

**UNIVERSITY OF KWAZULU-NATAL**

**UNLOCKING INFORMAL SMALL-TO-MEDIUM  
ENTERPRISES' POTENTIAL IN AN AFRICAN  
ECONOMY. A CASE STUDY OF THE MANUFACTURING  
SECTOR IN ZIMBABWE**

**By**

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for the degree of Doctor of Business Administration**

**Graduate School of Business and Leadership  
College of Law and Management Studies**

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## **DECLARATION**

I, Herrison Matsongoni, declare that:

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**01<sup>st</sup> December 2017**

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Durban, South Africa

01<sup>st</sup> December 2017



## **DEDICATION**

This thesis is dedicated to my beautiful wife Mercy Mukwembi-Matsongoni, my lovely three kids, Harrison Anesuishe, Hilliard Atikudzaishe, Harriet Anotidaishe and my mother Chengeto Chokuona-Matsongoni

and

In memory of my late father Elias Silvester 'Mona' Matsongoni, always a pillar of strength, wisdom and a foundation of educative and constructive-jokes and my late son Humprey Anopaishe, brothers John, Silvester, Alfred and my only sister Shoorai for their guidance in my life. May their souls rest in eternal peace.

## **GLOSSARY OF TERMS AND ACRONYMS**

<b>“AfDB”</b>	African Development Bank
<b>“BAZ”</b>	Bankers Association of Zimbabwe
<b>“BC”</b>	Bolton Committee
<b>“CBD”</b>	Central Business District
<b>“CGCZ”</b>	Credit Guarantee Company of Zimbabwe
<b>“DME”</b>	Directory Manufacturing Enterprises
<b>“DTI”</b>	Department of Trade and Industry
<b>“DRC”</b>	Democratic Republic of Congo
<b>“EC”</b>	European Commission
<b>“EFA”</b>	Exploratory Factor Analysis
<b>“ESALP”</b>	Economic Structural Adjustment and Liberalisation Programmes
<b>“ESAP”</b>	Economic Structural Adjustment Programme
<b>“EU”</b>	European Union
<b>“ERP”</b>	Economic Recovery Programme
<b>“FER”</b>	Framework for Economic Reform
<b>“FTLRP”</b>	Fast Track Land Redistribution Programme
<b>“GATT”</b>	General Agreement on Tariffs and Trade
<b>“GDP”</b>	Gross Domestic Product
<b>“GoZ”</b>	Government of Zimbabwe
<b>“GWE”</b>	Growth with Equity
<b>“HAS”</b>	Harare Agricultural Show
<b>“HVAZ”</b>	Hawkers and Vendors Association of Zimbabwe
<b>“IBAZ”</b>	Informal Business Association in Zimbabwe
<b>“IBDC”</b>	Indigenous Business Development Centre
<b>“IBWO”</b>	Indigenous Business Women’s Organisation
<b>“IDC”</b>	Industrial Development Corporation
<b>“IEE”</b>	Indigenisation and Economic Empowerment

<b>“ILO”</b>	International Labour Organisation
<b>“IMF”</b>	International Monetary Fund
<b>“ISO”</b>	Informal SMEs Operations Taxonomisation
<b>“LED”</b>	Local Economic Development
<b>“MERP”</b>	Millennium Economic Recovery Programme
<b>“MoSMECD”</b>	Ministry of Small and Medium Enterprises and Co-operative Development
<b>“MSMEs”</b>	Micro, Small and Medium Enterprises
<b>“NDMES”</b>	Non-directory Manufacturing Establishments
<b>“NERP”</b>	National Economic Revival Plan
<b>“NERDPP”</b>	National Economic Recovery Development Priority Programme
<b>“NISA”</b>	National Informal Sector Association
<b>“NPC”</b>	National Planning Commission
<b>“NSB Act”</b>	National Small Business Act of South Africa
<b>“OAME”</b>	Own Account Manufacturing Enterprise
<b>“RBZ”</b>	Reserve Bank of Zimbabwe
<b>“RTA”</b>	Rural Traders Association
<b>“SA”</b>	South Africa
<b>“SAA”</b>	Sub-Saharan Africa
<b>“SADC”</b>	Southern African Development Community
<b>“SAP”</b>	Structural Adjustment Policies
<b>“SBC”</b>	Small Business Council
<b>“SEDCO”</b>	Small Enterprises Development Corporation
<b>“SMBDCI”</b>	Small and Medium Business Development Chamber of India
<b>“SMEDCO”</b>	Small and Medium Enterprises Development Corporation
<b>“SMEEIS”</b>	Small and Medium Enterprises Equity Investment Scheme
<b>“SMMES”</b>	Micro, Small and Medium Enterprises
<b>“SMEs”</b>	Small and Medium Enterprises
<b>“SSA”</b>	Statistics South Africa
<b>“STERP”</b>	Short Term Emergency Recovery Programme
<b>“SPSS”</b>	Statistical Package for the Social Sciences
<b>“UN”</b>	United Nations
<b>“UNDP”</b>	United Nations Development Programme
<b>“UNCTAD”</b>	United Nations Conference on Trade and Development
<b>“UNIDO”</b>	United Nations Industrial Development Organisation

<b>“UNR”</b>	United Nations Report
<b>“USA”</b>	United States of America
<b>“VAT”</b>	Value Added Tax
<b>“VCCZ”</b>	Venture Capital Company of Zimbabwe
<b>“WB”</b>	World Bank
<b>“WBDBR”</b>	World Bank Doing Business Report
<b>“WIB”</b>	Women in Business
<b>“WTO”</b>	World Trade Organisation
<b>“ZCIEA”</b>	Zimbabwe Chamber of Informal Economy
<b>“ZEDS”</b>	Zimbabwe Economic Development Strategy
<b>“ZEPARU”</b>	Zimbabwe Economic Policy Analysis and Research Unit
<b>“ZIMASSET”</b>	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
<b>“ZIMRA”</b>	Zimbabwe Revenue Authority
<b>“ZIMSTATS”</b>	Zimbabwe National Statistical Agency
<b>“ZIMTRADE”</b>	Zimbabwe Trade
<b>“ZIMPREST”</b>	Zimbabwe Programme for Economic and Social Transformations
<b>“ZITF”</b>	Zimbabwe International Trade Fair
<b>“ZWFT”</b>	Zimbabwe Women Finance Trust

## ABSTRACT

Entrepreneurship in Small to Medium Enterprises (SMEs) which include informal and micro business globally remains innovative and perform to the extent where the economies of countries resolve around the employment and income that the above sector provides. The study aimed to formulate a suitable and innovative business model for unlocking the potential of the informal manufacturing SMEs in Zimbabwe, Africa against a background of the various challenges faced by the informal manufacturing SMEs and a shrinking formal economy. It extends the literature on the theoretical and conceptual frameworks of informality in an African context with specific reference to Zimbabwe, a developing country. The study adopted a mixed-method research design since usage of both qualitative and quantitative methods research enriches the strength of one method while complementing the weaknesses of the other. The study population entailed informal manufacturing SMEs in food, bakery and confectionery processing, toiletry making, textile and garment making, leather and rubber production, engineering and metal fabrication, timber and furniture making and representatives from the various informal business associations. A total of one thousand (1000) questionnaires were administered to respondents in the informal manufacturing SMEs in the five (5) cities of Harare, Bulawayo, Gweru, Masvingo and Mutare in Zimbabwe, and 832 questionnaires were returned indicating an 83.2% response rate. Proportionate stratified random sampling was used for the quantitative research to ensure that at least one observation was picked from each stratum. For qualitative research purposive random sampling was used to ensure that there was a fair representation of all the informal manufacturing SMEs in this study. Five (5) focus group interviews were also done in the above cities. Quantitative data was analysed using SPSS 22.0 while qualitative data was analysed using Microsoft Word and Excel. The results revealed that there are more male entrepreneurs (56.15%) than female (48.85%) involved in the informal manufacturing SMEs sector in Zimbabwe. Most of the participants have at least achieved a diploma (41.7%) and had an average revenue of between US\$10 001-US\$30 000 per annum and employed an average of between 1-20 employees and are involved in the food, bakery and confectionery processing (25.2%) industries. The findings also indicated that there is a statistically significant agreement that accessibility to finance is the greatest challenge ( $M=4.2568$ ); that there is significant disagreement that government-initiated programmes have been effective in informal manufacturing SMEs development ( $M=2.9357$ ). Recommendations include that government through the relevant Ministry/Departments should consider the establishment of an SME Development Bank; that institutional legal and regulatory frameworks reforms need to be done, and the government should consider the formation of business and inter-firm linkages. In conclusion, the study was driven by the desire to formalise the informal manufacturing sector and have it under the ambit of the formal economy and formal banking institutions.

## Table of Contents

<b>DECLARATION .....</b>	<b>i</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>ii</b>
<b>DEDICATION .....</b>	<b>iv</b>
<b>GLOSSARY OF TERMS AND ACRONYMS .....</b>	<b>v</b>
<b>ABSTRACT .....</b>	<b>viii</b>
<b>LIST OF TABLES .....</b>	<b>xix</b>
<b>LIST OF FIGURES .....</b>	<b>xx</b>
<b>CHAPTER 1: INTRODUCTION.....</b>	<b>2</b>
<b>1.1 Introduction.....</b>	<b>3</b>
<b>1.2 Background to the Study.....</b>	<b>3</b>
1.2.1 Informal SMEs: Background in Africa.....	5
<b>1.3 The Evolution of the Informal SME in Zimbabwe .....</b>	<b>9</b>
1.3.1 Introduction.....	9
1.3.2 Growth with Equity Policy in Zimbabwe (GWE): 1980 to 1990.....	10
1.3.3 Economic Reforms Policy in Zimbabwe: ESAP – 1991 to 2000.....	11
1.3.4 Millennium Economic Recovery Programmes (MERP) in Zimbabwe: Year 2000...13	
1.3.5 Macroeconomic Policies Leading to Economic Collapse in Zimbabwe: 2002 to 2009 .....	14
1.3.6 Reconstruction Process and Policies in Zimbabwe: 2010 to 2016.....	15
<b>1.4 Informal SMEs in the Manufacturing Sector in Zimbabwe .....</b>	<b>16</b>
1.4.1 Manufacturing Sector: Formal versus Informal .....	17
1.4.2 Types of Informal Manufacturing SMEs in Zimbabwe .....	19
<b>1.5 Rationale of the Study .....</b>	<b>19</b>
<b>1.6 Statement of the Problem.....</b>	<b>22</b>
<b>1.7 Aim of the Study .....</b>	<b>25</b>
1.7.1 Objectives of the Study .....	25
1.7.2 Research Questions .....	26



3.2.2	Structuralist Theory.....	64
3.2.3	The Legalist Theory .....	66
3.2.4	The Rational Choice Theory .....	67
3.2.5	The Rationalist Legalist Theory.....	68
<b>3.3</b>	<b>Theoretical Perspectives: Emergence of SMEs in Developing Countries.....</b>	<b>69</b>
3.3.1	The Recession Push Theory .....	70
3.3.2	The Labour Supply Theory .....	70
3.3.3	The Liberalisation .....	70
<b>3.4</b>	<b>Theoretical Models Linked to Africa and Zimbabwe.....</b>	<b>71</b>
3.4.1	Informal Sector Urban Planning in Zimbabwe .....	71
3.4.2	Conceptual Framework .....	72
<b>3.5</b>	<b>Conceptual Framework: Challenges Faced by the Informal SMEs.....</b>	<b>73</b>
3.5.1	Informality as a Driver of Economic Growth and Development .....	74
3.5.2	SMEs' Role in Employment Generation and Industrial Development in Africa.....	74
3.5.3	Theoretical Perspectives for Variations in the Level of Employment in the Informal Sector .....	75
3.5.4	Summary: Evaluations of the Three Perspectives.....	77
3.5.5	Guide to Unlocking Informal SMEs' Potential and Survival.....	77
<b>3.6</b>	<b>The Way Forward: The Formalisation Debate.....</b>	<b>78</b>
<b>3.7</b>	<b>Summary of Chapter .....</b>	<b>79</b>
<b>CHAPTER 4: RESEARCH METHODOLOGY AND RESEARCH DESIGN .....</b>		<b>81</b>
<b>4.1</b>	<b>Introduction.....</b>	<b>82</b>
<b>4.2</b>	<b>Research Philosophy.....</b>	<b>82</b>
4.3.1	Mixed-method Research Design Process.....	85
4.3.2	Justification for Choosing the Mixed-method.....	86
4.3.3	The Mixed-method Research Design.....	87
<b>4.4</b>	<b>Research Sites and Research Strategies.....</b>	<b>88</b>
4.4.1	Zimbabwe.....	88

4.4.2	Research Sites in Zimbabwe .....	89
4.4.3	Target Population for both Survey and Focus Group Interviews.....	92
4.3.4	Historical Usage of the Convergent Research Design .....	95
4.3.5	Purposive: Strength and Weaknesses of the Convergent Design.....	95
<b>4.4</b>	<b>Research Design Implementation.....</b>	<b>97</b>
<b>4.5</b>	<b>Research Design Implementation.....</b>	<b>99</b>
4.5.1	Geographic Location of Phase One Implementation .....	99
4.5.2	Sampling Strategy and Sample Size of the Survey in Phase One .....	101
4.5.3	Research Instrument: Questionnaire Development and Pre-Testing .....	105
4.5.4	Phase One - Data Collection and Survey Response Rate.....	108
4.5.5	Data Analysis - Phase One.....	108
4.5.6	Sample Size and Geographic Location of Phase Two Implementation .....	109
4.5.7	Focus Group Interviews – Phase Two .....	109
4.5.8	Geographic Location of Phase Two Research Sites.....	112
4.5.9	Sampling Strategy of Phase Two.....	113
<b>4.6</b>	<b>Phase Two Data Collection .....</b>	<b>115</b>
4.6.1	Semi-structured Questionnaire for Focus Group Interviews.....	115
4.6.2	Pilot Study / Testing.....	116
4.6.3	Focus Group Interviews: Data Collection.....	116
<b>4.7</b>	<b>Phase Two Data Coding and Analysis .....</b>	<b>118</b>
<b>4.8</b>	<b>Reliability .....</b>	<b>119</b>
4.8.1	Instrument Reliability for the Research Study .....	120
4.8.2	Validity.....	121
4.8.3	Generalisability .....	121
<b>4.9</b>	<b>Research Procedure.....</b>	<b>122</b>
4.9.1	Research Protocol .....	122
<b>4.10</b>	<b>Ethical Considerations .....</b>	<b>123</b>
<b>4.11</b>	<b>Summary of Chapter .....</b>	<b>125</b>

<b>CHAPTER 5: DATA PRESENTATION, ANALYSIS AND INTERPRETATION:</b>	
<b>QUANTITATIVE DATA.....</b>	<b>126</b>
<b>5.1 Introduction.....</b>	<b>127</b>
5.1.1 Survey .....	127
5.1.2 Data Preparation.....	128
<b>5.2 Survey: Primary Data Presentation .....</b>	<b>128</b>
<b>5.3 General SME and Biographical Information.....</b>	<b>129</b>
5.3.1 Gender of the Respondents .....	129
5.3.2 Categories of the Age Group of Respondents.....	130
5.3.3 Marital Status of Respondents .....	131
5.3.4 Educational Level of the Respondents.....	132
5.3.5 Categories of the Informal Manufacturing SMEs .....	133
5.3.6 Number of Employees in the Informal SMEs.....	133
5.3.7 Number of Years of Operation in the Informal SMEs .....	134
5.3.8 Designation of the Respondents of Informal SMEs Represented .....	135
5.3.9 Status of the Informal SMEs in Terms of Exporting .....	136
5.3.10 Value of the Informal SMEs' Annual Sales/Revenue.....	137
<b>5.4 Running an Informal Manufacturing SME in Zimbabwe .....</b>	<b>138</b>
5.4.1 Access to Finance .....	138
5.4.2 Infrastructure and Collateral Security .....	140
5.4.3 Research, Development and Marketing Skills .....	141
5.4.4 Business Structures, Environment and Location .....	143
5.4.5 Entrepreneurial and Managerial Skills.....	145
5.4.6 Legal and Regulatory Framework.....	147
5.4.7 Challenges Faced by Informal Manufacturing SMEs in Zimbabwe Summarised...148	
<b>5.5 Role of Informal Manufacturing SMEs on Economic Growth and Development ...</b>	<b>150</b>
<b>5.6 The Role of Informal Manufacturing SMEs on Employment Generation .....</b>	<b>152</b>
<b>5.7 Effectiveness of Economic Programmes Aimed at Informal Manufacturing Enterprises in Zimbabwe .....</b>	<b>154</b>

<b>5.8</b>	<b>Mentorship Programmes in Zimbabwe.....</b>	<b>156</b>
<b>5.9</b>	<b>Summarised Analysis of the Four (4) Constructs .....</b>	<b>158</b>
5.9.1	One-Sample Statistics and One Sample T-Tests.....	158
5.9.2	Relationships between the Variables (Spearman’s Correlation).....	159
<b>5.10</b>	<b>Summary of Chapter .....</b>	<b>167</b>
<b>CHAPTER 6: DATA PRESENTATION, ANALYSIS AND INTERPRETATION:</b>		
<b>QUALITATIVE DATA..... 168</b>		
<b>6.1</b>	<b>Introduction.....</b>	<b>169</b>
<b>6.2</b>	<b>Focus Group Interviews: Primary Data Presentation .....</b>	<b>169</b>
6.2.1	Geographic Representation of the Respondents for Focus Group Interviews in the Five (5) Cities.....	170
<b>6.3</b>	<b>General SME and Biographical Information.....</b>	<b>171</b>
6.3.1	Gender of the Respondents in the Focus Group Interviews .....	172
6.3.2	Age Groups of Participants .....	172
6.3.3	Marital Status of Participants .....	173
6.3.4	Educational Level of Participants .....	174
6.3.5	Categories of the Informal Manufacturing SMEs .....	175
6.3.6	Number of Employees in the Informal Manufacturing SMEs .....	176
6.3.7	Number of Years of Operation in the Informal SMEs .....	177
6.3.8	Designation of the Participants of Informal Manufacturing SMEs Represented.....	177
6.3.9	Status of the Informal SMEs in Terms of Exporting .....	178
6.3.10	Value of the Informal SMEs’ Annual Sales / Revenue.....	179
<b>6.4</b>	<b>Running an Informal Manufacturing SME in Zimbabwe .....</b>	<b>180</b>
6.4.1	Theme – Motivators for Starting the Informal Manufacturing SMEs. ....	180
6.4.2	Theme – Challenges Faced by the Informal Manufacturing Business.....	181
6.4.3	Theme – Business Acumen of the Owners and Managers of the Informal SMEs...184	
6.4.4	Theme - Improved Business Knowledge and Skills .....	185
6.4.5	Sources of Financing for the Informal Manufacturing Business from Inception.....	187

6.4.6	Theme – Impact of Informal Manufacturing SMEs Business to Lives of the Owners .....	189
6.4.7	Theme - Major Obstacles Faced by Informal Manufacturing SMEs .....	190
<b>6.5</b>	<b>Role of the Informal Manufacturing SMEs in Zimbabwe. ....</b>	<b>191</b>
6.5.1	Theme – Role of Informal Manufacturing SMEs in Economic Growth and Development .....	191
6.5.2	Theme – Government Role to Boost Informal Manufacturing SMEs’ Contribution to the Economy .....	192
6.5.3	Theme – Anticipated Future Difficulties in the Informal Manufacturing SMEs in Zimbabwe.....	194
6.5.4	Theme – Proposed Solutions to Address these Difficultie.....	195
6.5.5	Theme – Informal Manufacturing SMEs’ Contribution towards Employment. ....	196
6.5.6	Theme – Number of Employees Employed by the Informal Manufacturing SMEs per Focus Group Interview.....	197
6.5.7	Theme – Government’s Role in Assisting the Informal Manufacturing SME’s in Reducing Unemployment.....	198
<b>6.6</b>	<b>Effectiveness of the Economic Programmes Offered by the Government of Zimbabwe .....</b>	<b>199</b>
6.6.1	Theme – Impact of the Provision of Utility Services to Business Operations and Proposed Government Solutions.....	199
6.6.2	Theme – Government Initiated Programmes to Promote Informal Manufacturing SMEs Development into Becoming Formal .....	201
6.6.3	Theme – Initiatives by government to stimulate the development and Creation of informal manufacturing SMEs .....	203
6.6.4	Theme – Difficulties you have had in accessing business networks.....	203
<b>6.7</b>	<b>Summary of Chapter .....</b>	<b>204</b>
 <b>CHAPTER 7: DISCUSSION OF FINDINGS, ANALYSIS AND</b>		
<b>INTERPRETATION: MIXED-METHOD AND THE PROPOSED</b>		
<b>MODEL .....</b>		
		<b>205</b>
<b>7.1</b>	<b>Introduction.....</b>	<b>206</b>
<b>7.2</b>	<b>Primary Data Interpretation and Analysis.....</b>	<b>206</b>

7.2.1 Geographic Representation of the Respondents .....	206
<b>7.3 General SME and Biographical Information.....</b>	<b>207</b>
7.3.1 Gender of the respondents.....	207
7.3.2 Categories Age Groups of Participants .....	207
7.3.3 Marital Status of Participants .....	208
7.3.4 Educational Level of Participants .....	208
7.3.5 Category of the Informal Manufacturing SMEs .....	208
7.3.6 Number of Employees of the Informal Manufacturing SMEs.....	209
7.3.7 Number of years of operation for the informal SMEs .....	209
7.3.8 Designation of the Participants of Informal Manufacturing SMEs Represented.....	209
7.3.9 Status of the Informal SMEs Concerning Exporting .....	210
7.3.10 Value of the Informal SMEs' Annual Sales Revenue.....	210
<b>7.4 Operating an Informal Manufacturing SME in Zimbabwe .....</b>	<b>210</b>
7.4.1 Access to Finance.....	210
7.4.2 Infrastructure and Collateral Security .....	211
7.4.3 Research, Development, Marketing, Entrepreneurial and Managerial Skills .....	211
7.4.4 Business Structures, Environment and Location.....	212
7.4.5 Legal and Regulatory Framework and Registration Inefficiencies.....	212
<b>7.5 Role of Informal Manufacturing SMEs in Zimbabwe .....</b>	<b>213</b>
7.5.1 Theme – Economic Growth and Development .....	213
7.5.2 Theme – Employment Generation .....	214
<b>7.6 Effectiveness of Economic Programmes for Informal Manufacturing SMEs in Zimbabwe .....</b>	<b>214</b>
<b>7.8 Mentorship Programmes in Zimbabwe.....</b>	<b>215</b>
<b>7.9 Proposed Model for Unlocking Informal Manufacturing SMEs in Zimbabwe .....</b>	<b>215</b>
7.9.1 Unlocking Informal Manufacturing SMEs Potential in Zimbabwe .....	216
7.9.2 The Concept of Model .....	216
7.9.3 The Proposed Model .....	217

7.9.4	Interpretation of the Proposed Business Model .....	219
7.9.5	Way Forward.....	222
<b>7.10</b>	<b>Summary of Chapter .....</b>	<b>222</b>
<b>CHAPTER 8: SUMMARY OF FINDINGS, CONCLUSIONS, AND</b>		
<b>RECOMMENDATIONS.....</b>		
		<b>224</b>
<b>8.1</b>	<b>Introduction.....</b>	<b>225</b>
<b>8.2</b>	<b>Summary of the Main Findings Based on Research Objectives .....</b>	<b>226</b>
8.2.1	Research Objective One: Identify Informal Manufacturing SMEs Demographics..	226
8.2.2	Research Objective Two: To explore the challenges faced by informal manufacturing SMEs in Zimbabwe.....	228
8.2.3	Research Objective Three: To investigate the effectiveness of the economic programmes aimed at informal manufacturing SME development in Zimbabwe. ..	229
8.2.4	Research Objective Four: To assess the role of informal manufacturing SMEs in economic growth and development in Zimbabwe. ....	229
8.2.5	Research Objective Five: To assess the role of informal manufacturing SMEs in employment creation in Zimbabwe.....	230
<b>8.3</b>	<b>Summary of Main Conclusions .....</b>	<b>230</b>
<b>8.4</b>	<b>Recommendations of the Study .....</b>	<b>230</b>
8.4.1	Small and Medium Enterprises’ Access to Finance and Intervention Measures .....	231
8.4.2	Establishment of an SME Development Bank.....	231
8.4.3	Institutional, Legal and Regulatory Framework Reforms –Registration .....	232
8.4.4	Creation of a Decentralised Informal Manufacturing SMEs Database. ....	234
8.4.5	Formation of Business Incubators and Inter-Firm Linkages.....	235
8.4.6	Collateral Requirements Consideration .....	236
8.4.7	Enhanced Managerial and Technical Skills Training for the Informal SMEs .....	236
8.4.8	The Need for Government Interventions Focusing on Growth and Sustainability. .	237
8.4.9	Public Utilities.....	238
<b>8.5</b>	<b>Suggested Area of Further Research .....</b>	<b>238</b>
<b>8.6</b>	<b>Summary of Thesis .....</b>	<b>239</b>

<b>APPENDICES</b>	<b>240</b>
<b>APPENDIX 1: CATEGORIES OF THE INFORMAL MANUFACTURING SMEs</b>	<b>241</b>
<b>APPENDIX 2: APPROVAL LETTER</b>	<b>243</b>
<b>APPENDIX 3: ETHICAL CLEARANCE LETTER – MoSMECD</b>	<b>245</b>
<b>APPENDIX 4: ETHICAL CLEARANCE LETTER – RESEARCH OFFICE</b>	<b>248</b>
<b>APPENDIX 5: INFORMED CONSENT LETTER – RESEARCHER</b>	<b>250</b>
<b>APPENDIX 6: INFORMED CONSENT – PARTICIPANT</b>	<b>253</b>
<b>APPENDIX 7: AN INTRODUCTORY LETTER TO PARTICIPANTS</b>	<b>256</b>
<b>APPENDIX 8: SURVEY – STRUCTURED QUESTIONNAIRE</b>	<b>258</b>
<b>APPENDIX 9: SEMI-STRUCTURED QUESTIONNAIRE: FOCUS GROUP</b>	<b>268</b>
<b>APPENDIX 10: INTERVIEW GUIDELINES: SEMI-STRUCTURED QUESTIONNAIRE</b>	<b>272</b>
<b>APPENDIX 11: CONFIRMATION LETTER – FOCUS GROUP INTERVIEWS</b>	<b>278</b>
<b>APPENDIX 12: RESEARCH ASSISTANTS</b>	<b>280</b>
<b>APPENDIX 13: TIME SCALE – WORKPLAN</b>	<b>283</b>
<b>APPENDIX 14: MONETARY BUDGET</b>	<b>286</b>
<b>APPENDIX 15: TABLES – QUANTITATIVE DATA</b>	<b>288</b>
<b>APPENDIX 16: TABLES – QUALITATIVE DATA</b>	<b>296</b>
<b>APPENDIX 17: INTERVIEW SCHEDULE - CODE BOOK</b>	<b>304</b>
<b>APPENDIX 18: CONFIRMATION OF INTENTION TO SUBMIT THESIS</b>	<b>312</b>
<b>APPENDIX 19: DOCTORAL RESEARCH GRANT AWARD: 2017</b>	<b>314</b>
<b>APPENDIX 20: TURNITIN REPORT</b>	<b>317</b>
<b>APPENDIX 21: PROFESSIONAL LANGUAGE EDITING LETTER</b>	<b>319</b>
<b>REFERENCES</b>	<b>321</b>

## LIST OF TABLES

Table 1-1: Size of the informal sector.....	5
Table 1-2: Percentage of the employed urban male population in the informal sector in selected African capital cities.....	7
Table 1-3: Employment in the informal sector by industry and gender.....	17
Table 2-1: Categories of SMMEs as per the National Small Business Act.....	40
Table 2-2: Definition of enterprises in Zimbabwe.....	42
Table 3-1: Unlocking Potential and Formalisation of the Informal Economy.....	79
Table 4-1: Provinces and provincial capital cities in Zimbabwe.....	89
Table 4-2: Survey design and dates for fieldwork in Zimbabwe.....	93
Table 4-3: Focus group interviews and dates for fieldwork in Zimbabwe.....	95
Table 4-4: Summary of the structured questionnaire administered and the number of Questionnaires returned thereof (response rate).....	104
Table 4-5: Method of data analysis for quantitative research method.....	109
Table 4-6: Focus group interviews in Zimbabwe.....	109
Table 4-7: Method of data analysis for qualitative research method.....	118
Table 5-1: One-sample statistics.....	150
Table 5-2: One-sample test.....	150
Table 5-3: One-sample statistics.....	158
Table 5-4: One-sample test.....	159
Table 6-1: Number of employees employed by the informal Manufacturing SME.....	197

## LIST OF FIGURES

Figure 1-1:	Structure of the thesis.....	30
Figure 3-1:	The structuralist view of informality.....	65
Figure 3-2:	The legalist view of informality.....	67
Figure 3-3:	The rational choice view of informality.....	68
Figure 3-4:	The rational legalist view of informality.....	69
Figure 3-5:	The conceptual framework.....	73
Figure 4-1:	Prototypical Version of the convergent parallel design.....	87
Figure 4-2:	Research Design Implementation – quantitative and qualitative strands in a mixed-method convergent research design.....	88
Figure 4-3:	Location of phase two research sites in Zimbabwe.....	90
Figure 4-4:	Flowchart of the basic procedures used in implementing a convergent parallel design.....	98
Figure 4-5:	Zimbabwe’s ten provinces.....	100
Figure 4-6:	Map of Zimbabwe showing the towns and cities.....	101
Figure 4-7:	Location of phase two research sites in Zimbabwe.....	113
Figure 4-8:	The Sampling Process .....	114
Figure 5-1:	Geographical representation of the respondents in Zimbabwe.....	128
Figure 5-2:	Gender of the respondents.....	129
Figure 5-3:	Categories of age group of respondents.....	130
Figure 5-4:	Marital Status of respondents.....	131
Figure 5-5:	Educational level of respondents.....	132
Figure 5-6:	Categories of the informal manufacturing SMEs.....	133
Figure 5-7:	Number of employees of the informal manufacturing SMEs.....	134
Figure 5-8:	Number of years of operation for the informal manufacturing SMEs.....	134
Figure 5-9:	Designation of the respondents of the informal SMEs.....	136
Figure 5-10:	Status of the informal SMEs in terms of exporting.....	136
Figure 5-11:	Value of the informal SMEs annual sales / revenue.....	137

Figure 5-12:	Access to finance.....	139
Figure 5-13:	Infrastructure and collateral security .....	140
Figure 5-14:	Research, development and marketing skills.....	142
Figure 5-15:	Business structures, environment and location.....	144
Figure 5-16:	Entrepreneurial and managerial skills.....	146
Figure 5-17:	Legal and regulatory framework.....	147
Figure 5-18:	Challenges faced by informal manufacturing SMEs summarised.....	149
Figure 5-19:	Role of informal SMEs on economic growth and development .....	151
Figure 5-20:	Role of informal manufacturing SMEs on employment generation.....	153
Figure 5-21:	Effectiveness of economic programmes aimed at informal enterprises.....	155
Figure 5-22:	Mentorship Programmes.....	157
Figure 6-1:	Geographical representation of the respondents for focus group interviews in Zimbabwe.....	171
Figure 6-2:	Gender of the Respondents in the Focus Group Interview.....	172
Figure 6-3:	Age group of participants.....	173
Figure 6-4:	Marital status of participants.....	174
Figure 6-5:	Educational level of participants.....	175
Figure 6-6:	Categories of the informal manufacturing SMEs.....	176
Figure 6-7:	Number of employees of the informal manufacturing SMEs.....	176
Figure 6-8:	Number of years of operation for the informal SMEs.....	177
Figure 6-9:	Designation of the participants of the informal manufacturing SMEs .....	178
Figure 6-10:	Status of the informal SMEs in terms of exporting .....	179
Figure 6-11:	Value of the informal SME's annual sales revenue.....	180
Figure 6-12:	Motivators for starting the informal manufacturing SMEs.....	181
Figure 6-13:	Challenges faced by the informal manufacturing businesses.....	182
Figure 6-14:	Business acumen of the owners, non-management and managers of the informal SMEs.....	185
Figure 6-15:	Improved business knowledge and skills.....	186

Figure 6-16:	Challenges that can be addressed by government.....	187
Figure 6.17:	Sources of financing the informal manufacturing business from inception.....	188
Figure 6-18:	Possibility of informal manufacturing SMEs accessing government funding.....	189
Figure 6-19:	Impact of informal manufacturing SMEs to lives of the owners.....	190
Figure 6-20:	Major obstacles faced by the informal manufacturing SMEs.....	191
Figure 6-21:	Government role to boost informal manufacturing SME contribution to the economy.....	193
Figure 6-22:	Anticipated future difficulties in the informal manufacturing SMEs in Zimbabwe.....	194
Figure 6-23:	Proposed solutions to address these difficulties.....	196
Figure 6-24:	Government’s role in assisting the informal manufacturing SMEs in Reducing unemployment.....	199
Figure 6-25:	Proposed solutions by government to improve provision of utilities services.....	200
Figure 6-26:	Government initiated programmes to promote development of the informal manufacturing SMEs into becoming formal.....	202
Figure 6-27:	Confirmation of businesses that have benefited from government programmes to formalise.....	204
Figure 7-9.1:	Proposed business model for unlocking the potential of the informal manufacturing SMEs.....	218

**CHAPTER 1:  
INTRODUCTION**

## **1.1 Introduction**

The African continent needs to build research output towards the strong capabilities of generating quality information regarding the important role and contribution of the informal economies of its countries. More specifically informal manufacturing Small to Medium Enterprises (SMEs) in Zimbabwe as well as the discourse of how their potential can unlock and fully unfold into sustainable enterprises and integrate with the formal economy of a country. Suitable, validated models and policy frameworks aimed at the informal SME development should be proposed, continuously developed without disturbing the role of the informal economy sector towards economic growth and development, and employment creation.

