Financing the Future: Accessing Capital for SMEs in Zambia

Welcome to the NDCCI 2025 SME Conference and Expo. Today we'll explore practical strategies for Zambian SMEs to access capital for sustainable growth.

NDOLA CHAMBER OF COMMERCE 2025 SME CONFERENCE AND EXPO
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LEVY MWANAWASA STADIUM VIP ROOM, NDOLA, ZAMBIA

Presented by
Dr. Davison T. Gomo
Global Chairman
U.S.-Africa Trade Commission
Atlanta, Georgia, USA.

Key Focus Areas:

- Understanding the challenges of accessing capital for SMEs.
- Examining case studies of successful financing models.
- Exploring local and international options for accessing capital.
- Providing actionable strategies to unlock funding opportunities.

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1-833-822-9990

www.usafricatrade.org

info@usafricatrade.org

The Importance of SMEs in Zambia's Economy

- SMEs contribute approximately 37% of Zambia’s GDP and employ over 60% of the workforce (World Bank, 2023).
- Despite their critical role, only 20% of SMEs have access to formal financing, leaving a significant gap in capital availability (International Finance Corporation, IFC).

Why It Matters:

- SMEs are the backbone of innovation, job creation, and poverty alleviation.
- Without adequate financing, businesses struggle to scale, innovate, or recover from economic shocks.

The SME Landscape in Zambia

92%	70%	30%
Business Sector	**Employment**	**GDP Contribution**
SMEs comprise 92% of Zambian businesses	Contribute to 70% of employment nationwide	Generate approximately 30% of national GDP

Despite their significance, SMEs struggle to access formal financing. Only 18% have obtained bank loans in the past three years.

Common Financing Challenges

Limited Financial Records

Inadequate documentation and bookkeeping

Collateral Requirements

Stringent security demands from lenders

High Interest Rates

Prohibitive borrowing costs (20-35% annually)

Limited Financial Networks

Restricted access to formal banking systems

These barriers create significant funding gaps. Most SMEs rely on personal savings and informal financing.

Case Study: Lusaka Agro-Processors Processors

Startup Phase (2020)

Began with K50,000 personal capital and family loans

Angel Investment (2021)

Secured K250,000 from Zambia Business Angels Network

Bank Financing (2022)

Obtained K500,000 equipment loan from Zanaco

Scale-Up (2023-Present)

Revenue grew 300%, employing 35 people

Success factors: Strong financial records, business plan, and mentorship support.

Traditional Financing Options

Commercial Bank Loans

Conventional loan products from banks like Zanaco, Standard Chartered, and First National Bank.

- Requires collateral and financial history
- Interest rates: 18-25% annually

Microfinance Institutions

Smaller loans from specialized lenders like FINCA and Bayport.

- More accessible but higher interest rates
- Shorter repayment periods

Development Finance Institutions

Loans from entities like Development Bank of Zambia and CEEC.

- Lower interest rates (12-18%)
- Specific sector focus requirements

Alternative Financing Channels

Crowdfunding

Platforms like Thundafund and M-Changa enable multiple small investments from supporters.

Mobile Lending

Digital platforms offering quick, paperless small loans through mobile money.

Angel Investors

Zambia Business Angels Network connects wealthy individuals with promising startups.

Venture Capital

Firms like Kukula Capital provide equity funding for high-growth businesses.

Co-operatives

Sector-specific savings and credit associations pool member resources.

Government & Development Partner Initiatives

Citizens Economic Empowerment Empowerment Commission

Provides targeted funding for citizen-owned businesses. Offers loans at 8-12% interest with flexible collateral requirements.

K120 million disbursed to SMEs in 2023-2024.

Zambia Development Agency SME Fund

Business development services coupled with financing. Focuses on export-oriented enterprises.

Up to K500,000 available per qualifying business.

African Development Bank MSME Fund

Partnership with local banks to provide lower-cost financing. Includes capacity building components.

$50 million program launched in 2024.

