

To Assess the Effectiveness of Government Incentives in Promoting Entrepreneurship in Zambia

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Abstract

This study evaluates the effectiveness of government incentives in promoting entrepreneurship among small and medium enterprises (SMEs) in Lusaka Province, Zambia. Using a mixed-methods approach, data were collected from 100 entrepreneurs through surveys and 20 through interviews. Quantitative data were analysed using descriptive statistics, correlation, and regression, while qualitative data were examined thematically. The findings show that although government incentives have supported business start-ups and access to finance, their overall impact is limited by low awareness, bureaucratic challenges, and capacity constraints among entrepreneurs. The study concludes that incentives must be complemented by stronger institutional support and improved implementation mechanisms to enhance sustainable entrepreneurship development in Zambia.

Keywords: Government incentives; Entrepreneurship; SMEs; Zambia; Entrepreneurial development; Access to finance; Business growth; Policy implementation; Bureaucracy; Awareness; SME support; Economic empowerment.

1.0 Introduction

Entrepreneurship has increasingly been recognized as a central pillar for economic diversification, employment creation, and inclusive growth in Zambia, particularly in the context of the country's long-standing dependence on copper exports. Since independence in 1964, successive governments have attempted to reposition the economy through policy reforms and institutional frameworks aimed at stimulating private sector participation and broad-based enterprise development. In the early post-independence era, the state-led development model dominated Zambia's economic strategy; however, persistent inefficiencies, fiscal pressures, and rising unemployment compelled the country to embrace market-oriented reforms during the late 1980s and early 1990s under structural adjustment programmes supported by the International Monetary Fund and the World Bank (Simatele, 2010). This transition fundamentally repositioned entrepreneurship as a critical mechanism for economic recovery, poverty reduction, and job creation, thereby prompting the Zambian government to introduce a wide range of incentives intended to lower entry barriers and stimulate business formation.

Over the past three decades, the government has operationalized this pro-entrepreneurship stance through multiple policy instruments and institutional interventions. These have included tax concessions

under the Zambia Development Agency framework, targeted financing schemes such as the Citizens Economic Empowerment Fund and the Youth Empowerment Fund, technology incubation initiatives through the National Technology Business Centre, and expanded grassroots financing via the Constituency Development Fund. Collectively, these initiatives have been designed to improve access to startup capital, enhance entrepreneurial skills, and foster innovation among micro, small, and medium enterprises. In parallel, national blueprints such as Vision 2030 and the Eighth National Development Plan have elevated private sector-led growth, youth empowerment, and employment generation to the forefront of Zambia's development agenda (GRZ, 2022). Despite this extensive policy architecture, Zambia continues to record modest entrepreneurial performance and a constrained business environment relative to regional peers, suggesting that the existence of incentives alone may be insufficient to catalyse sustainable enterprise growth (World Bank, 2020; GEM, 2021).

A growing body of evidence indicates that structural and institutional bottlenecks continue to undermine the practical effectiveness of these government incentives. Limited awareness among potential beneficiaries, complex administrative procedures, bureaucratic delays, and perceptions of political interference have collectively restricted equitable access to empowerment programmes, particularly among youth, women, and rural entrepreneurs (Chisanga & Zulu, 2020). Concerns regarding transparency and accountability have further weakened public confidence, with monitoring reports highlighting instances of resource misallocation and elite capture within empowerment funds (TI-Z, 2021). Consequently, unemployment and underemployment—especially among young people—remain persistently high, while a significant proportion of small enterprises fail within their first three years due to financing gaps, weak mentorship structures, and inadequate policy follow-through (ILO, 2021; ZamStats, 2023). These patterns point to a widening disconnect between policy intentions and entrepreneurial outcomes.

Within this context, a critical and systematic evaluation of government incentives becomes essential. Understanding whether current policy instruments genuinely enable entrepreneurial growth or merely exist as formal commitments within development rhetoric is particularly urgent in a country where the demographic structure is heavily youth-dominated and economic opportunities remain unevenly distributed. By interrogating both the design and real-world implementation of these incentives, this study seeks to contribute empirical clarity to ongoing policy debates surrounding entrepreneurship promotion in Zambia. The analysis is anchored in the broader national aspiration for private sector-driven development and aims to generate evidence capable of informing more responsive, transparent, and impactful entrepreneurship support frameworks going forward.

2.0 Literature Review

Entrepreneurship has been extensively acknowledged in both theoretical and empirical scholarship as a critical engine for economic growth, innovation diffusion, employment creation, and structural transformation, particularly in developing economies seeking to reduce dependence on primary commodities and expand inclusive economic opportunities. In this regard, governments worldwide have increasingly adopted targeted incentive regimes—including tax holidays, start-up grants, subsidized credit facilities, export support schemes, and incubation programmes—to stimulate entrepreneurial activity and strengthen the small and medium enterprise (SME) sector. The underlying policy rationale is that SMEs contribute significantly to job creation, income diversification, and technological upgrading, thereby enhancing overall economic resilience. Nevertheless, the global literature reveals that

the success of these incentives is far from automatic; rather, their effectiveness depends heavily on policy coherence, institutional capacity, regulatory efficiency, and the maturity of the entrepreneurial ecosystem within which firms operate. Evidence from advanced economies consistently demonstrates that while fiscal incentives can increase short-term firm entry, their long-term impact on business survival and growth is often modest when implemented in isolation from complementary support systems such as access to finance, entrepreneurial education, infrastructure, and market linkages (Slemrod&Bakija, 2019; Coad et al., 2014).

Studies from developed contexts further highlight the importance of integrated policy design. For instance, research in the United Kingdom shows that innovation-oriented grants can significantly improve the performance of technology start-ups, but the magnitude and sustainability of these gains depend strongly on the presence of business incubators, mentorship networks, and government-backed loan schemes that reinforce early-stage support (Coad et al., 2014). Similarly, Australian evidence indicates that research and development (R&D) tax incentives can stimulate innovation outputs among SMEs, yet complex application procedures and limited awareness substantially reduce programme uptake among eligible firms (Davidson et al., 2019). Canadian scholarship adds an important social dimension by demonstrating that well-targeted government incentives can successfully nurture social enterprises that combine commercial viability with societal impact; however, these enterprises often require more tailored and continuous support than conventional SMEs (Lerner, 2017). In Asia, Singapore's experience with government-backed SME loan programmes underscores the centrality of financial accessibility and risk-sharing mechanisms, with studies showing that strict collateral requirements continue to exclude many early-stage entrepreneurs despite the availability of public financing facilities (Teo et al., 2020). Collectively, global evidence points to a clear conclusion: government incentives are most effective when embedded within coherent, well-communicated, and entrepreneur-friendly ecosystems rather than deployed as isolated policy instruments.

Across Africa, the literature broadly supports the positive potential of government incentives but simultaneously reveals deeper structural and institutional constraints that weaken their developmental impact. Empirical work from Nigeria demonstrates that youth-targeted grant programmes can significantly increase business start-up rates; however, enterprise survival remains fragile due to weak managerial capabilities, limited follow-on financing, and intense market competition (Oluwaseun et al., 2020). Kenyan studies on SME tax incentives similarly report reductions in operational costs and improved reinvestment capacity among beneficiary firms, yet widespread underutilization persists because of regulatory complexity and low awareness levels among entrepreneurs (Muturi&Oyugi, 2018). In South Africa, evaluations of state-backed financing institutions show that although loan programmes expand access to capital, stringent lending conditions, relatively high effective interest rates, and limited financial literacy constrain broad-based entrepreneurial success (Ncube et al., 2019). Evidence from Ghana further demonstrates that export promotion incentives can enhance the performance of export-oriented firms, but infrastructural deficits, high compliance costs, and restricted international market access continue to limit scalability (Amoah et al., 2021). Meanwhile, North African research on technology incubators reveals strong positive effects at the start-up stage but identifies a persistent "scale-up gap," where many firms struggle to transition from incubation to sustained commercial growth (El-Banna, 2020). Taken together, African studies emphasize that financial and fiscal incentives alone are insufficient; instead, sustainable entrepreneurship requires ecosystem-wide

strengthening, including skills development, mentorship, infrastructure improvement, and institutional transparency.

