

Assessing the Challenges Affecting Smes' Access to Bank Loans in Zambia: A Case of Lusaka Town Centre

Loti Saidi

Lecturer-Banking and Finance Department, ZCAS University

Abstract

This research aimed to evaluate the difficulties SMEs face in obtaining credit from banking institutions. Using a descriptive research design, primary data was collected from various SME respondents through a structured, self-administered questionnaire. The literature review, sourced from journals and other materials, provided a deeper understanding of the subject. Data analysis was conducted using frequency tables and descriptive graphics with the assistance of SPSS for data entry, coding, and analysis of quantitative data from closed-ended questions. The findings revealed that while access to credit positively influenced SME performance by enabling proprietors to increase business stocks or acquire assets, significant challenges impeded access to credit. These challenges included inadequate collateral, limited borrowing capacity, high interest rates and processing fees, and stringent terms and procedures. These barriers hindered SMEs' ability to expand, improve cash flow for reinvestment, and ultimately reduced profitability. To address these issues, the researcher recommended that the government, through the Bank of Zambia, consider capping interest rates for SMEs or providing subsidized loans. Additionally, they suggested strengthening the Zambia Credit Guarantee Scheme Limited to offer loan guarantees for SMEs, recognizing their crucial role in the economy. The study recommended that Government create interest Rate Caps where the government should work with the Bank of Zambia to establish an interest rate ceiling for SMEs, making loans more affordable and promoting business growth and stability. Develop subsidized loan programs for SMEs to lessen the impact of high interest rates and processing fees, thereby helping them secure the capital needed for expansion and operational improvements. Enhancing the Credit Guarantee Scheme requires you to improve the structure and operations of the Zambia Credit Guarantee Scheme Limited to provide SMEs with easier access to loan guarantees, addressing issues related to inadequate collateral and limited borrowing capacity.

Keywords: Small and Medium Enterprise, Bank Credit facilities, Financial Institutions

1. Introduction

The crucial role of the private sector, especially in emerging markets, in driving the economic growth of developing nations has been widely recognized (Mbuta, 2007). For Zambia, rapid and sustainable economic development relies heavily on a robust private sector (Evans et al., 2015). With the right support and environment, the private sector can generate wealth, spur growth, enhance public services, and create jobs to alleviate poverty (Nuwagaba, 2015). This sector includes both large firms and SMEs, producing a wide range of goods and services.

In the early 1980s, the Zambian government acknowledged the importance of SMEs, particularly through the SIDO Act of 1981, which aimed to address the sector's challenges (Ministry of Commerce, Trade and Industry, 2007). Globally, SMEs are considered economic engines, as many large companies originated from them (Avevor, 2016). In Zambia, SMEs not only drive economic growth but also support large corporations by supplying materials and services, especially in the manufacturing, energy, and mining sectors (Mensah, 2015). Despite their recognized importance in job creation and poverty reduction, SMEs face significant challenges in accessing credit from financial institutions (Yoshino and Taghizadeh-Hesary, 2017).

Banks and other financial institutions are highly influenced by macroeconomic changes, which affects their ability to support SMEs. Their role in economic environments is crucial for supporting SMEs and fostering social and economic development (Price Water House, 2019). SMEs are vital economic agents that contribute to economic stability and development (Osano and Languitone, 2016). Their financial contributions to the national economy are significant, highlighting the need for financial support (Gichuki et al., 2014). Access to credit for SMEs is critical for job creation, productivity, poverty eradication, investment, and economic growth. Addressing the uncertainties and risks faced by banks in lending to SMEs is essential (Onyiriuba, 2016). This study aims to identify the key challenges SMEs face in accessing credit in Zambia and understand their needs for financial support.

1.2 Research problem

Despite their significant contributions to the national economy, Small and Medium Enterprises (SMEs) in Zambia face substantial challenges in accessing credit from formal financial institutions, primarily due to being perceived as high-risk customers (Igbu, 2012). This perception stems from their lack of adequate collateral and the costly loan procedures associated with their typically smaller credit requests, which require the same administrative processes as larger loans. Consequently, SMEs often rely on personal savings or informal support from friends and family, limiting their business growth potential (Mensah, 2009). High interest rates, cash flow issues, and turnover requirements further hinder their access to credit. Although efforts have been made by past governments and stakeholders to improve this situation through various policies and programs, significant barriers remain. Therefore, it is crucial to identify and address the main obstacles SMEs face in securing funds from financial service providers and to develop effective solutions to enhance their access to necessary credit facilities

1.3 Specific Research Objectives

1. To establish if banks have SME credit facilities products.
2. To establish if the credit terms and conditions involved are favorable to SMEs.
3. To assess if there are associated SME challenges in accessing credit facilities.
4. To ascertain how friendly credit processes and procedures are for SMEs' access to credit facilities.

1.4 Specific Research Questions

1. Do banks have SME credit facilities products?
2. How favorable are the Bank's credit terms and conditions for SME loans?
3. What associated challenges are available to SMEs in accessing credit facilities?
4. How friendly are banks' processes and procedures for SMEs in accessing credit facilities?

2. Literature Review

The Small and Medium Enterprises (SME) sector in Zambia primarily engages in producing goods and services aimed at generating employment and revenue. These SMEs, often operating with low technology

and reliant on social networks, mainly serve local and less affluent market segments. Many SMEs are household businesses run by individuals, often without formal registration or licensing, and predominantly engage in trading and basic production activities according Zambia Chamber of Small and Medium Enterprises Association (ZCAMEA, 2012).

SMEs in Zambia expanded significantly following the economic shift to a market-based economy in 1991. A 1996 survey revealed that SMEs comprised about 97% of business units, employing around 18% of the labor force, with 47% of the workforce being women. Women-owned about 46% of these businesses, typically focusing on low-income activities (MOCTI, 2008). Most SMEs employed around 10 people, with 52% operating in rural areas. The sector's activities were divided among production (41.3%), business/commerce (48.5%), and services (10.2%) according to Musona (2012).