This chapter presents a preamble to the background of the study, informal SMEs' background in Africa, with specific reference to informal SME developments in Zimbabwe, and even more focused, on informal SMEs in the manufacturing sector in Zimbabwe. Moreover, the rationale of the study, statement of the problem, aims of the study, objectives of the study, significance of the study, scope of the study, delimitation of the study and the structure of the thesis are explained.

## **1.2 Background to the Study**

The globalisation failure and poor neo-liberal policies to inculcate productivity through job creation have significantly contributed to the emergence of the informal sector in many economies (Chant and Pedwell, 2008). The informal sector has become a very prominent characteristic of many economies in the world accommodating a significant proportion of employees failing to get jobs in the formal sector (Williams and Nadin, 2012; Distinguin, Rugemintwari and Tacneng, 2016; Ali, Rattanawiboonsom, Perez, and Khan, 2017).

The importance of the small to medium enterprises (SMEs) sector and the informal sector (survivalist and micro enterprises) varies globally across countries and reiterate the substantial role that SMEs play in national development (Taiwo, Onasanya, Agwu and Benson, 2016). As such, the importance of the informal sector decreases as the levels of economic development improve, while the importance of formal SMEs increases (Ayyagari, Beck and Demirgüç-Kunt, 2005; 2007). Moreover, the significance of SMEs in the broader processes of economic growth and re-building has been increasingly acknowledged globally (Wang, 2016; Maksimov, Wang, and Luo, 2017). The above is further supported by Daniels as cited by Ncube (2000) who estimated that SMEs employ 22% of the economically active population in developing countries while Ihahi (1999), acknowledged that in less developed countries SMEs employ more than 30%

of the total labour force. United Nations Industrial Development Organisation (UNIDO) (1999), estimated that SMEs in most African countries represent over 90% of privately owned businesses and contribute more than 50% of employment and gross domestic product (GDP).

Historically, economic development revolved around the promotion of infant industries (SMEs) (Rostow, 1960, 1963). It was one of the major drivers of successful industrialisation in Europe and the Western World. In East Asian countries, Singh (1999) observed that high economic growth in export-led growth has been attributed due to the improvement in SMEs' productivity and size.

According to the International Labour Organization (ILO) (2009) and the World Trade Organization (WTO) (2016), informal SMEs in developing countries contribute on average 65% of jobs with a corresponding 30% output. Furthermore, the World Bank (2007) observes that SMEs contribute significantly towards employment generation, for example, in China they contribute about 78%, United Kingdom 39.6%, India 66%, Russian Federation 50.5%, United States of America, 50.5%, South Africa 39%, Ghana 66%, Egypt 73.5%, Brazil 67%, and Mexico 71.9%. Kasseeah (2016), observed that an informal sector is common in low and middle-income economies.

Matshalaga (1998), Havenga (2001), Kennedy and Hobohm (2001), Kessey (2014) and Turyakira and Mbidde (2015) concurred that the significance of SMEs is uneven across the globe as it differs from one nation to the other and from one continent to the other in line with the definition, level, patterns and speed of economic development. Despite that observation, Storey and Westhead (1994), concluded that SMEs are the seed-bed for development of many large corporations, and the 'life blood' of commerce and industry in most countries. In Koto's (2015) articulation, the informal sector is no longer at the periphery of a country's economy but forms an integral part in the economic growth and reconstruction of countries in many dimensions. In Western countries, the formal economy plays a pivotal role, while in Africa and many developing countries it still plays a limited role and is greatly limited to towns and cities, even though the majority of the people live in poor, rural areas and depends largely on the underdeveloped informal economy (Ndiweni and Verhoeven, 2013).

Overall, the informal economy globally is the largest employer (Kasseeah, 2016:431) and plays a very important role in most countries with an estimate of over 75% of official gross domestic

product (GDP) in Nigeria, 22% of GDP in Cameroon and to about 10% in the United States of America (USA) (Schneider and Enste, 2000a; Akinboade, 2015). In Zimbabwe, the informal economy was estimated to be 60% of GDP in 2004 (Schneider and Klingrnair, 2004).

Table 1-1 (stemming from Charmes, 2000 as cited by Chen, 2012) sums that the size of the informal sector is large. The contribution of the informal sector income to total household income is significant in many regions across the globe. Several African countries have their informal sector income accounts accounting for nearly 30% of their total income and over 40 % of their total urban incomes (Chen, 2012).

**Table 1-1: Size of the Informal Sector**

<b>Informal sector as a share of</b>	<b>Latin America Caribbean Islands</b>	<b>Africa</b>	<b>Asia</b>
Non-agricultural employment	57%	78%	45-85%
Urban employment	40%	61%	40-60%
New jobs	83%	93%	n/a

**Source: Charmes (2000) (as cited in Chen, 2012)**

## **1.2.1 Informal SMEs: Background in Africa**

### **1.2.1.1 Overview of Informal SMEs in Africa**

Africa as a continent is characterised by a disorganised and non-constitutional interaction of various economic activities in both the rural and urban areas (Soderbaum, 2007). The informal sector, its urban precincts, has been blamed as the root cause of many problems in Africa (Hobson, 2011). The informality undermines the ability of the African governments to raise revenue through taxation and leads to exploitation of the many investment opportunities available. However, with ongoing research studies, it has become clearer that workers in the informal sector should not be vilified since in most cases they are forced out from the formal employment into the informal sector to survive the turbulent economic business operating environment with huge contributions being unrecorded in the official country statistics (Soderbaum, 2007).

Informal SMEs in African countries play a crucial role in employment generation, stimulating economic growth and poverty alleviation (Abor and Quartey, 2010; Kesseey, 2014). Fisher and Reuber (2000) assert that most informal SMEs in Africa are engaged in retailing, trading and

manufacturing, with retailing and trading mostly found in urban regions while manufacturing is either present in rural or urban centres. In most cases, the degree to which involvement of a country will be in the informal manufacturing sector depends on a number of factors including preference, taste and consumption of local consumers, availability of the inputs used to manufacture (raw materials), and the level of development of the local and export markets (Chen, 2012; Njaya, 2015).

In Africa most of the informal SMEs are labour-intensive and they contribute to a more even distribution of economic activity in rural and urban areas and help to manage rural-urban migration. Kayanula and Quartey (2000), have argued that, because of the regional dispersion and labour intensity of SMEs, small-scale production leads to a fair, equitable distribution of income than large corporations. SMEs' participation in the economy also lead to improvement of the efficiency of domestic markets and productive use of scarce resources thereby resulting in long-term economic growth. Informal SMEs can contribute to economic diversification through venturing into new and unsaturated sectors of the economy. Ntsika (1999) and also later Berry *et al.* (2002), observed that SMEs in Ghana represents 92% of businesses and contribute to an estimated 70% of Ghana's GDP and over 80% to employment. In South Africa, SMEs account for about 91% of all formal businesses, contributing an estimated 52% to 57% of GDP and 61% of total employment.

In Sub-Saharan countries, the informal sector contributes between 40% and 60% towards the gross domestic product (GDP) (Fjose, Grunfeld and Green, 2010). Hobson (2011) concludes that studies indicate that in Sub-Saharan Africa (SSA) the sector contributes nearly 55% of the sub-continent's gross domestic product and 37.7% of the share of GDP in North Africa (Charmes, 2006). In light of the significant contributions of the informal sector to employment generation and the gross domestic product, though not recorded in official statistics, the challenges and needs of the informal sector require active attention. In many African cities, the informal economy is often a dominant sector for male and female employment alongside the formal sector as shown in Table 1-2.

**Table 1-2: Percentage of the Employed Urban Male Population in the Informal Sector in Selected African Capital Cities**

Country	City	Percentage
Benin	Cotonou	61.8
Burkina Faso	Ouagadougou	19.9
Cameroon	Douala	93.2
Chad	N'Djamena	57.3
Congo	Brazzaville	61.4
Cote d'Ivoire	Abidjan	52.3
Ethiopia	Addis Ababa	17.4
Ghana	Accra	35.8
Kenya	Nairobi	2.8
Madagascar	Antananarivo	48.8
Mali	Bamako	51.0
Mozambique	Maputo	3.7
Namibia	Windhoek	39.7
Niger	Niamey	54.7
Nigeria	Lagos	11.7
Rwanda	Kigali	17.5
Senegal	Dakar	16.9
Uganda	Kampala	18.9
Zambia	Lusaka	6.9
Zimbabwe	Harare	84.6

**Source: United Nations (UN) Habitat (2008): The State of African Cities Report**

Self-employment in the informal sector has increasingly become the only alternative solution to rising unemployment, especially among the youth in Africa (Hobson, 2011). Following Economic Structural Adjustment and Liberalisation Programmes (ESALP) during the early 1990s in Africa, the informal sector grew substantially as a result of the unplanned closures of the businesses in the formal sector and retrenchments that followed. Malawi is a good example where Structural Adjustment Programmes (SAPs) and other factors greatly affected female-headed small-scale households who were forced to resort to casual labour (Whiteside, 2000). In Zimbabwe, informal cross-border trade significantly provided a reasonable income for traders suffering under the trying conditions that arose due to the Economic Structural Adjustment Programme (ESAP), and many traders indicated that this sector was a better paying option than the lowly paid formal jobs (Muzvidziwa, 1998).

In addition, Hobson (2011) argues the various factors pushing people into the informal sector with difficult government regulatory environments for businesses and high entry barriers to formal employment being among the two major causes. The informal sector often thrives in Africa in countries with strict and inflexible government restrictions, where bureaucratic or corrupt government regulatory procedures force people to conduct their business activities without following the laid down procedures in the formal spheres (Bloomley, 1977; Chen, 2012; Akinboade, 2014).

Despite the important role of SMEs in economic growth, poverty alleviation and employment generation in African countries, there are some challenges affecting the informal sector's ability to realise their maximum potential and to further contribute to economic success. SMEs are faced with challenges such as lack of access to finance, lack of managerial skills, equipment and technology, lower innovation levels, strict regulatory issues, inadequate training facilities and limited access to global markets (Steel and Webster, 1991; Aryeetey *et al.*, 1994; Gockel and Akoena, 2002; Kessey, 2014; Distinguin *et al.*, 2016 and Odongo and Wang, 2016). This is further supported by Gatti (2012) who highlights that, while in Africa there is a large number of SMEs, start-up for growth remains very low because of limited access to finance and strict government regulation. Hobson (2011) argues that Local Economic Development (LED) assessments explain the bottlenecks faced by the informal sector that needs to be identified and addressed, towards improving its ability to significantly generate revenue and generate more jobs for the poor people.

According to GATT (2012), SME development in Africa is largely influenced by the governments' policies towards the informal SMEs, and it is crystal clear that these policies differ significantly across the continent. World Bank Doing Business Report (2012), observes Chad as one of the most difficult African countries to conduct business, with a high tax rate of 65%, strict/difficult insolvency regulations, making it difficult for SMEs to operate and make profits. Other African countries with difficult regulations are Republic of Congo, Nigeria and Eritrea. In general, Lesotho's SMEs are also by no means unique to Africa, in the kind of challenges they face. The SMEs confront challenges such as use of simple technologies, unskilled human capital, limited capital, information asymmetry, networks that could make them competitive locally and internationally (Rantso, 2015).

The African Development Bank (AfDB) (2012), reports that access to finance is one of the major challenge for SMEs with reports indicating that only 20% of African SMEs are having access to credit and that only 9% of the investments in SMEs are funded by a bank. This is in contrast to

Europe where 23% of SMEs are financed through commercial banks, and South America and the Caribbean where 44% have access to credit.

African economies are characterised by a myriad of informal activities, unlike in Western economies where the formal economy plays an important part (Soderbaum, 2007:160). In developing countries, the formal sector plays a limited role and is confined to cities and towns, yet the majority of the population lives in remote rural areas and survive solely on the informal economy. The majority of African countries have failed to develop robust formal economies after independence, except South Africa (Kaliyati, 1998; Grimm, 2009; Njaya, 2015) because of lack of government support and strict regulations.

In conclusion, on the overview of informal SMEs in Africa, it has been observable that African SMEs face significant challenges that affect their growth and these challenges vary from country to country. If a business model that may unlock the value of the informal SMEs can be developed for the African economies, this could provide substantial opportunities for employment generation, economic growth and economic development.

### **1.3 The Evolution of the Informal SME in Zimbabwe**

#### **1.3.1 Introduction**

This section aims to discuss the history and role of the informal sector in Zimbabwe post-independence from 1980 to 2016. It also reflects on the Government of Zimbabwe's attitudes towards the informal sector which include stifling informal SMEs' growth, lack of recognition and harsh rules and regulations.

Njaya (2015) observes that the informal sector in Zimbabwe has existed since ancient times. It has grown side by side with the formal/official economy though at a very small scale especially during the early 1990s. The informal sector was characterised in the early 1990s, by unregistered and unregulated SMEs who optionally chose to remain unregistered and avoided taxation. Dhemba (1999), concurs that the informal sector in Zimbabwe have emerged by default and not by design with the Rhodesian government having tried to suppress the growth of the informal sector in urban areas through the creation of the Regional Town and Country Planning Act (1946), the Vagrancy Act (1960) and the Urban Councils Act and the Vendors and Hawkers By-Laws (1973). Mkandawire (1985), claims that all economic activities outside the so-called '*white*

*economy*' were regarded as being illegal thereby forcing the economically active population into wage employment. In 1981 the Riddell Commission recommended that the country should recognise and promote the informal sector to raise the living conditions of the general population.

According to Luebker (2008), informal sector development cannot be seen in isolation with an economy's overall economic performance, as the generation of jobs in the formal sector is a determinant of the growth of the informal sector since the informal economy normally absorbs those who find it difficult to find jobs in the formal sector. The emerging informal economy in Zimbabwe is proliferated because of the many government economic transformation policies that have failed from 1980 to date (Ndiweni and Verhoeven, 2013).

According to Basu (2010), the urban informal economy has become an important economic landscape across the many developing countries of Africa. In Zimbabwe, the economic activities of the different informal sectors have been recognised as being strategic in nature since they enabled Zimbabwe as a country to survive the worst economic crises in its history by providing livelihoods to the majority of its people (Mbiriri, 2010; Ngundu, 2010).

### **1.3.2 Growth with Equity Policy in Zimbabwe (GWE): 1980 to 1990**

Bond and Saunders (2005), observed that after Zimbabwe's independence in 1980 many Zimbabweans had hoped for a bright and better future after decolonisation. The country had a better infrastructure adopted by the Ian Smith regime built with extensive state support. Chiripanhura and Makwavarara (2000), observed that the Zimbabwean economy during the early 1980s exhibited characteristics of a relatively developed economy and economic backwardness, arising from the policy of the white minority during the colonial era. The informal sector during the 1980s constituted about four fifths (4/5) of the total population.

The democratic Government of Zimbabwe post-independence intervened aggressively in the labour market by addressing the economic distortions that existed between the black majority and the white minority, to ensure the security of employment. This was propelled through the government's first policy in 1981 called the Growth with Equity (GWE) (Ncube, 2000). The policy saw a radical change with the black-dominated government employing a large number of the black people in the public sector. Ncube (2000) observes that total employment in the public sector rose from 9.3% in the year 1975 to 19% in the year 1985, implying that the black-dominated government had assumed a major role as the 'employer of last resort.'

Chirisa (2009) observed the period 1980 to 1990 as being in a booming formal sector with an insignificant role being played by the informal sector in many major urban areas. However, there was evidence of an emerging informal sector, with an increased number of home industries mushrooming in the urban centres. The government emerged with policies and initiatives to encourage the concept of growth points in marginalised / remote areas as a great stride in promoting entrepreneurialism at a small scale. The informal sector during this period was very small in size and government promoted and supported the informal sector in the form of growth points and home-based industries. Much negligence by the government was being experienced by the informal sector since the focus of the government was centred on addressing the economic, social, political and cultural imbalances of the past.

Ncube (2000) argued that because of a flourishing formal sector, the government had a negative, hostile, oppressive attitude towards the informal sector owing to their failure to comply with the government taxation requirements. With the decline in economic growth, reduction in formal employment, retrenchments in public and private sector due to ESAP and a rapid increase in rural to urban migration, Government's attitude towards the informal sector changed. This saw a growth in informal sector activities in the macro-environment.

### **1.3.3 Economic Reforms Policy in Zimbabwe: ESAP – 1991 to 2000**

The adoption of key elements of economic reforms in the years 1991 to 2000, were economic structural adjustment packages that were designed by the Bretton Woods Institutions and World Trade Organization (WTO) as a solution to the slow economic growth experienced by developing countries which exacerbated existing social ills, with the most critical being the massive retrenchment of skilled and unskilled labourers in both the public and private sector followed by closure of many manufacturing companies.

The adoption of economic and institutional reforms by many African countries within the framework of Structural Adjustment Programmes (SAPs) was guided and supported by the World Bank (WB) and International Monetary Fund (IMF) and led to the adoption of the Economic Structural Adjustment Programmes (ESAP) in Zimbabwe. This led to the gradual but systematic decline of the formal economy and the growth of the informal economy (Fashoyin, 2008; Mhone, 2002 and Tibaijuka, 2005) despite its objective of jump-starting economic growth in response to a crisis situation. The major objective of the ESAP policy was the promotion of SMEs as it was spelt out by highlighting that, “... *the informal and the small to medium scale formal business*

*sectors of the economy together have the potential to make a major contribution to the wealth and employment creation.*” (Government of Zimbabwe (GoZ) (1990), A framework for Economic Reforms 1991 - 1995).

The Economic Structural Adjustment Programme policy acknowledges SMEs through the elimination of stumbling blocks to economic reconstruction being the tools that can be used to improve economic efficiency and effectiveness. Tekere (2001), argued that trade liberalisation enhances the welfare of consumers and leads to a reduction of poverty by ensuring that households will have opportunities to choose from a wide variety of reasonable quality and cheaper imports.

However, according to Marquette (1997), the adoption of ESAP with the objective of deregulating the domestic economy, reducing the public deficit, and liberalisation restrictions on international trade signalled a formal shift away from state interventionism, regulation towards non-interventionism, privatisation and deregulation. Mumbengegwi (1993), also argued in support of ESAP saying that liberalisation of the economy towards a free market-approach creates an ‘enabling and conducive climate’ for SMEs’ development. The elimination of government regulations improved the operating environment by allowing owners to react effectively to prevailing market breaks and thereby promoting rivalry that enhanced efficiency, effectiveness and increased production (Mumbengegwi, 1993; Tekere, 2001 and Chirisa, 2009). ESAP, however, failed in Zimbabwe resulting in widespread retrenchments since government restructuring led to a reduction in public sector employment with the assumption that the private sector would naturally absorb the retrenchments (Sibanda, 2005).

Chirisa (2009) concluded that with the adoption of ESAP on the full swing, unemployment increased to a high level from 10% in the 1980s, to approximately 20% after 1990 and many thousands of unemployed people had to search for a living and did not have many options but to be self-employed, leading to the creation of informal sector operations in urban areas. Daniels (1994) as cited by Ncube (2000), estimated the growth of the non-formal sector at 14% between 1991 and 1993 in Zimbabwe.

Njaya (2015), argues that the growth of the informal sector has its roots in the Economic Structural Adjustment Programmes (ESAP) of the 1990s during the period 1990 to 1995, business regulatory policies (Indigenisation and Economic Empowerment Act) and other economic policies (Price Controls) and the chaotic Fast Track Land Redistribution Programme (FTLRP). Many thousands

of workers in Zimbabwe were pushed into the informal sector by these policies. Mupedziswa and Gumbo (2001) argue that by 1995 the Government of Zimbabwe indirectly was forced to acknowledge the existence and potential of the informal sector as a viable option for employment generation. The informal sector by 1996 employed 1.56 million participants compared to 1.26 million in the formal sector.

With ESAP failing to generate economic growth and creating jobs in the private sector to absorb the excess labour there were countrywide demonstrations in 1993, 1995, 1996 and 1997 when civil servants went on major public protests (Bond, 2007). In response to these challenges the government introduced a second economic reform programme called Zimbabwe Programme for Economic Transformation (ZIMPREST) which covered the period from 1996 to the year 2000 aimed at reinforcing the achievements of ESAP and addressing the shortcomings of the previous economic reform programme during the first five years (AfDB, 1999; 2001).

In conclusion, as put forward by Njaya (2015), the growth of the informal sector can be traced to Economic Structural Adjustment Programmes (ESAP), Indigenisation and Economic Empowerment Act (IEE) and the Fast Track Land Reform Programme (FTLRP) in 2000. These unorthodox and unfriendly policies pushed thousands of workers into the informal sector (Brand, 1986; Gemini, 1993; Bond and Saunders, 2005; AfDB, 2009; Dube, 2010).

### **1.3.4 Millennium Economic Recovery Programmes (MERP) in Zimbabwe: Year 2000**

In early 2000, after the implementation of ESAP and ZIMPREST, the Government of Zimbabwe realised that the majority of the provisions stipulated in the two (2) policy documents had not been implemented.

With macroeconomic instability weakening the manufacturing sector and many companies being forced to shut down, following the trade liberalisation, the government came up with a third economic reform programme termed Millennium Economic Recovery Programme (MERP) whose objective was to stabilise the economy. However, the MERP was not a success as the economy was on the brink of total collapse (World Bank, 2000; UNDP, 2008; Zindiye, Chiliya and Masocha, 2012).

Mupedziswa and Gumbo (2001) observe that, with the Zimbabwean education system churning thousands of graduates annually, the formal job market could only absorb a tenth with the rest seeking a living from the informal sector. They argue that the informal sector had become a haven for the thousands of job seekers who need to make a living, given the hardships experienced during ESAP, ZIMPREST and MERP economic reform programmes which failed in principle.

### **1.3.5 Macroeconomic Policies Leading to Economic Collapse in Zimbabwe: 2002 to 2009**

In the early 2000s, the Zimbabwean government adopted the National Economic Revival Plan (NERP) (2003), Macroeconomic Policy Framework (2004), National Economic Recovery Development Priority Programme (NERDPP) (2006), and Zimbabwe Economic Development Strategy (ZEDS). These programmes instead of being supportive of the informal sector development and growth were actually binding constraints. During this period the macroeconomic environment in Zimbabwe presented enormous economic challenges characterised by massive de-industrialisation, massive devaluation of the currency, loss of jobs, poverty and a decline in GDP rates (World Trade Organization, 2011).

Tibaijuka (2005) as cited by Makaye and Munhande (2008), observes that mass education coupled with a declining economy led to an increased demand for formal employment resulting in an estimated four million people in Zimbabwe living from income generated from the informal sector by 2005. This is supported by Coltart (2008), who points out that by June 2005 a minimum of three million people in a country with an estimated eleven million people depended on the informal economy for their survival. However, the majority of government policies towards informal sector development have become hostile as illustrated by the nationwide military style clean-up code named '*Operation Murambatsvina / Restore Order*' which destroyed many informal businesses and housing (informal businesses, homes, illegal vending sites and structures) with the objective of restoring "dignity and order" in the urban centres around the country. With Operation Murambatsvina /Restore Order not only targeting illegal housing but also the formal economy it impacted negatively on the livelihoods of many Zimbabweans.

According to the United Nations Development Programme Report (UNDP) (2008), with no more than 20% of the Zimbabwean population being employed in the formal sector and an estimated 80% surviving from informal sector activities the operation had a severe impact on millions of people. Tibaijuka (2005) argued that with an estimated three to four million Zimbabweans

surviving from the informal sector employment; their earnings further support approximately another five million people, and local municipalities deriving some of their revenue from licence fees levied from the informal sector activities. Operation Murambatsvina / Restore Order was an ill-advised and ill-timed activity despite the government defence that it had carried out the operation for technical, legal and practical reasons as it acted within the parameters set out by appropriate legislation.

Sokwanele (2009) concludes that between the years 2000 to 2008 the informal sector was the 'unofficial backbone' of the Zimbabwean economy and removing the informal sector was tantamount to reducing the country to a state of abject poverty. However, Bratton and Masunungure (2006), observed that the central government argued that the operation was meant to get rid of criminal activities which robbed the government of revenue and also put to an end to the illegal underhand foreign currency dealings that were associated with the informal sector.

### **1.3.6 Reconstruction Process and Policies in Zimbabwe: 2010 to 2016**

The contracting Zimbabwe economy led to the adoption of many other policies with the adoption of Short- Term Economic Recovery Programme (STERP) and Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIM-ASSET) being the latest government tools in trying to stimulate economic growth for an already weak and contracting economy through the stabilisation of the macroeconomic environment and creation of development opportunities for micro, small and medium enterprises (National Micro, Small and Medium Enterprises Policy Framework, 2014-2018). The government also attempted to take over companies illegally by using the controversial Indigenisation Policy where formal organisations have been forced to seed 51% of the shareholding to the local black people as part of an economic empowerment programme.

According to the STERP document, the epicentre of the economic crisis in Zimbabwe have been high levels of inflation, negative growth rates, massive devaluation of the local currency, loss of jobs, poverty, low production capacity, high levels of de-industrialisation and general despondency.

Despite all these efforts Government's accommodative and supportive role towards the informal sector has been very slow and characterised by a bureaucracy with only a few informal business associations registered to date. Some government departments are still hostile towards the

informal sector despite the mounting problems of high unemployment, low economic growth and the inability of urban local authorities to cope with the demand for social facilities.

In Zimbabwe, the informal sector lacks official recognition and support from the government even though in the last decades as cited by Chibisa and Sigauke (2008), the sector has saved the economy from complete downfall. The Government of Zimbabwe has, however, partially acknowledged the importance of the informal sector by creating the Ministry of Small and Medium Enterprises in 2005. In conclusion, the worst economic decline in Zimbabwe between the periods 2000 to 2008 saw the informal sector being instrumental in ensuring that many millions of people met their basic wants and needs.