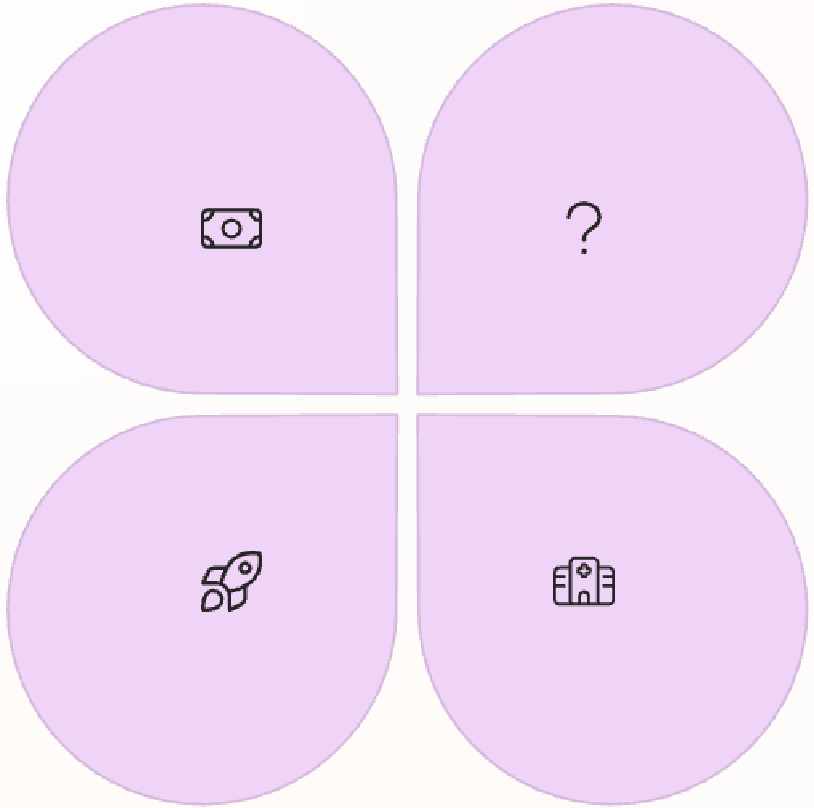
International Options for Accessing Capital

Development Finance Institutions (DFIs):

- African Development Bank (AfDB): Provides blended finance solutions to support SMEs.
- International Finance Corporation (IFC): Offers risk-sharing facilities with local banks to encourage SME lending.

Foreign Direct Investment (FDI):

- Partnerships with multinational corporations (MNCs) can provide equity investments or joint ventures.



International Finance Institutions

- **U.S. DFC:** Blended finance for SMEs, targeting $50 million for Zambia's agriculture and tech by 2025.
- **Prosper Africa:** Facilitates $600 million in U.S.-Africa deals, including Zambian SMEs (USAID, 2024).

Global Crowdfunding Platforms:

Platforms like Kickstarter, Indiegogo, and GoFundMe allow SMEs to raise funds globally.

Case Study: Green Fuel Ltd.

- Secured $15 million in blended finance from AfDB and local banks to expand bioethanol production.
- Outcome: Created 500 jobs and reduced reliance on imported fuels..

Strategies to Overcome Obstacles

Enhance Financial Literacy:

Partner with NDCCI and the U.S.-Africa Trade Commission for workshops; 40% of trained SMEs secure loans

Leverage Guarantees:

Use Zambia Credit Guarantee Corporation to reduce collateral needs by 50%.

Adopt Digital and Networking Tools:

- Digital Tools: Online platforms like Zanaco's SME portal cut application time by 30%.
- Formalize Operations: Register SMEs to access formal finance; 20% increase in loan approvals (ZDA, 2024).
- Build Networks: Join NDCCI and the U.S.-Africa Trade Commission f to access mentorship and investor connections.

Preparing For Successful Financing

Financial Management Systems

Implement proper accounting and financial tracking. Use digital tools like QuickBooks or Sage to maintain records.

Separate business and personal finances completely.

Business Documentation

Develop comprehensive business plans and financial projections. Include market analysis and clear growth strategies.

Register all legal documents properly.

Build Banking Relationships

Establish and maintain business accounts with formal institutions. Build transaction history and credit profile.

Network with financial professionals.

Digital Financial Inclusion

Mobile Banking

Accessible accounts with reduced fees and requirements

Digital Payments

Building transaction records through formal channels

Data-Based Lending

Alternative credit scoring using business performance data

Expanded Access

Reaching previously unbanked rural entrepreneurs

The digital finance revolution creates new opportunities. 76% of Zambian SMEs now use some form of digital financial services.

