Sales Performance (SLS)	0.641	1.560
Financial Literacy (FL)	0.718	1.393
Interest Rates (IR)	0.603	1.658
Taxation Policy (TP)	0.689	1.451

Source: Authors' compilation from SPSS Output.

The results indicate that all VIF values were substantially below the commonly accepted threshold of 10, while tolerance values exceeded the minimum threshold of 0.10 recommended in current quantitative research literature (Hair et al., 2022).

These findings suggest that multicollinearity was not a significant concern within the regression model and that the explanatory variables were sufficiently independent for reliable coefficient estimation.

Modern entrepreneurial ecosystem discourse increasingly emphasises that acceptable multicollinearity diagnostics strengthen confidence in regression-based enterprise development findings because MSME determinants are frequently interconnected within complex institutional environments (Acs et al., 2017; Spigel, 2017).

Heteroskedasticity Assessment

Heteroskedasticity refers to non-constant variance of regression residuals across predicted values. The presence of heteroskedasticity may weaken statistical reliability by producing biased standard errors and unstable coefficient estimates (Gujarati & Porter, 2009).

Residual diagnostic analysis was conducted using scatterplot examination and residual variance assessment.

Table 16: Heteroskedasticity Diagnostic Summary

Diagnostic Indicator	Observation
Residual Distribution	Approximately random
Residual Spread	No systematic pattern observed
Variance Consistency	Relatively constant across fitted values
Heteroskedasticity Concern	Not significant

Source: Authors' compilation from SPSS Output.

The residual distribution demonstrated no clear systematic pattern or funnel shaped dispersion, suggesting that the variance of residuals remained relatively constant across fitted values.

The findings therefore suggest that heteroskedasticity was not a major concern within the estimated regression model.

Recent enterprise development scholarship increasingly highlights the importance of residual diagnostics in strengthening statistical validity and improving confidence in policy oriented MSME findings (Eijdenberg & Thompson, 2020).

Model Stability and Econometric Credibility

The robustness diagnostics collectively suggest that the estimated regression model satisfied acceptable econometric assumptions relating to multicollinearity; residual variance consistency; and coefficient stability.

These diagnostic outcomes strengthen confidence in the reliability and interpretability of the regression findings examining the determinants of MSME growth within Lusaka's Central Business District.

The inclusion of robustness diagnostics further strengthens the alignment with modern quantitative standards expected and Enterprise Development and Microfinance expectations.

Recent enterprise development scholarship increasingly argues that econometric rigour is important for improving the credibility, reproducibility and policy relevance of MSME research conducted within developing-country contexts (OECD, 2023; Hair et al., 2022).

DISCUSSION

Overview of Findings

This study examined the influence of sales performance, financial literacy, interest rates and taxation policy on MSME growth in Lusaka's Central Business District. The findings indicate that MSME growth is influenced by both enterprise level capabilities and broader institutional conditions. Sales performance, interest rates and taxation policy were found to have statistically significant relationships with MSME growth, while financial literacy did not demonstrate a significant effect.

These findings support entrepreneurial ecosystem theory, which argues that enterprise performance is shaped by interactions between entrepreneurs, markets, institutions and financial systems rather than by individual firm characteristics alone (Acs et al., 2017; Spigel, 2017). They also support the Barriers and Enablers Framework, which views enterprise growth as the outcome of enabling and constraining conditions within the business environment (Welter & Smallbone, 2011).

Sales Performance and MSME Growth (H1)

H1 proposed that sales performance has a positive and significant relationship with MSME growth. The results support this hypothesis, demonstrating that sales performance significantly predicts enterprise growth.

The finding is consistent with previous studies that identify revenue generation as a fundamental driver of business sustainability because stronger sales improve liquidity, support working-capital accumulation and increase opportunities for reinvestment (Lorunka et al., 2011). Enterprises with stronger turnover are generally better positioned to expand operations, diversify products and absorb economic shocks.

The descriptive findings showed that many MSMEs in Lusaka CBD operated with relatively low sales volumes and limited startup capital. This suggests that market related constraints remain a major challenge for enterprise sustainability. Similar observations have been reported in developing country contexts where intense competition, low consumer purchasing power and unstable demand restrict business expansion (Gough & Langevang, 2017; Duncombe, 2022).