#### **1.4 Informal SMEs in the Manufacturing Sector in Zimbabwe**

Tekere (2001), argues that the manufacturing sector post-independence was the most protected sector before the trade reforms and the adoption of Structural Adjustment Programmes (SAPs). Liberalisation has had the greatest impact on the economy with the mushrooming of the informal SMEs in Zimbabwe. The informal sector generates a reasonable number of jobs for many African countries and tends to revive the manufacturing sector in remote regions. Evidence in research shows that SMEs enjoyed a fundamental part in the progression of the manufacturing segment in South East Asia, with nations like Taiwan, South Korea, Malaysia, Japan and Hong Kong owing their industrial expansion to SMEs (Tevera, 1998; Looye, 1998; Sunita and Mead, 2002).

The micro, small and medium enterprise (MSME) sector is considered one of the major players in the economy contributing an estimated 60% of the gross domestic product and 50% of total employment (Ministry of Small and Medium Enterprises and Cooperative Development, 2014). According to Zimbabwean Statistics Agency (ZIMSTATS) (2014), the informal manufacturing sector constituted approximately 12.8% of employment in the informal sector by industry and gender as shown in Table 1-3.

**Table 1-3: Employment in the Informal Sector by Industry and Gender**

<b>Industry</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Mining and Quarrying	6.3	1.4	3.7
Manufacturing	18.5	7.6	12.8
Electricity gas, steam and air conditioning supply	0.3	0.0	0.1
Water Supply, sewerage, waste management	0.3	0.0	0.2
Construction	13.3	0.0	6.3
Wholesale and retail trade; repair of motor vehicles	41.3	78.8	61.0
Transportation and storage	7.4	0.3	3.7
Accommodation and food service activities	0.5	1.3	0.9
Information and communication	1.0	0.1	0.5
Financial and insurance activities	0.3	0.0	0.2
Real estate activities	0.2	0.1	0.1
Professional, scientific and technical activities	0.3	0.0	0.1
Administrative and support service activities	1.5	0.1	0.8
Public administration and defence, compulsory social security	0.1	0.0	0.1
Education	0.8	0.6	0.7
Human health and social work activities	0.1	0.0	0.0
Arts, entertainment and recreation	2.4	0.1	1.2
Other service activities	5.3	9.6	7.6
Activities of extraterritorial organisations and bodies	0.1	0.0	0.0
Total Percentage	100	100	100
<b>Total Number</b>	<b>408 244</b>	<b>450 816</b>	<b>859 060</b>

**Source: ZIMSTATS (2014)**

The second largest industrial sector by employment for the informal sector is the informal manufacturing sector with 12.8% composing 18.5% males and 7.6% females as presented in Table 1-3 above hence the decision of the researcher to focus on this sector.

### **1.4.1 Manufacturing Sector: Formal versus Informal**

World Trade Organization (WTO) (2011), defines Zimbabwe's manufacturing sector as relatively large and well-diversified because of import-substitution policies adopted pre- and post-independence in 1980. The manufacturing industry is characterised by industries in the cement, packaging, agro-processing, beverages, clothing and textiles, metals, wood and furniture, fertiliser and chemicals among many others. The manufacturing industry is largely concentrated in urban centres such as Bulawayo, Harare, Gweru, Mutare and Masvingo (CZI, 2001; 2002; Ministry of

Finance, 2009) with this sector contributing close to 17% of the GDP and employing 15% of the economically active population. The explanation above is only limited to the formal manufacturing sector with much contributions happening in the informal SMEs being unaccounted for despite their contributions especially in small urban centres where formal industries are non-existent or limited.

In Zimbabwe, informal SMEs are largely diversified and function in different market forms with varying sizes of economic activity from one city to the other. Informal SMEs engage in various manufacturing activities including but not limited to textiles, carpentry, basketry, brick-moulding shoe-making, panel beating, metal fabrication and toiletry production (Bango, 1990; Chiwera, 1990; Mudzonga, 2009). Dutta (2005), on the other hand, defines the formal SMEs as those that are registered under the statutory rules and regulations governing company laws in the country they are operating.

During the period 1980 to 1990, the Zimbabwean manufacturing sector contributed 15% of formal employment and 25% towards the GDP. However, a volatile macroeconomic environment saw the performance of the sector declining by more than 50% between the years 2000 and 2008 mainly because of the influx of cheaper imported goods, recurrent droughts, shortages of foreign currency, lack of adequate capital, hyperinflation, price distortions caused by government price controls, unreliable utility and energy supplies (coal, fuel, water and electricity) (WTO, 2011).

According to the Confederation of Zimbabwe manufacturing sector survey (2007:14), there was a significant decline in the number of people working in the formal sector, with the majority who lost their jobs joining the informal sector. Mumbengegwi (1993), indicated that in small urban centres of Zimbabwe the activities from the formal sector are limited or non-existent with a significant portion of the manufacturing happenings occurring in the informal economy which is controlled by SMEs.

Makaye and Munhande (2008) observed that the informal sector can be categorised into two groups which are different in nature. The first group consists of individuals and families who opted to go informal as a strategy for coping with a harsh earning environment while the second group consists of small, micro and medium entrepreneurs who capitalise on the harsh economic climate as an opportunity to evade strict government regulations.

In summary, the manufacturing sector in Zimbabwe is significantly growing with thousands of school leavers and graduates entering the labour market from one year to the other to attain limited formal jobs. This has led to those who are not formally employed being indirectly forced to join the informal sector with an estimate by ZIMSTATS (2014), indicating that over approximately four million people are employed in the informal sector clearly showing the importance of SMEs in the Zimbabwean economy.

### **1.4.2 Types of Informal Manufacturing SMEs in Zimbabwe**

In Zimbabwe, unlike many African countries, the informal SMEs sector is largely dominated by manufacturing while in other African nations the informal sector is subjugated by retail (Rasmussen, 1992). Many governments in Africa have long recognised the need to promote informal sector development in an attempt to reduce poverty, reduce migration from rural to urban areas, generate employment, mobilise local resources, and disperse industrial enterprises evenly across the regions in a country. It is in this regard that this study is guided by the need to unlock the value of the informal SMEs in Zimbabwe by building a reliable and innovative business model to ensure growth and taking part in the Fourth Industrial Revolution. The manufacturing sector has been identified because, according to McPherson (1991), it is estimated that over 70% of SMEs in Zimbabwe are in manufacturing, with 23% in trading of commodities (retailing) and 7% in the services sector.

Many scholars argue that the informal manufacturing sector, especially those operating in the urban segment, is a manifestation of the involuntary process. This is supported by the theoretical premises of the basic Todaro Model of the absorption of surplus labour into the urban informal sector (Todaro, 2015).

## **1.5 Rationale of the Study**

According to Rogerson (1996), the informal sector has been seen as an area of survivalist businesses mainly for employees who would have failed to be absorbed in the formal sector and rural/foreign migrants who are seeking a source of living. However, its importance in many African countries is to become a reliable source of livelihood for a large segment of the economically active population including middle-class people who are also earning a living from the above sector (Rukamann, 2007).

Charmes (1990) found evidence to the effect that, “the informal sector contributes to Gross Domestic Product over and above the minimum wage” and concluded that the informal sector within a larger economic environment is not wholly undesirable.

Several scholars have argued that the informal sector has potential to achieve high productivity levels. Todaro (1994) and Sookram and Watson (2008) observe that in developing countries the informal sector contributes between 20% to 70% to the country’s GDP, clearly indicating the expansion and flourishing of the informal sector in the developing world.

According to Soderbaum (2007:160), Africa is no exception as characterised by a myriad of informal and non-constitutional interactions and economic activities. Most African countries depend on their informal sector in driving their economies towards the achievement of many economic and social goals (Olawale and Garwe, 2010). In Zimbabwe, the size of the informal economy was 59.4% in 2004 (Schneider and Klingrnair, 2004).

Chen (2007) argues that because of the existence and perpetual growth of the informal sector government should rethink the value, importance and the important contributions this sector can make to the country’s industrial development in particular. The governments across the globe have realised the need for pro-active strategies to ensure that the informal sector’s value can be unlocked (Riddell Commission 1981; UNIDO, 1999; ZEPARU and BAZ, 2014).

In Zimbabwe, the informal sector is neglected by most planning systems in both urban and rural areas forcing the entrepreneurs’ in this sector to do their business activities in very hostile environmental conditions (Mkandawire, 1985; Dhemba, 1999; Chigwenya and Mudzengerere, 2013). However, SMEs are now believed to be so important in supporting economic development within a country, and globally most governments are giving attention to the development of SMEs (Bowale and Ilesanmi, 2014).

Since the informal sector is increasingly absorbing a great number of the active labour force, policy-makers are considering the formalisation of the informal economy in light of a shrinking revenue base from the formal tax base as a way of increasing the contribution of the informal sector to tax revenue; also supporting the informal sector to reduce poverty and improve the quality of life (ZEPARU and BAZ, 2014). The financial services sector is interested in promoting

financial inclusion and financial sector deepening and nurturing players in the informal sector to contribute towards savings mobilisation.

According to the ZIMSTAT Survey on Labour Force Report (2011), 84% of economic activity occurred in the informal sector, 11% occurred in the formal sector and 5% in other sectors which could not be classified. This survey indicated that the informal sector in Zimbabwe is significantly larger than the formal sector and has proved capable of significantly contributing towards the recovery, growth and development of the economy. These results are evidence of failed structural adjustment programmes of the past. However, the potential has to be nurtured and supported to get the majority of SMEs from informal activities to become formidable formal forces in the economy.

In addition, the Fin Scope Report (2012), asserted that out of 3.4 million SMEs in Zimbabwe, 85% are not formally registered or licensed and of the remaining 15%, individual entrepreneurs comprise only 10% of the total that are formally registered or licensed. Therefore, to formalise the operations of the informal SMEs to ensure that their full potential is realised is a high priority (Marunda and Marunda, 2014).

According to a study from the European Commission in 2007 and 2010, formal SMEs generated 85% of all new jobs in Europe from 2002 to 2010 (European Commission, 2007; 2010). Economic growth in countries such as Japan, Korea, Taiwan and many others were significantly contributed by SMEs. Apart from their role in GDP growth, SMEs have other significant socio-economic characteristics such as their contribution to new job creation and reduction of poverty and wealth creation (Kongolo, 2010; Karadag, 2015). On the other hand, informal SMEs also contribute a greater percentage towards the gross domestic product of their countries with an estimate of more than 50% in Zimbabwe (Government of Zimbabwe, 2002 as cited by Chigwenya and Mudzengerere, 2013).

With evidence in Zimbabwe showing that the large informal manufacturing sector acts as an important shock absorber for an ailing economy, the revitalisation of the informal SMEs sector will greatly contribute to the socio-economic development of Zimbabwe if all participants direct their effort towards creating an enabling environment (Gono, 2009; Ndiweni, Mashonganyika, Ncube and Dube, 2014). The Government of Zimbabwe's realisation of the importance of SMEs

and its commitment to the SME sector development is demonstrated by the establishment of the Ministry of Small and Medium Enterprises and Cooperative Development (Chivasa, 2014).

In conclusion, to the unlocking of potential for the informal manufacturing SMEs, Qotho Microfinance Advisory Limited (2009), highlights that the panacea to Zimbabwe's economic problems is to support the informal sector since historically it employed and supported the majority of the people. All stakeholders must work towards achieving this crucial aim for the economy to grow.

## **1.6 Statement of the Problem**

The International Labour Organization (ILO) (2016) observes poverty eradication in Sub-Saharan Africa (SSA) continues to be the biggest challenge for all communities today. ILO estimates that the average contribution of the informal economy as a percentage of the GDP in Sub-Saharan Africa (SSA) is 41%, with 30% in South Africa to around 60% in Nigeria, Zimbabwe and Tanzania, with the informal sector representing about three-quarters of non-agricultural employment and 72% percent of SSA's employment. Over the last couple of years, governments and international organisations like the ILO, IMF and World Bank seem unsupportive and antagonistic to the informal sector despite the informal sector appearing to be as important as ever to Africa and its future development (ILO, 2016). The number of poor people without jobs globally has doubled, and half the population are surviving on USD\$1 per day or less. In addition, half of these people are in Africa. The Commission for Africa Report as cited in an ILO article (2012:12), argues that 'the continent needs successful entrepreneurs' and strong, vibrant small enterprises to provide the innovation and productivity necessary for long-term poverty alleviation programmes.

The largely marginalised informal sector in Africa can be nurtured, developed and then used as a poverty reduction strategy especially in Africa where the majority of the economies have poor economic growth and weak formal employment generation initiatives, which have forced many thousands of people to engage with the informal SMEs to survive. This view is further supported by Maseko and Manyani (2011) and Olawale (2012) who observed how SMEs do not only need financial support but also need support in many other aspects such as financial management, access to infrastructure, research, quality assurance, and access to technology. With the attainment of independence for many African states, their governments have paid little recognition and attention to the SMEs since they regarded them as being unproductive, illegal, incompatible and

inferior in comparison to modern industrial development (Uribe-Echevarria, 1993; Helmising and Kolstee, 2000). The dominant discourse among the majority of the people in the 21<sup>st</sup> century is that the indigenous people's way of doing things are outmoded, archaic and out of tune with the modern-day world. However, Zimbabwe, like many other African states have neglected the contribution of the informal SMEs to the advancement of the manufacturing economy (Sibanda, 2005) with the notorious Operation Murambatsvina being directed at pulling the informal economy into formal economy violently.

At independence the Riddell Commission (1981), acknowledged the potential role of the informal sector in employment generation and economic development and prescribed to the new Zimbabwe to promote the sector in order to improve the living standards of the majority of the citizens of Zimbabwe, since urban poverty was on the increase, and many people could not be absorbed by the formal sector. This is despite the Government of Zimbabwe adopting policies such as ESAP, ZIMPREST AND MERP that continued to stifle and suffocate the growth of the informal sector post-independence in 1980.

The post-independence government came up with policies and strategies to deal with the informal sector as enunciated in various policy documents such as ZIMPREST, Framework for Economic Reform (FER) and Economic Recovery Programme (ERP). In addition, the government attempted to address some of the informal sector concerns with the establishment of organisations such as Venture Capital Company of Zimbabwe (VCCZ), Small Enterprise Development Corporation (SEDCO) and the Credit Guarantee Company of Zimbabwe (CGCZ); however, the majority of the policies and initiatives did not turn out to be successful as a result of the unstable macroeconomic environment. In addition, after independence, the Government of Zimbabwe only recognised registered co-operatives and formal SMEs regarding accessing financial support while the majority of individual informal businesses had serious challenges in qualifying for government programmes/funding. As a result, the Government of Zimbabwe has not been able to harness the full potential of the informal economy fully.

Owing to the above challenges, various institutional support and coordination arrangements lobbied by a group of black entrepreneurs as part of an indigenisation or economic empowerment came on board between the late 1980s and 1990s (Masuko, 1998). The most prominent of these organisations were the Indigenous Business Women's Organisation (IBWO), Women in Business (WIB), Indigenous Business Development Centre (IBDC), Rural Traders Association (RTA) and

Zimbabwe Women Finance Trust (ZWFT); however, the criteria for the selection of the beneficiaries were very rigid and beyond the reach of many informal SMEs owners (ILO, 1985).

Ncube and Phillip (2006) state further that, with over 80% of formal unemployment and with the majority of people (over 80%) are living below the poverty datum line and the informal sector contributing over 60% of GDP in 2005 in Zimbabwe. The informal SMEs can, therefore, be used as a strategy for driving economic growth and development in the country.

The National Policy and Strategy for SMEs in Zimbabwe is a policy document developed by the Ministry of Industry and International Trade with the assistance of the Ministry of Youth Development, Gender and Employment Creation in 2007, which did not manage to realise its aims and objectives because of political, economic and social challenges leaving the informal sector shrinking.

Despite the important functional role performed by the informal sector in employment creation and economic growth, the Government of Zimbabwe, on the other hand, had been marginalising the informal sector, looking at it as useless economic activities, whose contribution to the economy is very negligible. This is evidenced by the nationwide clean-up campaign known as '*Operation Murambatsvina / Restore Order*'. Little recognition for their participation in the national economy was given (Chigwenya and Mudzengerere, 2013). In addition, many government institutions are usually underfunded by treasury (Maunganidze, 2013). As a result, the informal SMEs are often constrained by a number of challenges including but not limited to legal and regulatory requirements and difficulties in accessing finance. The Government of Zimbabwe needs to appreciate the efforts of the informal sector rather than to ignore or thwart the efforts as was the case during the past 30 years where informal economic activities have proliferated at an unprecedented rate as a response to the many socio-political and economic challenges and have become a default position to escape poverty (Ndiweni and Verhoeven, 2013).

Taking into account that informal SMEs significantly contribute to the respective economies globally despite their scanty recognition in Zimbabwe (Gombarume and Mavhundutse (2014), unlocking their potential would improve the struggling and ailing Zimbabwean economy. Furthermore, the adoption of the multi-currency system by the Zimbabwean government brought about the rapid deterioration in the overall performance of the economy hitting harder on the already struggling and constrained informal sector. Mbiriri (2010) and Ngundu (2010), observed

informal sector activities have become strategic for Zimbabwe since they enabled the country to survive the worst economic crisis through providing livelihoods to the mass population.

With research supporting that SMEs are major drivers of economic growth (Abor and Quartey, 2010; Chidoko, Makuyana, Matungamire and Bemani, 2011; Muriithi, 2017), observe the rate at which SMEs have been failing, have been increasing at a very high rate with significant negative impact having been witnessed on economic growth. Cronje and Smith (1992), highlight that the survival of SMEs in Asia, Latin America and West Africa is 50% while in Southern Africa (inclusive of Zimbabwe) and Eastern Africa it is 10%. This shows evidence of major discrepancies in the manner in which SMEs are managed, especially in Southern Africa.

Chigwenya and Mudzengerere (2013), argue that many African governments have failed to revamp this sector with the majority of them just giving what they call 'lip service'. In Zimbabwe the informal sector, although being the larger employer, lacks recognition, low levels of coordination and organisation, lack of adequate financing, lack of networking and accessibility to markets, and poor infrastructure and technology and lack or inadequate government-initiated programmes to assist the informal small enterprises hindering them from achieving their full potential (Njaya, 2015). However, the potential of informal SMEs has to be transformed, nurtured and supported in order to get most of them from informal activities so they can become formidable forces in many ways such as contributing to economic growth, employment generation and a major source of livelihood for the majority of the people, that way alleviating poverty (Chidoko *et al.*, 2011). The situation in Zimbabwe calls for a locally-driven solution to improve employment generation and economic growth and development.

## **1.7 Aim of the Study**

The study aims to explore and analyse the challenges faced by the informal manufacturing SMEs in Zimbabwe with a view of developing a feasible model that will eradicate poverty in Zimbabwe.

### **1.7.1 Objectives of the Study**

- a. To explore the challenges faced by the informal manufacturing SMEs in Zimbabwe.
- b. To investigate the effectiveness of the economic programmes aimed at informal manufacturing SME development in the Zimbabwean economy.

- c. To assess the role of informal manufacturing SMEs in economic growth and development in Zimbabwe.
- d. To assess the role of informal manufacturing SMEs in employment creation in Zimbabwe.
- e. To develop a business model for unlocking informal manufacturing SMEs' potential in Zimbabwe.

### **1.7.2 Research Questions**

The researcher was guided by the following broad questions:

- What are the challenges faced by informal manufacturing SMEs in Zimbabwe?
- Do economic programmes/initiatives by the government effect the development of informal manufacturing SMEs in Zimbabwe?
- What is the role of informal manufacturing SMEs in economic growth and development?
- What is the role of informal manufacturing SMEs in employment generation in Zimbabwe?
- What does the business model look like for unlocking informal SMEs in Zimbabwe?

### **1.7.3 Significance of the Study**

Studies conducted on SMEs progression in many developing nations (Rasmussen, 1992; Tevera, 1998; Migiro, 2005), have mainly focused on problems such as financial, social, and institutional with much negligence on the contribution of informal SMEs to the developing economies, especially the important role played by the informal manufacturing industry in an African economy.

Africa needs to increase the research output capable of producing information relating to the essential contribution of the informal manufacturing SMEs and strategies on how their full potential can be realised. According to Becker (2004), suitable policy frameworks and models aimed at informal sector development must be developed without disturbing the role of the informal sector towards employment generation and economic growth. Chen (2012) argues that the informal economy is crucial to sustainable economic growth and poverty reduction.

This study extends the literature on the informal sector development and economic growth and also develops a model/framework that will harness informal sector potential now and prevent the perpetuation of underdevelopment in entrepreneurship in our economy.

The study is timely and significant given the slow growth rate of informal manufacturing SMEs converting into formal SMEs and the many challenges faced by the informal sector in Zimbabwe (Buguit, 2015). Similar studies have been done in the Southern African Development Community (SADC) region and in Africa at large to explore the challenges faced by informal manufacturing SMEs but no studies have been done with a view of coming up with a business model that can be used to unlock their value. In addition, Joubert, Schoeman and Blignaut (1999), concluded that the fact that the informal sector in many African countries is labour-intensive, the promotion of the informal manufacturing sector would result in the generation of higher levels of employment and would overall give rise to the level of knowledge and skills required in the Zimbabwean economy.

### **1.7.3 Scope of the Study**

There is growing and renewed interest in the informal economy globally. The renewed interest emanates from the realisation of the connections that exist between informality and growth and also the interlinkages between informality, poverty and inequality (Daniels and Ngwira 1993; World Bank, 1993; World Trade Organization, 1998; Mitullah, 2003; Katua, 2014). The informal economy has significantly grown in size worldwide and also started in new guises and unexpected places especially in Zimbabwe. Globally, this is because the world was hit hard by the global recession which indirectly led to the expansion of informal employment (Horn, 2009).

The study covered the period of SMEs that started from 1980 to 2016 and was limited to informal SMEs in the manufacturing sector (Appendix 1: Categories of the Informal Manufacturing SMEs), officials from the Ministry of SME and Cooperative Development, officials from Small Enterprises Development Co-operative (SEDCO), representatives from the Informal Business Association in Zimbabwe (IBAZ), officials from National Informal Sector Association (NISA), officials from the Zimbabwe Chamber of Informal Economy (ZCIEA), representatives from Hawkers and Vendors Association of Zimbabwe (HVAZ) and representatives from Micro-Finance institutions in Zimbabwe in Harare, Bulawayo, Gweru, Masvingo and Mutare.

It is augmented and noticeable appreciation that the informal sector is connected to the formal sector and greatly adds to its overall economic performance and that government support to those engaged in the informal economic activities is critical to poverty reduction and inequality imbalances (Chen *et al.*, 2004, 2005). Furthermore, with the informal economy proving to be very important to policy-architects, advocates and scientists, there are high levels of significance that

this study seeks to capture about the fact that a significant portion of the informal global economically active population. SMEs that adds to the world-wide economy operates below their maximum capacity, face serious challenges and also remain outside the protection and regulation of the governments, and Africa is no exception.

## **1.8 Delimitation of the Study**

The study focused on the informal manufacturing SMEs in Zimbabwe's five (5) capital cities.

### **1.8.1 Assumptions**

The following assumptions were made in pursuit of this study:

- a. The study would receive maximum cooperation from all respondents;
- b. The study would be prudent and objective in data collection and interpretation;
- c. The respondents would provide accurate information; and
- d. The study would form the basis of developing a business model to unlock value for the informal manufacturing sector in Zimbabwe.

### **1.8.2 Limitations**

The study has the following limitations:

- a. The study was limited by its focus on a single country and may cause the findings, conclusions and recommendations to be less significant other countries.
- b. Time was also a major constraint considering that the researcher had to travel to Zimbabwe to collect data in five (5) capital cities.

## **1.9 Structure of the Thesis**

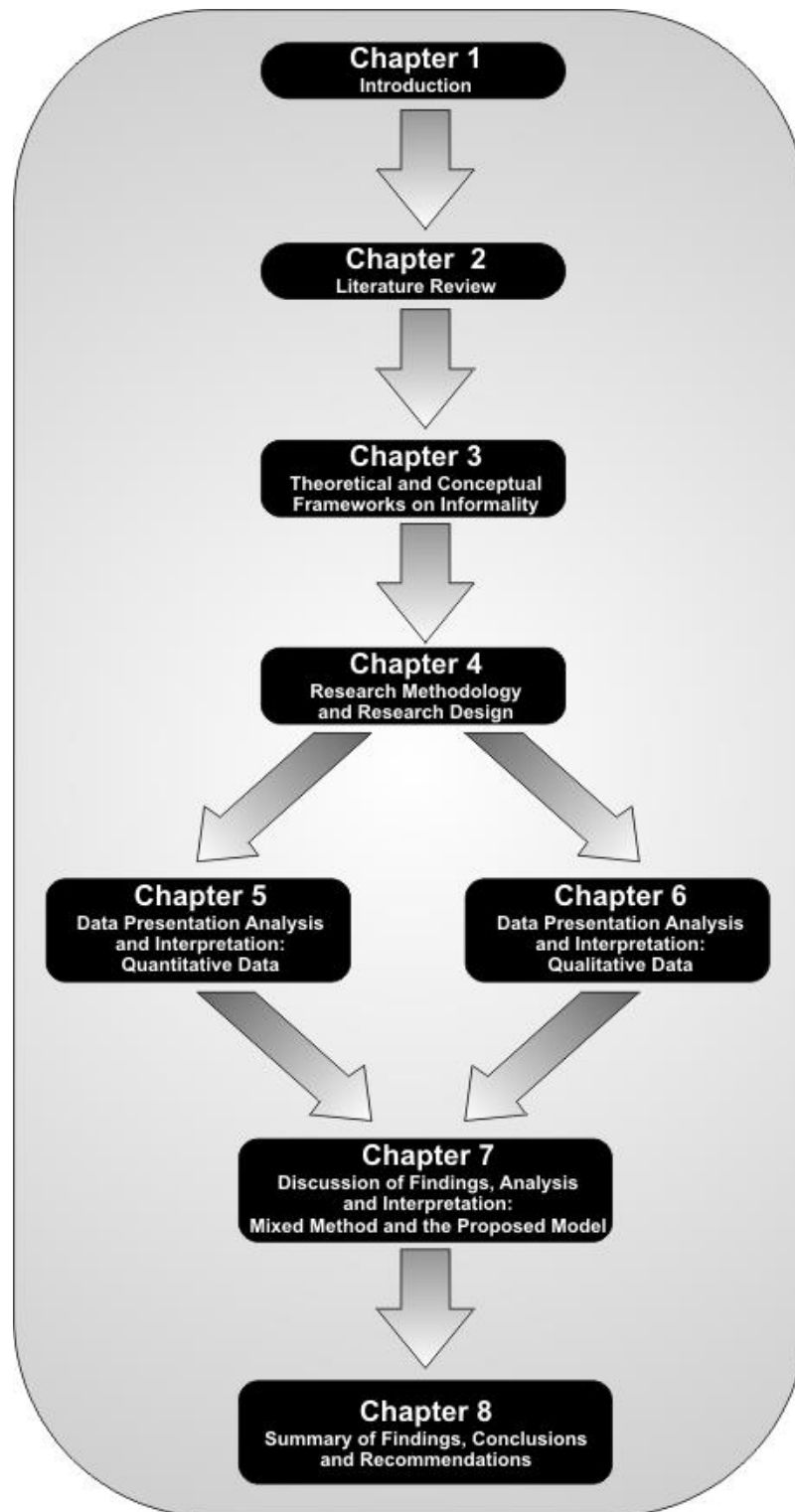
The rest of the thesis structure is explained hereunder and depicted in a summarised Figure 1-1.

- **Chapter 2:** reviews the relevant and available literature on historical perspectives of informal SMEs, definitions of the informal sector, informal SMEs operating environment and their challenges.
- **Chapter 3:** unpacks the theoretical and conceptual frameworks of informality and the emergence of SMEs in developing countries. The literature review aims to demonstrate a

clear and sound theoretical underpinning of the study and to show the importance or necessity of the research topic.

- **Chapter 4:** presents the research methodology applied during the study.
- **Chapter 5:** covers data presentation and interpretation of quantitative data.
- **Chapter 6:** discusses the analysis and interpretation of qualitative data.
- **Chapter 7:** discusses the findings, analysis and interpretation of the quantitative and qualitative data in detail and the proposed model.
- **Chapter 8:** provides the summary of findings, conclusions and recommendations.

**Figure 1-1: Structure of the Thesis**



Source: Own, 2017

## **1.10 Summary of Chapter**

This chapter discussed the introduction and background to the study, informal SMEs' position in Africa, informal SMEs' developments in Zimbabwe, informal SMEs in the manufacturing sector in Zimbabwe, the rationale of the study, statement of the problem, aim and objectives of the study, significance of the study, limitations and delimitations of the study, ethical considerations and concluded by providing the outline of the thesis. The next chapter (Chapter 2: Literature Review) will discuss the historic perspectives of the informal sector, informal SME definitions, informal SME operations, taxonomisation in urban Zimbabwe, the role of SMEs in a country's economy, challenges faced by SMEs, linkages of informal enterprises with formal firms, and empirical studies.

**CHAPTER 2:  
LITERATURE REVIEW**

## 2.1 Introduction

The previous chapter focused on informal small to medium enterprises (SMEs) in Africa in general, informal SME developments in Zimbabwe specifically, and informal SMEs in the *manufacturing sector* in Zimbabwe. Furthermore, the rationale of the study, statement of the problem, objectives of the study, significance of the study, the scope of the study, ethical considerations and the structure of the thesis were conversed. This chapter discusses literature on the historical perspectives of the informal sector; defining the informal sector, descriptions of the informal sectors, SMEs and the operating environment, challenges faced by the informal manufacturing SMEs and linkages of the informal enterprises with formal firms.