Within Zambia, entrepreneurship promotion has become an increasingly prominent policy priority, driven by concerns over persistent youth unemployment, poverty, and the country's historical overreliance on copper mining. Empirical studies examining government incentive programmes present a nuanced and somewhat critical picture. Research on empowerment funds indicates that while grant-based interventions have enabled many young entrepreneurs to initiate business ventures, overall business survival rates remain modest due to weak managerial capacity, limited market integration, and inadequate post-disbursement monitoring mechanisms (Chileshe & Zulu, 2020). Studies focusing on fiscal incentives similarly show that tax exemptions and related measures can reduce operating costs and improve short-term SME profitability, yet uptake remains constrained by complex tax procedures, limited awareness, and administrative burdens (Sikazwe et al., 2018). Access to finance continues to emerge as one of the most persistent structural bottlenecks. Although government-backed loan schemes have supported business start-ups in key sectors, collateral requirements, relatively high borrowing costs, and low financial literacy levels continue to exclude many potential entrepreneurs, particularly youth and women (Mulenga & Mumba, 2019).

Innovation ecosystem interventions have generated some encouraging early-stage outcomes. Evidence suggests that incubation and mentorship support—particularly through institutions such as the BongoHive Innovation Hub—has improved start-up readiness, networking opportunities, and access to technical expertise for technology-oriented entrepreneurs (Chanda et al., 2020). However, significant challenges persist in scaling businesses beyond the domestic market, largely due to high operational costs, limited export readiness, and weak integration into global value chains. Gender-focused research further indicates that despite targeted empowerment programmes, women entrepreneurs in Zambia continue to face structural barriers related to financing gaps, socio-cultural biases, infrastructure limitations, and restricted market access (Sinyangwe et al., 2021). These findings collectively suggest that while Zambia has established an extensive architecture of entrepreneurship support programmes, the translation of policy intent into sustained enterprise growth remains uneven.

Despite the expanding body of scholarship, several critical gaps remain evident. First, much of the existing literature—both globally and within Zambia—remains highly programme-specific and fragmented, with limited holistic evaluation of how multiple government incentives interact within the broader entrepreneurial ecosystem. Second, insufficient attention has been paid to entrepreneurial resilience and long-term firm sustainability, particularly in contexts characterized by economic volatility and structural unemployment. Third, there is limited empirical work capturing the lived experiences of entrepreneurs across different geographic and socio-economic settings, including peri-urban and rural areas where access barriers may be more severe. Finally, few studies systematically assess whether Zambia's current incentive framework is coherently aligned with its broader national development ambitions related to inclusive growth, youth employment, and private sector-led transformation.

In light of these gaps, there is a clear need for a comprehensive, policy-oriented assessment that moves beyond isolated programme evaluations toward an integrated analysis of the effectiveness of government incentives in promoting sustainable, inclusive, and scalable entrepreneurship in Zambia. This study responds to that need by examining not only the design of existing incentive mechanisms but also their real-world accessibility, utilization, and developmental outcomes within the Zambian entrepreneurial ecosystem.

3.0 Theoretical and Conceptual Framework

The present study has been anchored in Entrepreneurship Theory, which has provided the analytical lens for examining the effectiveness of government incentives in promoting entrepreneurship in Zambia. Entrepreneurship theory has traditionally emphasized the central role of individuals and groups in identifying opportunities, mobilizing resources, and establishing new ventures that contribute to economic transformation. Within this theoretical tradition, entrepreneurship has not merely been viewed as business formation but as a dynamic process involving opportunity recognition, innovation, risk-taking, and value creation. The theory has therefore been particularly appropriate for this study because government incentives—such as grants, subsidized loans, tax relief, and training programmes—have been designed precisely to lower entry barriers and enhance the capacity of entrepreneurs to exploit market opportunities. From this perspective, the effectiveness of such incentives can be evaluated by examining the extent to which they actually enable entrepreneurs to identify opportunities, start businesses, and sustain enterprise growth within the Zambian context.

A particularly influential strand of Entrepreneurship Theory underpinning this research has been the innovation perspective advanced by Joseph Schumpeter. Schumpeter (1934) conceptualized entrepreneurs as agents of economic change whose primary function is to introduce “new combinations” through innovation. His notion of creative destruction has explained how entrepreneurial activity disrupts existing market structures and drives long-term economic development. In the context of Zambia, this theoretical insight has been highly relevant because government incentive schemes have been explicitly intended to stimulate innovative start-ups, diversify the economy beyond copper dependence, and generate employment. Schumpeter’s framework has therefore guided the interpretation of whether current incentive mechanisms—such as empowerment funds, tax incentives, and capacity-building initiatives—have actually created an enabling environment that supports innovative entrepreneurial behaviour. Where incentives have reduced transaction costs, eased financing constraints, and strengthened entrepreneurial capabilities, the theory would predict increased business formation and innovation. Conversely, where bureaucratic inefficiencies, information asymmetries, and governance weaknesses persist, entrepreneurial dynamism would be expected to remain constrained despite the formal presence of incentives.

Building on this theoretical foundation, the study’s conceptual framework has specified the causal pathways through which government incentives influence entrepreneurship development in Zambia. The framework has treated government incentives as the primary independent variable, encompassing fiscal incentives (tax holidays and rebates), financial instruments (grants and subsidized loans), and non-financial support (training, incubation, and policy facilitation). However, consistent with contemporary entrepreneurship literature, the model has not assumed a simple linear relationship between incentives and entrepreneurial outcomes. Instead, it has recognized that the effectiveness of incentives is contingent upon a set of moderating or intervening factors that shape how policies translate into real-world enterprise performance.

The conceptual model has therefore posited that accessibility, awareness, bureaucratic efficiency, entrepreneurial capacity, and the broader economic environment function as critical mediating conditions. When incentives are widely publicized, procedurally simple, transparently administered, and aligned with entrepreneurs’ capabilities, they are more likely to stimulate new business formation, innovation, firm growth, and employment creation. In contrast, when awareness is limited, administrative processes are cumbersome, corruption interferes with allocation, or entrepreneurs lack the

technical capacity to utilize support effectively, the developmental impact of incentives is significantly weakened. Empirical findings from the study have reinforced this conditional logic by demonstrating that many entrepreneurs in Lusaka have either remained unaware of available programmes or have faced substantial procedural barriers that have diluted the intended policy effects.

Furthermore, the framework has conceptualized entrepreneurship development—the dependent variable—as a multidimensional outcome reflected in new venture creation, business expansion, innovation uptake, and job generation. This multidimensional view has been important because government incentives may influence different aspects of entrepreneurship unevenly. For example, financial grants may facilitate business start-up but may not necessarily guarantee long-term sustainability without complementary mentorship and market linkages. By incorporating moderating variables, the framework has therefore captured the complex, ecosystem-based nature of entrepreneurship promotion in developing economies such as Zambia.

In analytical terms, the framework has illustrated a conditional causal chain: government incentives provide the enabling inputs; moderating factors determine the strength and direction of transmission; and entrepreneurship development represents the observable outcome. The model has thus moved beyond simplistic policy assumptions and has instead emphasized that effective entrepreneurship promotion requires not only the provision of incentives but also the creation of an enabling institutional environment. This integrated perspective has provided the conceptual basis for interpreting the study's empirical findings and for identifying where policy implementation gaps have weakened the transformative potential of Zambia's entrepreneurship support architecture.

4.0 Methodology

This study has adopted a descriptive research design anchored within a mixed-methods methodological framework in order to generate a comprehensive and empirically grounded assessment of the effectiveness of government incentives in promoting entrepreneurship in Zambia. The descriptive design has been widely utilized in policy and entrepreneurship research because it allows the researcher to systematically capture existing conditions, behaviours, and perceptions without manipulating the study environment, thereby providing an accurate snapshot of real-world programme performance (Creswell, 2014; Tashakkori&Teddlie, 2003). The integration of quantitative and qualitative approaches has been deliberately selected to strengthen analytical depth and enhance the explanatory power of the study. Quantitative methods enable the measurement of patterns, relationships, and trends regarding entrepreneurs' awareness, access, and utilization of government incentives, while qualitative methods provide rich contextual insights into implementation challenges, institutional dynamics, and lived entrepreneurial experiences (Bryman, 2016). This methodological triangulation improves the internal validity of the research and reduces the limitations associated with relying on a single methodological tradition, thereby producing more nuanced and policy-relevant findings.