Action Steps & Key Takeaways

Formalize Your Business

Register properly and maintain comprehensive documentation to build credibility with lenders.

Strengthen Financial Management

Implement accounting systems and separate business finances from personal accounts.

Build Networks

Join chambers of commerce and industry associations to access information and opportunities.

Diversify Financing Sources

Don't rely on a single funding channel. Explore traditional and alternative options.

Closing Remarks

Quote: "The future depends on what you do today." – Mahatma Gandhi

To Policymakers:

Create an enabling environment for SME financing through supportive regulations and subsidies.

To Entrepreneurs:

Be proactive in seeking funding opportunities and improving financial management skills.

To Financial Institutions:

Develop innovative products tailored to SME needs.

Together

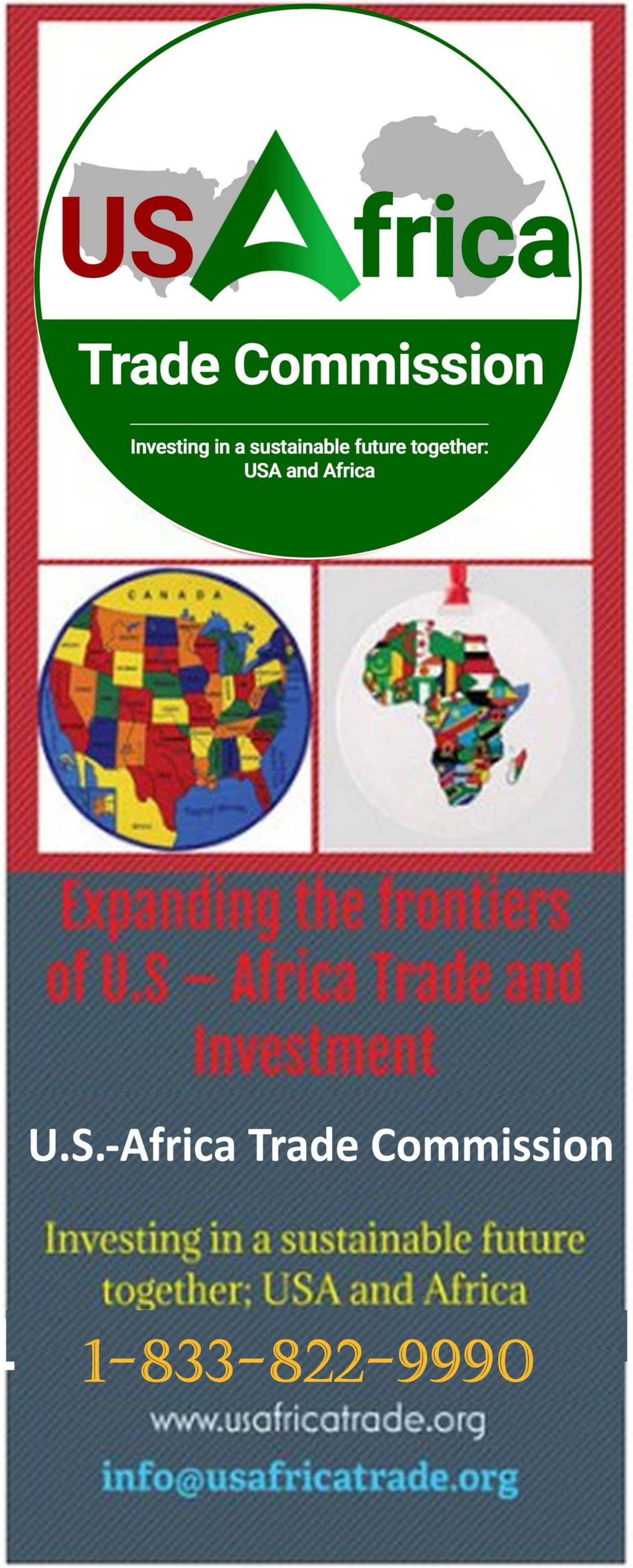
Let's finance the future and empower Zambia's SMEs to thrive!

Thank you for your attention.

Let us work collectively to position Zambia's SMEs as engines of sustainable growth and prosperity.

Thank you

for your attention



Thank you

for your attention