SMEs in Zambia face numerous challenges, including limited access to credit, poor business environments, weak transportation infrastructure, regulatory barriers, and inadequate utilities and machinery. The World Bank Report (1997) highlighted access to credit as a major issue, alongside competition from imports, low demand, and infrastructure problems. The literature review of the study examined theories related to SMEs' financial structures and challenges in accessing credit, including the Trade-off theory, Pecking order theory, and Credit Rationing. The study also considered key definitions, theories, empirical studies, literature gaps, and the conceptual framework, focusing on dependent and independent variables.

2.1 Key Definitions and Concepts

2.2.1 Small and Medium Enterprises

This refers to a business or business enterprise that is formally registered and licensed by government agencies like the Registrar of Companies to operate as such whose total investment excluding land and buildings K80m-k200m and whose annual turnover is between K151,000-300,000 respectively.

2.2.2 Administrative Barriers

This refers to the rules and legislations that impact business entry, licensing, tax, and customs management as well as company registration.

2.2.3 Business Development Services

These are services meant to facilitate small and Medium enterprises' access to classic business development facilities and information relative to business, at a reasonable fee. This may include grooming small businesses through business growth advisory services to help improve SMEs' growth.

2.2.4 Lending requirements

These are pre-application details by the services supplier such as the bank and other institutions to address the need for that service(s). this may include collaterals, business records, statutory obligations proofs of payments (Punjil, 2008). Whether a business is registered or not etc. This also involves formalizing SMEs with sound structures that support corporate governance structures in the long run (Wink, 2011). SME owners ought to create structures that enable accountability and not single decision-making setups. Another key issue to the requirements is the sources of repayment and extra income to support the business.

2.2.5 Credit Reference Bureau

This is an agency that acts as a central repository for personal data. They gather and conserve credit reports for purposes of dissemination to prescribed institutions seeking a potential client's credit history. Credit Bureau Africa is one such example that keeps the historical credit profile data of all borrowers in Zambia.

2.2.6 Enabling Environment

This is the communication that incorporates government guidelines that concentrate on making and keeping a complete macroeconomic atmosphere that fetches together consumers and suppliers in a peer firm collaboration fashion (Wilkinson, 2011). This might involve analyzing movements in interest rates, business environment, and market risks that are both exogenous and non-exogenous risks affecting businesses generally.

2.3 Banks and Other Formalized Financial Institutions

Research indicates that variations in financial institutional structures and lending arrangements significantly affect SMEs' access to credit (Berger and Udell, 2004). These differences influence how banks and financial institutions use lending technologies like relationship lending or transaction lending, thereby affecting their ability to finance diverse SME business units. Relationship lending relies on qualitative information gathered through long-term interactions with SMEs, including the trustworthiness and character of their proprietors. Lending infrastructure, which includes terms, conditions, rules, and regulations set by market policymakers and regulators, also impacts financial institutions' ability to lend to multiple potential borrowers. Conversely, transactional lending technology is based on hard quantitative data, such as certified financial statements and financial ratios.

2.4 The SME Operators

Three main bottlenecks are hindering the smooth flow of credit from financial institutions to SMEs are a lack of equity in SMEs, which often means the business ends when the proprietor dies; insufficient preparedness in terms of organized accounting records, proper administrative setups, and human resources; and the absence of long-term plans and vision, as many SMEs are established without thoroughly evaluating the market and competitors, crucial for forecasting turnover and demonstrating capacity to repay loans (Newman and Borgia, 2010). These challenges highlight the significant barriers SMEs face in accessing credit, directing the research towards addressing these critical issues.

2.5 Theoretical Framework and Literature Review

Numerous theories highlight the funding gap for SMEs, suggesting that many small and medium enterprises could successfully use credit to grow their businesses but are unable to access it due to the stringent requirements of financial institutions (Lopez, 2013). This lack of access to credit can be viewed from both the SMEs' and the financial institutions' perspectives (Borgia and Newman, 2012). This research primarily focuses on financing theories such as the pecking order theory, trade-off theory, and credit rationing theory to explore this issue.

2.5.1 Pecking Order Theory

The pecking order theory of capital structure, developed by Myers et al. (1984), explains corporate finance preferences for different types of financing. Firms prefer internal financing over external options. According to Jibrán et al. (2012), when external financing is necessary, companies favor debt over equity, with equity being the last resort (Demirbas and Demirbas, 2017). Companies take a conservative approach to dividends and use debt financing to maximize firm value (Adair and Adaskou, 2015). The theory suggests firms first use retained earnings for financing, resort to debt if internal funds are insufficient, and only issue new equity as a last option (Jahanzeb et al., 2014, p.2). Management's insider knowledge of the firm's true worth, which is not accessible to outsiders, underpins this theory (Bhaid and Lucey, 2009).

Information asymmetries contribute to fluctuating external finance costs, as potential investors view equity as riskier than debt and existing investors worry about ownership dilution (Wasiuzzamna, 2019).

2.5.2 Static Trade-off Theory

The theory posits that a firm's optimal debt ratio is often determined by balancing the costs and benefits of debt, while keeping investment plans and business assets constant (Myers, 1984). This means that each additional unit of debt represents a tradeoff between its costs and benefits. Ghazouani (2013) argued that the costs associated with financial distress can negate the tax benefits of debt (Jahanzeb et al., 2014). Debt provides tax savings but also increases the risk of bankruptcy for highly leveraged firms, potentially maximizing the cost of failure. Consequently, SMEs should navigate the tradeoff parameters cautiously (Ahmeti and Prenaj, 2015, pp. 2-3). This theory emerged following debates and criticisms of the Modigliani-Miller Theorem (Modigliani and Miller, 1958). The primary benefit of using debt is its tax shield effect, which can enhance profits. Management often substitutes debt for equity and vice versa to maximize the firm's value