The empirical investigation is situated in Lusaka, Zambia's administrative, commercial, and financial centre, which has been purposively selected due to its strategic importance within the national entrepreneurial ecosystem. Lusaka hosts a high concentration of SMEs as well as the majority of government agencies responsible for designing and administering entrepreneurship support programmes, making it an analytically appropriate site for examining policy effectiveness (Zambia Development Agency, 2020; Chisanga&Moyo, 2019). The city's socio-economic profile—characterized by rapid urbanization, significant youth unemployment, pronounced income inequalities, and a heterogeneous

business environment—creates a complex entrepreneurial landscape in which both the opportunities and constraints associated with government incentives can be meaningfully observed (Sitali, 2018; UNDP, 2019). Furthermore, Lusaka’s mix of micro, small, and medium enterprises operating across retail, manufacturing, services, and technology sectors provides the necessary diversity to examine differential policy impacts across firm categories. The study therefore treats Lusaka not merely as a convenient location but as a strategically relevant microcosm of Zambia’s broader urban entrepreneurial dynamics. The target population for the study consists of SMEs operating within Lusaka that have either benefited from or are eligible to benefit from government-sponsored entrepreneurship incentives. SMEs are deliberately prioritized because of their widely documented contribution to employment generation, income distribution, and economic diversification within the Zambian economy (Chanda&Chongo, 2020). Entrepreneurs who have interacted with programmes such as the Citizens Economic Empowerment Fund (CEEF), Youth Empowerment Fund (YEF), and tax incentives administered under the Zambia Development Agency framework are considered especially valuable respondents, as they possess experiential knowledge necessary for evaluating both the accessibility and the practical effectiveness of these interventions (Zambia Development Agency, 2020). By focusing on actual and potential beneficiaries, the study enhances its ability to assess not only policy design but also real-world implementation outcomes.

In terms of data collection, the study employs a convergent mixed-methods strategy designed to generate both breadth and depth of evidence. Quantitative data are collected through structured questionnaires administered to a stratified random sample of 100 entrepreneurs, a size considered adequate for cross-sectional social science analysis and for detecting meaningful statistical relationships (Creswell, 2014). Stratification is based on key enterprise characteristics—including sector, firm size, and location within Lusaka—to ensure proportional representation of the heterogeneous SME population and to improve the generalizability of the findings. The questionnaire instrument captures measurable indicators such as awareness of government incentives, ease of access, utilization patterns, perceived business performance outcomes, and encountered administrative barriers. Likert-scale items are used to quantify attitudes and perceptions, thereby enabling the computation of descriptive and inferential statistics. Complementing the survey, semi-structured interviews are conducted with approximately 20 key informants, including selected entrepreneurs and officials from relevant government institutions. These interviews are designed to uncover deeper insights into programme implementation processes, institutional bottlenecks, policy coordination challenges, and contextual factors that may not be fully observable through structured survey instruments. Ethical safeguards—including informed consent, voluntary participation, confidentiality assurances, and secure data handling—are strictly observed throughout the data collection process to maintain research integrity.

Data analysis is conducted in two integrated phases to reflect the mixed-methods design. Quantitative survey data are coded and analysed using the Statistical Package for the Social Sciences (SPSS), where descriptive statistics—including frequencies, percentages, means, and standard deviations—are first computed to summarize respondent characteristics and general response patterns. Inferential techniques, particularly correlation and regression analysis, are then employed to examine the strength and direction of relationships between government incentive variables (independent variables) and entrepreneurial outcomes such as business creation, growth, and sustainability (dependent variables). These statistical procedures enable the study to move beyond description toward explanatory inference regarding policy effectiveness. Qualitative interview data, on the other hand, are transcribed verbatim and subjected to

rigorous thematic analysis following the systematic framework proposed by Braun and Clarke (2006), which involves data familiarization, initial coding, theme development, theme review, and interpretive reporting. The integration of quantitative and qualitative findings at the interpretation stage allows for methodological triangulation, thereby producing a holistic and policy-relevant understanding of how government incentives are functioning within Zambia's entrepreneurial ecosystem.

Notwithstanding the methodological rigor, the study acknowledges several inherent limitations that may influence interpretation of the findings. The geographic focus on Lusaka, while analytically justified, may limit full generalization to rural and peri-urban contexts where entrepreneurial conditions and access barriers differ significantly. The reliance on self-reported data introduces the possibility of response bias, particularly where respondents may provide socially desirable answers regarding government programmes. The cross-sectional nature of the study also constrains the ability to capture long-term policy effects or dynamic changes in the incentive environment. Additionally, although the survey sample of 100 SMEs is statistically adequate, the qualitative interview subset of 20 participants may not capture the full diversity of entrepreneurial experiences. External economic fluctuations, policy changes, and data access constraints may further influence observed outcomes. Despite these limitations, multiple validity safeguards—including content validity checks, construct alignment with established frameworks, stratified sampling, and methodological triangulation—have been incorporated to strengthen both internal and external validity. Ethical principles of informed consent, confidentiality, voluntary participation, non-coercion, and harm avoidance have been strictly upheld throughout the research process to ensure the study meets accepted standards of academic integrity and research ethics.

5.0 Findings and Results

The findings of this study have provided a comprehensive empirical assessment of the effectiveness of government incentives in promoting entrepreneurship in Lusaka, Zambia. Drawing on a mixed-methods dataset comprising survey responses from 100 entrepreneurs and in-depth interviews with a purposive subsample of 20 participants, the analysis has revealed a complex and uneven landscape of policy performance. While government initiatives such as the Citizens Economic Empowerment Fund (CEEF), Youth Empowerment Fund (YEF), and tax incentives under the Zambia Development Agency framework have demonstrated pockets of positive impact, the overall evidence has pointed to significant structural, administrative, and informational weaknesses that have constrained their developmental effectiveness.

Through triangulation of quantitative patterns and qualitative narratives, the findings have shown that the success of entrepreneurship incentives in Lusaka has been mediated not only by the availability of financial support but also by awareness levels, procedural accessibility, institutional integrity, and the presence or absence of complementary non-financial services. These results have broadly aligned with prior Zambian and regional scholarship indicating that incentive-based entrepreneurship policies often underperform when ecosystem conditions remain fragmented (Chileshe & Zulu, 2020; Sikazwe et al., 2018; TI-Z, 2021).

The demographic analysis has revealed important equity and capability dynamics that have shaped entrepreneurs' interaction with government incentives. The sample has been moderately male-dominated (57%), though female participation has remained substantial (43%), reflecting persistent gendered patterns in urban enterprise participation. The age structure has been heavily youth-skewed, with 61% of respondents aged between 25 and 40 years, confirming that entrepreneurship policy in Zambia continues

to operate within a predominantly youth-driven informal and semi-formal business environment (ZamStats, 2023).

Table 1: Gender Distribution of Respondents (N = 100)