## 2.2 Historical Perspectives of the Informal Sector

In the 1950s and 1960s, a traditional economic belief assumed that, with the correct strategies of economic guidelines and means, the so-called subsistence sectors might easily be converted into the contemporary dynamic economies (Chen, 2012). The method would have assumed the subsistence economy of handcraft, petty-trade and all small-scale informal activities, and a range of short-term spontaneous jobs would be integrated into the so-called industrialist and/or formal sector thereby eradicating the spontaneous disappearance of the subsistence sector. This perception was widely shared by Lewis (1954, 1955, 1972, 1979, 1980, 1984) who postulated that economic advancement in many developing nations would, in the long-standing, create adequate jobs to engage the excess labour supply from the traditional economy. This phenomenon would result in a situation where wages would start to grow to a level above the subsistence standard; what is now referred to in the modern day as the ‘‘Lewis Turning Point’’.

The ‘‘Lewis Turning Point’’ as cited by Islam and Yokota (2008:360), asserts the prediction that the wage of unskilled labour in the 21<sup>st</sup> century remains to a large extent unchanged for a long time before reaching the turning point and after that rising rapidly. The prediction is also applicable to the traditional sector wage curve, which in most cases expect to reach a similar turning point earlier. The two curves will eventually get closer, implying equalisation of wages in the two sectors and elimination of the duality of the economy.

Lewis’ perspective was strengthened after the successful reconstruction and rebuilding of Europe and Japan after the Second World War (World War II), coupled with the massive expansion of mass production that took place in Europe and North America during the same period.

With the fading away of the optimism and prospects about economic growth in developing countries in the 1960s and widespread increases in unemployment, Singer (1970) argued that there is no signal of the “Lewis Turning Point” in many developing nations. Unemployment and under-employment of many different types in the developing countries have significantly risen even for those who had positive economic growth rate. Singer (1970), concluded that this was as a result of the imbalance emanating from the use of advanced technologies leading to a serious imbalance between limited employment creation attributed to the wide-ranging usage of capital-intensive knowledge and improved growth in the populace and working population because of massive technological improvements in health and disease control.

Singer (1970), projected a continuous and risky dualism in labour markets characterised by increased spontaneous and sporadic employment, and hidden unemployment. In its endeavour to address this concern, the International Labour Organization (ILO) took itself to mount a large series of multi-disciplinary employment missions to various developing countries in the world. The ILO mission in Kenya found that the subsistence sector in this country known as the informal economy comprised profit-driven and efficient enterprises on the one hand and marginal activities on the other hand (ILO, 1972). The word ‘*informal sector*’ was devised by a respected British anthropologist, Keith Hart, in a research project of the low-income activities among the many unskilled migrants from Northern Ghana to the biggest city of Accra, who had difficulties in finding formal wage employment (Hart, 1973).

Hart (1973) and the Kenya Mission, concluded with a fundamentally positive mindset concerning the informal sector, with the former indicating that, although the informal sector faced external constraints and capitalist domination, the majority of the migrants in Accra were engaged in informal activities that had the potential and autonomous capacity to generate incomes while the latter overemphasised the potential of the informal sector in employment generation and poverty reduction (ILO, 1972).

The informal sector as an economic reality in developing countries, for example, Zimbabwe, and developed countries have acknowledged a mixed evaluation regarding the development circle. Numerous ILO (1972) observers considered the informal sector to be marginalised and not connected to the so-called formal or capitalist economy with many believing that the informal economy in Ghana and Kenya and many other developing states would be eradicated once these nations have attained and managed to sustain adequate stages of economic growth and/or present industrial development. Scholars also argue that economic growth and industrial development

normally takes a changed path and design in developing countries with serious development of the informal activities than what the case of Europe, Japan, North America and many developed countries have followed (Storey, 1994; Sethuraman, 2001; Schneider, 2007).

Tokman (1984) lamented that the economic crisis in Latin America in the 1980s showed one key feature of the informal sector: that employment in the informal sector instead of – or alongside – open unemployment tends to increase in various nations during periods of financial and economic disasters. Lee (1998), argued that during the Asian economic crisis during the 1990s, millions of people lost their formal jobs in the former East Asian Tiger countries with many opting to find employment or create jobs in the informal economy. On the contrary, in Africa, the Structural Adjustment Programmes (SAPs) and economic evolution in the former Soviet Union and Central and Eastern Europe were also characterised by an increased growth of jobs in the informal economy.

Chen (2012), concluded that occupation in the informal economy often increases during periods of economic adjustment and change in cases where the enterprises are restructured or shut down with many workers being laid off and failing to find other formal employment and resorting to working in the informal economy. Chen (2012), argued this is normally the case where those who would have been laid-off cannot afford to be unengaged and also in states where unemployment insurance or compensation does not exist. In cases where difficult economic times are characterised by an increase in inflation or cutbacks in public services, individual households often need to complement their income from the formal sector with supplement income from the informal sector.

In the 1990s, globalisation of economies was one of the main contributing factors to the informalisation of the labour force in many industries and countries (Standing, 1999). Rodrick (1997), observes this notion by arguing that while globalisation can create new jobs and open-up virgin markets, numerous virgin markets are inaccessible to SMEs and the new jobs are not 'better' jobs. This is attributed to global competition as formal organisations in most cases often hire all but only a few essential workers under an informal arrangement or outsource the production of commodities to already existing companies. In addition, the majority of the informal firms and SME producers often lack the market knowledge and adequate skills to compete with the formal organisation for export markets and are subjected to stiff competition from cheap imported goods flooding the domestic markets. In the 1980s the concept of informality expanded to include changes that were also happening in the advanced capitalist countries with

North America and Europe having production occurring into small, decentralised and flexible economic units (Piore and Sabel, 1984).

The proliferation of the informal SMEs is a welcome development since SMEs significantly contribute to economic welfare, employment creation and social stability globally (Ladzani and Van Vuuren, 2002).

### **2.3 Informal Sector Defined**

The informal sector suffers a definition crisis in the world because of the multiplicity of views given by various authors/scholars; however, the International Labour Organization (ILO) (1972) defines the informal sector by its characteristics as the black / parallel economy or underground economy. Hart (1970) came up with the term informal sector after noting that this phenomenon in many economies was almost more permanent than temporary.

According to Hart (1970), the term informal business sector refers to the multitude of temporary economic strategies adopted by migrant workers in the face of marginal job markets in total response to social needs. Theoretically, conceptually and methodologically it has proved difficult to define the informal sector regarding its precise nature, size and significance (Bromley, 1985, 2000, 2007; Peattie, 1987).

Luebker (2008) defines the informal sector as unincorporated privately-owned enterprises while Wahab and Abdesamed (2012) view them as non-registered entities whose core economic activities are not accounted for in company registers, national statistics and accounts like the GNP and GDP. Scientists have shown that many SMEs in the informal sector function without proper local authority services and are subject to very high deplorable environmental situations both in urban and rural areas (Jenkins, 1998; Chen, 2005; Chibisa and Sigauke, 2008; Tibaijuka, 2005; Kamete, 2009; Kanbur, 2009). On the other hand, Moyi and Njiraiini (2005) and Roy (2009), defined the informal sector as economic actions whose ownership, aim and usage of immovable assets cannot be fixed or analysed using any policies, guidelines or laws governing an identified nation. Onyenechere (2011) observed that some researchers call it the parallel economy while others call it the informal economy. Amin (2002), call it the people's economy in contrast to the industrialist economy globally.

Kirshner (2009) highlights that the informal sector is not subject to taxation, has no formal agreements and contracts, security and lacks official employment benefits such as pension contribution and paid sick leave. Nyatanga *et al.* (2000), using the concept of legality argue that the informal sector activities are not recognised legally and have no formal structures.

Cross (1998) defines the term informal sector as referring to those economic activities which are clearly not illegal that takes place outside the formal norms of economic transaction as established by government and formal business activities.

The International Labour Organization (ILO) (1972) highlighted the characteristics of the informal economy as being family-owned businesses, small-micro scale enterprises, having no barriers to entry, and usage of labour-intensive technology. Kirshner (2009) further adds that the informal sector is also characterised by low production activities and non-compliance with the standard formal norms, economic activities and businesses outside the normal system of formal wage labour.

The 15th International Conference of Labour Statisticians in 1993, defines the informal sector, 'as being comprised of private unincorporated enterprises that are unregistered in their country of operation or smaller in terms of the number of people employed. In addition, an unincorporated enterprise is a production unit that is not constituted as a separate legal entity independently of the individuals (or group of individuals) who owns it, and for which no complete set of accounts is kept' (Husmanns, 2005; ILO, (2011, 2014). An enterprise according to ILO (2014), is unregistered in circumstances when it is not registered under specific forms of national legislation in the country it is operating. Holding an operating licence, trade licence or business permit under local authority regulations do not qualify as having registration.

ILO (1972) and United Nations Development Programme (UNDP) (1971), agreed jointly to define the informal sector as the non-structured sector emerging in urban centres owing to the incapacity of the existing modern formal economy to absorb new entrants.

In Zimbabwe, the informal sector is defined as entities that are not formalised through the legislation and laws of the nation such as compliance with ZIMRA tax requirements or registration in terms of the current Companies Act. Dos Santos (1973) and Misati (2007), have pointed out that, despite the various definitions that exist for the informal economy, in the majority

of cases the informal sector is characterised by the small and labour-intensive organisation, self-employed and family-owned enterprises, unregulated and subject to high levels of competition, usage of local materials and efficient at recycling materials, low capital and do not have access to finance from credit institutions, small-scale production, with or without hired employees, at a very low level of technology and organisation, and with the intention of generating jobs and income.

Literature (ILO, 1972; Sethuraman, 1981 and Mupedziswa, 1991) confirm that there is wide acceptance of the above-discussed characteristics as the defining core status of the informal SME sector.

## **2.4 Informal SME Definitions**

Although the significant role of the SME sector and the informal sector have been acknowledged internationally, coming up with a universally accepted definition of an SME has become a challenging task with the majority of countries in developing and developed countries formulating their own definition of SMEs globally (Storey, 1994).

The Bolton Committee (1971), transpired with an '*economic*' and '*statistical*' definition of a small firm. According to the Bolton Committee (1971), under '*economic*' a firm is defined as small if it meets the following three given criteria:

- When it has a relatively smaller share of its marketplace.
- When it is controlled and managed by its owners and/or part-owners in a personalised way.
- When it is independent, implying it is not forming part of a large enterprise.

On the other hand, the Bolton Committee (1971), proposed the following under the statistical definition:

- The size of the small enterprise sector and their contribution to employment, gross domestic product, poverty alleviation and exports.
- The extent to which the small firm sector's economic contribution will have changed over time.
- Apply a statistical definition in a cross-country comparison of the small enterprises' economic contribution.

The Bolton Committee (1971), defines the small firms in different ways: the manufacturing, construction and mining sectors were defined in terms of the number of employees; those in the retail, services, wholesale sector were defined in terms of monetary turnover.

According to the European Commission (EC) (2010), SMEs are defined largely regarding the number of workers as follows:

- Micro-enterprises (ME) : Firms with 0 to 9 employees
- Small enterprises (SE) : 10 to 99 employees
- Medium enterprises (ME) : 100 to 499 employees

Criticisms of the EC (2010), definitions argue that it is based solely on a single variable which is employment rather than a multiplicity of different variables. Therefore, researchers would have to adopt a definition for an SME that is more appropriate and suitable to their '*target*' group. Weston and Copeland (1998), laments that the definition of SMEs suffers from a lack of universal applicability across the globe.

According to UNIDO (1999), SMEs are defined regarding the number of workers. However, a clear differentiation is made between industrialised and developing nations. Industrialised countries' definition is given by the following variables:

- Large – with 500 or more employees
- Medium – with 100 to 499 employees
- Small – with 99 or less than 100 employees

Developing nations' definition is given by the following variables:

- Large – with 100 or more employees
- Medium – with 20 to 99 employees
- Small – with 5 to 19 employees
- Micro – with less than 5 employees

The National Small Business Act of South Africa (NSB Act of 1996) (SA, 1996) as amended by the National Small Business Amendment Act of 2003/04 defines SMEs as a separate business which is not part of a holding company and whose management is done by its owner(s) and is predominantly carried out in any sector or sub-sector of the economy in the Republic of South

Africa. In addition, the National Small Business Act of South Africa (NSB Act of 1996) (SA, 1996), classifies small businesses in South Africa into five (5) main distinct groups as shown in Table 2-1.

**Table 2-1: Categories of SMMEs as per the National Small Business Act**

Category of SMMEs	Details
Survivalist Enterprises	Operates in the informal economy. Mainly undertaken by those who are unemployed and income generated is usually below the poverty datum line. Little start-up capital and training is required. Provides a reasonable income to keep the families alive. Low growth opportunities
Micro Enterprises	1-5 employees, traditionally being the owner and his/her family Informal operations with no formal business premises, no trading license, no adherence to labour legislation Turnover should be below the Valued Added Tax (VAT) registration level of R300 000.00 per annum. Have basic business skills and training potential for progression into a viable formal small business
Very Small Enterprise	It's part of the formal economy with some using technology Less than ten (10) fully paid employees inclusive of self-employed plumbers, electricians, painters and professionals in different fields.
Small Enterprises	Less than 100 employees These are more established than very small enterprises, but they are formally registered and operate on fixed business premises. Normally owned by one individual but with a more complex structure.
Medium Enterprises	Up to 200 employees Still, mainly owner managed; however, it has a decentralised management structure with division of labour in its operations and operates from designated fixed premises with all formal requirements

**Source: National Small Business Act of South Africa (NSB Act of 1996) (SA, 1996)**

Finscope (2010), observed that the SME economy in South Africa sits on an estimate of 5.6 million small enterprises which generates an estimated 11.6 million job opportunities. However, this economy is positively skewed towards micro-enterprises, with research estimating that 82% of South African enterprises are categorised as micro or very small (NSB Act of 1996) (SA,1996).

According to Statistics South Africa (SSA, 1997), the informal sector is defined as, “*including all types of economic activities which conceptually should be included in the flows of the National*

*Accounts but are grossly underestimated or not measured at all, as a result of the informal businesses that are not known officially. It is made up of those economic activities which generate factor incomes, that is, salaries, wages and profits which arise from the production of goods and services which cannot be determined from statistical sources used to compute income measures of the GDP.*

The term SME entails various types of enterprises, from fragile zero growth micro-firms to fast medium-sized growth firms (Fjose, Grunfeld and Green, 2010). Abor and Quartey (2010) conclude that there are various definitions and no consensus over what constitutes an SME with different definitions across industries and also across countries. In the USA the term small and medium businesses (SMB) is used for SMEs. The word 'SMEs' is extensively used in the EU with international organisations such as United Nations (UN), World Bank (WB) and the World Trade Organization (WTO) using it similarly. In Africa, the commonly used term is 'MSME' for micro-small and medium enterprises, with South Africa using the term 'SMME' for small, medium and micro-enterprises and Zimbabwe using the term 'SME' for small, medium enterprises. The researcher will now examine the definitions of SMEs given in the context of Zimbabwe.

## **2.5 Defining an SME in Zimbabwe**

### **2.5.1 Working or 'official' definition: SME**

The Government of Zimbabwe defines the small and medium enterprises premised on the number of workers and value of assets. According to the Ministry of Small and Medium Enterprises and Co-operative Development (MoSMECD) (2002), SMEs are defined by referring to the number of workers, the total value of movable and immovable assets and the guiding legal structure (Small and Medium Enterprises Act, Chapter 24:12). This is further supported by the Small and Medium Enterprises Act Chapter 24:12 Fourth Schedule (section 2) Classification of Micro, Small and Medium Enterprises as shown in Table 2-2.

**Table 2-2: Definition of Enterprises in Zimbabwe**

**Indicative Parameters**

<b>Sector</b>	Number of full time paid employees	Gross Value Assets (excluding immovable property)	Legal Structure
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**Micro Enterprises**

<b>All Sub-sectors</b>	Less than 5	Between \$1000 to \$50 000	Informal
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**Small-scale Enterprises**

<b>Manufacturing</b>	Less than 40	Less than \$500 000	Formal
<b>Other</b>	Less than 40	\$250 000 - \$1000 000	Formal

**Medium-scale Enterprises**

<b>Manufacturing</b>	50-75	\$500 000-\$1000 000	Formal
<b>Other</b>	75	\$50 000 - \$2 000 000	Formal

**Source: Small and Medium Enterprises Act: Chapter 24:12: Third Schedule (Section 5(1)(b))**

The ‘*working definition*’ of an SME for this study is an enterprise that is informal with less than or equal to five (5) full time paid employees. The reason for its usage is that it is challenging to use capital base as most entrepreneurs are not willing to disclose information concerning their capital for fear of being victimised legally through the Zimbabwe Revenue Authority (ZIMRA) (Revenue Authority Act: 23.11) by having to pay relevant taxes.

However, the criteria for categorisation of the MSMEs in Zimbabwe has been done in terms of the economic sector, maximum total number of paid employees, size or class, maximum

revenue/turnover and maximum gross value of assets excluding immovable assets according to the Small and Medium Enterprises Act (Chapter 24:12).

Furthermore, according to the Companies Act (Chapter 190) and the Factory and Works Act (Chapter 283), an informal enterprise is one whose function is not legally registered in terms of these two Acts, and they do not pay taxes in terms of the Zimbabwe Income Tax Act (Chapter 181) and are not accounted for in official national statistics. Despite being unregistered or not formally recorded in national statistics, informal SMEs' role in the national economy is important and noticeable (Ministry of Industry and Trade (1999); Mumbengegwi (1993)).

The definition of the informal SMEs is guided by the Small and Medium Enterprises Act Chapter 24:12, which was a development from the Small, Medium and Enterprise Policy and Strategy document in 2002. This Act paved the way for the informal sector to participate in government tenders and contracts.

## **2.6 Informal SMEs' Operations Taxonomisation in Urban**

### **Zimbabwe**

Chirisa (2004) developed illustrative criteria that can be used to describe the nature of urban informal economy operations in Harare. Serious arguments have been advanced that a similar criterion can apply to other urban areas in Zimbabwe with some additional modifications. Paradza (1999), also identified five (5) categories of informal SMEs operations based on residences (carried out in the home), location (provided by local authorities), shop pavements, roadside operators and private sector residences. In 1997, a study carried out by the then Ministry of Local Government, Rural and Urban Development issued another classification of ISOs came up focusing on services offered at designated locations and these are iron and metal-work, construction, material production, other manufacturing, motor vehicle, retail, carpentry and services (Paradza, 1999).

#### **2.6.1 Forms of the Informal Sectors**

The classification of the informal sector in the urban areas can be clearly spelt out by spatial location, support engaged, the composition of functions, services offered, returns earned and value addition (Chirisa, 2009).

### **2.6.1.1 Spatial Location**

There are three simple forms of the informal sector functions that can be identified; which are those actively involved in the Central Business District (CBD), those involved in the neighbourhood – called neighbourhood oriented – and those involved in industrial areas or their proximity.

Neighbourhood oriented informal functions take place near the residential homes and are residence-tied. In Zimbabwe, this entails women selling fruits and vegetables at the roadsides (in the streets) in many residential locations in the urban areas. In Zimbabwe, in the pre-economic reforms era, the local authority created market stalls in each urban centre where utilisation of the stalls was by way of licence from the local authorities.

With this informal sector becoming flooded in the post-economic reform period, many informal operators opted to leave the designated market stall for the roadsides which they considered viable and licence-free.

### **2.6.1.2 Supported-Engaged**

In this category four (4) forms of ISOs have been identified, which are family-based, institutionally-supported, organisationally supported and social-alliance based (Chirisa, 2004).

Family-based ISOs in most cases rely on the hard-earned savings from the intermediate family members. Family members usually come to assist in various ways in the business. There is a desire for the business to make a significant difference to the family home and as a stop-gap tool to protect the family against poor cash-flows before the breadwinner and/or head of the family gets his next formal salary/income.

In Zimbabwe, there are many organisations and institutions that support SMEs: chief among them are the Small Enterprises Development Corporation (SEDCO) under the Ministry of Small and Medium Enterprises and Co-operative Development, Industrial Development Corporation (IDC) and various private institutions that include the banking sector. However, institutional support for informal SMEs remains theoretical given that the majority of these micro-enterprises falls outside the proposed frameworks of the support because of various reasons such as lack of collateral, illegal operations (where patent rights are concerned).

In the case of social alliances, operators work in good faith with social capital being their binding philosophy. In most cases, their designated place of enterprise activities are kinds of zones/areas that are protected. In this case, it is conventionally agreed that informal sector is characterised by easiness of entry by entrepreneurs. However, social alliances act like a tough barrier for new operators to come on board. Summarily, speaking in this form operator supports each other in the spirit of fraternity and company in the commonality of the space of the operations.

### **2.6.1.3 Value Addition**

In Zimbabwe, value addition comes with the processing of raw materials into finished products. This reflects typical peri-urban operations attributed to the desire for highly specialised equipment and machinery which in most cases are difficult to acquire for informal SMEs. Value-addition is seen as a prerogative of the elite operators by many who operate in the informal sector. Only a few lucky ones can manage to sail through to own machines like hair-salon kits, nut-crackers, soap-making machines, brick-moulding machines and peanut butter-making machines.

### **2.6.1.4 Services Offered**

Under the services offered criteria ISOs included are catering and ripe and ready products and foods. With high economic decline in Zimbabwe, a new type of informal SMEs (food-sellers) developed and are part and parcel of the cross-border traders' category.

In the majority of the cases, they source their items for resale in neighbouring countries such as Zambia, Mozambique, South Africa, Tanzania, Democratic Republic of Congo (DRC) and Botswana. Prices are usually in foreign currency or local currency equivalence. The majority of vendors in this category are professionals seeking to diversify and supplement the formal salaries and/or known formal incomes.

This category also includes operators selling clothes (both second hand and new) to different flea markets in the CBD. It also includes sculptors, knitters and weavers who are situated in areas that permit them to do their art and crafting while selling their products. Included in this category, are artisans who hire their skilled labour to the private and public institutions especially on short-term contract. With high unemployment, many artisans have decided to sell their skills to interested parties. Included in this category are plumbers, painters, carpenters and wood-workers, and carpet-cleaners.

### **2.6.1.5 Operators' Composition**

With the composition of entrepreneurs, there are numerous compartments mainly consisting of sole-proprietors, employers and cooperatives. In most cases, the majorities of the sole-proprietors operate without any institutional support from banks or government and are often subjected to empty and false promises by politicians. In that regard, very few sole-proprietors go on to become successfully contributing business persons within their society. If successful in their economic activities the sole-traders become employers of others. In most cases, sole-traders have jobs elsewhere – sectorially or spatially – as evidenced by their absence from the location of the operations mostly. On the other hand, in the cooperative approach, operators share in the various activities done.

### **2.6.1.6 Returns Realised**

In the context of ISOs, returns are categorised as either low, medium or high. The majority of the ISOs have very low-rewarding yields and returns, especially for the neighbourhood-oriented economic activities. Medium-reward ISOs regarding yields and returns are characterised by owners who sell second-hand goods like clothes, spare parts and furniture usually obtained from the second-hand auctions. High-reward ISOs are made up of artefacts of art and crafts, posh goods in flea markets or some high-valued second-hand goods from the auctions. In most cases, better locations with excellent strategies for marketing attracts massive and better profits than poor ones.

## **2.7 The Role of the SMEs' and the Operating Environment**

Mag and Varothayan (2015), in a study in Sri Lanka, concluded that SMEs have an important role to play in the progression of their economies. SMEs have made great contributions to industrial production, employment creation, stimulating exports in many countries. In 1995-2000 the SMEs in India contributed an annual average of 33% towards the input of the country's GDP (Manimala, 2003). In support of this Migiro (2005) highlights that SMEs are the backbone of many countries' economy since they constitute a critical element of the development process, and their importance regarding production, employment generation and improvement in the standard of living cannot be ignored.

Ishengoma and Kappel (2008; 2011), in a study in Uganda also highlighted that MSEs play an important role in the development of the economy. The year 2001, the percentage share of the manufacturing MSEs in Uganda grew by 10% to 1,069 848 with the majority of the informal

MSE being involved in garments and foot-wear, grain milling, and wood and metal products (GoU / MFPED, 2008).

In China, reports show that SMEs contribute significantly to the GDP with an estimate of 30-60% being provided (Harvie and Lee, 2003). In 2001, SMEs constituted 99% of all corporations that are formally registered in the Republic of China and are being regarded as the backbone of China's economic growth signifying the important role of the SMEs in an economy (Chen, 2006).

Despite the high significance and importance of the informal enterprises in African countries, they still face many challenges affecting their ability to contribute to their economic successfully (Hobson, 2011). The benefits that emanate from the informal sector should be understood to come against a background of many difficulties and challenges faced by this sector, especially in Africa. According to Adedeji as cited by Acquach, (1997), there are no major changes in either the domestic or external environments and as current trends continue, the repercussions for Africa indeed appear grim. The African continent has witnessed significant and radical changes across the broad spectrum from politics to economic activities. This will stifle the development of SMEs in all African countries including Zimbabwe which has experienced substantial growth since 1980 (Acquach, 1997).

When informal SMEs gets a suitable and an enabling operating environment, they add significantly towards economic growth and development of the industries in both urban and rural areas. An enabling macroeconomic environment is a critical factor for ensuring that SMEs contribute as equal partners to the growth and development process and this entails incentives that attract SMEs, simplifying licensing by-laws, tax reductions, accessibility to funding facilities and low tariffs or subsidies in the case of foreign trade (Sibanda, 2005).

Despite the potential growth for informal SMEs in developing countries, Arinaitwe (2006) indicated that these SMEs have many challenges that have a negative impact on their growth performance resulting in them dismally failing. Among these factors are high operating costs, corruption and lack of government support, harsh and unfavourable economic conditions, poor infrastructure and undercapitalization. Gockel and Akoena (2002) also observes that SMEs' development is stifled by inaccessibility to equipment, technology, regulatory constraints, limited access to international markets and lack of proper managerial skills.

According to Djankov *et al.*, (2002), in the African countries high entry or regulation fees prevent the informal SMEs to turn formal, however, in Zimbabwe Nyoni (2004; 2010), stated that bad publicity of the country impacted negatively on SME growth and development. The main constraints faced by the SMEs are the lack of entrepreneurial and management skills, marketing skills by the informal economy to positively respond to environmental issues. Szabo (2001), notes that most informal SMEs owners often lack the wider managerial skills and this hinders their success in the long term.

Ogot (2014) observes the performance of SMEs in developing countries has much to do with their solution, rather than their size and asserts that isolation limits accessibility to institutional support, markets, finance and information/networking. Ogot (2014) further argued that studies in Africa have shown that economies and government policies / programmes, local environments among many other factors of the challenges were faced by the small-to-medium enterprises. This is further observed by Mupedziswa (1991), Bekele and Worku (2008) and Bowen *et al.* (2009) who indicate that limited access to capital, a lack of premises to operate from, poor managerial skills and lack of facilities to upgrade skills, poor marketing facilities and intense competition, power interruptions strict, business laws, and political uncertainty are some of the problems faced by micro, small and medium enterprises in various African countries. Dhemba (1999) argued that in unlocking the informal sector, government(s) should review the various policies, laws and regulations and other challenges faced by this sector.

## **2.8 Challenges Faced by the SMEs**

Evidence (Ladzani and Van Vuuren, 2002; Karedza, Sikwila Nyamazana, Mpofu, and Makurumidze, 2014), have shown that, when many small businesses emerge, a considerable number of them fail because of many challenges. Research has shown that some fail at their infancy stage while the majority fails within a few years after start-up. Rao, Kumar, Gaur and Verma (2017) in a study in India observed that SME owners are faced with significant challenges, the most common being the high cost of credit, information asymmetry, creditworthiness, and complex lending procedures from financial institutions.

Delmar and Wiklund (2008), also indicate that the business operating environment has a significant impact on the growth of the new small enterprises especially the informal small-to-medium enterprises. Smit, Cronje, Brevis and Vrba (2007), highlight that the business environment constitutes variables that may influence the organisation internally or externally

towards its successful existence. For prosperity to be realised the investment and business environment should be attractive enough on some important variables to stimulate enough competition, investment and growth in the private sector for both the informal and formal SMEs.

### **2.8.1 Accessibility to Finance / Credit**

Historically, small-to-medium enterprises have always had accessibility to loans and capital as one of their main challenges (Distinguin *et al.*, 2016). Bolton (1971) points out that there are two main issues underlying the SMEs financing gap: this is the debt gap that relates to a lack of awareness about the suitability and appropriateness of sources, merits and demerits of finance; and secondly the supply gap that relates to the unavailability of financial resources and the higher/expensive cost of financing for small-to-medium enterprises than for large corporations or enterprises. Hussain *et al.* (2006), Porumboiu (2016) and Distinguin *et al.*, (2016) observe limited accessibility to finance is a challenge to SME development and growth irrespective of the location, size and industry or the operating environment of the market.

Cassar (2004) argues that lack of access or availability of finance is one of the challenges to SMEs' development. Literature has shown that informal SMEs have been financed from founder's wealth or '*informal*' sources such as family and friends while formal SMEs have been financed from external sources of finance or the '*formal*' market-based sources such as a bank, venture capitalists and private equity firms. Once the SMEs have been fully established, further development can be financed through the use of ploughed back/retained profits.