2.5.3 Credit rationing Theory

Credit rationing occurs when lenders hesitate to provide additional funds to borrowers requesting higher amounts at current or anticipated future interest rates. This market imperfection, identified as a limitation in information flow (Baltensperger, 1978), poses significant challenges for many SMEs. Despite meeting all objective criteria—contractual, such as interest rates, and non-interest terms like collateral and capital commitments—SMEs frequently face loan rejections (Ślęzak, 2011) due to a persistent imbalance where credit demand outstrips supply. Jaffee (1989) defines credit rationing as a situation in loan markets where formal financial institutions cannot satisfy borrower demand under agreed terms, influenced by factors such as interest rate caps (Atta et al., 2015) and economic motives (Hodgman, 1962). Strong borrower-lender relationships and firm longevity can mitigate credit rationing by enabling better monitoring of borrower behavior and credit histories (Majid, 2015), crucial for addressing moral hazard and adverse selection issues impacting SMEs (Stiglitz and Weiss, 1981)

2.6 Conceptual Framework

Independent variables

- Collateral Guarantees
- Economic conditions
- Poor Business Records
- Credit History
- Financial Health
- Size and scale of SMEs
- Relationship with Lenders
- Credit History

Dependent variable

- SMEs Access to Bank Credit

- Government Support and Policies
- Regulatory environment

Intervening Variables

2.6.1 Independent variables

2.6.1.1 Credit History and Financial Health: Banks evaluate small and medium-sized enterprises by reviewing their credit history, financial statements, and overall financial health. A proven history of punctual repayments and robust financial performance enhances their creditworthiness

2.6.1.2 Collateral and Guarantees: Lenders frequently ask SMEs to offer collateral or personal guarantees as security for loans. The presence and value of collateral can have a substantial impact on the amount and conditions of credit offered.

2.6.1.3 Industry and Market Risk: Banks evaluate the risk linked to the SME's industry sector and market position. Industries deemed higher risk may encounter stricter credit terms or elevated interest rates.

2.6.1.4 Relationship with Lenders: Establishing strong partnerships with banks and maintaining a history of open communication can improve SMEs' ability to secure credit. Lenders are inclined to offer favorable terms to SMEs they view as trustworthy and dependable

2.6.1.5 Regulatory Environment: Regulatory obligations, such as limits on interest rates and constraints on lending, may limit banks' capacity to offer credit to SMEs, impacting their ability to obtain financing

2.6.1.6 Size and Scale of SMEs: The size and scope of SMEs can influence their access to credit. Smaller SMEs may face greater difficulty. Meeting banks' criteria compared to larger counterparts with larger assets and operations

2.6.1.7 Economic Conditions: Macroeconomic factors such as interest rates, inflation rates, and overall economic stability play a crucial role in shaping banks' lending policies. Economic downturns or instability can result in stricter credit conditions for SMEs.

2.6.2 Intervening variables

2.6.2.1 Government Support and Policies: Government initiatives, such as loan guarantee programs or subsidies for SMEs, can facilitate easier access to credit by reducing perceived risk for lenders.

3. Methodology

Research methodology served as the foundation of any scholarly investigation, providing a structured approach to answering research questions and achieving research objectives. It encompassed the systematic design, collection, analysis, and interpretation of data, guiding researchers through the process of generating knowledge and understanding phenomena. This is important because research methodology lies in its ability to ensure the validity, reliability, and replicability of research findings. By carefully selecting appropriate methods and techniques, relevant data was gathered that accurately reflected the reality being studied. This study chose Methodological choices, such as qualitative or quantitative approaches being mixed, sampling strategies, and data collection instruments, which were crucial in shaping the outcomes and conclusions of a study.

3.1 Research design

A research design is essential for structuring and directing a study to achieve favorable results (Leedy and Ormrod, 2001). This study used a descriptive research design, which is hypothesis-based and defines the primary subject matter. It employs various methods, such as observation, case studies, and surveys, to analyze and drive the outcomes.

3.2 Research approach and method

The study described involves a comprehensive research plan encompassing assumptions, data collection methods, analysis procedures, and outcome interpretation (Lisa, 2008). It utilized a descriptive study

approach, focusing on non-manipulative data collection according to Johnson and Onwuegbuzie (2004), emphasizing observational or correlational data. This method was chosen for its naturalistic gathering of information without interference (Lohfeld, 2002), conducted over a one-month cross-sectional study period at Falls Beverages. The study also employed a mixed research method to mitigate individual methodological constraints and provide a holistic perspective (Saunders, 2009).

3.3 Inductive approaches

This method involves drawing general conclusions from specific observations, contrasting with the inductive approach, which moves from general points to specific conclusions (Johnson and Onwuegbuzie, 2004). The inductive approach involves making multiple observations, identifying patterns, generalizing, and inferring explanations or theories (Wasssertheil-Smoller, 2016). There is an interplay between inductive and deductive reasoning until a logical conclusion is reached. The reliability of inductive conclusions depends on the completeness of observations (Kothari, 2010). This approach was used in the case-based research at Falls Beverages to conclude the impact of effective internal controls on fraud prevention.

3.4 Research paradigm

The research paradigm encompasses fundamental principles and challenges that guide methodological approaches and tools (Turner, 2001; Saunders, 2009). The researcher adopted a positivist philosophy, focusing on factual knowledge obtained through observation and measurement to ensure reliability (Kelly, 2010). This approach involved ontological, epistemological, and methodological paradigms to ensure robust data collection (Žukauskas, 2018), with ontology playing a crucial role in framing underlying assumptions and perceptions within the research context (Kivanji & Kuyini, 2017; Scott & Usher, 2004). The study utilized both qualitative and quantitative methods, such as structured questionnaires and SPSS software, for rigorous analysis (Joseph, 2017). Incorporating interpretivism alongside positivism enriched the research by engaging directly with respondents to enhance experiential understanding (Singer, 2005). Logical positivism facilitated the use of scientific methods to ensure validity and reliability through systematic observation and sensory experience (Gaubas, 2011; Joseph, 2017).