Variable	Category	Frequency (N)	Percentage (%)
Gender	Male	57	57%
	Female	43	43%

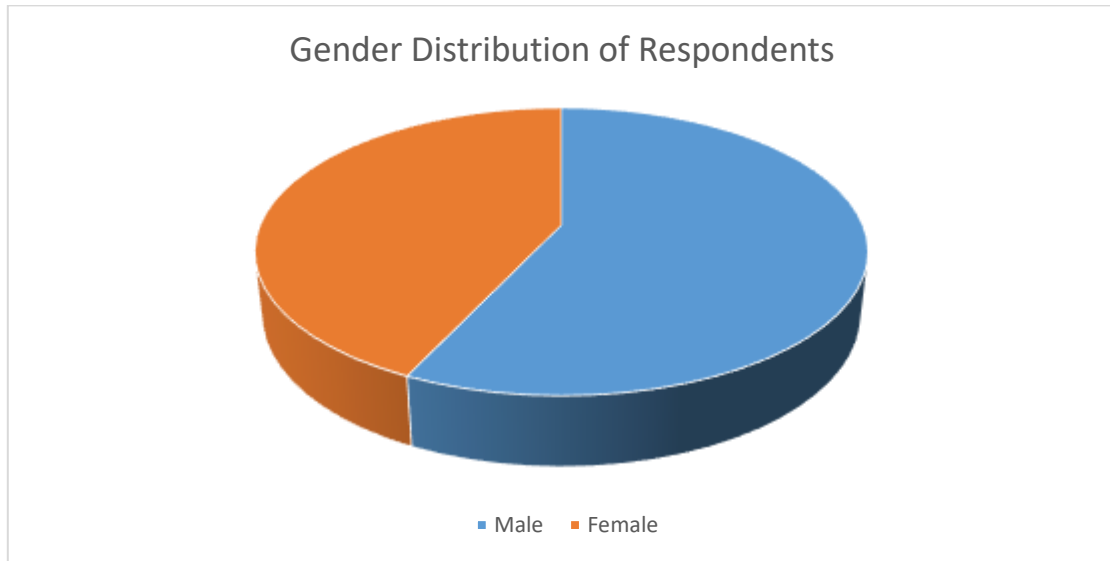
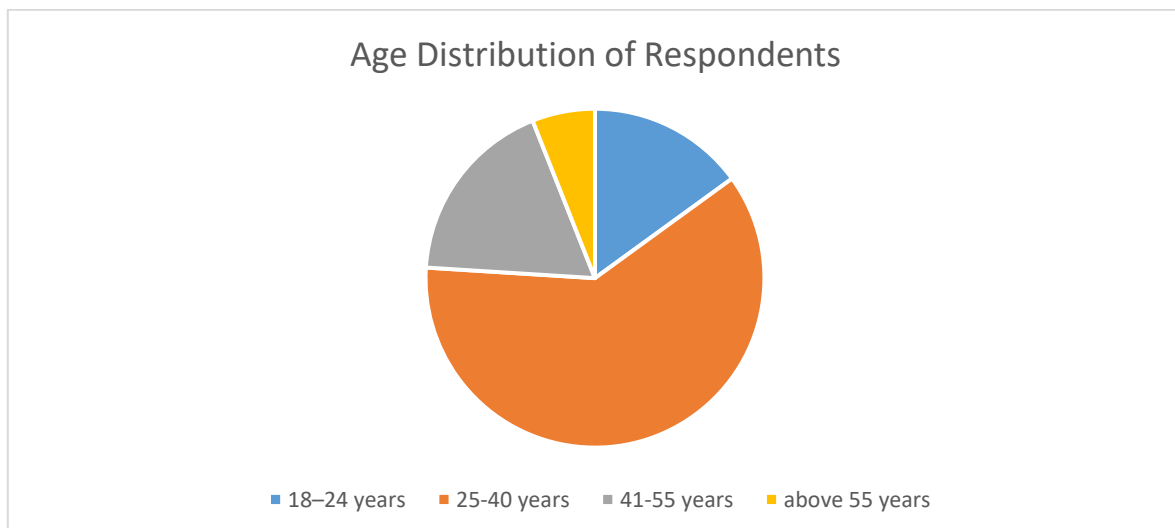


Table 2 Age Distribution of Respondents (N = 100)

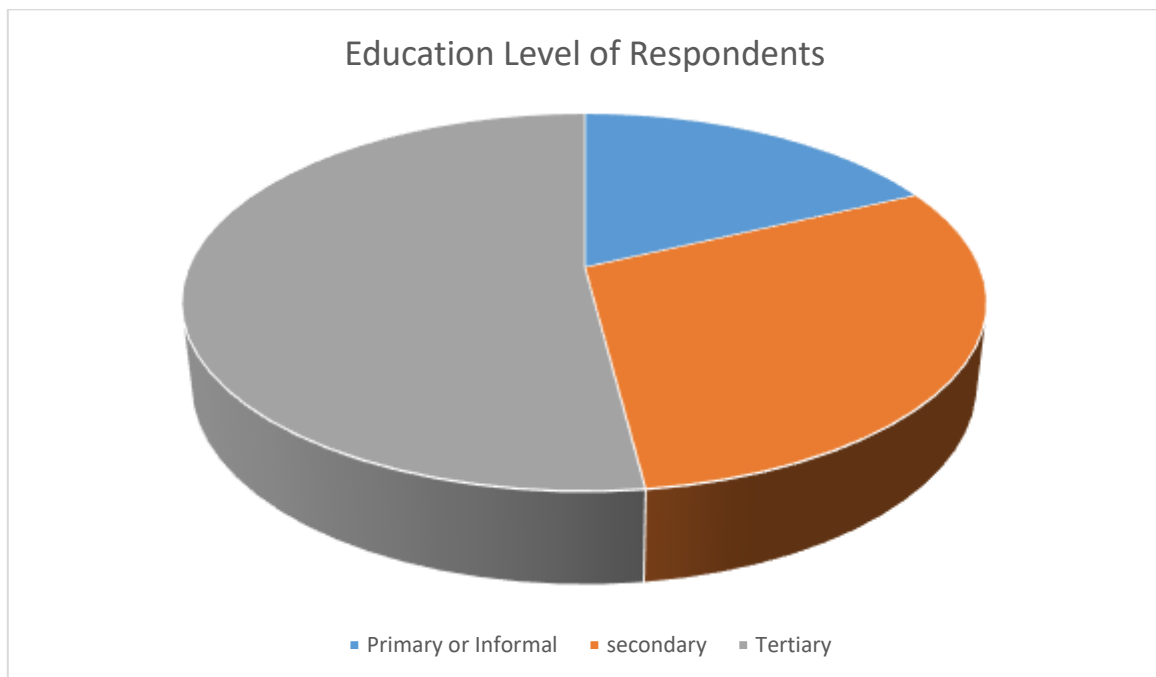
Variable	Category	Frequency (N)	Percentage (%)
Age Group	18–24 years	15	15%
	25–40 years	61	61%
	41–55 years	18	18%
	Above 55 years	6	6%



Educational attainment has varied considerably, but the fact that nearly half of respondents have possessed only secondary education or below has had significant implications for programme navigation and compliance capacity. The data have demonstrated that entrepreneurs with higher education levels and longer business tenure have been better positioned to understand eligibility requirements and navigate bureaucratic procedures, whereas younger, less formally educated, and micro-scale operators have experienced disproportionate exclusion.

Table 3 Education Distribution of Respondents (N = 100)

Variable	Category	Frequency (N)	Percentage (%)
Education Level	Primary or Informal	18	18%
	Secondary	30	30%
	Tertiary	52	52%



From a business maturity perspective, the predominance of early-stage firms (47% operating less than three years) has indicated that most enterprises in Lusaka remain vulnerable and highly dependent on accessible support structures. Sectorally, the dominance of service and retail enterprises has reflected the low-capital urban entrepreneurial structure typical of many developing economies. Collectively, these demographic patterns have suggested that incentive frameworks designed primarily for formalised or capital-intensive firms have not fully aligned with the structural realities of Lusaka’s SME ecosystem.

Table 4 Years in Business for the respondents (N = 100)

Variable	Category	Frequency (N)	Percentage (%)
Years in Business	Less than 3 years	47	47%
	3–5 years	33	33%
	More than 5 years	20	20%