Herrington and Wood (2003) and Herrington, Kew and Kew (2009) observe accessibility to finance is one of the major problems for African entrepreneurs. This is further observed by Stilgliz and Weiss (1981), who described the lack of finance as the '*finance gap*' with research indicating that informal SMEs may not be able to survive and grow without addressing accessibility of finance as one of the main challenges (FinMark Trust, 2006). For example, in South Africa, an estimated 2% of new SMEs can access bank loans while 75% of applications for bank credit by new SMEs are rejected for various reasons (Foxcroft, Wood, Kew, Herrington and Segal, 2002).

Accessibility to formal finance especially among the informal SMEs is very poor because of the high risk of default among SMEs and inadequate financial facilities especially in developing countries and Africa at large. This is because of undeveloped financial markets which suffer from structural and institutional factors (Ayyagari, Beck and Demirgüç-Kunt, 2003; Kauffman 2005).

Krasniqi (2007) and Abor and Quartey (2010), further lament that access to finance is a key factor governing the potential of SMEs to expand, grow and keep up to date with latest technologies. Studies by Robson and Bennett (2000); Beck (2005); Hutchison and Xavier (2006); Beck and Demirgüç-Kunt (2006) and Mahadea and Pillay (2008), concluded that the financing gap is one of the greatest challenges hindering SME growth, development and expansion.

Khan (2015), in a study in Pakistan, asserts that informal sources of finance have a negative impact on the small-to-medium enterprises' growth. In support of this Namusonge (1998) and Soderbaum (2001) (both cited by Migiro, 2005), in a study in Kenya, point out that a large proportion of Kenya's manufacturing firms survive regarding retained earnings. ZEPARU and BAZ (2014), on the other hand, has reiterated that the flow of credit to the informal economy has heavy obstacles as a result of the limited information disclosed. Informal SMEs in developing countries in most cases possess adequate information about their businesses which they fail to present properly to convince the banking institutions. ZEPARU and BAZ (2014) and Nyamwanza, Paketh, Makaza and Moyo (2016) conclude that limited accessibility to finance is also one of the major constraints confronting the proprietors in the informal sector in Zimbabwe.

### **2.8.2 Lack of Management and Entrepreneurial Skills**

Hellriegel *et al.*, (2008), point out that managerial competency is very important to the survival and growth of the informal small-to-medium enterprises in many countries. Their view is supported by Martin and Staines (2008), who observes lack of management skills and experience are some of the main factors why new informal firms always fail.

According to Cronje and Smith (1992), management is the process of planning, organising, directing and controlling employees in an organisation. The informal SMEs especially most of them being sole proprietors tend to perform most if not all management tasks by himself or herself with some tasks either being underperformed or not given the attention it deserves. In that regard, strategic planning and financial management are usually sacrificed in the whole process of managing with banks and investors feeling insecure to lend and or provide their funds. Maseko and Manyani (2011), in a study in Zimbabwe, highlighted that many of the SMEs do not keep accounting records owing to a lack of proper book keeping procedures and the high cost of hiring professional accountants. This is further supported by Lutfi, Idris and Mohammed (2016) who observes that despite the vast benefits of an accounting information system, most SMEs are still lagging on its use because of the higher cost to acquire it.

### **2.8.3 Poor Location and Networking**

Mario (2018:47) observes that networking is an important tool for small to medium enterprises' that allows them to grow and develop key competencies in marketing strategy through the use of the internet and individual networking by developing long-term relationships. Dahl and Sorenson (2007) argue that geographical proximity is one of the variables that forms an enhanced environmental scanning that enables new SMEs to have access to buyers and suppliers that ensures that SMEs can easily identify and exploit the growth opportunities in their market. Networking according to Okten and Osili (2004), helps new entrepreneurs to tap the means of production in the external environment successfully by ensuring reduced information asymmetry. Shane and Cable (2002) further argue that networking increases the SMEs' legitimacy which positively influences the firm's accessibility to external sources of financing thereby increasingly gaining competitive market.

Banwo, Du and Onokala (2017) point out that location offers mixed advantages to SMEs depending on the nature and size of the business. Many informal SMEs in Africa have a poor location and therefore this has a great impact on their market potential and growth opportunities (Olawale and Garwe, 2010). However, Ngoc, Le and Nguyen (2009) highlight that in the absence of effective market institutions, networks in developing countries play a very noteworthy role in spreading the good news and knowledge about a firm's existence and its best practices: this suggests that networks can positively impact on the growth of the new small-to-medium enterprises. McPherson (1995) sums it all up by stating the key determinant of the informal sector survival was the factor of location, with the majority of home-based enterprises showing higher hazards and high failure rates than enterprises which were based in commercial districts.

Maunganidze (2013), in a study in Zimbabwe, pointed out that designated operating spaces for the informal manufacturing SMEs are crowded with entrepreneurs' failing to secure strategic places and, in most cases, opting to operate in undesignated places illegally. Lee, Park, Yoon and Park (2010) however, argues that the clustered nature of small to medium enterprises creates an opportunity for economies of scale as it is expected to facilitate synergies, specialisation and cost cutting through the sharing of infrastructural facilities and supply chain management processes.

### **2.8.4 Poorly Defined Legal and Regulatory Framework**

Government regulation on businesses is an important tool of concern for all economies globally (European Commission, 2010). The general belief is that regulation is a necessary evil meant to

provide stable trading conditions and to develop some high degree of business trust which can create a conducive environment for SME development (Welter and Smallbone, 2006; Atherton *et al.*, 2008). However, de Soto (1989) observes that tight regulations and high taxation levels may hinder the growth of the small informal firms, thereby contributing to high transaction costs.

Chen (2012) postulates that the legal environment frequently overlooks the broad classes of the informal sector. Bromley (2000), laments that the absence of the legal environment is as costly to the informal operators as an excessive legal environment. Many states globally tend to enforce one or two positions directed towards the informal sector economic activities in an attempt to try to remove it or turning a blind eye to it. Many of the government stances have a punishing effect like eviction, harassment and the high demand for a bribe by the relevant authorities and/or other vested stakeholders. Globally, no government have created and adopted a coherent policy or programmes towards informal sector economic activities. Rather, most government assign handlers of informal sector entrepreneurs to that department that has a mandate for legal compliance and order (Bhowmik, 2004; Mitullah, 2004).

World-wide, deregulation, over-regulation and lack of regulation are bad for the informal sector and its respective employees. There is need to rethink regulatory environments (sector specific) to determine proper regulations for the informal economy and the components of informal employment.

The World Bank (WB) (1992:30) asserted that a good legal framework for economic development has five (5) key elements:

- a. There is a set of rules (governance) known in advance;
- b. The rules are in force;
- c. There are mechanisms ensuring application of the rules;
- d. Conflicts are resolved through binding decisions of an independent judicial body; and
- e. There are procedures for amending the rules when they no longer serve their purpose.

In summary, the best legal framework, therefore, eases economic transactions, reduces uncertainty and helps markets to realise optimal profits. This is further supported by Mutalemwa (2009), who observe the legal and regulatory framework has a very important role to play in economic growth and development of sub-Saharan Africa (SSA) even though it is still weak. It is further postulated that in developing and transitioning countries especially in Africa, informal

SMEs have difficulties of operating in an environment that is characterised by weak and corrupt state institutions. Most SMEs usual face high-risk environment and this tends to weaken the role of the law in coordinating and facilitating exchange (Mutalemwa, 2009).

De Soto (1989) argued that a very important key factor contributing to the increase in poverty in many developing countries is the stumbling blocks placed by governments that inhibit capitalism to flourish and by implication, the growth of SMEs. Bureaucracy and the high cost of business licensing requirements or outright corruption forces SMEs to largely operate outside the reach of their government's facilities which limits accessibility to credit markets, accessibility to markets, infrastructure and legal institutions (Stern and Loeprick, 2007). Nyamwanza *et al.* (2016) in support point out that it is difficult to secure permits and licences in Zimbabwe.

Omer, Van Burg, Peters and Visser (2015) observe that SMEs form part of the country's economic policy and in most cases, government introduces some rules, policies and regulations applicable to both informal and formal SMEs. Mahadea and Pillay (2008), argued that these regulations can also have a constraining effect on operating of SMEs. They further concurred that state regulations and taxation laws were a significant constraint to the growth and development of the SMEs, with industrial legislation and '*red tape*' constituting part of this negative effect.

This is further supported by several studies (Kozan and Oksoy, 2006); Mahadea and Pillay (2008); Olawale and Garwe (2010); Rankhumise and Rugimbana (2010) and Peck, Jackson and Mulvey (2017), who identified the adverse effects of government regulations on SME growth and development. Krasniqi (2007), points out that the need for compliance with government regulations attributes to increased costs for SMEs and thus hindering the growth of SMEs.

Research by McCulloch (2001), in East Africa, has shown that the private sector is over-regulated characterised by confusing and contradictory requirements which overlap and duplicate each other at central and local government levels as evidenced by uncertainty and inadequate information and costly delays in clearances and approvals. Tanzania has probably suffered the highest form of over-regulation. In 1996, a firm in the Republic of Tanzania could be expected to submit at least 89 documents for filing per year compared to 48 in Uganda, 29 in Namibia and 21 in Ghana signifying the tough regulation for Tanzania. Nuwagaba and Nzewi (2013); Altenburg, Hampel-Milagrosa and Loewe (2016) argue that the legal and regulatory environment in many

developing economies is burdensome compared to developed economies and usually hinders the growth of small to medium enterprises.

### **2.8.5 Technological Capabilities**

China and India recently rose to the high road of competitiveness to become the ‘Asian Drivers’ of the East Asian economies through building and continuously enhancing their technological capabilities (Goldstein, Pinaud, Reisen and Chen, 2006). Technological development is a key element in ensuring that SMEs can be able to compete in both the domestic and international markets. According to Lall (1993), technological activities should be imagined by thinking beyond the firms as a single SME does not have the necessary knowledge to introduce new products and processes thus the need to interact with home and foreign players in creating and advancing the technology being used.

A study by Levy, Berry and Nugent (1999), concluded that SMEs, formal and informal, build their technological capabilities by drawing from international exhibitions, licensing agreement or from vertical integration links as in the case of Korea and Japan respectively. African SMEs have exhibited in most cases low levels of technological efforts and linkages which have hindered these firms’ capacity in competing on the international market (McCormik *et al.*, (1997); Levy, Berry, Itoh, Kim, Nugent, and Urata (1999) and Osano and Languitane (2016). In SSA, Lall (1993) and UNCTAD (2004), asserted that SMEs tend to overspend in technology acquisition and to upgrade at individual and enterprise levels by concentrating on hardware at the expense of the software.

Chidoko *et al.* (2011:28) and Nyamwanza *et al.* (2016:304), in their studies in Zimbabwe, reiterated that lack of adequate equipment is a critical problem for many informal SMEs that do not have reliable and proper equipment to do their day-to-day work and duties. Given this limitation, governments should play a robust role in making great efforts to grow their economies through innovation, mechanising and taking part in the Fourth Industrial Revolution.

### **2.8.6 Government Policy towards SMEs**

Charoensukmongkol (2016) in a study in Thailand observes that government support is a critical to the international performance of SMEs. In addition, GATT (2012), states that government’s policy towards SMEs is considered one of the important variables taken into consideration when looking at the possibility of unlocking the informal SMEs’ potential. Literature shows that

government support differs significantly across the different continents with some governments creating many barriers to SME development in the form of excessive regulation and red tape. Charoensukmongkol (2016) concludes that government support in Thailand was strongly linked to the political networks that owners would have developed and the extent of bribery that they have engaged in.

In Africa, according to the World Bank Doing Business Report (WBDBR) (2012), Chad was named as the most difficult Sub-Saharan African country to conduct business, with a very high tax rate of 65%, and insolvency regulations that demand 60% of the estate value and takes long processing times. Business Regulation in Chad makes it difficult for small to medium enterprises to operate and be profitable. Nigeria is ranked number 133<sup>rd</sup> according to WBDBR (2012), because of high levels of corruption, unreliable electricity and poor infrastructure despite the implementation of a Small and Medium Enterprises Equity Investment Scheme (SMEEIS) in 1999, which encouraged a more productive small-to-medium enterprises sector. The SMEEIS was poorly implemented resulting in its objectives not being met.

Even though government support is limited in many African countries, this has not stopped the informal SMEs from growing with many entrepreneurs' creating new opportunities in spite of the tough and difficult regulatory environment, especially in Zimbabwe (Nyamwanza *et al.*, 2016). In support of this the African Development Bank (AfDB) (2012), reported that only 20% of African SMEs had access to credit and that about 9% of the investments SMEs made are financed through formal banking institution(s). This is in contrast to South America and the Caribbean where 44% of SMEs have had access to credit and Europe where 23% of all the SME investments are funded through formally registered banks.

Globally, many states and governments have established agencies and institutions in an attempt to support and try to assist SMEs with the overall aim being to create an enabling and conducive environment for SME development (Naicker, 2006, Mahembe *et al.*, 2011). Tunde (2016); Osano and Languitone (2016) observe that government should provide world-class technology and research infrastructure outputs through government owned institutions to produce highly skilled workforce and an entrepreneurial culture of SMEs. State should provide concessionary lending interest rates for new technologies acquisition and provide taxation incentives for the small to medium enterprises procuring new technologies. A good relationship between state agencies and institutions is a positive step towards developing an environment within which SMEs can unlock their potential and discover new opportunities and growth (Studer *et al.*, 2006). The absence of a

conducive and supportive government can have a direct impact on SME growth and constitute a major constraint (Madrid-Guijarro *et al.*, 2009).

Studer *et al.* (2006), Mutula and Brakel (2006), Madrid-Guijarro *et al.* (2009), Okpara (2011), and Peters and Naicker (2013) argued that underdeveloped, undeveloped and many failed small-to-medium enterprises are as a result of minimum government support which hinders its growth and development.

## **2.9 Linkages of Informal Enterprises with Formal Firms**

Chen (2012) and Amara (2016) point out that few informal SMEs operate in total isolation from the formal firms. Competition locally has a positive and significant effect on both the formal and informal economies for all the activities. Most of the informal SMEs procure their inputs from and/or supply finished and semi-finished commodities to the formal economy either directly or through other middleman and mostly are informal enterprises. Manyati (2014:285), observed that there is limited interaction among the formal sector manufacturers and the informal manufacturing SMEs in Zimbabwe. Distinguin *et al.* (2016:18) also note that weak institutional environment tends to strengthen the inter-linkages between the formal and the informal economies by decreasing the benefits enjoyed by formal firms and reducing the costs linked to informality.

Linkages that exist between the informal enterprises and formal firms can best be understood by considering the type of the production processes through which they are connected (Devey, Skinner and Valodia, 2006). The nature of the connections especially the allocation of authority and risk profiles between the informal and formal firms tends to differ according to the type of production processes and systems.

### **2.9.1 Individual Transactions**

A situation where informal enterprises also are known as own account operators are involved in trade with formal enterprises in a market that is characterised as open or pure market exchange where independent units are transacting with each other (Chen, 2012). Dominant firms are defined in terms of marketing skills, knowledge and power in the majority of the cases, usually formal enterprises have control over the transaction.

## **2.9.2 Sub-sectors**

Informal enterprises manufacture commodities in an exchange with formal enterprises in what has become known as sub-sectors. Sub-sectors are described as networks of independent units that are involved in production and distribution of commodities in a particular sector. Transactions in the sub-sectors are governed largely by the dominant firm and also by 'laws of the game' for the complete sub-sector which to a large extent are determined by the firms being very dominant in the network.

## **2.9.3 Value Chains**

All the informal enterprises' sub-contracted employees manufacture products within a value chain. The terms and conditions in the economic activities are largely determined by the leading firm, in the domestic chains, a large national organisation and the global value chains by large transnational companies. The terms and conditions of sub-contracts between the informal firms and workers down the chain are determined by major suppliers to the lead firm who in most cases are the formal enterprises (Chen, 2012).

## **2.9.4 Empirical Studies**

### **2.9.4.1 Informal Manufacturing Sector in India**

In India, the informal manufacturing sector is one of the major shares of the economy. The informal manufacturing sector in India provides a large number of people with employment and also contributes positively towards the gross domestic product (GDP) (Mukherjee, 2004:1).

The informal manufacturing sector in India is assumed to be composed of three segments - Own Account Manufacturing Enterprise (OAMEs), Non-directory Manufacturing Establishments (NDMES) and Directory Manufacturing Enterprises (DMEs). The informal manufacturing SME sector remains quite stable since 1984, going forward and by the year 2000, 17 million small-to-medium enterprises were providing employment to over 37 million citizens. There is strong consensus that the informal manufacturing sector has been a vehicle of employment generation, with some scholars arguing that this growth in employment creation is attributable to the economic decline in India, which involuntarily forces the unemployed to start an informal manufacturing business. Failure to do so would result in these people being unemployed. This argument, however, seems untenable and has been rejected by other scholars, who also argue that

there has always been a vibrant and growth-oriented sector within the informal manufacturing sector.

- **Overview of growth pattern**

The informal manufacturing SMEs' growth is characterised by a mixed trend. Statistically, SME numbers and employment have significantly been on the decline during the first two quinquenniae but went on the increase in the last one with total jobs in 2000-01 surpassing the 1984-85 threshold. Important to note has been the marked increase in the urban informal manufacturing SMEs showing a positive trend from 1984 to 2000.

- **Conclusion**

The growth dynamism in the informal manufacturing sector in India proves that it is not distress driven phenomena or a dynamic alternative economic avenue in general. The informal manufacturing sector has provided a significant number to jobseekers and has also expanded significantly to offset the slackening employment opportunities in the formal sector. The important role regarding employment generation can never be ignored. There are, however, strong agreements that the growth of the informal manufacturing sector is linked to a distressed economy and also the ability to sustain it, in the long run, is debatable.

In addition, owing to the above fact, there are strong links to the informal manufacturing sector, and the formal sector scholars have lamented that the informal manufacturing sector is likely to act as the engine of economic growth and development.

- **Recommendations**

Mukherjee (2004:13), recommends adoption of distinct sets of well-crafted policies to be provided for the different categories of the informal manufacturing sector. It was recommended that the vibrant categories be aggressively treated with 'push policies' in an attempt to strengthen their symbiotic relationship with the macroeconomic environment, assisted by providing tertiary and ancillary support and encouraging them to formalise their enterprises.

Serious consideration can be given to stimulate the production levels of the informal manufacturing sector so that it can become viable and be transformed into formal entities. Strong

policy regime in addressing the use and application of up-to-date technology, fulfilling the resource requirements for productivity upgrade and further strengthening and promoting formal and informal linkages should be considered as the central need for that situation.

#### **2.9.4.2 Manufacturing, SMMEs Contributions to the Formal Sector Employment in South Africa**

Globally, developing economies share the notion that viable employment opportunities to millions of the economically active population that is unemployed can be created, if government provides an enabling and supporting environment to all the small, medium, micro enterprises (National Planning Commission, 2011; Small Business Project Alert, 2013). The rationale attributed to this is that SMMEs are considered to be labour-intensive while operating at a low-capital and because of their ability to absorb adverse macroeconomic instabilities more than large corporations (Kayanula and Quartey, 2000; National Planning Commission, 2011; Small Business Project Alert, 2013).

- **SMMEs Support in South Africa**

The Department of Trade and Industry (DTI) (2005, 2008) in the post-apartheid era implemented different policies and institutions including the Centre for Small-Business Promotion (1995), the White Paper on the National Strategy for Development and Promotion of SMMEs in South Africa (1995), National Small Business Act (1996), Khula Enterprise Finance Limited (1996) and National Small Business Council (1996) and the National Development Plan (NDP) (2011). The policies and instruments were aimed at the promotion and development of SMMEs in South Africa with an estimated 11 million jobs being anticipated to be created by the year 2030, which will effectively reduce unemployment to 14% and 6% for 2020 and 2030 respectively (National Planning Commission, 2011).

- **Growth Patterns in South Africa**

Despite the massive support to SMMEs, South Africa still experiences low economic growth rate of below 3% compared to other African countries and a high unemployment rate of over 25% and an increased number (23 million) of people living below the upper-bound poverty line of R620 per capita per month in 2011 prices (Statistics South Africa, 2014a, 2014b, 2014c). The SMMEs despite being one of the main contributors to GDP continues to face challenges such as lack of financial and non-financial entrepreneurial support initiatives, lack of entrepreneurial training and capacity building initiatives (Gauteng Department of Economic Development, 2014).

Furthermore, SMMEs in the manufacturing, tourism and business services failed to generate new employment opportunities due to lack of skills to do business plans, lack of knowledge to understand complex labour, and limited access to financial resources and decline in performance due to a poor economic climate in South Africa (National Planning Commission, 2011).

- **Conclusions**

The results obtained using Gibrat's Law confirmed that when using the number of employees as a measure of size, SMMEs businesses grow faster than the larger businesses. The study by Malepe (2014), is consistent with the proposed specifications of the National Development Plan of 2030 as stipulated in the NPC (2011) that increased government support to SMMEs will generate more employment in South Africa. This is the justification for the creation of the national Department of Small Business Development and the Ministry of Small to Medium Enterprises Development in South Africa to assist SMMEs to benefit from globalisation through exporting their commodities to the European Union (EU).

- **Recommendations**

This is the justification for the creation of the National Department of Small Business Development and the Ministry of Small to Medium Enterprises Development in South Africa to assist SMMEs to benefit from globalisation through exporting their commodities to the European Union (EU). More financial and non-financial support and services need to be provided to SMMEs in South Africa

## **2.10 Summary of Chapter**

In conclusion, while informal SMEs in Africa face many obstacles that affect their growth and development, these tend to vary from one country to the other with impressive innovation continuing to emerge in countries where regulation is a barrier to their development. If accessibility to credit and finance, management skills, networking are improved, African informal SMEs could provide great opportunities for growth and employment creation. In addition, governments in Africa have all recognised the crucial role played by the informal SMEs in their economies especially in promoting employment generation, the emergence of indigenous entrepreneurs, widening the tax base and economic growth. The following chapter discusses (Chapter 3: Theoretical and Conceptual Frameworks in Informality) the theoretical framework on informality, the emergence of SMEs in developing countries, models linked to Africa and

Zimbabwe, conceptual framework, SMEs' role in employment generation and industrial development in Africa and the formalisation debate.

**CHAPTER 3:**  
**THEORETICAL AND CONCEPTUAL FRAMEWORKS IN**  
**INFORMALITY**

### **3.1 Introduction**

The previous chapter discussed the literature on the historical perspectives of the informal sector; defining the informal sector, forms of the informal sectors, SMEs and operating environment, challenges faced by the informal manufacturing SMEs and linkages of the informal enterprises with formal firms. This chapter discusses literature on the theoretical and conceptual frameworks for informality in developing and developed countries. Theories and conceptual frameworks that inform the work of the informal sector have progressively been developed over the years.

There are many different theories and models that define what brings about informality. Countless scholars, academics and economists are of the view that the informal economy is made up of informal micro-entrepreneurs who voluntarily opt to work in the informal sector (Maloney, 2004). The other group of scholars, on the other hand, advocates that the informal employment is a product of economic crises or downturns, suggesting that it is out of necessity, also, that drives people to go informal. Other argued that informalisation of employment relations is a characteristic of modern economic growth globally with evidence suggesting that informal wage workers contracted by formal organisations or families are increasingly growing in several countries (Chen, 2012). Various scholars have argued that the different factors drive different sectors of the informal economy in a different way, with numerous sets of observers positioning models that aim to capture the key variables of informality or the various components driving informal sector (Swaminathan, 1991; World Bank, 1995; Zimbabwe Government, 2004; Zindiye, Roberts-Lombard and Herbst, 2008; Williams, 2010; Uzhenyu, 2014; and Mintah and Darkwah, 2018).

### **3.2 Theoretical Framework on Informality**

The theories advocated on informality helps us to understand the rational arguments put forward by many academics and scholars. These theories provide different dimension on informality, regarding whether it is a better and permanent slice of the economy as a start-up for the formalised economy or a bad apple to the economy. Historical debates, over the years on the sizeable and different informal sectors, has significantly crystallised into four (4) dominant schools of thought namely dualist, structuralist, legalist, rational choice and rational legalist theories regarding its nature and composition.

### **3.2.1 The Dualist Theory**

The International Labour Organization (ILO) popularised this concept in the 1970s. This paradigm is of the school of thought that the informal economy is characterised by marginalised economic activities that are dominated by the poor as a source of income and a safety net in a period of economic meltdown (ILO, 1972; Hart, 1973). The theory argues that the existence of the informal sector is attributed to the unavailability of enough formal job opportunities being created to take up a surplus of labour.

The paradigm asserts, that once economic growth starts to be experienced, the informal sector will automatically reduce in size. Gerry (1987) observed this sector is characterised by Third World handcraft workers, peasants and petty traders in underdeveloped nations who acts as a buffer during recession time by providing income for retrenched labourers and a stop-over for employees seeking new jobs. Blunch, Canagarajah and Raju (2001) argued that marginal activities in many developing countries provides between 60% - 80% of total non-agricultural jobs.

Sethuraman (1976) one proponent of the dualist school, argued that the informal enterprises operate as a unique sector of the overall economy with no relationship with the formal economy. The Kenyan government long recognised the informal sector by incorporating it into national economic policy during the year 1986. In 1992, the informal sector was identified by the government as one of the pillars for potential employment in the country (Becker, 2004). The government of China has taken positive steps in increasing their interest in the informal sector as a panacea to addressing the issues of high unemployment (Harvie and Lee, 2003; Hussain, Millman and Matlay, 2006; Chen, 2006). This research intends to show the significance of the informal economy not as a bridge but as one of the key elements that can fuel employment generation, economic growth and development in Zimbabwe and Africa at large.

### **3.2.2 Structuralist Theory**

Portes *et al.* (1970) as cited by Portes, Castells and Benton (1989), popularised the structuralist theory in the late 1970s and early 1980s. The structuralist theory argues that the informal sector should be viewed as part of the global economic system that serves to reduce input and labour costs indirectly increasing the competitiveness of large corporations (Chen, 2004). The theory, in contrast to the dualist theory, acknowledges the co-existence between the formal and informal

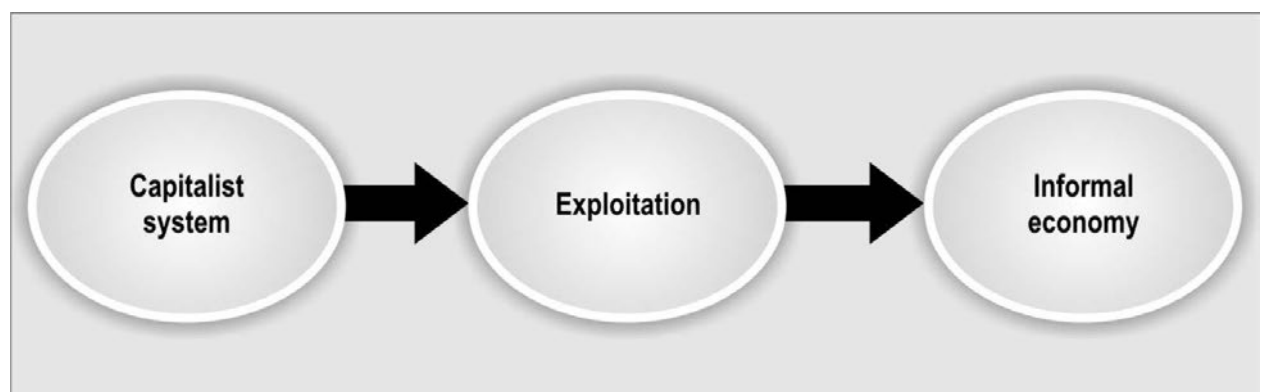
sectors. It again explains the linkages, the inter-connectedness and inter-dependency that ensures that the informal sector is a necessary component of the global economy.

Portes *et al.* (1989) argued that the structuralist sees the informal sector as being linked to the formal economy while Moser (1978) observed earlier that the informal sector employment is the marginalisation of the majority of poor people and therefore advocates for the need to generate more jobs in the formal sector in an attempt to prevent the exploitation of workers in the informal sector.

According to Rakowski (1994), the structuralist theory is underpinned by the critical assumptions of the neo-Marxist economic theories that assert that capitalism further their business and personal interests by exploiting the poor. Gardener (2008), argued that structuralists often explore the linkages between formalised large firms and informal small firms.

Chen (2006) lamented that for the informal and formal economy to co-exist; there is a need for proper macroeconomic policies that ensures more equitable linkages between the two and also that the informal sector has a position on the continuum of the various economic relationships and therefore cannot be separated from the formal economy.

**Figure 3-1: The Structuralist View of Informality**



**Source: Gardener (2008:29)**

Figure 3-1 views the structuralist theory as based on a capitalist economy where profit maximisation drives the business thereby leading to exploitation of labour through low salaries and resultantly giving birth to the informal economy.

### **3.2.3 The Legalist Theory**

Feigie (1981), Tanzi (1989) and de Soto (1989; 2000), popularised the legalist theory. Kirshner (2009), argued that the legalist theory is as a result of exorbitant, inefficient, cumbersome and costly government rules and regulations, which makes it hard to comply and micro-entrepreneurs tend to go informal. The legalist enterprises participate in the informal economy to avoid the burden of high taxes and strict regulations in the informal sector.