3.5 Inductive approaches

In research, inductive and deductive methods are widely used. The inductive approach involves gathering data and developing theories based on data analysis, while the deductive approach entails formulating theories, and research questions and designing a research strategy to test these hypotheses (Adams et al., 2007). The adoption of the inductive approach in a mixed methods context was preferred because it allows researchers to explore and generate theories from qualitative data, complementing quantitative findings to provide a comprehensive understanding of the research phenomenon.

3.6 Time horizon

The study's time horizon spans from May, when the proposal was initiated, to September 30, 2020, when the full report was submitted. It explores two research approaches: cross-sectional and longitudinal. Cross-sectional research, as defined by Saunders et al. (2009), involves collecting data at a single point in time without tracking variable changes over time (Bryman and Bell, 2011). In contrast, longitudinal research gathers data over an extended period (Wang et al., 2017). Due to time and financial constraints, the study adopted a cross-sectional design, which suited the research methodology chosen.

3.7 Sampling frame and sample size

The research utilized a stratified random sampling method to select its sample, dividing the target population into strata based on different types of businesses such as carpentry, transport, internet

cafés/business centers, boutiques, salons, barbershops, restaurants, food processing, and hardware and electronics. From each stratum, 50 respondents were chosen using simple random sampling (Glen, 2013). This approach was chosen because it allows for accurate representation and enhanced judgment across diverse strata, as recommended by Kothari (2004) and Crossman (2020). Additionally, stratified random sampling ensures the inclusivity of sub-groups that might otherwise be overlooked due to their smaller numbers in the population.

Nature Businesses	Hardware	Boutiques, Salon, and Barbershop	Restaurant	Transport	Business Internet cafe	Total
No. of SMEs sampled	20	25	10	30	20	105

3.7.1 Sample Size

The study employs a stratified random sampling method, selecting 83 respondents from each identified business type stratum. Therefore, the total sample size varies depending on the number of distinct business types or strata identified within the population under study. Therefore the sample was derived at, using the formula below.

To define the sample size for this study the ‘Taro Yamane Formula’ was used as follows:

$n = \frac{N}{1+N(e)^2}$, Where n is the Sample Size, N represent Estimated Population and $(e)^2$ represent margin of error (0.05). Thus ,

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

$$n = \frac{105}{1+105(0.05)^2}$$

Thus, the desired sample size = **83**

3.8 Data Collection and Processing

The study focused on SMEs located in Lusaka City, Zambia, drawing from a total population of 105 registered SMEs under the Zambia Chambers of Small and Medium Business Association (ZCSMBA) in 2020 (Fitzgerald and Mendo, 2005). Questionnaires were formulated, administered, and collected from 83 respondents in the form of raw data (Mugenda and Mugenda, 2003). The questionnaire used had a Likert scale format with open and closed-ended questions designed to gather both qualitative and quantitative data. In view of the foregoing, qualitative analysis was applied in evaluating, classifying, arranging, and putting together pieces of evidence to address the questions. Thus, qualitative data was obtained through observations and structured interviews questions within the quasi-survey data collection instrument from selected SMEs. On the other hand quantitative evaluation was conducted through SPSS statistical techniques software to aid in coding, recording, and examination of quantitative data acquired from the closed-ended questions.

4. Findings and Analysis

This section aimed to delve into the complexities that SMEs encounter when seeking financial support from banks and other formal institutions. Understanding these challenges is crucial as SMEs play a pivotal role in economic growth and development, yet often face barriers that limit their access to necessary financial resources. By examining both quantitative data, such as survey results and financial metrics, and qualitative insights gathered from SME owners and stakeholders, this study aims to offer a nuanced understanding of the multifaceted issues surrounding SMEs' access to credit. Ultimately, the findings of

this chapter will contribute to the body of literature and formulation of informed recommendations aimed at enhancing financial inclusion and support for SMEs in Zambia. Demographically speaking, this study focused on SME owners in the age group between 20yrs to 45 years old.

4.1 Analysis and Discussion of Findings

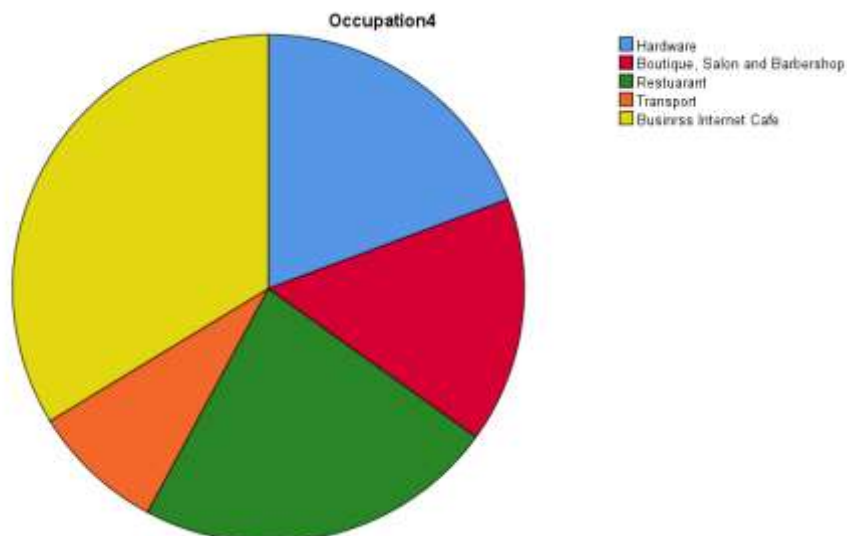
Statistics

Occupation4		
N	Valid	83
	Missing	0
Mean		3.22

Occupation4

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Hardware	16	19.3	19.3	19.3
	Boutique, Salon and Barbershop	13	15.7	15.7	34.9
	Restaurant	19	22.9	22.9	57.8
	Transport	7	8.4	8.4	66.3
	Business Internet Cafe	28	33.7	33.7	100.0
	Total	83	100.0	100.0	

The provided data shows the distribution of occupations within a sample of 83 individuals, revealing that Business Internet Cafe workers constitute the largest group at 33.7%, followed by Restaurant workers at 22.9%. Hardware workers account for 19.3% of the sample, while those employed in Boutiques, Salons, and Barbershops make up 15.7%. The smallest group consists of Transport workers, representing 8.4% of the sample. The cumulative percentages indicate the progressive addition of each occupational group, reaching 100% when all categories are combined.