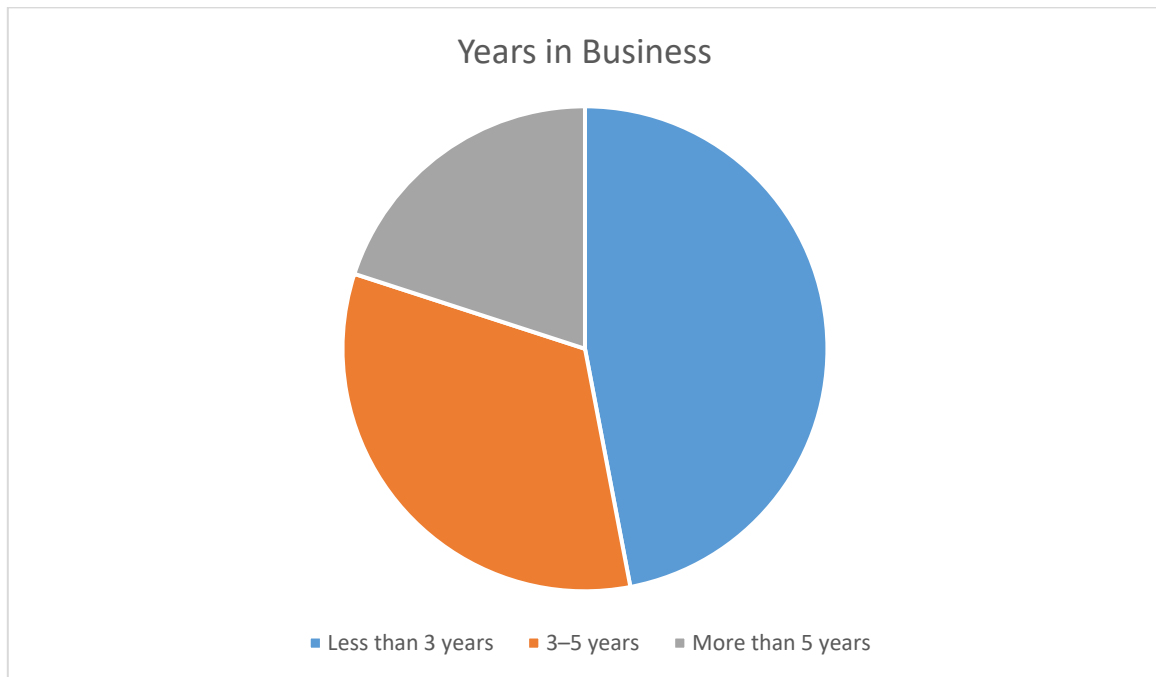
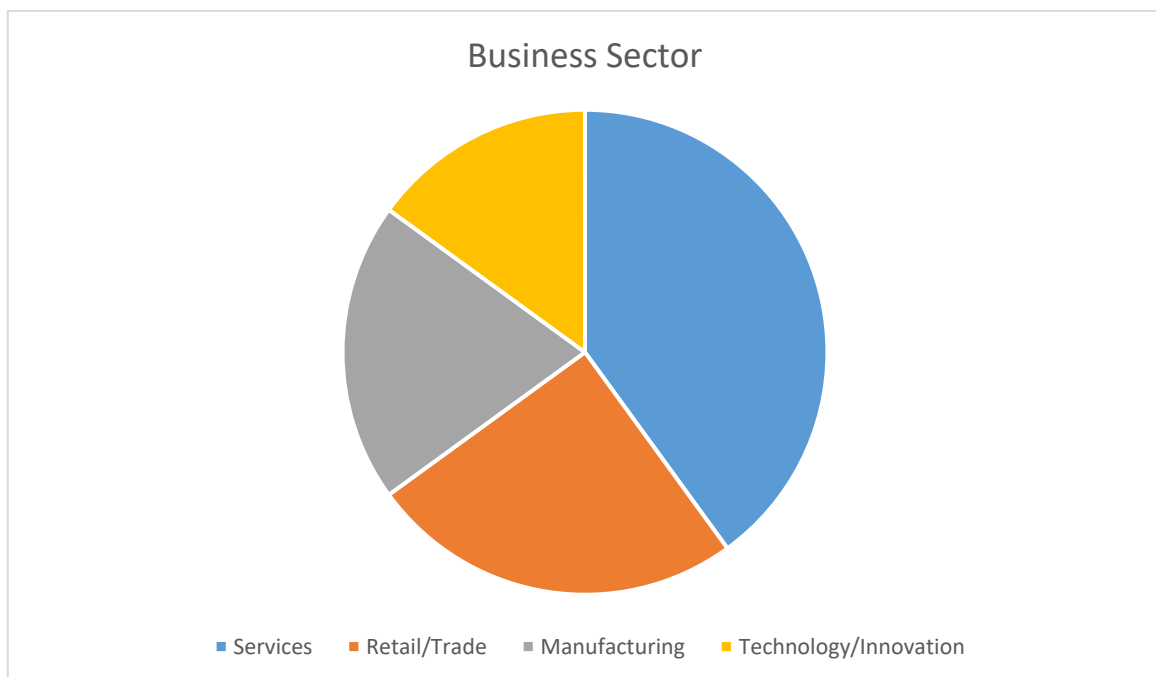


Table 5 Business Category of Respondents

Variable	Category	Frequency (N)	Percentage (%)
Business Sector	Services	40	40%
	Retail/Trade	25	25%
	Manufacturing	20	20%
	Technology/Innovation	15	15%



One of the most critical findings has been the substantial awareness deficit surrounding government incentives. Only 46% of surveyed entrepreneurs have reported awareness of at least one major national

support instrument, leaving a majority (54%) effectively excluded at the information stage. Even among those who have been aware, understanding has often been superficial, with many respondents unable to clearly articulate eligibility criteria, application procedures, or compliance obligations. The communication ecosystem surrounding entrepreneurship incentives has been heavily informalized: radio (35%), social media (27%), and word-of-mouth (25%) have dominated information flows, while official government platforms have accounted for only 13% of awareness channels. This pattern has indicated a structural weakness in state outreach strategy and has reinforced the literature’s emphasis on information asymmetry as a primary bottleneck in entrepreneurship policy effectiveness (Muturi&Oyugi, 2018; Davidson et al., 2019). Qualitative evidence has further revealed confusion caused by inconsistent messaging across agencies and the emergence of informal intermediaries who have exploited information gaps. The awareness findings have therefore suggested that the policy problem in Zambia is not merely one of resource allocation but also one of communication architecture and trust-building.

Table 6 Awareness Level of Respondents (N = 100)

Awareness Level	Frequency (N)	Percentage (%)
Aware of at least one incentive (CEE, YEF, ZDA tax relief, etc.)	46	46%
Not aware of any government incentive	54	54%

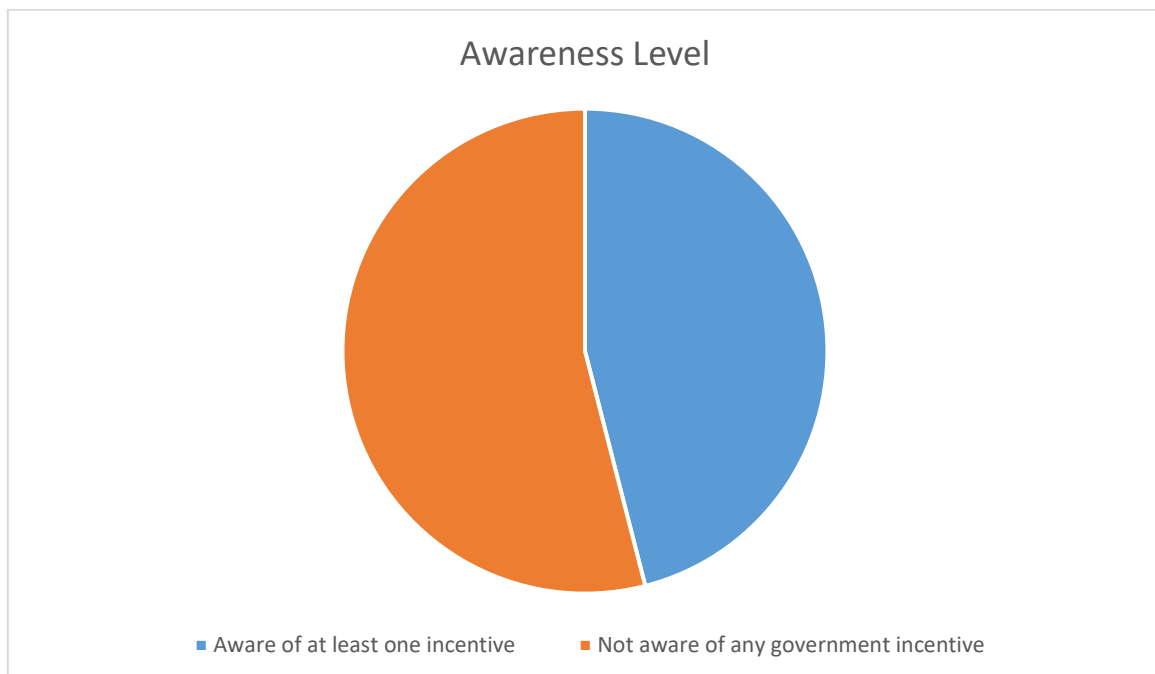
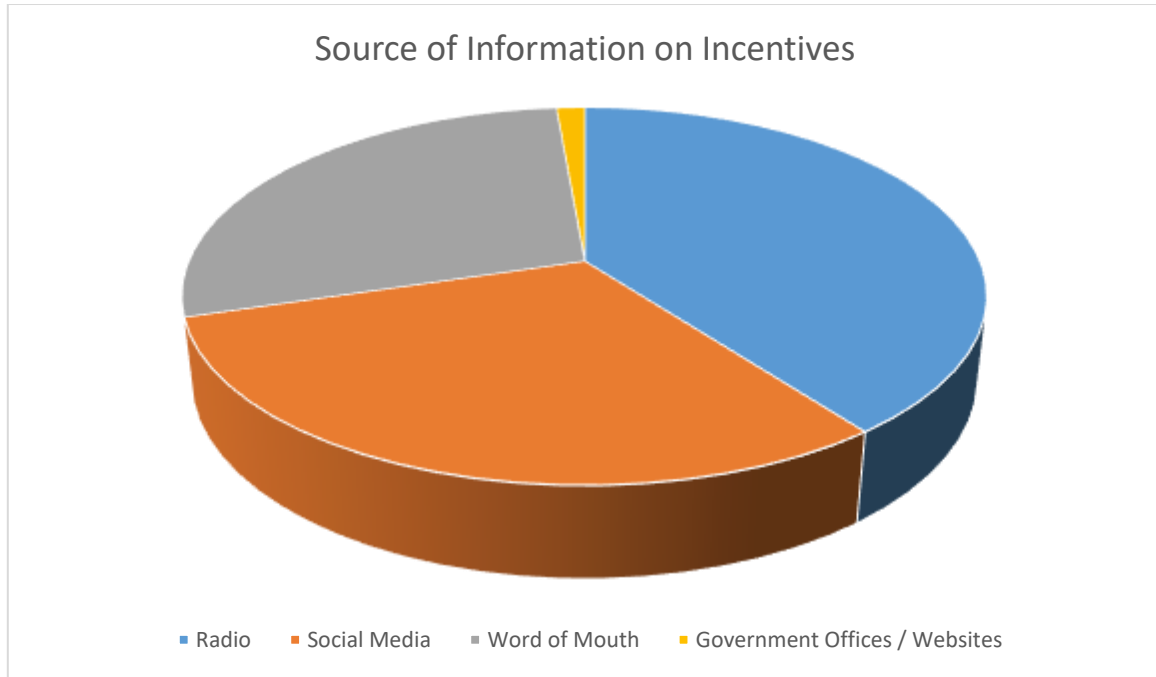