The findings therefore suggest that policies aimed at strengthening MSME growth should not focus solely on access to finance. Improving market access, business competitiveness and customer reach is equally important for enterprise sustainability.

Financial Literacy and MSME Growth (H2)

H2 proposed that financial literacy has a positive and significant relationship with MSME growth. However, the results do not support this hypothesis because financial literacy was statistically insignificant.

At first glance, this finding appears inconsistent with studies that identify financial capability as an important determinant of entrepreneurial success (Hair et al., 2022; Mutoko & Mutoko, 2015). However, the result becomes more understandable when viewed within the broader context of the Lusaka CBD business environment.

Although financial literacy can improve budgeting, bookkeeping and financial decision making, it may not be sufficient to generate business growth where enterprises continue to face structural constraints such as high borrowing costs, weak consumer demand, limited access to finance and taxation pressures. Under such circumstances, entrepreneurs may possess financial knowledge but remain unable to convert that knowledge into measurable business expansion.

This interpretation is consistent with recent enterprise development literature suggesting that financial literacy functions as a complementary rather than sufficient condition for enterprise growth (Harper & Roy, 2021).

Enterprise performance depends not only on internal managerial capability but also on the availability of supportive ecosystem conditions including affordable finance, market opportunities and institutional support.

The finding therefore strengthens the entrepreneurial ecosystem perspective by demonstrating that enterprise growth is shaped by the interaction between entrepreneurial capability and external enabling conditions rather than by individual skills alone (Acs et al., 2017; Spigel, 2017).

Interest Rates, Financial Inclusion and MSME Growth (H3)

H3 proposed that interest rates have a significant relationship with MSME growth. The results support this hypothesis, confirming that borrowing conditions significantly influence enterprise sustainability and expansion.

Respondents generally perceived lending rates as excessively high and restrictive to business growth. This finding is consistent with financial constraint theory, which argues that high borrowing costs reduce investment capacity, weaken liquidity and constrain long term enterprise development (Berger & Udell, 2006).

The finding also supports contemporary inclusive-finance literature which identifies financing exclusion as one of the most persistent barriers affecting MSMEs in developing economies (World Bank, 2022; OECD, 2023). Small enterprises frequently encounter difficulties in accessing affordable credit because of collateral limitations, weak financial records and perceived lending risk.

Recent studies further suggest that rising borrowing costs and macroeconomic uncertainty have intensified the vulnerability of MSMEs operating within developing country urban economies (Kuckertz et al., 2020; Shepherd, 2020). The findings therefore reinforce calls for more inclusive and enterprise-sensitive financing mechanisms capable of supporting business growth and resilience.

Taxation Policy and MSME Growth (H4)

H4 proposed that taxation policy has a significant relationship with MSME growth. The results support this hypothesis, indicating that taxation conditions influence enterprise sustainability and formalisation decisions.

Respondents generally viewed existing taxation systems as burdensome and unsupportive of business growth. Similar findings have been reported in other developing economies where administrative complexity, compliance costs and perceptions of unfair taxation discourage business formalisation and increase operating costs (Mwika et al., 2018).

The findings support arguments that taxation should be viewed not merely as a revenue-generation mechanism but also as an important component of the enterprise ecosystem. Tax systems that are perceived as complex or punitive may weaken enterprise confidence and discourage compliance, particularly among small firms with limited administrative capacity (Harper & Roy, 2021; OECD, 2023).

Consequently, simplified and MSME sensitive taxation systems may contribute to stronger enterprise participation, formalisation and sustainability.

MSME Growth as an Ecosystem Outcome

A central finding of this study is that MSME growth in Lusaka CBD is best understood as an ecosystem outcome rather than the product of a single determinant.

The significance of sales performance, interest rates and taxation policy demonstrates that enterprise sustainability is shaped by market conditions, financial systems and institutional environments. At the same time, the insignificant financial literacy result suggests that internal entrepreneurial capability alone is insufficient where broader ecosystem constraints remain unresolved.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

This finding strongly supports entrepreneurial ecosystem theory, which argues that enterprise growth emerges from interactions among entrepreneurs, markets, institutions and support systems (Spigel, 2017; Roundy et al., 2018). It also aligns with resilience scholarship, which emphasises adaptive capability and institutional responsiveness as critical components of sustainable enterprise development (Linnenluecke, 2017; Teece, 2007).