The pie chart illustrates the distribution of individuals across five different occupations within a sample of 83 people. The largest segment, representing 33.7%, is for Business Internet Cafe workers, shown in yellow. Restaurant workers, depicted in green, make up 22.9% of the sample. Hardware workers, in blue, account for 19.3%, while those employed in Boutiques, Salons, and Barbershops, in red, constitute 15.7%. The smallest group, Transport workers, shown in orange, represents 8.4% of the total sample. The chart visually emphasizes the predominance of Business Internet Cafe workers and the relatively smaller proportion of Transport workers

4.2 Credit Terms and Conditions

The terms and conditions of credit typically include the interest rate, repayment schedule, loan amount, collateral requirements, fees, and penalties for late payments or default. Additionally, they outline the borrower's obligations, such as maintaining certain financial ratios or providing regular financial statements, and any restrictions on how the borrowed funds can be used. The conditions also specify the lender's rights in case of default, which may include repossession of collateral or legal action. These terms are designed to protect the lender's interests while providing clear guidelines for the borrowers

Statistics

Do you think Banks in Zambia have favorable credit terms and conditions for SMEs?

N	Valid	83
	Missing	0

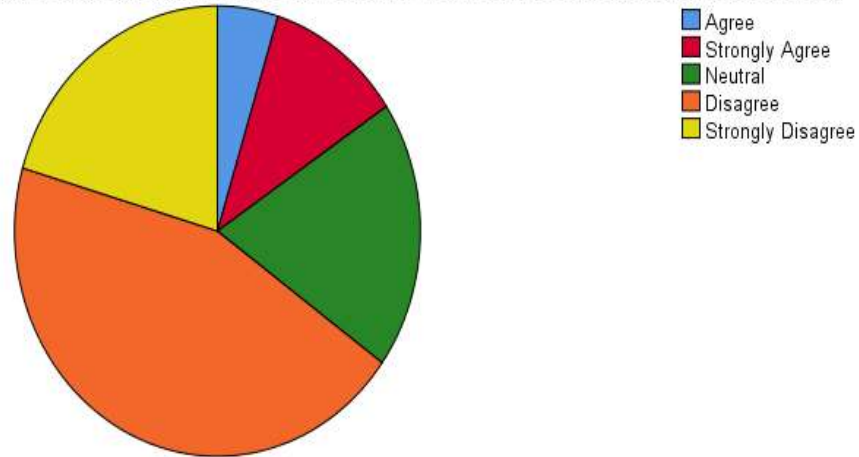
Do you think Banks in Zambia have favorable credit terms and conditions for SMEs?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	4	4.8	4.8	4.8
Strongly Agree	9	10.8	10.8	15.7
Neutral	16	19.3	19.3	34.9
Disagree	37	44.6	44.6	79.5
Strongly Disagree	17	20.5	20.5	100.0
Total	83	100.0	100.0	

The results indicate that a majority of respondents (65.1%, comprising 44.6% who Disagree and 20.5% who Strongly Disagree) believe that banks in Zambia do not have favorable credit terms and conditions for SMEs. Only 15.6% of the respondents (4.8% Agree and 10.8% Strongly Agree) feel positive about the credit terms and conditions, while 19.3% remain Neutral. This suggests that there is significant dissatisfaction and a perception that the credit terms and conditions offered by banks are not supportive of SMEs. The implication is that many SMEs might be facing challenges in accessing affordable and

manageable credit, which could hinder their growth and sustainability. Banks may need to reconsider and potentially improve their credit offerings to better meet the needs of SMEs.

Do you think Banks in Zambia have favourable credit terms and conditions for SMEs?



The pie chart illustrates the responses to the question about whether banks in Zambia have favorable credit terms and conditions for SMEs. The largest portion of respondents, 44.6%, Disagree (orange) with the statement, and 20.5% Strongly Disagree (yellow), indicating a predominant view that the credit terms are not favorable. A smaller segment, 19.3%, is Neutral (green), suggesting some uncertainty or ambivalence. Only a minority of respondents, 10.8% Strongly Agree (red) and 4.8% Agree (blue), view the terms as favorable. This distribution implies a widespread perception of unfavorable credit conditions for SMEs, highlighting a potential barrier to SME growth and financial access in Zambia.

4.3 Credit Products for SMEs

Statistics

Do you banks in Zambia have SME credit products?

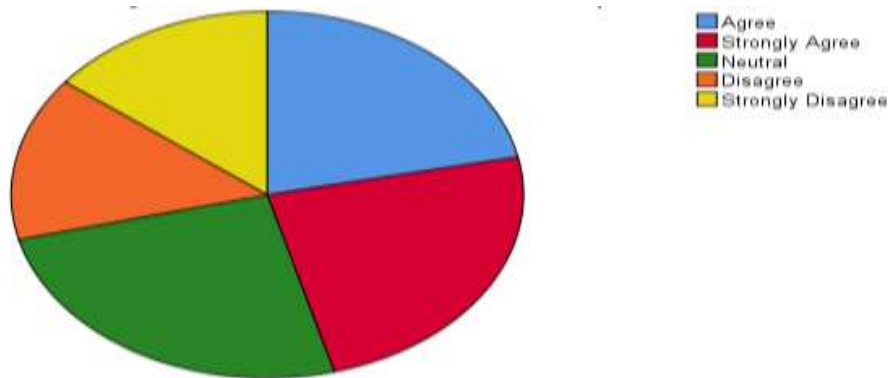
N	Valid	83
	Missing	0

Do you think banks in Zambia have SME credit products?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	18	21.7	21.7	21.7
	Strongly Agree	20	24.1	24.1	45.8
	Neutral	21	25.3	25.3	71.1
	Disagree	12	14.5	14.5	85.5
	Strongly Disagree	12	14.5	14.5	100.0