Table 7 Source of Information for the Respondents

Main Source of Information	Frequency (N)	Percentage (%)
Radio	35	35%
Social Media	27	27%
Word of Mouth	25	25%

Government Offices / Websites	13	13%
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Accessibility has emerged as an equally significant constraint, revealing a highly restrictive pipeline between awareness, application, and successful support receipt. Although 46 respondents have been aware of incentives, only 38% of the full sample have attempted to apply, and of those applicants only 29% have ultimately secured support. This steep attrition curve has illustrated the presence of substantial procedural and structural barriers. Entrepreneurs have consistently reported excessive documentation requirements, stringent collateral conditions, prolonged processing times, and high indirect transaction costs associated with repeated office visits and compliance demands. Importantly, programme eligibility criteria have often privileged formally registered and VAT-compliant firms, thereby structurally disadvantaging informal and micro-enterprises that constitute a large share of Lusaka’s entrepreneurial base. The accessibility problem has also contained governance dimensions: respondents have reported perceptions of political favoritism, discretionary allocation, and opaque decision-making processes. These findings have closely mirrored broader African evidence showing that access barriers frequently dilute the intended inclusivity of entrepreneurship incentives (Ncube et al., 2019; Teo et al., 2020). The data have therefore indicated that improving programme uptake will require both administrative simplification and deeper institutional reforms aimed at depoliticising allocation mechanisms.

Table 8 Accessibility and Utilization of Government Incentives

Indicator	Frequency (N)	Percentage (%)
Entrepreneurs who attempted to apply for any government incentive	38	38%
Entrepreneurs who never applied	62	62%

Successful applicants (those who received funds/support)	11	29% of applicants
Unsuccessful applicants	27	71% of applicants

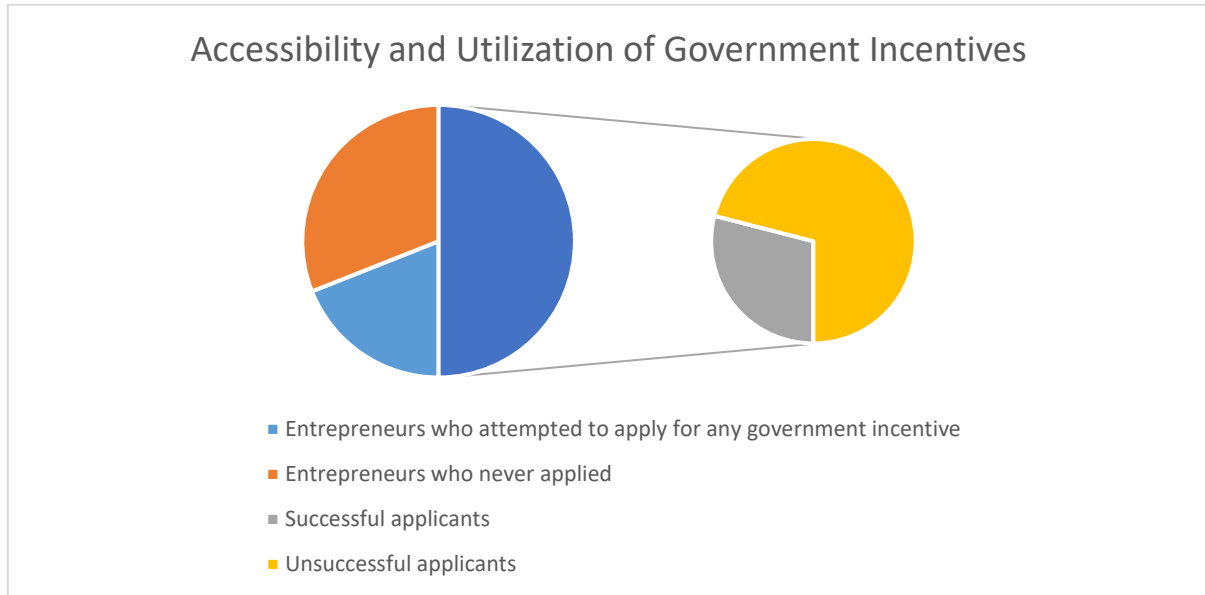
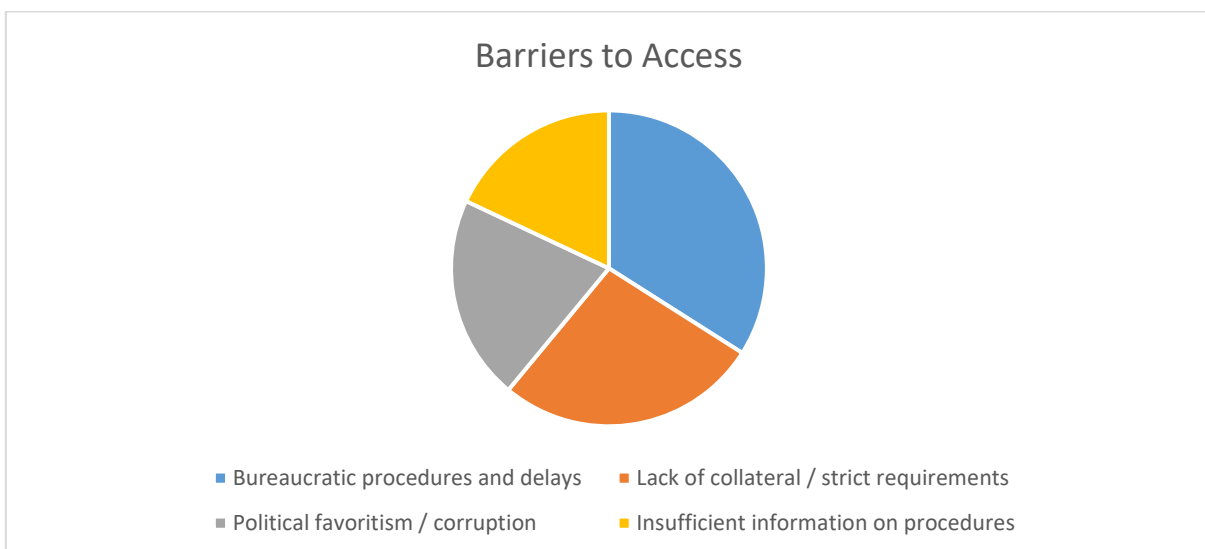


Table 9 Barriers to Access for Respondents

Main Barriers to Access	Frequency (N)	Percentage (%)
Bureaucratic procedures and delays	34	34%
Lack of collateral / strict requirements	27	27%
Political favoritism / corruption	21	21%
Insufficient information on procedures	18	18%

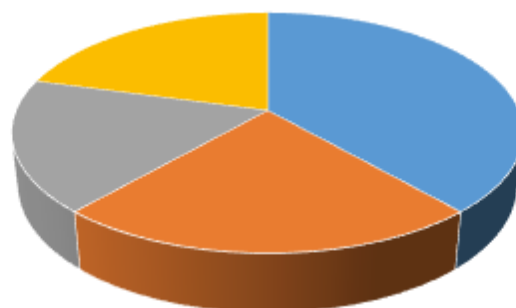


With respect to impact, the study has found evidence of conditional and uneven effectiveness. Among the subset of beneficiaries (approximately 29 entrepreneurs), a majority (72%) have reported short-term positive outcomes such as equipment acquisition, modest production increases, improved liquidity, and limited job creation. Qualitative testimonies have provided concrete illustrations of these gains, particularly among manufacturing and technology-oriented firms where capital injections have directly expanded productive capacity. However, the sustainability of these gains has remained uncertain. Approximately 28% of beneficiaries have reported minimal or no lasting improvement, citing insufficient funding amounts, misalignment between funding design and business constraints, and weak financial management capabilities. A particularly important finding has been the limited integration of financial incentives with business development services. Many supported entrepreneurs have not received structured mentorship, bookkeeping training, or market linkage support, which the literature identifies as critical for converting capital injections into durable enterprise growth (Chileshe& Zulu, 2020; Chanda et al., 2020). Perception data have reinforced this mixed picture: only 30% of respondents have rated incentives as effective or moderately effective, while 70% have viewed them as ineffective or very ineffective. These results have suggested that while the policy instruments possess latent potential, their current design and implementation architecture has significantly diluted their transformative capacity.