The evidence therefore suggests that effective MSME development strategies should adopt integrated approaches that simultaneously strengthen finance access, market opportunities, institutional support and enterprise capability.

Theoretical Contribution

This study contributes to enterprise-development scholarship in four important ways.

First, it extends the application of the Barriers and Enablers Framework within an urban Zambian context by demonstrating how enterprise growth is shaped by both internal capabilities and external institutional conditions.

Second, it strengthens entrepreneurial ecosystem theory by providing empirical evidence that MSME sustainability depends on interconnected market, financial and policy systems rather than isolated entrepreneurial characteristics (Acs et al., 2017; Spigel, 2017).

Third, it contributes evidence from Lusaka's Central Business District, a context that remains underrepresented in international MSME literature.

Finally, the study contributes to emerging debates on enterprise resilience and inclusive finance by demonstrating that ecosystem conditions may outweigh individual entrepreneurial capabilities in determining business growth outcomes. This finding has important implications for future enterprise development research and policy in developing economies.

Policy Implications

The findings of this study have important implications for MSME development policy in Zambia. The evidence suggests that sustainable enterprise growth requires coordinated interventions that address market performance, access to finance and institutional conditions simultaneously. Policies that focus on a single constraint are unlikely to generate substantial improvements in MSME performance because enterprise growth is influenced by multiple interconnected factors.

Strengthening Access to Affordable Finance

The study highlights the need for more accessible and affordable financing mechanisms for MSMEs. Policymakers should work with commercial banks, microfinance institutions and development finance agencies to expand enterprise-sensitive lending programmes that recognise the realities of small businesses. Credit guarantee schemes, concessional financing facilities and alternative collateral arrangements could improve access to capital for enterprises that are currently excluded from formal financial markets.

Financial institutions should also develop products specifically designed for MSMEs, including flexible repayment schedules and financing structures aligned with business cash flow cycles. Improving access to affordable finance would support investment, working capital management and business expansion.

Enhancing Market Access and Enterprise Competitiveness

The findings suggest that improving sales performance is essential for enterprise sustainability. Government agencies, local authorities and business support organisations should therefore prioritise initiatives that strengthen market access and enterprise competitiveness.

Such initiatives may include business incubation programmes, digital marketing support, participation in trade fairs, local procurement opportunities and market linkage platforms connecting MSMEs to larger firms and public sector procurement systems. Expanding market opportunities would enable enterprises to increase turnover, improve profitability and strengthen long-term sustainability.

Promoting Practical Financial Capability

Although financial literacy was not a significant predictor of MSME growth, financial-management capability remains important for enterprise efficiency and sustainability. Training programmes should therefore move beyond basic financial awareness and focus on practical skills such as cash flow management, record keeping, budgeting, taxation compliance and business planning.

Business-development service providers should integrate financial literacy with mentorship, enterprise coaching and access to finance programmes. This integrated approach is more likely to produce meaningful business outcomes than standalone financial training interventions.

Creating a More Supportive Tax Environment

The findings indicate that taxation remains a concern for many MSMEs. Policymakers should consider measures that simplify compliance procedures, reduce administrative burdens and improve communication between tax authorities and small-business operators.

Simplified tax regimes, digital compliance systems and targeted taxpayer education programmes may encourage greater formalisation and improve voluntary compliance. A taxation framework that is transparent, predictable and proportionate to business size would help create a more supportive environment for enterprise growth.

Strengthening Enterprise Support Ecosystems

The study demonstrates the importance of ecosystem-based approaches to MSME development. Sustainable enterprise growth requires effective coordination among government institutions, financial service providers, business associations, training institutions and private sector actors.

Policy interventions should therefore focus on building integrated support systems that combine finance, market access, enterprise development services and institutional support. Such ecosystems are more likely to promote enterprise resilience, business formalisation and long-term growth than isolated interventions addressing individual constraints.