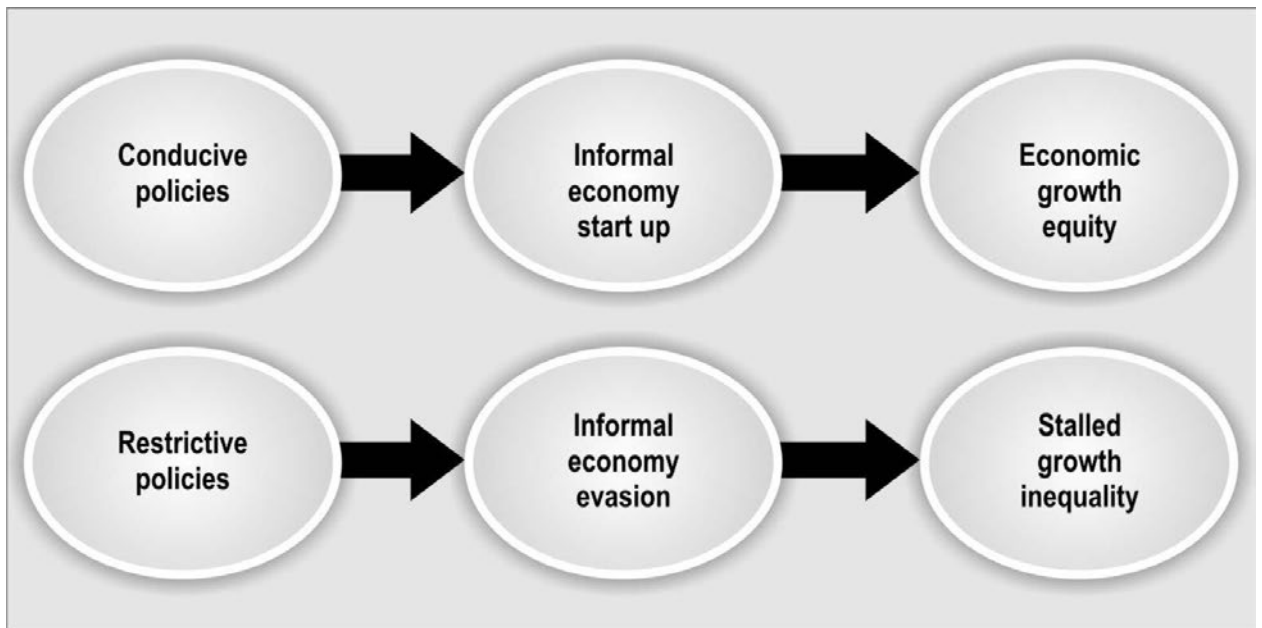
McLain, Alexander and Jones (2008) argued that nations can take three approaches when faced with informal activities that take place in economic domains subject to regulation: ignoring its existence, making an effort to control it, or legalising it. Regulation of the economy is encouraged to ensure the market regulates its economy and also to curtail the growth of the informal sector.

The theory focuses on government policies since there is consensus that it has a direct impact on the growth and expansion of the underground economy. It is imperative to stress the importance of government to address its laws, rules and regulations towards the informal business activity and this sector would be allowed to grow and heavily contribute towards the overall economic growth. However, Harding and Jenkins (1989); Renooy (1990) and Swaminathan (1991) argue that the informal sector entrepreneurs choose to participate there because of high levels/degrees of flexibility concerning work schedules.

Berger and Buvinic (1989) argue the main driving force for participating in the informal sector is to ensure the survival of families by ensuring the family has access to a subsistence level of income. Tedds (2010), Torgler and Schneider (2009), observes that high tax rates, perception towards the poor quality of governance and high levels of corruption are some of the major driving forces behind the majority of enterprises operating in the informal sector. However, the empirical evidence on the influence of taxation is mixed.

Bigsten, Kimuyu and Lundvall (2004) indicate that the incentive to operate formally is weak and as a result, SMEs do not see any benefits from operating in the formal sector. Xaba, Horn and Motala (2002); Hudson, Williams, Orviska and Nadin (2012) and Chen (2006), provide some evidence of existing linkages between the informal and formal sector businesses.

**Figure 3-2: The Legalist View of Informality**



**Source: Gardener (2008:35)**

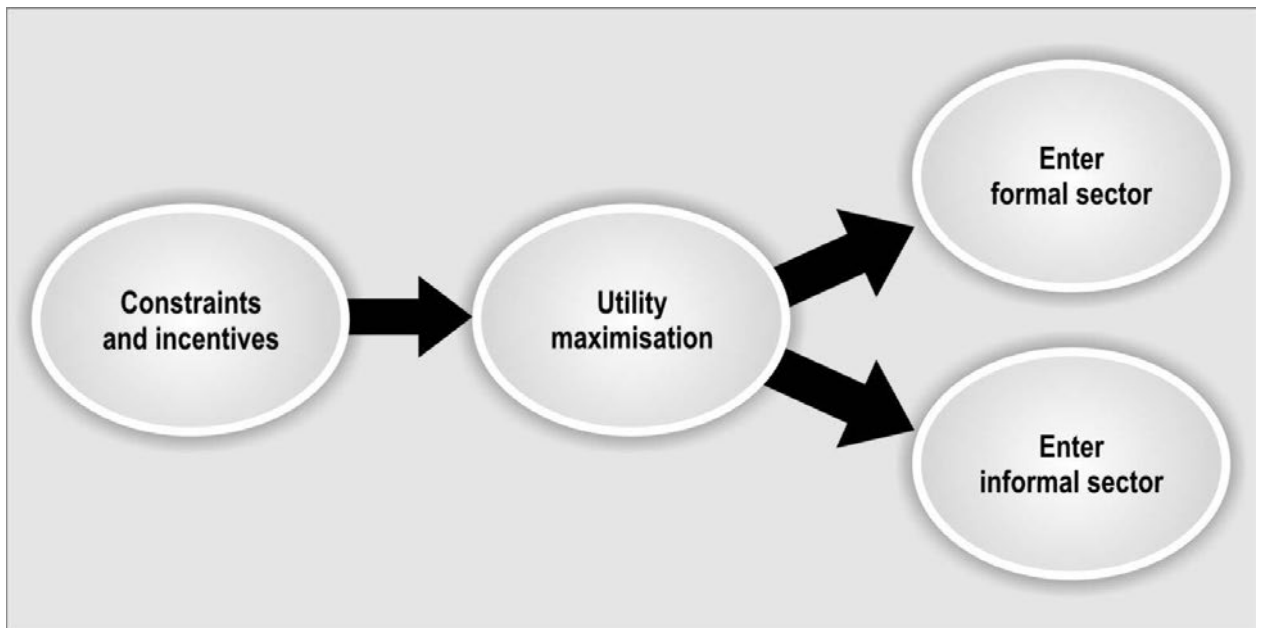
Figure 3-2 depicts informality and its productiveness of the restrictive policies by the government that gives rise to the informal economy and still stalls the growth-inequality. It advocates for the development of conducive policies that supports informal economy start-up and leads to growth equity.

### **3.2.4 The Rational Choice Theory**

Gardener (2008) observes this theory explains the behaviour of humans and has been used and adapted to fit many different fields and many disciplines in practice. Gardener (2008) asserts that this theory assumes that individuals always want to maximise their satisfaction given the available information on the benefits and costs of their action.

Schneider and Enste (2002b) argue that there are many factors and reasons influencing individuals to formalise or to stay informal, highlighting that, although economic factors should be given more weight personal issues should not be ignored as well. It is noted that personal factors to consider include circumstantial characteristics and personal characteristics since the critical assumption is that the informal and formal economies are separate.

**Figure 3-3: The Rational Choice View of Informality**



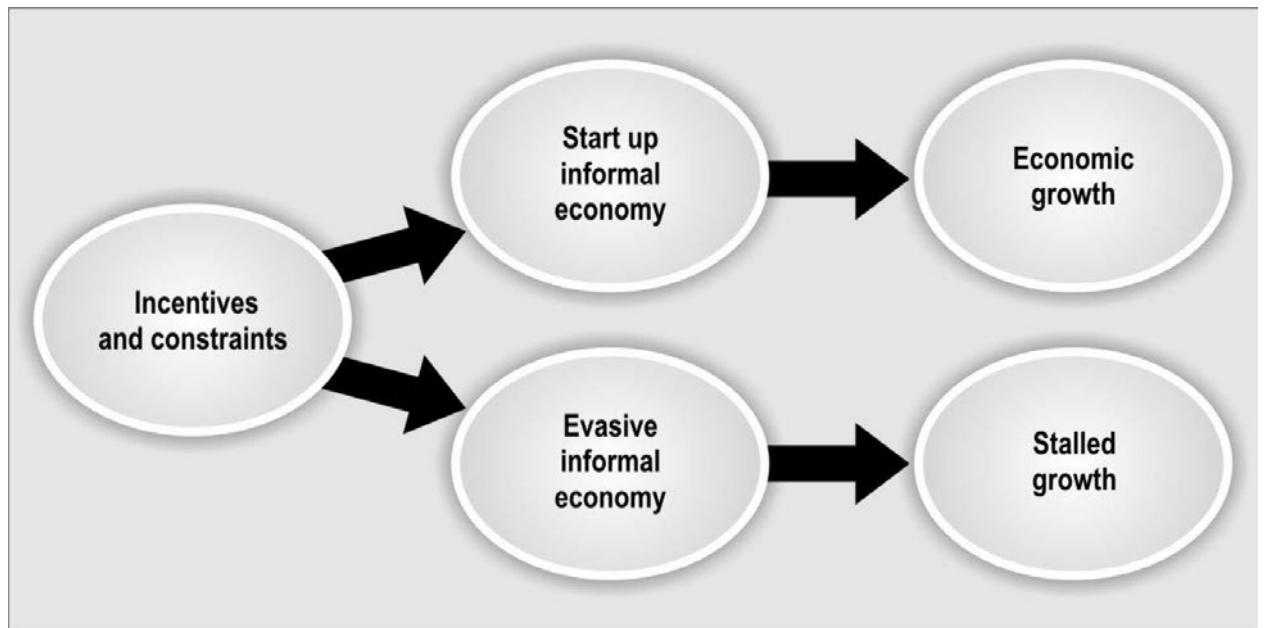
**Source: Gardener (2008:38)**

Figure 3-3 stresses that the desire and drive to have incentives are the driving force that leads to entrepreneurs' willingness to maximise their utility thereby opting to either enter into the formal sector or the informal sector.

### **3.2.5 The Rationalist Legalist Theory**

Gardener (2008) argues that this theory is a combination of the rational choice and legalist theories. The ideology is that micro-entrepreneurs consider the social and opportunity costs involved before opting to go formal. This theory attempts to forecast and predict the effect of the informal sector on the country's economic growth.

**Figure 3-4: The Rational Legalist View of Informality**



**Source: Gardener (2008:40)**

In summary, although the informal economy plays a significant and vital role in many economies especially in African countries, there is no agreement and unanimity in the literature on the variables/factors motivating firms to participate in the informal sector.

### **3.3 Theoretical Perspectives: Emergence of SMEs in Developing Countries**

Scholars acknowledged and accepted the principle that informal SMEs are a vital factor in encouraging and achieving employment generation, economic growth and industrial growth (Sethuraman, 1997; Chen, 2006; Idris and Ismail 2007; International Labour Office, 2011; Chigwenya and Mudzengerere, 2013). There have been many theoretical interpretations concerning the emerging of contemporary small-scale production globally. Musampha (1999) indicated that in African countries small-to-medium enterprises have contributed to the significant growth in the manufacturing.

Yung and Soulier (1989); Looye (1998) and Sunita and Mead (2002) also argue that South East Asia is no exception with countries like Malaysia, South Korea, Japan, Taiwan and Hong Kong attributing to the development of their manufacturing sector to SMEs development. Helmising (1993) indicates that serious variations regarding patterns and growth of SMEs in completely different parts of the globe tend to be different from one area to the other.

### **3.3.1 The Recession Push Theory**

This theory is based on the notion that the oil shocks of the 1970s cumulating into the global recession of the 1980s had a great unfavourable impact on the macroeconomic stability of developing and developed states with evidence of low economic growth, high unemployment and poor living conditions (poverty) (Uribe-Echevarria, 1993; and Choshi, 1996).

The theory postulates that, in times of recession, large-scale enterprises (LSE) were more affected than small and medium enterprises with many employees who would have suffered the painful strategies of retrenchment, downsizing, rightsizing and realignment being forced to start their informal small-to-medium enterprises (Rasmussen, 1992; Kaliyati, 1994; and Choshi, 1996). It, however, has failed to achieve desired results for Japan and Central Italy (Loveman and Sengeberger, 1991) as these countries were not negatively affected by the recession as other countries in the world.

### **3.3.2 The Labour Supply Theory**

The labour supply theory postulated by Pedersen (1998) argues that SMEs development is attributed as a response to the high levels of unemployment and it acts as a solution for the employees who cannot be absorbed in the formal economy. Pedersen (1998), points out that urban informal economy significantly will rise in times of recessions or financial meltdown when the size and growth of the formal sector will slow down and fail to absorb all the economically active population. However, theories have shown that when formal jobs grow small-to-medium enterprises economy is likely to downsize as owners of SMEs jostle to find jobs in the formal sector and thus shows evidence of anti-cyclically to the formal sector. According to Brand *et al.*, (1995) and Pedersen (1998), the majority of the literature review globally has taken this theory as evidence of explanation of the informal sector after the so-called Structural Adjustment Programmes (SAPs).

### **3.3.3 The Liberalisation**

The theory is based on the notion that government economic guidelines may hinder or promote the advancement of small enterprises. Literature shows that the liberation theory concludes that macroeconomic policies that promote the development of large-scale enterprises were a stumbling block towards the growth and development of SMEs (Choshi, 1996). This theory advocates the adoption of a de-regulation policy which entails the simplification of the licensing

processes, procedures, guidelines, laws and rules showing how and where enterprises can operate (Choshi, 1996).

### **3.4 Theoretical Models Linked to Africa and Zimbabwe**

The ideal theories to the explanation of the serious development of SMEs in Africa is the recession push theory, the legalist theory, the dualist theory and the labour supply theory. Zimbabwe is no exception with Kenya, Malawi, and Nigeria also falling into the pack with an explanation to the growth of the SMEs being explained by the global recession and the slow economic growth in these countries.

Chigwenya and Mudzengerere (2013) point out that the informal sector is no longer dominated by the so-called urban poor and survivalist but semi-skilled, skilled as well as learned people as they try to supplement their meagre primary incomes in a recessionary economy where high unemployment is a key characteristic as with many African developing countries.

With the global financial recession and economic melt-down between the years 1998 to 2008, the formal economy in Zimbabwe has not been able to absorb thousands of school leavers and college graduates with the informal sector being seen as the major absorber of the redundant workforce (Muraya, 2004; Skinner, 2009).

#### **3.4.1 Informal Sector Urban Planning in Zimbabwe**

Chigwenya and Mudzengerere (2013) have indicated that the municipal urban and rural planning by many local authorities have not assisted the informal SMEs especially with adequate space for them to operate freely with government/municipal officials largely regarding urban informal SMEs as an eye-sore and social vices bedeviling urban areas and hence no provisioning for this sector in the urban planning system.

In Zimbabwe municipality regulatory authorities did not have laws and regulations that operationalise/regulate the informal sector (ILO, 1991 and Salter, 1998). With this, the informal sector suffers from provisioning of basic services with no resources to provide for the decent safety and health security which are prerequisites for preventing occupational disasters, diseases and environmental hazards.

Rukamann (2007) and Onyenechere (2011) argued that most of the operational activities in the informal sector are outside the formal planning systems with many towns and cities still following the old and rigid practices used by their previous colonial masters of regarding the informal economy as an eye-sore and a nuisance in the city. Most of the urban planning systems used in Zimbabwe and developing countries are still directed by the colonial master's best practices borrowed from the developed world (Solo, Maria, Perez and Steven, 1993). These planning systems do not dovetail well with the situations and contexts of the developing countries, especially in Africa. This calls for a paradigm shift with municipalities realising the importance of the informal sector in the economy of a developing country and trying to be accommodative by capturing the realities that present in their towns.

Adenyika, Misore, Olawani and Abengundu (2006) argue that African governments are still rooted in city models from the developed world which are based on physical attractiveness as the key issue in the layout of their architectural designs. Developing countries have neglected and disregarded the important economic aspects of the informal economy which are very key and important aspects for the millions of livelihoods in the urban and rural areas. With the global meltdown, the informal sector is a very important tool for development in developing countries and it is one of the most important strategies to realise development fortunes (de Soto, 1989).

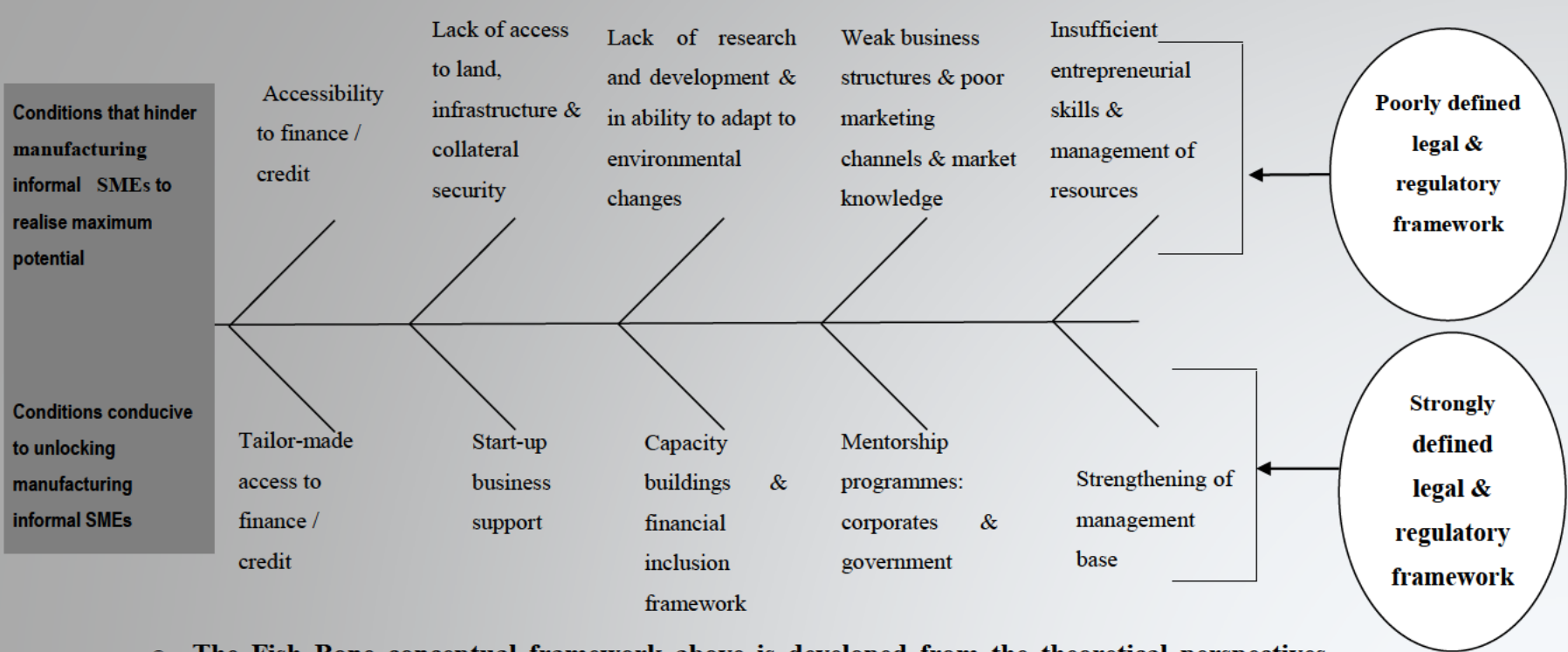
### **3.4.2 Conceptual Framework**

The conceptual framework developed for this research study is based on the Literature Review, discussed in Chapter 2: Literature Review and Theoretical and Conceptual Frameworks. Chapter 2 seeks to identify the key constructs that have been hindering informal SMEs performance, development and to realise their full potential in developing and developed countries.

The literature review identified six (6) major constructs in identifying the main challenges in informal SMEs development. They are (1) accessibility to finance and/or credit (2) lack of management and entrepreneurship skills (3) poor location and networking (4) poorly defined legal and regulatory frameworks (5) technological capabilities (6) government policies towards the informal SMEs. The proposed conceptual framework is one of the few developed in an attempt to consolidate the above constructs into a single workable framework.

### 3.5 Conceptual Framework: Challenges Faced by the Informal SMEs

Figure 3-5: The Conceptual Framework



- The Fish Bone conceptual framework above is developed from the theoretical perspectives, conceptual frameworks and empirical studies discussed in the literature above.

Source: Own, 2017

### **3.5.1 Informality as a Driver of Economic Growth and Development**

Small-to-medium enterprises can fuel economic growth by creating new jobs, expanding the revenue tax base and through innovation (Katua, 2014). This is further observed by Beck, Demircuc-Kunt and Levin (2005), who states that SME participation enhances competition and entrepreneurial skills and results in many external benefits on the economy and aggregate productivity. Globally, SMEs have consistently registered higher growth rates in comparison to the overall industrial performance. Policy-makers and many academic scholars have singled out the SMEs sector's advantage as its employment potential is at low capital cost (Ariyo, 2008; Ayanda and Laraba 2011; Chen, 2012).

### **3.5.2 SMEs' Role in Employment Generation and Industrial Development in Africa**

According to Havenga (2001), the success of the private sector in some East Asian and West European countries have been attributed to the adoption of the free market enterprises with many African governments having abandoned the centrally controlled policies/programmes for free market enterprises. Evidence in many developing countries shows that the informal and formal SMEs are the backbone of the private sector and widely recognised as important vehicles for economic and industrial development (Havenga, 2001; Kennedy and Hobohm, 2001) with many African governments recognising their important role as the engine for growth. Small-to-medium enterprises make-up over 90% of African enterprises and significantly contribute to economic growth (Havenga, 2001).

According to Garikai (2011), empirical studies confirm the important role in employment generation by the SMEs with research showing that over 90% of total enterprises in the majority of the economies are responsible for creating the highest rates of employment growth and accounting for a reasonable share of industrial production. However, despite this, SMEs have not been recognised fully across many African countries with many governments in Africa subscribing to the notion that large sector enterprises are the way forward to industrialisation in Africa. Helmising (1993) and Helmising and Kolstee (2000), indicate that the SMEs have been greatly neglected on the economic development agenda by many African countries. Grotz and Braun (2000) argue that many African economies are faced with limited capital, and high levels of unemployment in their countries and informal SMEs have offered the best option since they are labour-intensive and use limited capital resources.

A study by Ariyo (2008), confirms that the SME sector provides an average of 50% of industrial output in Nigeria and 50% of Nigeria's employment and this is further supported by another study by the Federal Office of Statistics that confirms that around 97% of businesses in Nigeria are SMEs.

### **3.5.3 Theoretical Perspectives for Variations in the Level of Employment in the Informal Sector**

Williams (2013) highlights that three competing perspectives have been put forward to explain the variations in the level of employment creation in the formal sector. These views are centrally focused on the notion that greater levels of employment in informal sector enterprises can be as a result of under-development (modernisation perspective), higher taxes, government sector corruption and public-sector intervention in the free market (neo-liberal perspective or lack of adequate state /government intervention to protect workers from poverty (structuralist perspective).

#### **3.5.3.1 Modernisation Perspective**

In the twentieth century, the notion was that the informal sector was highly regarded as a legacy of the previous mode of production and therefore was small and would naturally disappear as the modern formal sector became developed. In other words, employment in the informal sector was widely seen as a relic from an earlier mode of production and gradually fading away. Seen from the modernisation perspective, extensive informal sectors are widely regarded as a signal of 'traditionalism,' under-development and 'backwardness'; on the other hand, extensive formal sectors are seen as representing 'progress', 'development' and 'advancement' (Lewis 1955; Geertz, 1963; Gilbert, 1998 and Packard, 2007). The general conclusion was that the informal sector enterprises are depicted as a symbol/sign of underdevelopment that will gradually disappear with economic advancement and modernisation.

#### **3.5.3.2 Neo-liberal Perspective**

The neo-liberal perspective as put by William (2013), argues that citizens operate in the informal sector enterprises as a result of high taxes, a corrupt state system and too much government interference in the free market. In that regard, establishing the informal SMEs rather than the formal SME is a rational economic decision by entrepreneurs to voluntarily leave the highly

controlled formal sector to avoid the effort to formally register, avoid the costs involved and to save time (Becker, 2004; London and Hart, 2004; and Nwabuzor, 2005).

According to Becker (2004), the emergence of the informal SME sector by small-to-medium sized entrepreneurs' is a rational response to over-regulation by government bureaucracies. De Soto (2000) and Perry and Maloney (2007), postulate that the creation of informal enterprises by the entrepreneurs' operating these enterprises is a rational economic strategy meant to avoid the high taxes and state-imposed institutional constraints.

Globally, the ongoing high prevalence and high growth of the informal SMEs is seen as a product of high taxes, corruption, over-regulation and intervention by the government in a free market with neo-liberal commentators recommending that the remedy should be to reduce corruption, pursue tax reductions, deregulation and less state intervention.

The conclusion from the neo-liberal perspective is that employment in informal sector enterprises should be more extensive in countries with high levels of corruption, higher taxes and high levels of state interference in the working of the so-called free market system.

### **3.5.3.3 Structuralist Perspective**

Castells and Postes (1989), Sassen (1996), Gallin (2001), Hudson (2005) and Slavnic (2010) all assert that the structuralists who are advocates of a structuralist perspective, share a contrasting view and argue that the ongoing extensiveness and growth of employment in informal enterprises are seen as a direct by-product of the deregulation of the world economy. The argument put forward by these structuralists are that world integration into a single global economic system, has resulted in massive sub-contracting and outsourcing becoming a key vehicle for integrating informal SMEs into late capitalism ideology leading to downward pressure on wages and salaries and serious erosion of incomes, social security services and yet another growth of yet more informal sector enterprise.

Fernandez-Kelly (2006) argues that 'the informal economy is far from a vestige of earlier stages in economic development. Instead, informality is part and parcel of the processes of modernisation.' Davis (2006), in support of Fernandez-Kelly (2006), argues, 'such primitive forms of exploitation ... have been given a new breath by post-modern globalisation'.

In summary, the structuralist perspective views employment in the informal SMEs as largely unregulated, low wages/salaries, and highly insecure types of survival-driven work carried out under highly marginalised populations who are usually excluded from the main stream formal sector (Gallin, 2001; Hudson, 2005). In other words, Castells and Portes (1989), Gallin (2001) and the ILO (2002), observes that employment in the informal sector is necessity-driven with many entrepreneurs/people being pushed into this sector by their inability to be absorbed into the formal employment. The post-socialist era also asserts that those surviving, operating and working in the informal sector enterprises are the unwilling pawns resisting an exploitative global economic system.

### **3.5.4 Summary: Evaluations of the Three Perspectives**

Several studies provided by many scholars have concluded that no single perspective is universally valid. Perry and Maloney (2007) and Williams (2010), observes structuralist explanations are more valid when considering waged work in the informal sector while the neo-liberal perspective is valid when looking at those who operate informal sector enterprises. The structuralist perspective seems to hold water when explaining largely the participation of relatively deprived populations while the neo-liberal approach is applicable when explaining informality in relatively affluent populations (Evans, Syrett and Williams, 2006; Pfau-Effinger, 2009; Williams and Gurtoo, 2012).

### **3.5.5 Guide to Unlocking Informal SMEs' Potential and Survival**

There is a great need for the informal economy and its workforce to be fully recognised despite lack of overarching policy intervention to attend to their problems (Chen, 2012). There should be various interventions to be considered, and these interventions needs to be tailored and designed to meet the specific constraints, wants and needs of different groups of the informal economy, hence, coming up with a model in which their full potential can be unlocked.

Economic and social policies ought to be revisited regarding their impact on the informal sector and the respective parts (World Bank, 1995). Most policies have a positive and negative impact on the formal economy, and it is in the interest of the government to monitor the impact of the different policies on the different classes of the informal sectors and attempts to address the negative impact. There is serious need to improve the measurement of informal employment and informal SMEs in official economic statistics.

In Africa, fundamentally what is required is a new economic paradigm in the form of a strong model that embraces both the traditional and modern SMEs in the informal and formal economy. Chen (2012) argues that what is needed is a model that allows the micro-enterprises and least powerful workers to be able to operate alongside the large corporations and the most economic players.

### **3.6 The Way Forward: The Formalisation Debate**

Many policy debates on the informal economy have asked the question about how to formalise the informal economy. Scholars came up with different notions of what formalisation of the informal economy means with some arguing that it merely means shifting the informal workers into the formal wage/salaried jobs, with others arguing that it means registering and taxing informal enterprises (Husmanns, 2005; Gono, 2006; Chen, 2012; and Kasseeah, 2016). The last group where the informal SMEs are already paying the taxes and /or licence fees being formal means gaining access to legal and social protection as well as support services (skills and business training) and access to be represented in critical rule-setting, policy-making and Trade Union collective bargaining processes.

It is important to understand that formalisation has no universally accepted definition and therefore has different meanings and implications for different categories of the informal sectors. In addition, it is of paramount importance to ensure that formalisation offers the benefits and protections that are attached to becoming formal and does not only increase the costs of becoming formal (Chen, 2006). In the case of the self-employed going formal, it should not imply just obtaining a trading license, registering their accounts and paying taxes as these represent the costs of entry into the formal sector. The question would be, what is it that they would like to receive as benefits of going formal in return for paying these high costs? Among the benefits should be tax breaks and incentive packages, legal ownership of their place of business and means of production, membership in trade associations, protection against creditors and clear bankruptcy and social protection. However, it is important to appreciate that formalisation has different dimensions beyond the benefits above and policy-makers should acknowledge and recognise these various dimensions of formalisation and the fact that formalisation is not, therefore, a one-step process but rather an ongoing process of extending benefits of formalisation incrementally to the informal workers. Kasseeah (2016); Distinguin *et al.* (2016:33) point out that being registered paves the way for the SMEs to have accessibility to finance and other related benefits.

In summary, what is required is an approach to unlocking the informal SMEs and their formalisation which is complex and comprehensive in design and practices as shown in Table 3-1.

