

## An Assessment of the Effectiveness of the Bank of Zambia COVID-19 Stimulus Package on SME Performance

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### Abstract

The COVID-19 pandemic caused significant disruptions to the global economy, with SMEs in Zambia among the hardest hit sectors. SMEs, which contribute over 70% to Zambia's GDP, faced closures and income losses due to lockdowns and market contractions. In response, the Bank of Zambia (BoZ) launched a ZMW 10 billion COVID-19 Targeted Medium-Term Refinancing Facility (TMRF) to enhance liquidity and support business continuity. This study assessed the effectiveness of the package by analysing its impact on SMEs' gross revenue, net profit, and employment levels. Using a descriptive research design and hierarchical regression analysis, the findings revealed a statistically significant positive impact across all three performance indicators. The study underscores the need for enhanced accessibility, transparent processes, and adaptive program design to strengthen SME resilience during economic crises.

**Keywords:** Covid 19, Bank of Zambia, SME Performance, Targeted Medium Term Funding, Gross Revenue, Net profit, Employment rate

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## 1. Introduction

The year 2020 was a tragic eventful year for the whole world with the Corona Virus 2019 (COVID-19) pandemic causing an uproar, unprecedented, uncountable degree of severity and worrying death tolls and disrupting businesses. With countries such as Bangladesh, China, Australia, Argentina and more in total lockdown with the hope to contain the spread of the virus in the absence of a vaccine.

Zambia was no exception to the effects of the pandemic which brought about significant changes in socio-economic operations across the globe. Countries had to take quick and effective measures, not only to abate the spread of the disease, but to also counter the impacts on the economy (Rukasha, et al., 2021). Since 2019, Zambia has implemented various strategies and policies to address the negative effects of COVID-19 on the economy. Initially, the World Health Organization (WHO) issued the global guidelines to address the health aspects of the disease (Manda, et al., 2021). The Zambian Ministry of Health also implemented measures which led to limitations on economic activities such as movements of people and goods; closure of businesses; restricted access to business and office premises and a partial lockdown (Nalwimba, 2021).

### **1.2 Statement of the Problem**

Although the BoZ introduced the ZMW 10 billion TMRF stimulus package, only less than 50% of targeted SMEs accessed the funds, largely due to a lack of information, restrictive eligibility criteria, and limited banking infrastructure (Bank of Zambia, 2022; Centre for Trade and Policy Development, 2021). Furthermore, the African Development Bank (2021) noted that the scale of intervention was insufficient relative to the economic contraction. This study thus seeks to assess whether the COVID-19 stimulus package effectively impacted SME gross revenue, net profit, and employment, thereby filling a gap in empirical evidence on SME-specific fiscal interventions in Zambia.

### **1.3 Purpose of the Study**

The aim of the study is to assess the effectiveness of the Bank of Zambia Covid 19 Stimulus package on the Small and Medium Enterprises (SME's) in Zambia.

### **1.4 Research Objective**

To assess the impact of the Bank of Zambia Covid 19 Stimulus package on the performance of Small and Medium Enterprises (SME's) in Zambia.

### **1.5 Research Question**

What is the impact of the Bank of Zambia Covid 19 Stimulus package on the Revenue, Net Profit and Employment rate of Small and Medium Enterprises (SME's) in Zambia?

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## **2. Literature Review**

In Zambia, Small and Medium-scale Enterprises (SME) constitute the majority of businesses and play an important role in employment creation and economic growth (Chrine et al 2021). It is further estimated that the SME sector account for 97% of all businesses in Zambia contributing 70% to GDP. Accounting for 88% of employment, SMEs play a key role in society as they employ a large share of the most vulnerable segments of the workforce [Consumer Units Trust Services (CUTS),2020]. Therefore, the importance of the sector and ensuring its continuity is of utmost importance. This is evident in various strategies implemented to support the sector.

COVID-19 triggered widespread socio-economic disruptions in Zambia, affecting key sectors and exacerbating pre-existing vulnerabilities. The tourism sector faced severe declines due to lockdowns, with a significant drop in tourist flows to sites like Livingstone, Victoria Falls, and South Luangwa National Park, leading to 85% reductions in hotels and restaurants and 64% in travel services (Andrew et al., 2023; IPA, 2020). Mining, a major GDP contributor, experienced logistical challenges and a 5.5% activity decline amid global copper price fluctuations (Imasiku & Ntagwirumugara, 2021; Alemayehu, 2021). Agriculture suffered from supply chain disruptions, labor shortages, and market access issues, resulting in a 7.5% contraction and income losses for farmers (Kapembwa & Joshi, 2020; Alemayehu, 2021). Manufacturing saw a 4.6% shrinkage due to raw material shortages and reduced demand, compounded by operational delays from social distancing (Zambia Statistics, 2020; Sakyi et al., 2020). The informal sector, including street vendors and small traders, endured job losses, decreased income, and reduced access to social services, disproportionately impacting daily earners (Wrigley-Asante & Frimpong, 2024). Overall, Zambia's economy contracted by 4.2% in 2020, amid pre-existing GDP deceleration (National Assembly, 2020; Alemayehu, 2021).