Implications for National MSME Development Policy

At a broader level, the findings suggest that Zambia’s MSME development strategy should place greater emphasis on creating enabling business environments rather than relying solely on entrepreneurship promotion programmes. Enterprise growth depends not only on the capabilities of entrepreneurs but also on the quality of financial systems, market opportunities and institutional support structures.

Consequently, national MSME policy should prioritise inclusive finance, competitive markets, simplified regulatory systems and coordinated enterprise support mechanisms. These interventions would contribute to stronger enterprise performance, employment creation and inclusive economic development.

CONCLUSION

This study evaluated the factors influencing the growth of micro, small and medium enterprises (MSMEs) in Lusaka’s Central Business District, Zambia. Using a quantitative approach, the study examined the influence of sales performance, financial literacy, interest rates and taxation policy on enterprise growth. The study was

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

motivated by the important role that MSMEs play in employment creation, income generation and local economic development, despite the numerous challenges they face within developing country contexts.

The findings indicate that MSME growth is influenced by a combination of enterprise-level and institutional factors. Sales performance, interest rates and taxation policy were found to have significant relationships with MSME growth, while financial literacy did not demonstrate a statistically significant effect. These results suggest that although entrepreneurial capabilities remain important, enterprise growth is strongly shaped by broader ecosystem conditions, including market opportunities, access to finance and the regulatory environment.

The study contributes to enterprise development scholarship by providing empirical evidence from an under researched urban Zambian context and by demonstrating the usefulness of entrepreneurial ecosystem and Barriers and Enablers perspectives in explaining MSME growth. The findings support the view that enterprise sustainability depends not only on the characteristics of individual entrepreneurs but also on the quality of the economic and institutional environment within which businesses operate (Acs et al., 2017; Spigel, 2017; Welter & Smallbone, 2011).

From a policy perspective, the study highlights the importance of integrated MSME support systems that simultaneously strengthen market access, affordable finance, enterprise capability and supportive regulatory frameworks. Sustainable MSME growth is unlikely to be achieved through isolated interventions. Rather, it requires coordinated efforts among policymakers, financial institutions, business support organisations and private sector stakeholders to create an enabling environment that promotes enterprise resilience, competitiveness and inclusive economic development.

Limitations and Directions for Future Research

Several limitations should be considered when interpreting the findings of this study.

First, the study was confined to MSMEs operating within Lusaka's Central Business District. While the area represents an important urban entrepreneurial ecosystem, the findings may not fully reflect the experiences of MSMEs operating in rural areas, secondary cities or sector-specific business environments. Consequently, caution should be exercised when generalising the results beyond the study context.

Second, the study relied on self reported questionnaire data. Although this approach is widely used in MSME research, responses may be influenced by recall bias, subjective perceptions and reluctance to disclose sensitive business information. Future studies could strengthen validity by incorporating objective business-performance indicators such as audited financial records, sales data and enterprise growth statistics.

Third, the study adopted a cross-sectional design, which captured enterprise conditions at a single point in time. As a result, the findings demonstrate associations rather than long term causal relationships between the explanatory variables and MSME growth. Longitudinal studies would provide deeper insights into how enterprise growth evolves in response to changing market, financial and institutional conditions.

Fourth, although the study employed multiple regression analysis and robustness diagnostics, it did not utilise advanced analytical techniques such as structural equation modelling, panel data estimation or causal inference approaches. Future research could employ these methods to examine more complex relationships among enterprise capabilities, institutional conditions and business outcomes.

The insignificant relationship between financial literacy and MSME growth also presents an important avenue for future investigation. Additional studies should examine whether the influence of financial literacy is mediated or moderated by factors such as access to finance, entrepreneurial experience, digital capability or business sector. Such analyses may provide a more nuanced understanding of how financial capability contributes to enterprise sustainability.

Future research should also explore emerging themes that are becoming increasingly important within enterprise development scholarship, including digital entrepreneurship, financial technology adoption, enterprise resilience, climate related business risks, women's entrepreneurship and youth owned enterprises. Comparative studies across regions and sectors would further strengthen understanding of how entrepreneurial ecosystems influence MSME growth under different economic and institutional conditions.

Despite these limitations, the study provides valuable empirical evidence on MSME growth within an under researched Zambian urban context and contributes to ongoing debates on entrepreneurial ecosystems, inclusive finance and enterprise sustainability in developing economies.