Total	83	100.0	100.0
-------	----	-------	-------

The majority of respondents have a positive or neutral opinion about the availability of SME credit products in Zambian banks. Specifically, 24.1% strongly agree and 21.7% agree, summing up to 45.8% who affirm the presence of such products. A significant portion, 25.3%, remains neutral, indicating neither agreement nor disagreement. On the other hand, 29% (14.5% disagree and 14.5% strongly disagree) do not believe that Zambian banks offer SME credit products. This distribution suggests a generally favorable perception towards the existence of SME credit products in Zambian banks, although a considerable minority either disputes this or remains undecided.



The pie chart indicates a diverse range of opinions on whether banks in Zambia offer SME credit products among a sample of 83 individuals. Approximately 45.8% of respondents either agree (21.7%) or strongly agree (24.1%) that such products are available, while 29% either disagree (14.5%) or strongly disagree (14.5%). The largest single group, 25.3%, remains neutral. This distribution suggests a relatively balanced perspective, with a slight majority leaning towards agreement or neutrality on the availability of SME credit products in Zambian banks.

4.3 Associated Challenges to SMEs' Credit Accessibility Statistics

Do you think there are associated challenges available to SMEs accessing credit facilities in Zambia?

N	Valid	83
	Missing	0

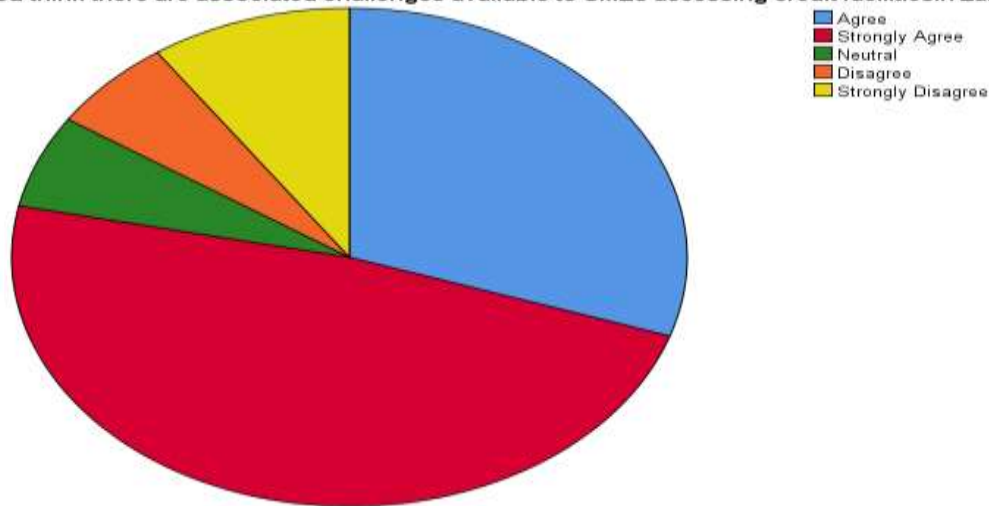
Are there associated challenges available to SMEs accessing credit facilities in Zambia?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	25	30.1	30.1	30.1
	Strongly Agree	40	48.2	48.2	78.3
	Neutral	5	6.0	6.0	84.3

Disagree	5	6.0	6.0	90.4
Strongly Disagree	8	9.6	9.6	100.0
Total	83	100.0	100.0	

The data in the table indicates that a significant majority of respondents believe there are challenges for SMEs accessing credit facilities in Zambia. Specifically, 48.2% of respondents strongly agree and 30.1% agree that such challenges exist, making a combined total of 78.3% who acknowledge the issue. A smaller portion of respondents are neutral (6.0%), while 6.0% disagree and 9.6% strongly disagree, indicating that a minority of 15.6% do not perceive these challenges as significant. This suggests a consensus among the participants that accessing credit facilities is indeed challenging for SMEs in Zambia.

Do you think there are associated challenges available to SMEs accessing credit facilities in Zambia?



The pie chart visually represents respondents' opinions on whether there are challenges for SMEs accessing credit facilities in Zambia. The largest portion of the chart is occupied by those who strongly agree (48.2%) and those who agree (30.1%), making up 78.3% of the total responses. This indicates a strong consensus that challenges do exist. A smaller section of the chart shows neutral respondents (6.0%), while even smaller sections represent those who disagree (6.0%) and strongly disagree (9.6%). This distribution reaffirms that a significant majority perceive notable challenges for SMEs in accessing credit facilities in Zambia.

4.4 Credit Processes and Procedures

Credit processes and procedures are the standardized methods and guidelines used by financial institutions and businesses to manage the extension of credit to individuals and companies. These procedures encompass the entire lifecycle of credit management, including the development of credit policies, evaluation of credit applications, approval and terms setting, monitoring of credit accounts, handling of delinquency and defaults, ensuring regulatory compliance, and providing customer service. The objective is to assess creditworthiness, minimize the risk of default, and maintain regulatory adherence while supporting customer needs.

Statistics

Do you think there are friendly banks' processes and procedures for SMEs in accessing credit facilities in Zambia?