Table 10: Influence of Government Incentives on Business Performance (n = 29 beneficiaries)

Reported Impact	Frequency (N)	Percentage (%)
Increased business capital / equipment acquisition	15	52%
Increased production capacity	9	31%
Business expansion and new hires	7	24%
Improved market access	6	21%
No noticeable change	8	28%

Influence of Government Incentives on Business Performance (n = 29 beneficiaries)

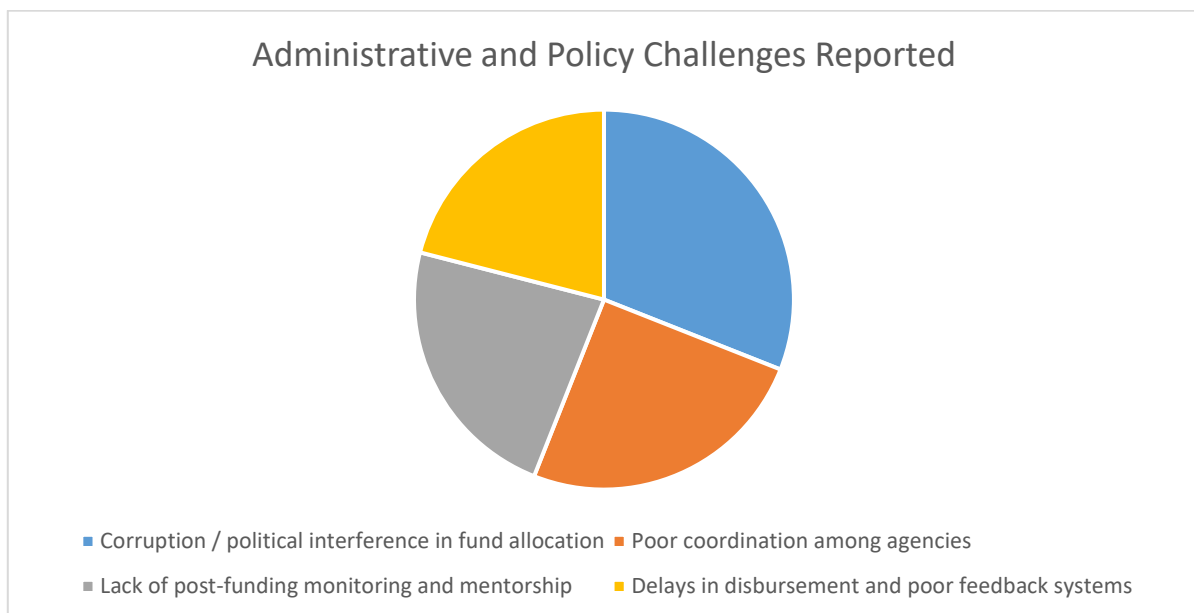


- Increased business capital / equipment acquisition
- Increased production capacity
- Improved market access
- No noticeable change

Administrative and policy-level constraints have been among the most consistently reported systemic weaknesses. Corruption and political interference have emerged as prominent concerns, with 31% of respondents identifying these as key barriers. Evidence from interviews has indicated that local gatekeeping, opaque selection processes, and the absence of publicly verifiable beneficiary lists have contributed to declining trust in empowerment programmes. Institutional fragmentation has further complicated delivery, with overlapping mandates among the Ministry of Small and Medium Enterprise Development, the Zambia Development Agency, and local government structures creating confusion and duplication. Entrepreneurs have reported being referred between offices, asked to resubmit identical documentation, and provided with conflicting procedural guidance. Capacity constraints within implementing agencies — including limited staffing, weak digital infrastructure, and underdeveloped monitoring systems — have compounded these governance weaknesses. These administrative findings have strongly echoed concerns raised in national watchdog reports regarding the misallocation and weak oversight of empowerment funds (TI-Z, 2021). Collectively, the evidence has indicated that technical programme improvements alone will be insufficient without parallel investments in institutional integrity and coordination.

Table 11: Administrative and Policy Challenges Reported

Challenge	Frequency (N)	Percentage (%)
Corruption / political interference in fund allocation	31	31%
Poor coordination among agencies (ZDA, MSME Ministry, Local Govt)	25	25%
Lack of post-funding monitoring and mentorship	23	23%
Delays in disbursement and poor feedback systems	21	21%



From a theoretical standpoint, the findings have provided empirical support for Schumpeterian perspectives emphasizing the centrality of enabling institutional environments in fostering entrepreneurial dynamism. The data have demonstrated that financial incentives can stimulate entrepreneurial activity only when embedded within coherent support ecosystems that reduce transaction costs, enhance capability development, and provide reliable market linkages. Where the policy environment has been fragmented, bureaucratically heavy, or politically mediated, the catalytic effect of incentives has been significantly weakened. Importantly, the study has contributed context-specific insights by demonstrating the interdependence of awareness, accessibility, and administrative integrity: weaknesses in any one domain have cascaded into reduced programme effectiveness overall. The evidence has also highlighted heterogeneity of impact across sectors, with technology and manufacturing firms generally deriving more durable benefits than service and retail enterprises. Moreover, the requirement of formalisation as a gateway to support has systematically excluded adaptive but informal micro-enterprises, raising important questions about inclusivity in current policy design.

In summary, the study has established five core empirical conclusions. First, awareness gaps remain a primary bottleneck, with more than half of entrepreneurs insufficiently informed about available incentives. Second, accessibility barriers — including bureaucratic complexity, strict eligibility requirements, and perceived political interference — have sharply limited programme uptake. Third, incentives have generated measurable but largely short-term benefits for beneficiaries, with sustainability dependent on complementary non-financial support. Fourth, administrative weaknesses and governance concerns have undermined trust and operational efficiency. Fifth, the overall architecture of entrepreneurship support in Lusaka has lacked the ecosystem integration necessary to translate public expenditure into broad-based enterprise growth. These findings have provided a robust empirical foundation for the policy recommendations developed in the subsequent chapter and have underscored the urgent need for reforms centred on transparency, targeted outreach, procedural simplification, and integrated business support systems.

6.0 Discussion

The study sought to evaluate the extent to which government incentives have been effective in promoting entrepreneurship in Zambia, guided by objectives focused on identifying the existing incentives, determining levels of awareness and accessibility, assessing their influence on business performance, and examining the administrative and governance challenges affecting implementation. The findings have revealed a complex and somewhat paradoxical policy environment. On paper, Zambia has developed an extensive framework of entrepreneurship support mechanisms intended to stimulate private sector growth and citizen economic participation. However, the empirical evidence from Lusaka has demonstrated that the real-world effectiveness of these incentives has remained constrained by systemic weaknesses in coordination, communication, accessibility, and governance. As a result, the gap between policy ambition and entrepreneurial outcomes has persisted, raising important questions about the institutional conditions required for government incentives to translate into sustainable enterprise development.

The analysis has confirmed that Zambia has adopted a broad mix of financial and non-financial incentives designed to promote entrepreneurship. Financial support instruments, including grants, subsidized loans, and tax relief programmes administered through bodies such as the Citizens Economic

Empowerment Commission and the Zambia Development Agency, have been complemented by non-financial interventions such as training, mentorship, incubation, and market access facilitation. In principle, this dual approach aligns with established entrepreneurship literature, which emphasizes that access to finance must be coupled with capability development to produce durable enterprise growth. Nevertheless, the study has demonstrated that the multiplicity of programmes has not automatically produced coherence or efficiency. Respondents have consistently reported institutional fragmentation, with multiple agencies implementing overlapping initiatives without clear harmonization of procedures or eligibility criteria. This fragmentation has generated confusion among entrepreneurs, increased administrative burden, and contributed to inconsistent programme delivery. Furthermore, irregular funding cycles and budget constraints affecting empowerment funds have undermined programme reliability, reinforcing the perception that Zambia's entrepreneurship support system is structurally well-intentioned but operationally uneven.