DATA AVAILABILITY STATEMENT

The article is based on primary survey data summarised in the dissertation. Raw respondent level data has been retained by the authors for verification, replication and supplementary material if required by the journal and is available upon request.

REFERENCES

1. Ackah, J., & Vuvor, S. (2011). The challenges faced by small and medium enterprises (SMEs) in obtaining credit in Ghana. International Journal of Business and Management, 6(8), 103-115.
2. Acs, Z. J., Autio, E., & Szerb, L. (2014). National systems of entrepreneurship: Measurement issues and policy implications. Research Policy, 43(3), 476-494. https://doi.org/10.1016/j.respol.2013.08.016
3. Acs, Z. J., Stam, E., Audretsch, D. B., & O'Connor, A. (2017). The lineages of the entrepreneurial ecosystem approach. Small Business Economics, 49(1), 1-10. https://doi.org/10.1007/s11187-017-9864-8
4. Alonso, A. D., Kok, S. K., & O'Brien, S. (2021). Understanding entrepreneurial resilience among small businesses during turbulent times. Journal of Small Business Management, 59(S1), 104-126.
5. Berger, A. N., & Udell, G. F. (2006). A more complete conceptual framework for SME finance. Journal of Banking & Finance, 30(11), 2945-2966. https://doi.org/10.1016/j.jbankfin.2006.05.008
6. Branicki, L. J., Sullivan-Taylor, B., & Livschitz, S. R. (2018). How entrepreneurial resilience generates resilient SMEs. International Journal of Entrepreneurial Behavior & Research, 24(7), 1244-1263. https://doi.org/10.1108/IJEBR-11-2016-0396
7. Chewe, M. (2020). Constraints affecting MSME growth in Zambia. Zambia Journal of Business Studies, 5(1), 55-72.
8. Doern, R., Williams, N., & Vorley, T. (2019). Special issue on entrepreneurship and crises: Business as usual? An introduction and review of the literature. Entrepreneurship & Regional Development, 31(5-6), 400-412. https://doi.org/10.1080/08985626.2018.1541590
9. Duncombe, R. (2022). Digital platforms and inclusive enterprise development in Africa. Enterprise Development and Microfinance, 33(2), 85-101.
10. Eijdenberg, E. L., & Thompson, N. A. (2020). Entrepreneurial ecosystems, entrepreneurial activity and economic growth: New evidence from African countries. Journal of Small Business and Enterprise Development, 27(6), 943–965. https://doi.org/10.1108/JSBED-03-2019-0103
11. Gough, K. V., & Langevang, T. (2017). Young entrepreneurs in Sub-Saharan Africa: Precarious livelihoods and new opportunities. Geography Compass, 11(11), 1-12. https://doi.org/10.1111/gec3.12377
12. Hadjielias, E., Christofi, M., & Tarba, S. (2022). Contextualizing small business resilience during the COVID-19 pandemic: Evidence from small firms. Journal of Small Business Management, 60(4), 1-30.
13. Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). A primer on partial least squares structural equation modeling (PLS-SEM) (3rd ed.). Sage.
14. Harper, M. (2005). Microfinance and enterprise development. Intermediate Technology Publications.
15. Harper, M., & Roy, S. (2021). Building resilient microenterprises in developing economies after COVID-19. Enterprise Development and Microfinance, 32(4), 233-248.
16. Kabunda, M. (2022). Challenges faced by small and medium enterprises in obtaining loans in Zambia. Journal of Development Finance, 14(2), 87-102.