To mitigate these effects, the Bank of Zambia (BoZ) introduced a stimulus package, including the Targeted Medium-Term Refinancing Facility (TMTRF), which provided financial support to SMEs through reduced interest rates, tax relief, and liquidity measures (BoZ, 2020; Nkandu, 2021). These interventions aimed to stabilize the economy, prevent poverty, and foster recovery by boosting demand, job retention, and long-term growth, as affirmed by Mwange et al. (2022) and Chishimba et al. (2022). Globally, similar packages have proven effective in averting deeper recessions and enhancing consumer confidence, per the IMF (2020) and OECD (2021). In Zambia, tax incentives notably supported sectors like construction, though sustained banking support is crucial for enduring resilience (Mbewe et al.; Bank EI). Fiscal and monetary strategies, such as cash transfers and rate adjustments, were blended to address immediate challenges and build a sustainable framework (Ruhul et al., 2024). In Zambia, while BoZ interventions aimed at supporting SMEs through liquidity injections and direct lending, the informal nature of most SMEs and poor awareness campaigns limited uptake (Mwange, 2022).

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## **3. Research Methodology**

This study employed a descriptive research design to evaluate the effectiveness of the Bank of Zambia's (BOZ) COVID-19 stimulus package for SMEs in Zambia. The design facilitated the collection of both qualitative and quantitative data to

capture real-world experiences of affected businesses.

The study focused on SMEs in Zambia that benefited from the package. The target population comprised 29,530 business enterprises out of 85,101 total beneficiaries, as per the BOZ (2022) report. A sample size of 380 was determined using RaoSoft software. Sampling involved cluster sampling by location and sector, followed by simple random sampling within each sector, drawing from data provided by BOZ, the Ministry of Commerce, Trade and Industry, and UNDP.

Data was collected via a structured online questionnaire using Google Forms, featuring closed and open-ended questions, including a 5-point Likert scale. Validity was ensured through expert reviews, a pilot study on 10 SMEs, and factor analysis via IBM SPSS. Reliability was assessed using Cronbach's alpha.

The data collection process included pre-collection refinement, online administration, and post-collection verification. Analysis involved descriptive statistics (frequencies, percentages, means, standard deviations) and multiple linear regression to examine the stimulus package's impact on variables like revenue, profit, and employment rate.

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#### 4. Data Analysis, Presentation and Discussion

The regression results confirmed significant positive impacts across all three-performance metrics:

- Gross Revenue: ( $\beta = 0.293$ ,  $p < 0.01$ )
- Net Profit: ( $\beta = 0.510$ ,  $p < 0.01$ )
- Employment Levels: ( $\beta = 0.246$ ,  $p < 0.01$ )

The stimulus package effectively enabled SMEs to maintain operations, sustain profitability, and prevent layoffs during the pandemic.

The study found that the Bank of Zambia's COVID-19 Stimulus Package had a positive and significant impact on SMEs' gross revenue, net profit, and employment levels.

Regarding gross revenue, the stimulus package provided financial support that stabilized business revenues and facilitated operational continuity during the pandemic, aligning with findings from Indonesia. The regression analysis showed a positive relationship, indicating financial support improved revenue generation.

The study also highlighted a substantial positive impact on the net profit of SMEs. Financial assistance helped reduce operational costs and maintain profitability, consistent with findings from the United States and Malaysia. These measures provided critical relief by reducing financial burdens and enabling businesses to focus on operational sustainability. Furthermore, the study found that the stimulus package led to improvements in employment levels. Financial support enabled SMEs to retain employees and, in some instances, expand their workforce, aligning with results obtained in the UK and Indonesia. This suggests that government support mechanisms are essential in sustaining employment levels within SMEs during economic crises.

Overall, the findings underscore the importance of targeted financial interventions in enhancing business resilience during economic downturns, confirming that the Bank of Zambia COVID-19 Stimulus Package played a vital role in enhancing the operational resilience of SMEs in Zambia.

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#### 5. Conclusions

The study concluded that the Bank of Zambia COVID-19 Stimulus Package had a significant positive impact on the performance of SMEs in Zambia. The financial support provided through the stimulus package contributed to the enhancement of gross revenue, net profit, and employment levels within the study population.

The findings reaffirm the importance of government interventions in promoting business sustainability during economic crises. The positive outcomes observed in this study align with global evidence that emphasizes the critical role of fiscal stimulus in supporting SMEs to withstand and recover from economic shocks.

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#### Conflict of Interest

The authors declare that they have no conflicting interests

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### **Ethical considerations**

The article followed all ethical standards appropriate for this kind of research.

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