**Table 3-1 Unlocking Potential and Formalisation of the Informal Economy**

Unlocking and Formalising of Informal SMEs	Formalisation of Informal SMEs jobs
<ul style="list-style-type: none"> <li>• Taxation and registration               <ul style="list-style-type: none"> <li>- Simple registration and licensing procedures</li> <li>- Progressive registration fees</li> </ul> </li> <li>• Appropriate and suitable legal and regulatory frameworks including but not limited to               <ul style="list-style-type: none"> <li>- Private property rights</li> <li>- Use of public land</li> <li>- Occupational health and safety regulation</li> <li>- Enforceable commercial agreements</li> </ul> </li> <li>• Benefits of going formal               <ul style="list-style-type: none"> <li>- Access to finance and credit</li> <li>- Access to proper public infrastructure and services</li> <li>- Limited liability</li> <li>- Membership in formal business associations</li> <li>- Access to a formal system of social security</li> <li>- Clear bankruptcy and default rules</li> <li>- Enforceable commercial agreements or contracts</li> <li>- Access to state subsidies and incentives, i.e. procurement bids and export promotion packages</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Legal recognition and protection as employees</li> <li>• Rights, privileges' and benefits of being formally employed</li> <li>• Freedom from discrimination</li> <li>• Minimum wage</li> <li>• Occupational health and safety measures</li> <li>• Employer contributions to health and pensions</li> <li>• Right to organise and bargain collectively</li> <li>• Membership in formal trade unions</li> </ul>

Source: Chen (2012:16)

### 3.7 Summary of Chapter

In conclusion, in the global economy less formal jobs are being generated and many existing formal jobs are being informalised. Informal employment creation is now a permanent mark in the short term, medium term and probably in the long term. Furthermore, informal employment is now the main source of employment, economic growth and income for the majority of the labour force and population in the developing world and therefore, the informal economy needs to be fully unlocked and recognised as the broad base of Africa, the global economy and workforce. In that regard, the informal sector and workforce in Africa need to be respected and valued for their contributions and integrated into the main stream for advanced economic planning and legal frameworks. The following, Chapter 4: Research Methodology and Research Design, discusses

the research philosophy, research design, mixed-method research design process and research design implementation.

**CHAPTER 4:**  
**RESEARCH METHODOLOGY AND RESEARCH DESIGN**

## **4.1 Introduction**

The previous chapter discussed the theoretical and conceptual frameworks of the informality of the study. These theoretical and conceptual frameworks influenced not only the knowledge about informality as part of the research but also guided how it was going to be conducted. This chapter, presents the research philosophy, research design, mixed-method research design process, justification of choosing the mixed-method, mixed-method research design, historical usage of the convergent research design, flow-chart of the basic procedures used in implementing a convergent parallel design, research design implementation, reliability and validity, generalisability, research protocol and ethical considerations. This chapter also, discusses the research methods, data collection and analysis approach and the techniques used by to analyse data for this study.

## **4.2 Research Philosophy**

Globally, the foundations of all the scientific research are underpinned by philosophical assumptions of the world and these worldviews according to Creswell (2003), gives the direction on how to conduct and get outcomes of any research. The philosophical reasoning that compels the mixing of qualitative and quantitative models of research into a single research study is pragmatism. Pragmatism is described as the belief in doing what works best in the interest of achieving the desired result. Morgan (2007), argues that as an underlying philosophy for inquiry, pragmatism supports the investigator in choosing among the different models of inquiry as research questions being addressed determine the methods that are best suited. In other words, certain research questions are properly addressed using quantitative methods while others using qualitative methods. The pragmatic philosophy is underpinning this study on unlocking the potential of informal small-to-medium enterprises in an African economy allowed for used of a mixed-method.

Therefore, the study is a mixed-method research design because using both qualitative and quantitative methods in combination enriches research as the strength of one complements weaknesses of the other (Onwuegbuzie and Collins, 2007). Mixed-method is a procedure for collecting, analysing and mixing both quantitative and qualitative research methods in a single study to understand a research problem. Scholars have indicated that the justification of using the mixed-method for this study is to draw from the strengths and minimise the weaknesses of the quantitative and qualitative research approaches (Creswell, 2003; Creswell and Plano-Clark, 2007; Williams, 2007).

This study was designed within a tradition of mixed-methods research by rejecting the main assertions of the incompatibility thesis that concluded that different data types and their methods of analysis are not compatible with one another and therefore cannot be used together in the same study (Howe, 1988). By doing so, in this research, the researcher shares a view that the careful combining of different data types, interpretation and analysis tools can reveal contrasting and interesting dimensions of given social and economic phenomena thereby increasing the depth of understanding it significantly.

With the increase globally in the complex nature of contemporary social problems, the solutions of researchers have been ever more multifaceted. Investigators are timeously expected to respond to the research context innovatively and use any possible data types and analysis techniques necessary to address their research questions. Owing to this, there has been a surge in demand to be equipped with appropriate skills to conduct different types of research. Mixed-methods designs have been in an expanding mode in regarding scholarly attention, though the use of different methods together in the same study is not new (Olsen, 2004).

### **4.3 Research Design**

The research design is a general orientation on how to conduct a business/educational research (Saunders, Lewis and Thornhill, 2012). Research designs are defined as procedures and processes for collecting, analysing, interpretation and presenting/reporting data in research studies. Research designs represent the different models for carrying out research and the models have distinct names, procedures associated with them. Research designs are very important since they help guide the methods that researchers must use during their studies, what the researcher wishes to achieve, what you intend to do and offers guidance in terms of how the researcher makes interpretations at the end of the research study (Creswell, 2003; Creswell and Plano-Clark, 2007).

Durrheim (1999), defines research as the conceptual framework in which research is conducted by providing the blueprint in which collection, measurement and analysis of data should be done by specifying what needs to be done and how to answer the research questions. It is often referred to as the strategic framework that acts as a link between the defined research questions and the implementation of the actual research. The aim of a research design is the planning, structuring and executing the study in a way that ensures maximisation of the validity of its findings. In that regard selection of the research method and design for the study is very crucial since it leads to

the determination of the routes in which the research outcomes will be achieved and also influences and sets the anticipated and expected outcomes.

May (2001), argues that there are several methodologies that are used to collect data in social sciences usually as a function of the nature, aims and objectives of the study. Tashakkori and Teddlie (1998), Creswell (2003), Creswell and Plano-Clark (2007), and Teddlie and Tashakkori (2009), on the other hand, observes broadly speaking there are three methods to conducting educational/business research which is qualitative, quantitative and mixed-methods.

May (2001), observes the scientific tools for investigating and addressing social problems are many and varied, however, each approach to research has its strengths and weaknesses. The strength associated with quantitative research is that the method produces reliable and meaningful/quantifiable data that has potential to be generalised to a large population. On the other hand, quantitative methods are always criticised for not addressing the 'why' of a phenomenon. In most cases, the method can de-contextualise the important role of the human behaviour and in that regard variables that could help explain an important phenomenon are then omitted from the statistical model.

Creswell and Plano-Clark (2007), argue that the quantitative research method is very weak in ensuring understanding the context or setting in which the research participants talk and also in quantitative research personal biases and interpretations are seldom discussed in the findings.

Qualitative research methods, on the other hand, are purely grounded in the theory that reality is constructed by an individual during the process of interacting with the social environment. Qualitative researchers have an interest in exploring and explaining the phenomenon as they happen in the natural setting and provide researchers with a deep understanding of a social phenomenon by observing or interacting with the participants of the study (Denzin and Lincoln, 2008).

As Denzin and Lincoln (2008:4) define it: *'qualitative research involves the studied use and collection of a variety of empirical material – A case study, personal experience, introspection, life story, interview, artefacts, cultural texts and productions, observational, historical, interaction and visual texts that describe routine and problematic moments and meanings in individuals' lives.'*

The researcher in qualitative research becomes the important instrument of data collection, and its strength is that it has the potential to generate rich descriptions of the participants' thought processes and tend to focus on the reasons 'why' a particular phenomenon has occurred. However, Creswell and Plano-Clark (2007), highlight that qualitative research is seen as deficient in that the personal interpretations and analysis are made by the researcher. Therefore, bias is created in the process and the difficulty and problems in generalising findings to a large group attributed to the limited number of participants studied. It is in this regard that, combining qualitative and quantitative methods ensures the weaknesses in one method are minimised by the strengths in the other research design (Creswell, 2003, Creswell and Plano-Clark, 2007). In simple terms, adopting a mixed-method research helps find answers to questions that cannot be answered using qualitative methods only. Mixed-methods have advantages of providing a 'more complete picture by highlighting trends and generalisations as well as in-depth knowledge of research participants' opinions. This method of inquiry was the most suitable for addressing the research objectives and questions for this study.

In addition, Mead, Sverrisson and Levy (as cited by Nganga, 2003), argue that most researchers on small and medium enterprises have traditionally adopted a variety of research designs, research methods and collection strategies, such as survey methods combined with open-ended discussions (interviews/focus group interviews).

Once the study was exploratory research, a mixed-method approach was the best to address the research questions, and therefore, this research study is premised on a mixed-methodology which involves collecting and analysing both quantitative and qualitative data. This stems from a personal dissatisfaction at the prospect of choosing between a quantitative-qualitative dichotomy, and this research welcomes a mixed-method approach and the opportunities and payoffs to be gained thereof.

### **4.3.1 Mixed-method Research Design Process**

The study used a mixed-method design. Morse (1991), developed the mixed-method research notations. According to Lieber (2009), mixed method-research is a research design with philosophical assumptions and methods of inquiry. Mixed-methodology involves a philosophical assumption that gives guidance and direction of the collection and analysis of data and the respective mixture thereof of both qualitative and quantitative approaches in many phases in the research process.

Creswell, Plano-Clark, Guttman and Hanson (2003), define a mixed-method study as, *“involving the collection or analysis of both quantitative and qualitative in a single study in which data are collected concurrently or sequentially, and are given a priority and involve the integration of the data at one or more stages in the research process.”*

Creswell and Plano-Clark (2007:5), argue that *“mixed method is a research design with philosophical assumptions as well as methods of inquiry. As a methodology, it involves philosophical assumptions that guide the direction of the collection and analysis of data and the mixture of qualitative and quantitative approaches in many phases in the research process. As a method, it focuses on collecting, analysing and mixing both quantitative and qualitative data in a single study or series of studies. Its central premise is that the use of quantitative and qualitative approaches in combination provides a better understanding of research problems than either alone”*.

Literature shows that mixed-methods are not a just arbitrary collection of quantitative and qualitative data to explain what each tells us about a given social problem as this data triangulation lacks logic thereby making data integration and inference very difficult (Mason, 2006). The effectiveness of mixed-method is drawn by making purposeful and logical decisions about the data types and analysis techniques that are most appropriate to answer the given research questions (Creswell *et al.* 2003). With mixed-method becoming more prevalent, so do many examples of the different designs being implemented, however, each design has its procedures, strengths and weaknesses are dependent upon the research context and for this research context and given the aims and objectives of this study, the selected design is convergent parallel design (Creswell, 2003; Creswell and Plano Clark, 2007). A convergent parallel design mixed-method design of combining both qualitative and quantitative approaches served as a model for this study.

### **4.3.2 Justification for Choosing the Mixed-method**

A mixed method has challenges and difficulties to a lone researcher however it exploits multiple data types and offers the best opportunity to answer the research questions being investigated in this study. This is further supported by the notion that social research does not operate in isolation from the rest of the world since it seeks to understand it. Research processes and outcomes, in this thesis, are shaped by the actors, institutions and problems it takes as the main subjects/unit of analysis. Research endeavours results are determined not only by the social problems and people

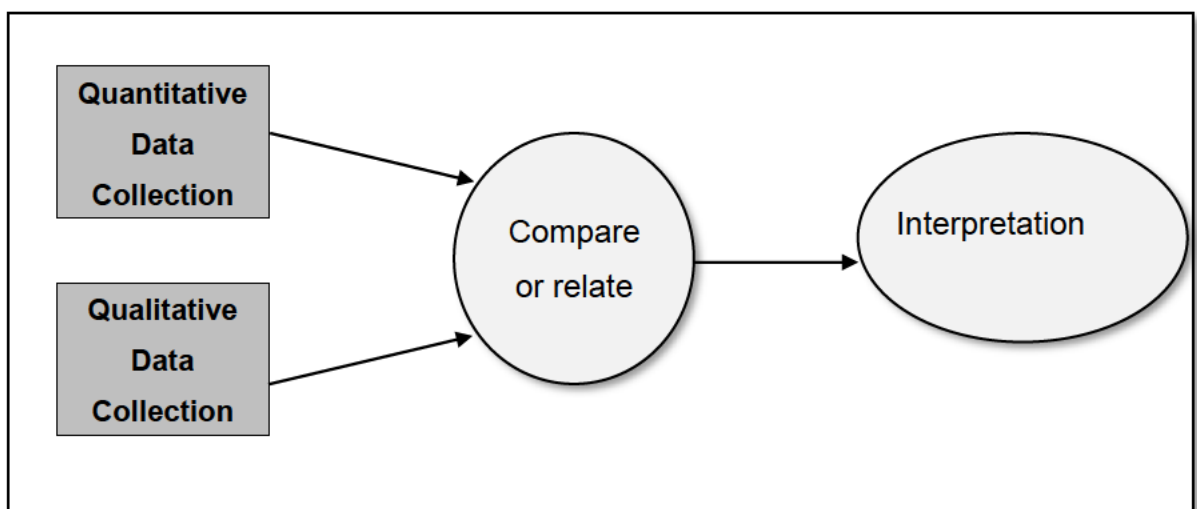
we want to research but largely by the social values, opinions of those involved in the research process investigations.

Combining two different methods is a mammoth task and is only undertaken where there is a special and specific reason to do so as was the case with this study. Greene, Caraceli and Graham (1989) highlight that there are many good reasons for mixing methods found in literature in an attempt to assist the researcher to guide their research processes. Among the reasons frequently discussed in the literature are triangulation, complementarity, development, initiation and expansion to just name a few. Bryman (2006a), noted that many mixed-methods studies give multiple reasons for mixing methods and argue that new reasons for mixing always emerge as the study is underway. Literature states that it is responsive to new insights that have proved to be an essential aspect of conducting mixed-methods research, but it was felt that it was important to design a mixed-method study with at least one major reason as to the plan to combine qualitative and quantitative methods.

### 4.3.3 The Mixed-method Research Design

For this study, it was thought through the decision points to choose a design that reflected on interaction, priority, mixing and timing. The research design was carefully selected to best match the research problem and the reasons is to make the study more manageable, simple and easy to describe. In this case, the best option was the convergent parallel design. The prototypical version of the convergent parallel design is shown in Figure 4-1.

**Figure 4-1: Prototypical Version of the Convergent Parallel Design**

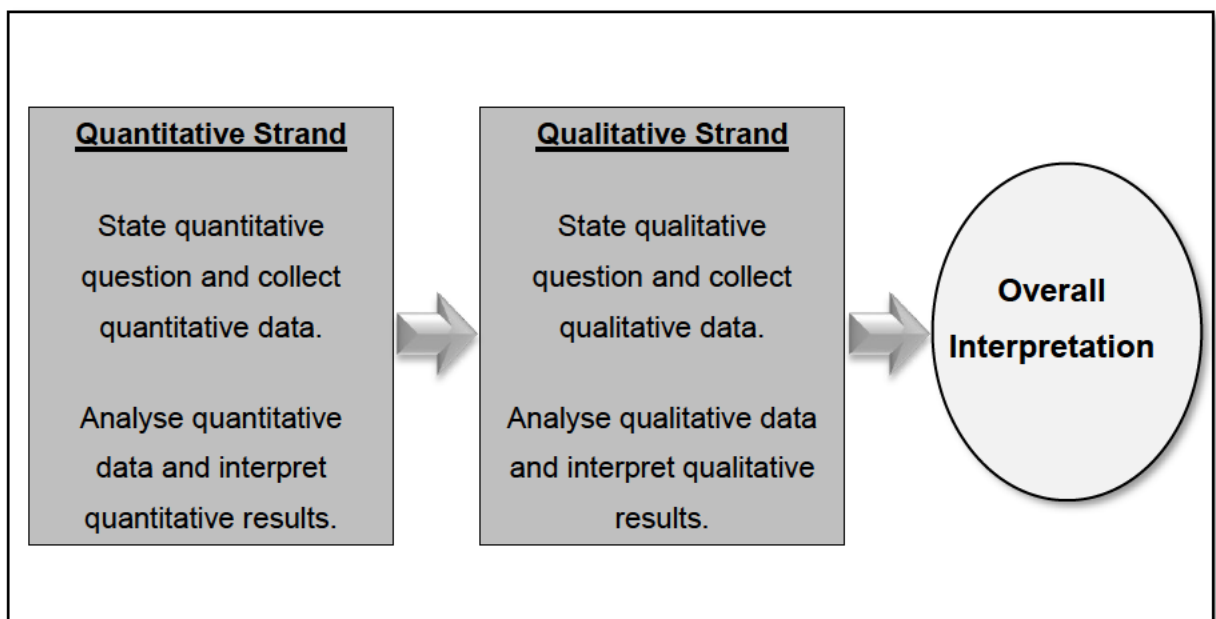


Source: Creswell, Plano and Clark (2011:69)

### 4.3.3.1 Convergent Parallel Design

The convergent parallel design, also known as the convergent design, is defined as a situation that occurs where the research uses concurrent timing to implement both quantitative and qualitative strands in the same phase of the research process thereby prioritising both methods equally and keeping the strands independent during the analysis process and then mixes the research results during the overall interpretation as shown in Figure 4-2.

**Figure 4-2: Research Design Implementation – Quantitative and Qualitative Strands in a Mixed-method Convergent Research Design**



Source: Creswell, Plano and Clark (2011:64)

The researcher used a convergent parallel design to develop a complete understanding of the roles and challenges being faced by the informal manufacturing SMEs in Zimbabwe.

## 4.4 Research Sites and Research Strategies

### 4.4.1 Zimbabwe

Zimbabwe is a landlocked country geographically located between the Limpopo and Zambezi Rivers in the Southern part of Africa. Zimbabwe has an estimated 14 million people and operates ten (10) provinces, and two (2) of these provinces are cities that have been granted provincial status mainly for administrative issues. Provinces are headed by Provincial Governors / Provincial Affairs Ministers who are appointed by the president of the Republic of Zimbabwe. The Public Service Commission (PSC), appoints Provincial Administrators in each province to

run provincial government affairs. Other critical government key functions in each province are being carried out by national government departments at those provincial offices. The ten (10) provinces each have a provincial capital which is basically where government administration issues are handled out as shown in Table 4-1:

**Table 4-1: Provinces and Provincial Capital Cities in Zimbabwe**

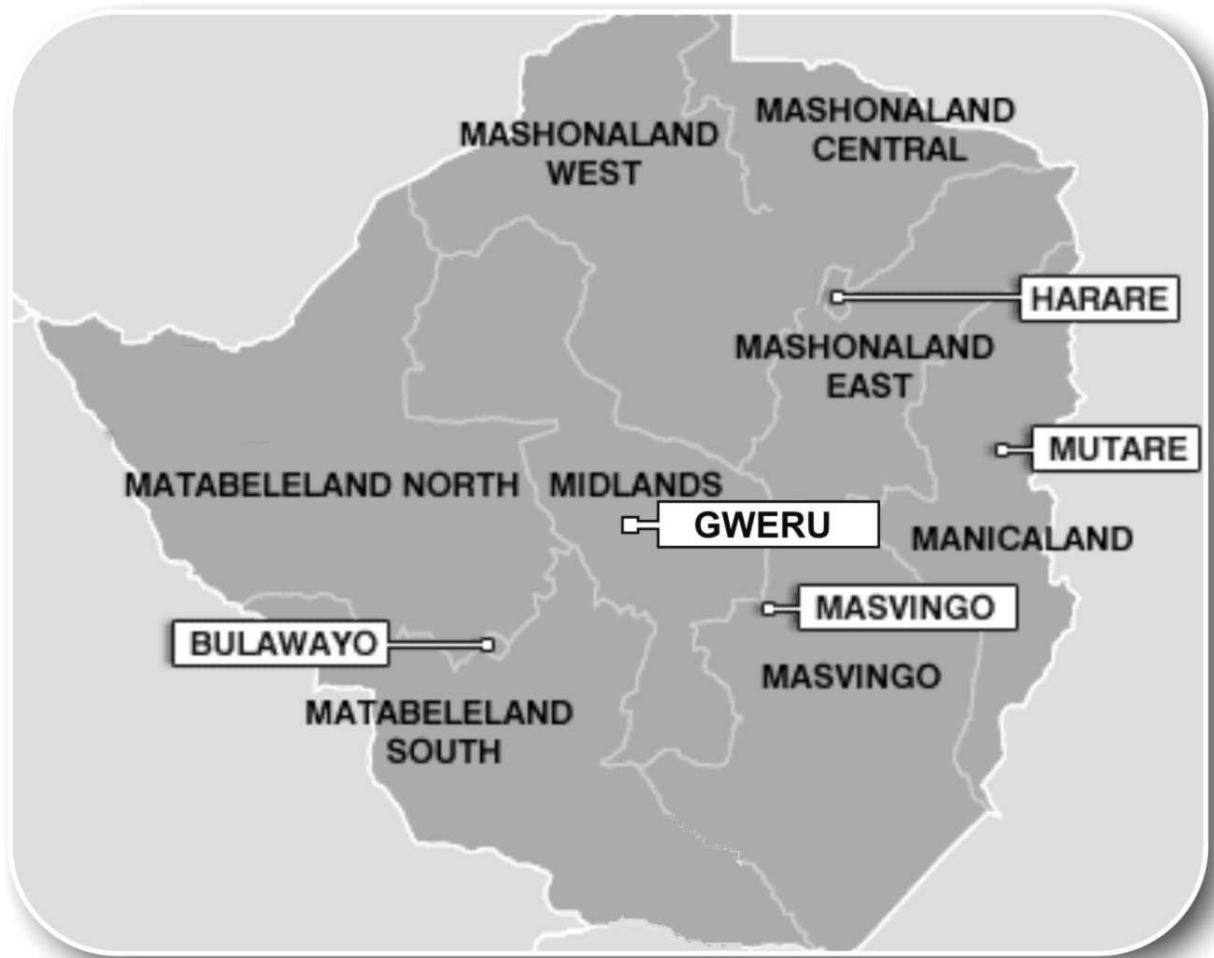
<b>Province</b>	<b>Capital</b>
Harare	Harare
Bulawayo	Bulawayo
Midlands	Gweru
Masvingo	Masvingo
Manicaland	Mutare
Mashonaland West	Chinhoyi
Mashonaland Central	Bindura
Mashonaland East	Marondera
Matabeleland North	Lupane
Matabeleland South	Gwanda

**Source: Own, 2017**

#### **4.4.2 Research Sites in Zimbabwe**

The research sites for this study consisted of the five (5) largest cities of Zimbabwe by gross domestic product (GDP) for both the survey and focus group interviews. These were Harare, Bulawayo, Gweru, Masvingo and Mutare as shown in Figure 4-3.

**Figure 4-3: Location of Phase Two Research Sites in Zimbabwe: Harare, Mutare, Gweru, Masvingo, and Bulawayo**



Source: [www.d-maps.com](http://www.d-maps.com)

#### **4.4.2.1 Harare**

Harare is the capital city of Zimbabwe and is one of the largest and most populous cities with an estimated population of over 4 800 000 in its metropolitan area. The capital city is located in the North-East of the country, and it is the principal industrial and economic hub and commercial centre with leading commercial, manufacturing, financial, communication centre and trade centres for agricultural products. The city has a flourishing informal economy in many sectors of its economy especially in the city's suburbs of Mbare, Glenview, Glen Norah, Highfields, Budiriro, Ruwa, Southly Park, Warren Park, Kuwadzana and Ruwa to name a few.

#### **4.4.2.2 Bulawayo**

Bulawayo is the second largest city in Zimbabwe with an estimate of over 1 000 000 people. Historically, the city of Bulawayo was highly regarded as the industrial centre for the country and served as the hub for Zimbabwe's rail network with National Railways of Zimbabwe (NRZ) being headquartered in this city because of its strategic position near South Africa and Botswana.

Furthermore, Bulawayo has been known as the industrial hub of Zimbabwe. It had the largest manufacturing presence characterised by large industries such as G & D, Merlin Textiles, Zimbabwe Engineering Company (ZECO), Tregers Group, Stewarts & Lloyds, Hunyani Holdings, Cold Storage Commission (CSC), Hubert Davies, Radar Metal Industries and National Blankets. Harsh economic conditions have witnessed many Bulawayo based manufacturing companies moving their operations to Harare or closing shop giving birth to a vibrant informal economy sector.

Many businesses have cited the lack of adequate infrastructure to support the city and company operations, deteriorating rail infrastructure and unavailability of adequate water as the main reasons for the de-industrialisation.

#### **4.4.2.3 Gweru**

Gweru is a city that is located near the centre of Zimbabwe in the Midlands Province. Historically, Gweru had become one of Zimbabwe's business economic hubs with the production of textiles, footwear, dairy products and building materials supported by vibrant agriculture activities. Informal activities have increasingly become an eye-sore thing in the city and various suburbs.

#### **4.4.2.4 Mutare**

Mutare is the fourth largest city in Zimbabwe. It is the capital of Manicaland province and lies North of the Bvumba Mountains and South of the Imbeza Valley. Informal economy can be witnessed in the suburbs such as Dangamvura, Sakubva, Chikanga and Musha Mukadzi, to name a few.

#### **4.4.2.5 Masvingo**

Masvingo is the oldest colonial settlement in the country. The city is used widely to have large cattle ranches but the Fast Track Land Redistribution Exercise seems to have caused a massive decline in that industry. Currently, only small-scale farmers constitute the majority of producers of agricultural produce.

### **4.4.3 Target Population for both Survey and Focus Group Interviews**

The population is defined as a group of individuals, events or objects having common identifiable and observable characteristics (Mugenda and Mugenda, 1999). Neuman (2003), observes that to define a population specifically, the researcher should specify the units being sampled, boundaries and the geographical location thereby giving the researcher a target population representing a pool of cases that the researcher wants to study. In coming up with the target population for this study, the researcher considered appropriateness and practicability. Flick (2010), argues that the appropriateness of target population implies the degree of suitability in achieving the study objectives.

For purposes of this study, the population consisted of owners, managers, and non-managers involved with the informal manufacturing SMEs in Harare, Bulawayo, Gweru, Masvingo and Mutare. The informal manufacturing SMEs that were involved in this study had to fall into one of the following six (6) broad categories of the informal manufacturing SMEs.

- Food, bakery and confectionery processing
- Toiletry making
- Textile and garment making
- Leather and rubber production
- Engineering and metal fabrication
- Timber and furniture making

#### **4.4.3.1 Survey**

The survey strategy is the most popular and common strategy used in business and management research (Saunders, Lewis and Thornhill, 2012). Neuman (2003), observes that surveys are traditionally used in social research in instances where the researchers' objectives seek to explain

causes of a phenomenon through comparing of the main attributes of each variable within the phenomenon. It is usually associated with a deductive research approach and therefore tends to be used for exploratory and descriptive research. Survey strategy makes use of the structured questionnaires and allows for a standardised data collection from a sizeable population in an economically, allowing easy comparison as well. This strategy allowed the researcher to collect quantitative data which was then analysed quantitatively through the use of descriptive and inferential statistics. The consensus is that a survey is built on the theory that representative samples from a defined population can provide the same required information at a much less cost with efficiency, effectiveness and to a large extent, greater accuracy.

The justification for the use of the survey method was that the researcher sought to determine the challenges faced by the informal manufacturing SMEs, the role of the informal manufacturing SMEs in employment creation and economic growth and why certain government economic programmes were not effective. In addition, the study had many factors/variables to test, and in this regard, the survey method was found to be the most appropriate to combine with the focus group interviews.

A pilot study was done in Mbare and Gazaland area in Harare between the period 14<sup>th</sup> December 2016 and 30<sup>th</sup> December 2016 to test the research instrument (structured questionnaire). A sample of fifty (50) informal manufacturing SMEs was involved in the pilot study with a face-to-face administration of the structured questionnaire. After that, all the issues raised during the pre-study experience were used for the refinement of the final structured questionnaire.

The main research fieldwork was done between the period 7<sup>th</sup> of January 2017 to and 21<sup>st</sup> of January 2017 as shown in Table 4-2.

**Table 4-2: Survey Design and Dates for Fieldwork in Zimbabwe**

Province	City	Month and Year	Dates
Harare	Harare	January 2017	7 <sup>th</sup> , 8 <sup>th</sup> and 9 <sup>th</sup>
Bulawayo	Bulawayo	January 2017	16 <sup>th</sup> , 17 <sup>th</sup> and 18 <sup>th</sup>
Midlands	Gweru	January 2017	13 <sup>th</sup> , 14 <sup>th</sup> and 15 <sup>th</sup>
Masvingo	Masvingo	January 2017	19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup>
Manicaland	Mutare	January 2017	10 <sup>th</sup> , 11 <sup>th</sup> and 12 <sup>th</sup>

**Source: Own, 2017**

In the first phase, the researcher used survey (research strategy) to administer a structured questionnaire to the informal manufacturing SMEs in Harare, Bulawayo, Gweru, Masvingo and Mutare.

#### **4.4.3.2 Focus Group Interviews**

Saunders, Lewis and Thornhill (2012), define the focus group interview as a purposeful engagement between two (2) or more research participants requiring the interviewer to establish a rapport, to ask concise, unambiguous questions to which the respondent is willing and prepared to answer and listen to. Focus group interviews essentially entail asking purposeful questions and carefully listening to the answers being given to be able to explore them further. Krueger and Casey (2009), define focus groups as those group interviews where the topic is defined clearly and precisely and have a focus on enabling and recording interactive discussion among participants.