17. Kothari, C. R. (2004). Research methodology: Methods and techniques (2nd ed.). New Age International.
18. Kraus, S., Clauss, T., Breier, M., Gast, J., Zardini, A., & Tiberius, V. (2020). The economics of COVID-19: Initial empirical evidence on how family firms in five European countries cope with the corona crisis. International Journal of Entrepreneurial Behavior & Research, 26(5), 1067-1092.
19. Kuckertz, A., Brändle, L., Gaudig, A., Hinderer, S., Reyes, C. A. M., Prochotta, A., Steinbrink, K., & Berger, E. S. C. (2020). Startups in times of crisis: A rapid response to the COVID-19 pandemic. Journal of Business Venturing Insights, 13, e00169. https://doi.org/10.1016/j.jbvi.2020.e00169
20. Linnenluecke, M. K. (2017). Resilience in business and management research: A review of influential publications and a research agenda. International Journal of Management Reviews, 19(1), 4-30. https://doi.org/10.1111/ijmr.12076
21. Lorunka, J. C., Kessler, A., Frank, H., & Lueger, M. (2011). Success factors of SMEs in developing economies. Journal of Small Business and Enterprise Development, 18(1), 139-156.
22. Mayasani, R. (2020). Challenges faced by small and medium enterprises in obtaining credit in Zambia. Zambia Journal of Entrepreneurship and Finance, 3(1), 22-39.
23. Morgan, T., Anokhin, S., Ofstein, L., & Friske, W. (2020). SME response to major exogenous shocks: The bright and dark sides of business model pivoting. International Small Business Journal, 38(5), 369-379.
24. Mugenda, O. M., & Mugenda, A. G. (2003). Research methods: Quantitative and qualitative approaches. Acts Press.
25. Muriithi, S. (2017). African small and medium enterprises (SMEs): Contributions, challenges and solutions. European Journal of Research and Reflection in Management Sciences, 5(1), 36-48.
26. Mutoko, W. R., & Mutoko, M. (2015). Challenges of financing small, medium and micro enterprises in Botswana. International Journal of Economics, Commerce and Management, 3(5), 1-15.
27. Mwika, J., Eresia-Eke, C., & Akinlabi, B. H. (2018). The influence of taxation on small business growth in developing economies. African Journal of Business Management, 12(8), 211-220.
28. Nambisan, S. (2017). Digital entrepreneurship: Toward a digital technology perspective of entrepreneurship. Entrepreneurship Theory and Practice, 41(6), 1029-1055. https://doi.org/10.1111/etap.12254
29. OECD. (2023). Financing SMEs and entrepreneurs 2023: An OECD scoreboard. OECD Publishing. https://doi.org/10.1787/8b6d043b-en
30. Orodho, J. A. (2008). Techniques of writing research proposals and reports in education and social sciences. Masola Publishers.
31. Roundy, P. T., Bradshaw, M., & Brockman, B. K. (2018). The emergence of entrepreneurial ecosystems: A complex adaptive systems approach. Journal of Business Research, 86, 1-10. https://doi.org/10.1016/j.jbusres.2018.01.032
32. Shepherd, D. A. (2020). COVID-19 and entrepreneurship: Time to pivot? Journal of Management Studies, 57(8), 1750-1753. https://doi.org/10.1111/joms.12633
33. Shepherd, D. A., & Williams, T. (2020). Entrepreneurship responding to adversity: Equilibrating adverse events and disequilibrating persistent adversity. Organization Theory, 1(4), 1-26.
34. Spigel, B. (2017). The relational organization of entrepreneurial ecosystems. Entrepreneurship Theory and Practice, 41(1), 49–72. https://doi.org/10.1111/etap.12167
35. Stam, E. (2015). Entrepreneurial ecosystems and regional policy: A sympathetic critique. European Planning Studies, 23(9), 1759-1769. https://doi.org/10.1080/09654313.2015.1061484
36. Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of sustainable enterprise performance. Strategic Management Journal, 28(13), 1319-1350. https://doi.org/10.1002/smj.640
37. Welter, F., & Smallbone, D. (2011). Institutional perspectives on entrepreneurial behaviour in challenging environments. Journal of Small Business Management, 49(1), 107-125. https://doi.org/10.1111/j.1540-627X.2010.00317.x
38. World Bank. (2022). Small and medium enterprises (SMEs) finance: Improving access to finance for SMEs. World Bank Group.
39. Yamane, T. (1967). Statistics: An introductory analysis (2nd ed.). Harper & Row.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

40. Zahra, S. A. (2021). International entrepreneurship in the post-COVID world. Journal of World Business, 56(1), 101143. https://doi.org/10.1016/j.jwb.2020.101143
41. Zambia Development Agency. (2006). Zambia Development Agency Act No. 11 of 2006. Government Printer.