A particularly striking finding has been the persistence of low awareness levels among entrepreneurs. The evidence has shown that more than half of respondents have remained unaware of major government incentive schemes, indicating a fundamental weakness in policy communication and outreach. Awareness is not merely a peripheral issue but a prerequisite condition for programme uptake; therefore, the observed information gap has functioned as a primary bottleneck in the entrepreneurship support ecosystem. The study has further revealed that entrepreneurs who were aware of incentives often obtained information through informal channels—especially radio, social media, and interpersonal networks—rather than through official government communication platforms. This pattern has exposed a structural information asymmetry that disproportionately disadvantages less connected entrepreneurs, particularly women, youth in peri-urban settlements, and micro-enterprise operators with limited digital access. Consistent with earlier findings by Chisanga and Zulu (2020), the absence of a centralized, accessible, and continuously updated information system has significantly constrained the inclusivity and reach of government entrepreneurship programmes. In effect, many potential beneficiaries have remained excluded not because support does not exist, but because knowledge of that support has not diffused effectively through the entrepreneurial ecosystem.

Even among entrepreneurs who were aware of available incentives, accessibility has emerged as a major constraint. The data have shown steep attrition along the application pathway, with relatively few entrepreneurs attempting to apply and an even smaller proportion successfully obtaining support. Respondents have repeatedly described application procedures as excessively bureaucratic, documentation-intensive, and time-consuming. Long processing periods, weak feedback mechanisms, and the need for repeated physical visits to multiple offices have significantly increased the transaction costs associated with accessing support. Collateral requirements have been particularly exclusionary, given that many micro and small enterprises lack formally recognized assets, audited financial statements, or comprehensive business records. Consequently, programmes intended to empower grassroots entrepreneurs have, in practice, tended to favour more formalized and better-resourced firms. In addition to structural barriers, the strong perception of political interference and favoritism in fund allocation has further discouraged participation. Even where such claims are difficult to empirically verify in every case, the prevalence of this perception has eroded trust in public support mechanisms and reduced the willingness of entrepreneurs to engage with government programmes. Accessibility challenges have therefore been both procedural and perceptual, reflecting deeper governance concerns that extend beyond technical programme design.

With respect to business performance, the findings have indicated that government incentives have generated modest but uneven positive effects. Among beneficiaries, a substantial majority reported short-term improvements such as acquisition of equipment, temporary increases in working capital, and limited expansion of production capacity. These outcomes demonstrate that when support is successfully accessed and appropriately aligned with enterprise needs, government incentives can produce tangible benefits at the firm level. However, the durability of these gains has often been limited. A notable proportion of beneficiaries reported minimal long-term improvement, attributing this to insufficient funding amounts, misalignment between funding and core business constraints, and weak internal financial management capacity. Crucially, many supported entrepreneurs did not receive sustained post-funding mentorship, advisory services, or market linkage support. The evidence therefore reinforces the growing consensus in entrepreneurship scholarship that capital injections alone are rarely sufficient to drive sustained enterprise growth. Instead, financial assistance must be embedded within a broader ecosystem of business development services to convert short-term survival gains into long-term productivity and employment expansion. The limited employment effects observed in the study further suggest that Zambia's current entrepreneurship promotion model remains largely survivalist rather than growth-oriented.

Administrative inefficiencies and governance weaknesses have emerged as perhaps the most significant cross-cutting constraints. Respondents have frequently cited corruption risks, political gatekeeping, opaque allocation criteria, and poor inter-agency coordination as major obstacles. The coexistence of multiple implementing bodies—including the Ministry of Small and Medium Enterprise Development, the Zambia Development Agency, the Citizens Economic Empowerment Commission, and local authorities—has produced overlapping mandates and inconsistent procedural requirements. Entrepreneurs have reported being referred between offices, receiving conflicting guidance, and incurring additional compliance costs as a result of institutional fragmentation. At the same time, weak monitoring and evaluation systems have limited the government's ability to track funded enterprises, assess programme outcomes, and incorporate lessons into subsequent policy cycles. Without systematic follow-up, some supported businesses have failed without detection, and programme learning loops have remained underdeveloped. These administrative weaknesses have not only reduced efficiency but have also undermined public confidence in entrepreneurship support initiatives. Evidence from Transparency International Zambia (2021) similarly underscores how perceived lack of transparency in empowerment funds can weaken programme legitimacy and citizen trust.

Taken together, the cumulative findings have revealed a broadly sceptical perception among entrepreneurs regarding the effectiveness of government incentives. A substantial majority of respondents have viewed current programmes as ineffective or only marginally effective in promoting entrepreneurship. Importantly, this perception does not reflect rejection of the policy idea itself; many entrepreneurs have acknowledged the potential value of government support. Rather, dissatisfaction has centred on execution deficits—limited awareness, difficult access procedures, inconsistent funding, and governance concerns. The evidence therefore suggests that Zambia's entrepreneurship policy framework is conceptually progressive but operationally constrained. For incentives to achieve their intended developmental impact, reforms must move beyond expanding funding envelopes toward strengthening institutional coordination, simplifying access pathways, enhancing transparency, and embedding financial support within integrated business development ecosystems. Only under such conditions is it

likely that government incentives will transition from symbolic policy instruments into effective catalysts of broad-based entrepreneurial growth in Zambia.

7.0 Conclusion

The study set out to evaluate the effectiveness of government incentives in promoting entrepreneurship in Zambia, and the evidence generated through the mixed-methods analysis has revealed a clear but nuanced conclusion. Zambia has established a relatively comprehensive policy framework comprising both financial and non-financial incentives intended to stimulate entrepreneurial activity, expand citizen participation in the economy, and support private sector-led growth. However, the empirical findings have demonstrated that the developmental returns from these incentives have remained limited due to persistent structural, administrative, and governance constraints. In essence, while the policy architecture is broadly sound in design, its real-world impact has been weakened by implementation inefficiencies and systemic bottlenecks.

The study has shown that awareness of government incentives remains insufficiently widespread, with a majority of entrepreneurs either unaware of available programmes or only superficially informed about their requirements and benefits. This information gap has functioned as a primary barrier to uptake, effectively excluding many potential beneficiaries before they enter the application process. Closely linked to this has been the problem of accessibility. The evidence has indicated that even among those who are aware of incentives, complex procedures, stringent eligibility conditions, long processing times, and perceived political interference have significantly reduced successful participation. These barriers have disproportionately affected micro and informal entrepreneurs—precisely the groups that government empowerment programmes are intended to support.

Where incentives have been successfully accessed, the study has found evidence of modest short-term benefits, including improvements in working capital, acquisition of productive assets, and limited business expansion. Nevertheless, these gains have often lacked durability because financial support has frequently been delivered without sustained mentorship, business development services, or market linkage support. As a result, many supported enterprises have remained survival-oriented rather than transitioning into growth-oriented firms capable of generating significant employment. This finding reinforces the broader theoretical insight, rooted in Schumpeterian entrepreneurship theory, that innovation and enterprise growth require not only capital but also an enabling institutional environment that reduces transaction costs and strengthens entrepreneurial capability.

Administrative and governance weaknesses have emerged as the most critical cross-cutting constraint. Institutional fragmentation, overlapping mandates among implementing agencies, weak monitoring systems, and perceptions of corruption and favoritism have collectively undermined programme credibility and effectiveness. These governance deficits have not only increased transaction costs for entrepreneurs but have also eroded trust in public support mechanisms, thereby discouraging potential applicants. The cumulative perception among respondents—that current incentives are largely ineffective—therefore reflects deeper institutional challenges rather than a rejection of government support per se.

Overall, the study concludes that government incentives in Zambia possess significant potential to promote entrepreneurship but are presently underperforming relative to their stated objectives. For these instruments to achieve meaningful developmental impact, policy emphasis must shift from merely expanding the number of programmes to strengthening their delivery architecture. Enhancing awareness

through systematic outreach, simplifying and digitizing access procedures, improving inter-agency coordination, embedding financial support within integrated capacity-building frameworks, and reinforcing transparency and accountability mechanisms will be essential. Without such reforms, government incentives risk continuing to function more as symbolic policy commitments than as effective drivers of sustainable entrepreneurship, job creation, and inclusive economic transformation in Zambia.

8.0 References

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