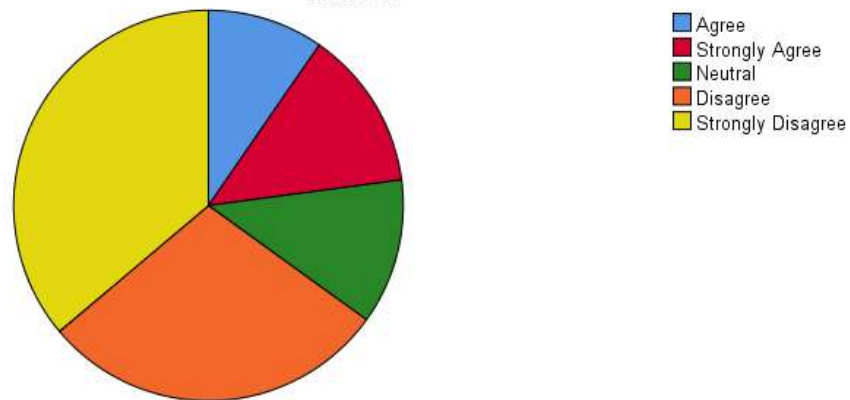
N	Valid	83
	Missing	0

Do you think there are friendly banks' processes and procedures for SMEs in accessing credit facilities in Zambia?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	8	9.6	9.6	9.6
Strongly Agree	11	13.3	13.3	22.9
Neutral	10	12.0	12.0	34.9
Disagree	24	28.9	28.9	63.9
Strongly Disagree	30	36.1	36.1	100.0
Total	83	100.0	100.0	

The results indicate that a majority of respondents (65%, comprising 28.9% who Disagree and 36.1% who Strongly Disagree) believe that banks in Zambia do not have friendly processes and procedures for SMEs to access credit facilities. Only 22.9% of the respondents (9.6% Agree and 13.3% Strongly Agree) feel positive about the banks' procedures, while 12% remain Neutral. This suggests that there is a substantial perception of difficulty and dissatisfaction among SMEs regarding their ability to access credit from banks in Zambia, potentially pointing to a need for banks to reassess and improve their processes to better support SMEs.

Do you think there are friendly banks' processes and procedures for SMEs in accessing credit facilities in Zambia?



The chart visually shows that a majority of respondents (65% combined for Disagree and Strongly Disagree) do not believe that banks have friendly processes for SMEs to access credit. The smallest segments are those who Agree (9.6%) and Strongly Agree (13.3%), indicating a less positive perception.

The Neutral respondents make up 12.0% of the total. This reinforces the interpretation that there is a significant dissatisfaction with the current banking procedures for SMEs in Zambia.

4.5 Narrative/qualitative analysis

Financial institutions' credit terms typically cover interest rates, repayment schedules, loan amounts, collateral requirements, fees, and penalties for late payments or defaults. Borrowers must maintain certain financial ratios and provide regular financial statements, with restrictions on fund usage (Hanron, 2011). The terms also detail the lender's rights in case of default, including collateral repossession or legal action, to protect the lender's interests and provide clear borrower guidelines. Most surveyed respondents believe banks in Zambia do not offer favorable credit terms for SMEs, indicating significant dissatisfaction. This suggests that many SMEs face challenges in accessing affordable and manageable credit, hindering their growth and sustainability according to Skier et al, 2018).

Opinions are mixed on the availability of SME credit products in Zambian banks. While many respondents affirm their presence, a substantial portion remains neutral, and a significant minority disputes their availability, indicating a generally favourable perception with notable neutrality and disagreement. Further, there is a strong consensus acknowledging the challenges SMEs face in accessing credit in Zambia. This highlights the difficulties SMEs encounter in obtaining credit, pointing to potential barriers that could impede their growth (Languitone, 2010). Finally, a significant majority of respondents believe that the credit processes and procedures in Zambian banks are not SME-friendly, suggesting widespread dissatisfaction and indicating a need for banks to improve their processes to better support SMEs.

5. Conclusions and Recommendations

This section culminates everything in the whole research study and now brings the research to a conclusion. The chapter will comprise eleven elements of hypothesis research questions and research objectives in response to the research questions raised earlier in the introduction chapter. The entire research work rests in this chapter as we get to conclude and make final recommendations for further studies to be carried out by other scholars.

5.1 Availability of SME Credit Products

The first objective was to assess the availability of SME credit products. The findings were that opinions are mixed on the availability of SME credit products in Zambian banks. While many respondents affirm their presence, a substantial portion remains neutral, and a significant minority disputes their availability, indicating a generally favorable perception with notable neutrality and disagreement

5.2 Credit Terms and Conditions

The second objective was to ascertain how favourable terms and conditions for SME credit facilities were. The findings were that the financial institutions' credit terms typically cover interest rates, repayment schedules, loan amounts, collateral requirements, fees, and penalties for late payments or defaults. Borrowers must maintain certain financial ratios and provide regular financial statements, with restrictions on fund usage. The terms also detail the lender's rights in case of default, including collateral repossession or legal action, to protect the lender's interests and provide clear borrower guidelines. Most surveyed respondents believe banks in Zambia do not offer favorable credit terms for SMEs, indicating significant dissatisfaction. This suggests that many SMEs face challenges in accessing affordable and manageable credit, hindering their growth and sustainability.

5.3 Associated Challenges in Accessing Credit for SMEs

The third objective was to ascertain the associated challenges SMEs faced in accessing credit facilities. The findings were that there is a strong consensus acknowledging the challenges SMEs face in accessing credit in Zambia. This highlights the difficulties SMEs encounter in obtaining credit, pointing to potential barriers that could impede their growth.

5.4 Bank Processes and Procedures for SMEs

The fourth objective was to ascertain how favorable processes and procedures were for SMEs to access credit facilities from banks. The findings were that a significant majority of respondents believe that the credit processes and procedures in Zambian banks are not SME-friendly, suggesting widespread dissatisfaction and indicating a need for banks to improve their processes to better support SMEs.

5.5 Practical/managerial implications of findings/Recommendations

5.5.1 Practical Implications

The study revealed quite several real issues or rather challenges that SMEs have been facing in accessing credit and that it is worth the government, lending institutions, policymakers, and other future scholars to pay attention to and provide solutions to these long-growing challenges.

5.5.2 Managerial Implications of the Findings

The government needed to develop a robust and active framework for Zambia Credit Guarantee Scheme Limited and quickly move in to safeguard the plight of SMEs if our country's economy is to grow going forward. Otherwise, the struggles of our SMEs pose a huge challenge to the future purchasing manager's index and will ultimately affect the Gross Domestic Product (GDP). Thus this research raises credit concerns on the topic for policymakers, regulators, and lenders, and a base upon which further research by scholars can improve on the subject matter.

5.6 Recommendations

1. Banks relax on the issue of collateral requirements for SMEs seeking credit facilities
2. The government offers credit guarantee schemes for viable SMEs with the prospect of growth
3. Banks consider the cost of credit for SMEs and the creation of additional credit facilities specifically for such businesses with minimal limitations.
4. Availability of finance information for SMEs in simpler terms to enable easy understanding of terms and conditions attached to the facilities.
5. That SMEs also develop a culture of understanding the risks they face regularly and know how to deal with them to minimize the possibility of losses.
6. SMEs improve on keeping the right set of business financial information in an orderly manner.

5.7 Conclusion and Future Research

This research raised critical issues that need further future research such as whether or not collateral is the main ingredient for qualifying to get a loan. Further research needs to be carried out as to whether or not credit products could be developed for SMEs that require no collateral where assessment concentrates only on the capacity to pay rather than making collateral as the gateway or hindrance whichever the case might be (Flannelly, 2016). There is a need to explore also how processing fees affect SMEs in addition to high interest rates and how that can be harmonized to give room for businesses to thrive.

Finally, It was noted that the lack of knowledge for SMEs to appreciate that there existed another alternative source of finance was evident in their responses. There existed alternative sources in the market such as family sponsorship, and venture capitalists like Kukula Capital Investments that were available as alternative sources of finance for potential SMEs. Some could even go to the capital market to raise capital for growth.

References

1. Price Water House (2019) Zambia Banking Survey. Lusaka.
2. Ajayi, O. V. (2017). Distinguish between primary sources of data and secondary sources of data. Benue State University.
3. Ashraf, S. S. (2017). "Credit Obtaining Challenges Faced by Micro and Small and Medium Enterprises SMEs. Kasbit Business Journals, 1.
4. Avevor, E. E. (2016). Challenges faced by SMEs when accessing fund from financial institutions in Ghana. Vaasan Ammattikoreakoulu University of Applied Sciences, Business Economics and Tourism. Avainsanat International Business.
5. Baker, G. R. (2017). The contribution of case study research to knowledge of how to improve quality of care. BMJ Journals unlocked scheme,, 1.
6. Bernd Skiera, E. &. (2017, September 1). What should be the dependent variable in marketing-related event studies? International Journal of Research in Marketing, Vol.34(No.3), 1.
7. Hasnah Haron, S. B. (2013, November 1). Factors Influencing Small Medium Enterprises (SMES) in Obtaining Loan. International Journal of Business and Social Science, Vol.4(No. 15).
8. Henry Kofi Mensah, S. A. (2015, November 1). Challenges Faced by Small and Medium-Size Enterprises in Accessing Credit Facilities from Financial Institutions: An Empirical Assessment Incorporating the Perceptions of both Borrowers And Financiers. International Journal of Economics, Commerce and Management, United Kingdom.
9. International Labour Office. (2019). Financing Small Businesses in Indonesia; Challenges and Opportunities. Geneva: International Labour Organization .
10. Jane Annie Wangui Gichuki, D. A. (2014, December 1). Challenges Facing Micro and Small Enterprises in Accessing Credit Facilities in Kangemi Harambee Market in Nairobi City County, Kenya. International Journal of Scientific and Research Publications,, Vol.4((12)), 2-4.
11. Languitone, H. M. (2016). Factors influencing access to finance by SMEs in Mozambique: case of SMEs in Maputo central business district. Journal of Innovation and Entrepreneurship.
12. Laura T. Flanelly, K. J. (2019). Independent, Dependent, and Other Variables in Healthcare and Chaplaincy Research. Journal of Healthcare, 1.
13. Mai Huong Giang, B. H. (2019). The Causal Effect of Access to Finance on Productivity. Higash Hiroshima: MDPI.
14. Mbuta, W. S. (2007). Small and Medium Enterprise Survey, 2003-2004. Lusaka: Ministry of Commerce, Trade and Industry.
15. Meghana Ayyagari, A. D.-K. (2017). SME Finance. Washington DC: World Bank gROUP.
16. Ministry of Commerce , Trade and Industry. (2004). Small and Medium Enterprise Survey. Lusaka: Ministry of Commerce Trade and Industry.
17. Nuwagaba, A. (2015, September). Enterprises (SMEs) in Zambia. International Journal of Economics, Finance and Management, Vol.4(No.4), 1.

18. Oteng Evans, P.-M. J. (2015, October 1). Challenges Faced by SMES in Accessing Credit in Tamale. *Global Journal of Commerce and Management Perspective*, Vol.4(No.4), 1.
19. Peersman, G. (2014). *Overview: Data Collection and Analysis Methods in Impact Evaluation*. Florence-Italy: United Nations Children's Fund (UNICEF) .
20. Peprah, C. (2016). *Challenges SMEs face in acquiring loans from Banks*. Kumasi: Centria University of Applied Sciences.
21. Taghizadeh-Hesary, N. Y. (2017). *Solutions for SMEs' difficulties in accessing finance: Asian experiences*. Tokyo: Asian Development Bank Institute .
22. Wehinger, G. (2014). *SMEs and the credit crunch: Current financing difficulties, policy measures and literature review*. *OECD Journal: Financial Market Trends*, p.14.
23. Atieno R. (2001). *Formal and Informal Institutions' Lending Policies and access to Credit by Small-Scale Enterprises in Kenya: An Empirical Assessment*. Research Paper Number 111. African Economic Research Consortium. Nairobi