Focus group interviews normally involve between 3 to 12 participants, with the actual number depending upon the nature of the study, the topic / title of the research and the skill of the researcher. Participants are selected because of certain characteristics they have in common relating to the topic being discussed and are freely encouraged to share and discuss their line of thinking without any pressure to reach an agreement. Discussions are conducted several times with similar participants but in different areas in an attempt to enable trends and patterns to be identified and traced, when the data collected in different areas/towns are analysed.

The traditional use of interviews helps the researcher to gather valid and reliable data that are relevant to the given research objectives and questions. In a focused interview, the researcher/interviewer exercises greater direction over the interview while allowing the interviewee's opinions to emerge as she / he responds to the questions for the interviewer (Ghauri and Cronhaug 2010; Robson, 2011). Participants are normally chosen using non-probability sampling with a specific object in mind. This is because focus group interviews in the majority of the cases focus upon a particular issue, product, topic, area by encouraging interaction amongst and the sharing of perceptions in an open and tolerant environment (Krueger and Casey, 2009).

In the second phase focus group interviews were conducted in the five (5) cities of Harare, Bulawayo, Gweru, Masvingo and Gweru at various dates as shown in Table 4-3.

**Table 4-3: Focus Group Interview and Dates for Fieldwork in Zimbabwe**

Province	City	Month and Year	Dates
Harare	Harare	January 2017	9 <sup>th</sup>
Bulawayo	Bulawayo	January 2017	18 <sup>th</sup>
Midlands	Gweru	January 2017	15 <sup>th</sup>
Masvingo	Masvingo	January 2017	21 <sup>st</sup>
Manicaland	Mutare	January 2017	12 <sup>th</sup>

**Source: Own, 2017**

The two sets of results were merged to assess how and in what ways the results about the challenges being faced by the informal manufacturing SMEs converge and diverge. The focus group's main purpose was to draw upon the participants' attitudes, perceptions, beliefs, experiences and reactions in a way in which it would not be feasible using other methods like observation, one-to-one interviewing or questionnaire surveys.

#### **4.3.4 Historical Usage of the Convergent Research Design**

The convergent parallel design is the best well-known approach to mixing methods as scholars began discussion of the convergent design as early as the 1970s (Jick, 1979). Historically, it is the most common approach used across all the disciplines. This research design has gone by different names including parallel study (Tashakkori and Teddlie, 1998), simultaneous triangulation (Morse, 1991), the convergence model (Creswell, 1999) and concurrent triangulation (Creswell, Plano Clark, *et al.*, 2003). Despite the many different names, the convergent parallel design occurs when the researcher collects and analyses both data for qualitative and quantitative using the same phase of the research process and then automatically merges/combines the two sets of the results into a single overall interpretation.

#### **4.3.5 Purposive: Strength and Weaknesses of the Convergent Design**

For this study, the purpose of the convergent design was to obtain different sets of data that complement each other on the same topic, in an attempt to best understand the research problem at hand (Morse, 1991). Patton (1990), observe the reason for using convergent parallel design is to bring together the differing strengths and the non-overlapping weaknesses of quantitative methods (the large sample size, generalisation and trends) with those of qualitative methods (small sample, more details, in depth). The researcher, used the convergent parallel design so that

it would be possible to triangulate the methods by directly comparing the qualitative findings and the quantitative statistical results for validation and corroboration purposes. In addition, using the convergent parallel design to illustrate both quantitative and qualitative findings allow the researcher to synthesise complementary quantitative and qualitative results to develop a more complete and in-depth understanding of a phenomenon and comparing multiple levels within a system.

The researcher also chooses the convergent parallel design for this study after also taking into considerations that there was equal value in collecting and analysing both quantitative and qualitative to address and understand the problems being faced by the informal manufacturing SMEs in Zimbabwe.

The convergent parallel design has some strengths and advantages as highlighted below:

- The convergent parallel research design makes intuitive sense. It is the first design to be discussed in the literature (Jick, 1979) and it has become a popular approach for thinking about the mixed-methods research design.
- It's an efficient design that allows both quantitative and qualitative data to be collected at the same time and roughly at the same time.
- Quantitative and qualitative data can be collected and analysed separately and independently using the traditional techniques associated with each data type.

Although the convergent parallel design is one of the most popular mixed-methods research design, it is probably the most taxing/challenging of the major types of research designs. The researcher faced the following challenges and also tried to address them in the explained way.

- Much effort and expertise for the researcher were required especially because of the concurrent data collection and the fact that equal weight was given to each data type. The researcher addressed this challenge by working with 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> year Faculty of Commerce students from the University of Zimbabwe, the Midlands State University, the National University of Science and Technology, the Great Zimbabwe and Africa University who were on vacation as part of the research team since they were easy to train for both quantitative and qualitative data collections.
- The other challenge was the merging of the two sets of very different data and their results in a meaningful way. The researcher ensured that this was attended to by designing a research method design that addressed the same research questions.

- The researcher also faced the question of the course of action to take in cases where the quantitative and qualitative results failed to agree. But in cases where the contradictions were diverse, it provided insights into the title for, *Unlocking the potential of informal SMEs in an African economy. A case study of the manufacturing sector in Zimbabwe and* the researcher made additional effort to collect more data through telephonic interviews.

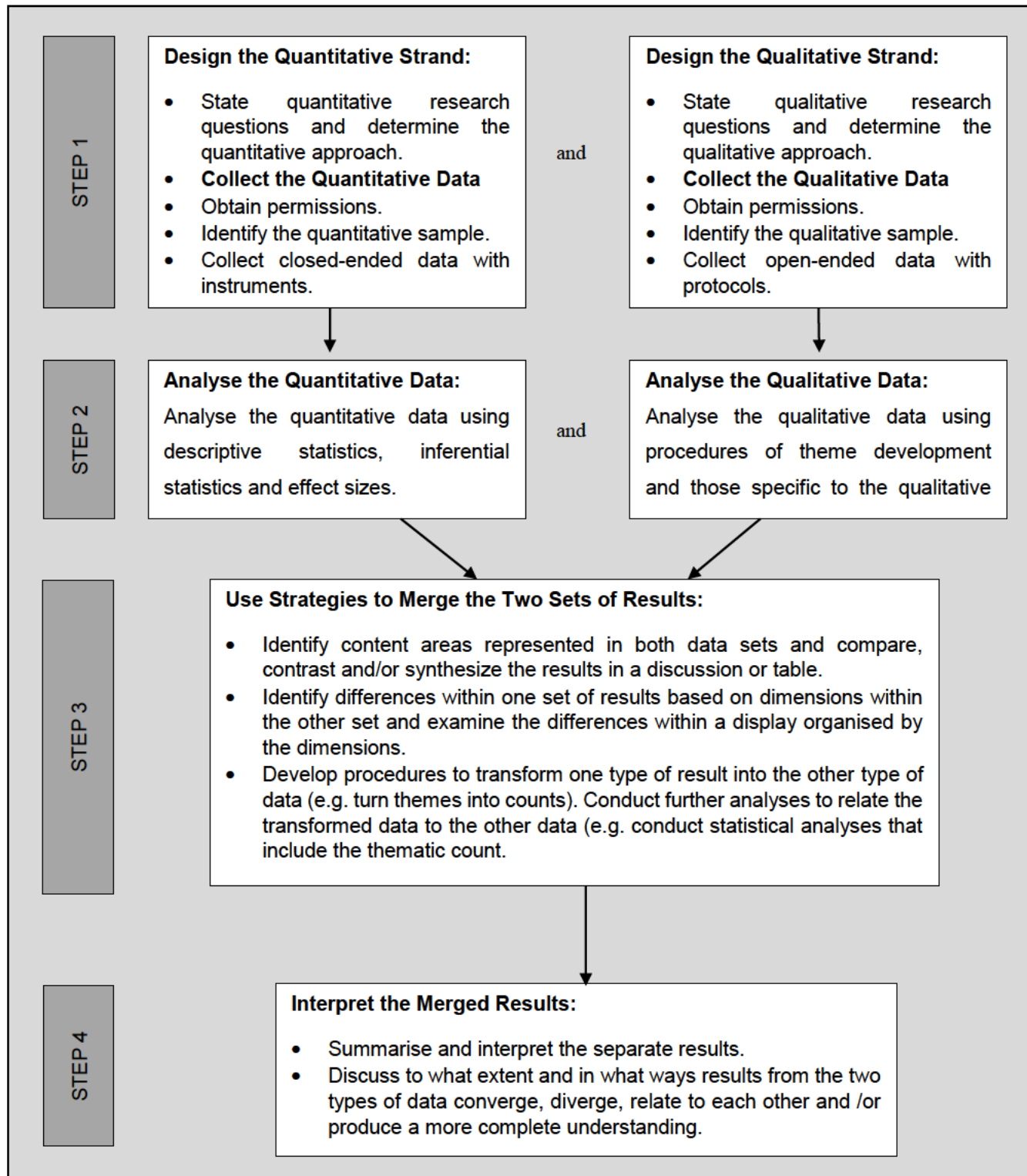
#### **4.3.5.1 Convergent Design Variants**

The researcher used the parallel-databases variant which is the common approach in situations where parallel strands are conducted independently and are only brought/merged during the interpretation phase. The justification was that the researcher had used both quantitative and qualitative data to examine the challenges faced by the informal manufacturing SMEs and the two sets of the independent results were then synthesised and/or compared during the interpretation.

### **4.4 Research Design Implementation**

This research design implementation used the mixed-methods research notation developed by Morse (1991), and that is still widely used today. This research used the parallel mixed-method design that allows for QUAL and QUAN data to be collected at the same time or at slightly different phases or times (Teddlie and Tashakkori, 2009). The parallel mixed design had equal orientation for both phases as depicted by the QUAN + QUAL notation. In this case, research was conducted in two phases con-currently in line with keeping with the formulation of this kind of research design as explained above. The convergent parallel mixed-method involved two phases: phase one involves QUAN and the other QUAL. It was the quantitative Phase One happening on the one hand, and qualitative Phase Two on the other hand, with a slight time difference between each phase. The two parallel phases were somewhat independent of each other. The diagram below shows the procedures for implementing the convergent parallel research design in the procedural flowchart in Figure 4-4:

**Figure 4-4: Flowchart of the Basic Procedures used in implementing a Convergent Parallel Design**



Source: Creswell, Plano and Clark (2011:79)

As shown in Figure 4-4 above, four (4) major steps in the convergent design were used for this research. The researcher collected both quantitative data and qualitative data about the informal

manufacturing SMEs. The collections of the two (2) as types of data sets were concurrently but separately done, that is, the collection of qualitative data did not depend on the results of the quantitative data or vice versa. For this, both qualitative and quantitative research methods had equal chances for addressing the study's research questions.

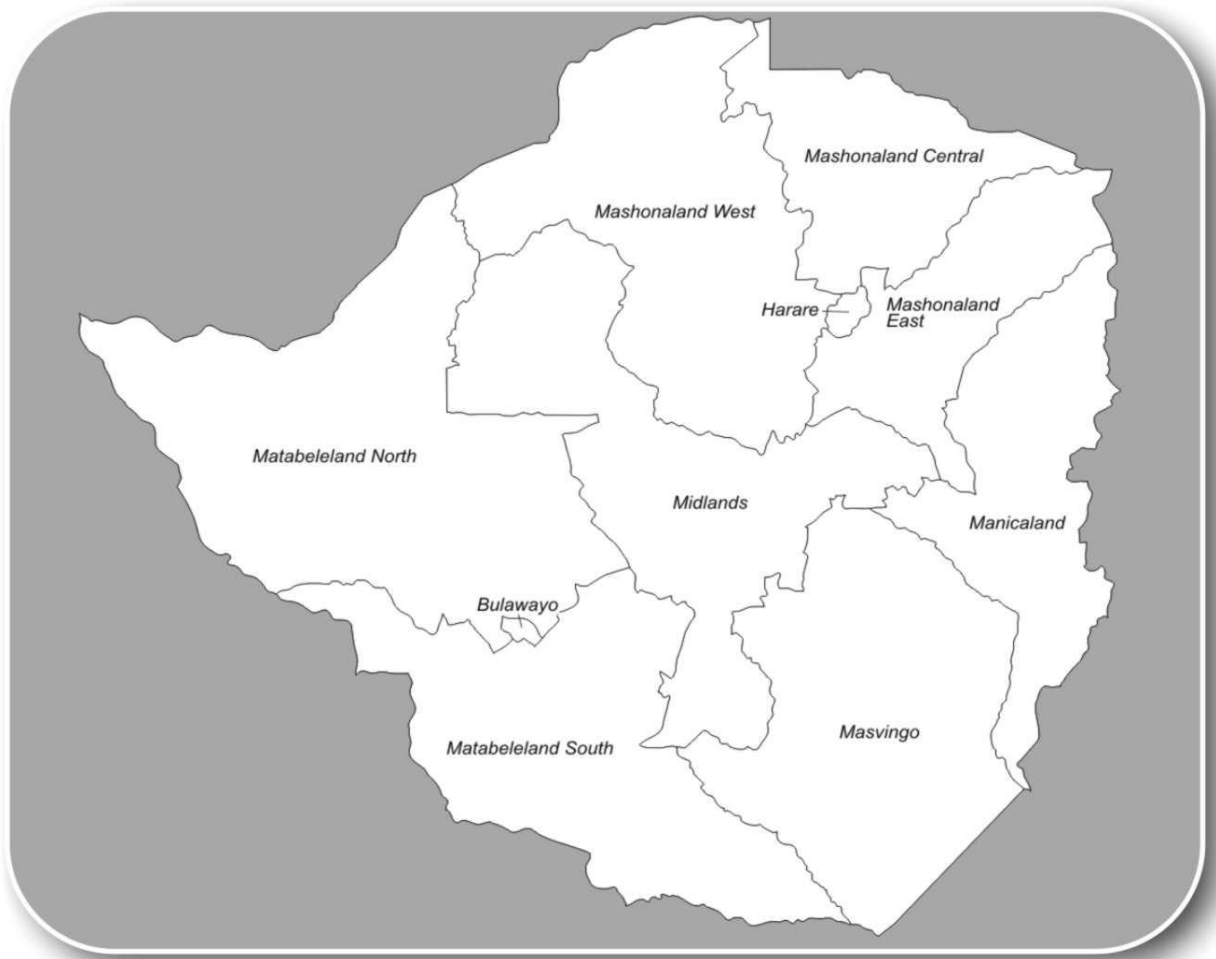
The researcher analysed the two (2) data sets separately and independently from each other in Chapter 5: Data Presentation, Analysis and Interpretation: Quantitative Data and Chapter 6: Data Presentation, Analysis and Interpretation: Qualitative Data using typical quantitative and qualitative analytic procedures respectively. After the analyses of the two initial results the researcher reached the point of interface and worked to merge the results of the two (2) data sets in Chapter 7: Discussion, Analysis and Interpretation: Mixed-method. The merging step included directly comparing the separate results and transforming the results to facilitate proper relating of the quantitative and qualitative data types during the additional analysis. In addition, in Chapter 7, the researcher interpreted the extent and in what ways the two (2) data sets results converged, diverges from each other, relate to each other and combine to create an in-depth and better understanding in response to the study's overall purpose and the research questions.

## **4.5 Research Design Implementation**

### **4.5.1 Geographic Location of Phase One Implementation**

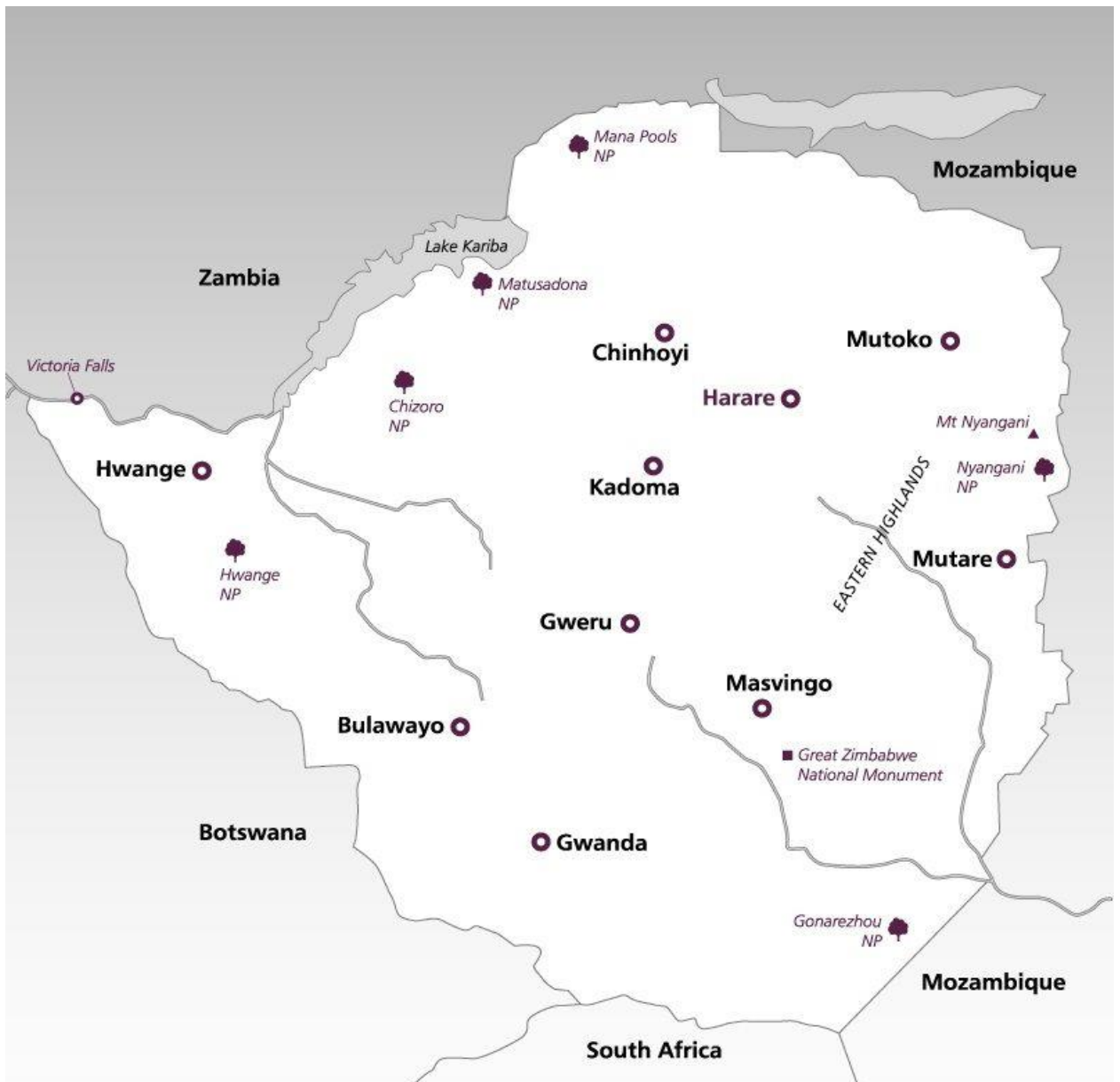
In phase one all the informal manufacturing SMEs in Zimbabwe's five (5) provincial cities of Harare Province – Harare, Bulawayo Province - Bulawayo, Midlands Province – Gweru, Masvingo Province – Masvingo and Manicaland Province – Mutare as shown in Figure 4-5: Provinces in Zimbabwe and Figure 4-6: Map of Zimbabwe showing the research sites below that were given a structured questionnaire to complete in the survey. Informal manufacturing SMEs in all the different categories were covered and among them were informal SMEs in food, bakery and confectionery processing, toiletry making, textile and garment making, leather and rubber production, engineering and metal fabrication and timber and furniture making.

**Figure 4-5: Zimbabwe's 10 Provinces: Mashonaland East, Mashonaland West, Mashonaland Central, Matabeleland South, Matabeleland North, Bulawayo, Harare, Masvingo, Manicaland and Midlands.**



Source: [www.d-maps.com](http://www.d-maps.com)

**Figure 4-6: Map of Zimbabwe showing the Town and Cities**



Source: [www.d-maps.com](http://www.d-maps.com)

#### **4.5.2 Sampling Strategy and Sample Size of the Survey in Phase One**

Sampling refers to the selection of individual units and / or settings to be studied (Creswell, 2013). Kothari (2003), also refers to sampling as a way of identifying/selecting some individuals for a study in a scientifically and systematically that the chosen individuals represent the large group from which the participants are selected. The main objectives of sampling in a study are to establish the representatives of what is being studied and therefore reduce subjectivity and bias, and secondly, it is to be able to make inferences from the findings based on a sample to the larger

target population used to derive the sample. Saravanel (1992), thus concludes that a sample is defined as a representative of the universe that yields desired results with the required reliability at a minimum possible cost.

- **Formulae for Derivation of Sample Size**

The researcher developed the sample size based on a Cochran (1977) computation as shown below:

$$SS = (Z\text{-score})^2 * p * (1-p) / (\text{margin of error})^2$$

$$SS = (1.96)^2 * 0.5 * (1-0.5) / (0.05)^2$$

$$SS = 3.8416 * 0.25 / 0.0025$$

$$SS = 384.16$$

(Z-score is 1.96 for a 95% confidence level)

$$SS \text{ Adjusted} = (SS) / 1 + [(SS - 1) / \text{population}]$$

$$SS \text{ Adjusted} = (384.16) / 1 + [(384.16 - 1) / 137619]$$

$$SS \text{ Adjusted} = 384.16 / 1 + [383.16 / 137619]$$

$$SS \text{ Adjusted} = 384.16 / 1.00278420857$$

$$\mathbf{SS \text{ Adjusted} = 383.093388105}$$

Where SS = Sample Size

FP = Proportion where population is not known (Common to use 0.5)

SS Adjusted = Sample Size Adjusted

This is calculated at desired level of confidence of 5% margin of error with 95% confidence.

Based on the above calculation, in this study, the sample size of 383 with an estimated population of 137 619 (ZIMSTATS, 2014) determined through calculation was used.

#### **4.5.2.1 Sample Type**

This study used proportionate stratified random sampling based on the information from the database of the informal SMEs provided by the Ministry of Small-to-medium enterprises and Cooperative Development and confirmed by ZIMSTATS (2014). This method involves using a

fraction in each of the strata that are proportional to that of the total population (Kothari, 2011). This study developed these strata based on geographical location, that is, the provincial capital cities of Zimbabwe which are Harare, Bulawayo, Mutare, Gweru and Masvingo. The use of proportionate stratified random sampling ensured that at least one observation was picked from each of the strata and allows for the maximum understanding of the underlying phenomenon of interest (Kothari, 2011, Kardejejezska, Tadros and Baxter, 2012). Furthermore, it ensured a high degree of reliability and validity through the usage of both probability and non-probability sampling techniques.

The phenomenologist uses proportionate stratified random sampling to identify informants who can illuminate the phenomenon of interest and also who can effectively communicate their experiences (Klenke, 2008; and Bryman and Bell, 2011). Therefore, this sampling strategy ensured that all the population of the informal manufacturing SMEs was fairly represented in an attempt to achieve the aim and objectives of this research.

Proportionate stratified random sampling was used to solicit the responses of one thousand (1000) informal manufacturing small-to-medium enterprises in Harare, Bulawayo, Gweru, Masvingo and Mutare. The sample size used for the five (5) cities were 383 and the number of questionnaires anticipated to be collected was as follows: Harare 268, Bulawayo 92, Gweru 162, Masvingo 227, and Mutare 251 respectively, as shown in Table 4-4.

**Table 4-4: Summary of the Structured Questionnaires administered and the number of Questionnaires Returned Thereof (response rate).**

Provincial Capital Cities	Population (N)	Minimum Sample required size (n)	Computation for each stratum	Proportion for each stratum	No of questionnaires to be administered	No. of Questionnaires Returned as a percentage
Harare	37032	103	$37032/137619 \times 383$	27%	$103/383 \times 1000 = 268$	(239/268) 29%
Bulawayo	12517	35	$12517/137619 \times 383$	9%	$35/383 \times 1000 = 92$	(83/92) 10%
Gweru	22126	62	$22126/137619 \times 383$	16%	$62/383 \times 1000 = 162$	(153/162) 19%
Masvingo	31409	87	$31409/137619 \times 383$	23%	$87/383 \times 1000 = 227$	(178/227) 22%
Mutare	34535	96	$34535/137619 \times 383$	25%	$96/383 \times 1000 = 251$	(170/251) 21%
Total	137619	383		100%	1000	823 (100%)

Source: FinScope MSME Survey Zimbabwe (2012) & ZIMSTATS (2013)

**Key Assumptions:**

- i. Proportionate stratified random sampling to be used for the five (5) provincial capital cities in Zimbabwe.
- ii. Sample size 383: determined through calculation with a confidence level of 95% and Margin of Error of 5% [Cochran (1977) and Sekaran and Bougie (2013)].
- iii. 1000 questionnaires were administered in the five (5) provincial capital cities.

In Zimbabwe, informal manufacturing SMEs data is not yet well documented with the researcher having to rely on the ZIMSTATS (2014), data indicating a total of 137 619 informal manufacturing SMEs that qualified for inclusion in the study. Most developing countries do not have accurate data concerning the informal SMEs owing to the high failure rate in some sectors.

### 4.5.3 Research Instrument: Questionnaire Development and Pre-Testing

De Vaus (2002) defines a questionnaire as a general term that is used to include all the methods of data collection in which each participant is asked to respond to a given set of questions in a predetermined order. Questionnaires are used extensively in SME financing and development research (for example, Norton, 1991; Michaelas, Chittenden and Poutzious, 1999), and the use of questionnaire surveys has recently come back into vogue in corporate finance as witnessed by seminal studies (for example, Graham and Harvey, 2001).

According to Zohrabi (2013), questionnaires are doubtless one way of obtaining primary data in any research. Richards and Schmidt (2002), observe that the critical point when designing a questionnaire is for the researcher to ensure that it is '*reliable, valid and unambiguous*'. This research study used closed-ended questionnaires since they provide the inquirer with quantitative or numerical data that is more efficient and easy to analyse (Seliger and Shohamy, 1989). The questionnaires were assigned the Likert-like scale scores from 1 to 5 (Likert, 1931; and Schuessler, 1971). Loudon and Bitta (1993) observe that the Likert-scale involves the process of putting together a list of statements relevant to issues under consideration with disagreement to agreement response scales. Sommer and Sommer (1997), further points out that the Likert-scale makes the scoring methodology user-friendly by using whole numbers from 1,2,3,4 and 5 from each variable in the questionnaire rather than numerical averages (for example 1.5, or 2.4). In this case, the population being investigated is measured by the mean sum of the weightings provided by the participants through coming up with the summation of the numerically coded agree and disagree results of each item to derive the score that indicates the extent to which the respondents agree or disagree with the variables being studied.

To ensure a better response rate and reliability and validity of the collected data the researcher ensured that there was careful design of the structured questionnaire, clear, concise and pleasing layout of the structured questionnaire and that pilot-testing was done.

Exploratory factor analysis was performed on:

- Part I: Section A: General SME and Biographical Information,
- Part II: Section B: Challenges Faced Informal Manufacturing SMEs with Section B1: Access to Finance Theme; Section B2: Infrastructure and Collateral Security Theme; Section B3:

Research, Development and Marketing Skills Theme; Section B4: Business Structures, Environment and Location Theme, Section B5: Entrepreneurial and Management Skill Theme; Section B6: Legal and Regulatory Framework Theme, Section (6) sub-themes in the structured questionnaire.

Initial extraction was performed on the questionnaire to determine and identify any irregularities in the data. Certain items were dropped. However, an examination of the integrity of the construct was conducted to ensure that items removed and dropped did not restrict the range of the concepts to be captured in the study.

In this study, the questionnaire that was used as a survey research instrument sought to collect information on the following six (6) sections and sub-themes that were developed based on the aim and study objectives.

- i. Part I: Section A: General SME and Biographical Information,
- ii. Part II: Section B: Challenges Faced Informal Manufacturing SMEs with six (6) themes.
  - Section B1: Access to Finance Theme;
  - Section B2: Infrastructure and Collateral Security Theme;
  - Section B3: Research, Development and Marketing Skills Theme;
  - Section B4: Business Structures, Environment and Location Theme;
  - Section B5: Entrepreneurial and Management Skill Theme; and
  - Section B6: Legal and Regulatory Framework Theme.
- iii. Section C: Role of Informal Manufacturing SMEs on Economic Growth and Development;
- iv. Section D: Role of Informal SMEs on Employment Generation;
- v. Section E: Effectiveness of Economic Programmes Aimed at Informal Manufacturing SMEs; and
- vi. Section F: Mentorship Programmes.

Initial extraction was performed on the questionnaire to determine and identify any irregularities in the data with the advice of an expert. Certain items were dropped. However, an examination of the integrity of the construct was conducted to ensure that items removed and dropped did not restrict the range of the concepts to be captured in the study (Appendix 9: Survey - Structured Questionnaire).

### **4.5.3.1 Structured Questionnaires**

#### **i. Advantages of using Questionnaires**

The use of questionnaires in this study was justified for the following reasons:

- It was possible to administer and send them to a large number of people at the same time.
- The method was cost-effective and convenient in collecting data.
- Questionnaires were easy to monitor and follow up.
- Use of questionnaires saved time as compared to interviews and minimised the need for physical presence by the lead researcher during data collection.

#### **ii. Limitations of Questionnaires**

However, despite the advantages mentioned above, questionnaires have the following drawbacks as data collection tools:

- Not many people may be keen to go through the questionnaire; hence the response rate may be lower than expected. To ensure a higher response rate follow-up was made and research assistants had to also assist in the collection of the completed questionnaires.
- Some of the respondents could have given incorrect and false answers wanting to shed off the hassle of filling in questionnaires and as such data collection was done in January 2017, when many informal manufacturing SMEs were not busy.
- Some of the respondents could have misinterpreted the questions and ended up giving wrong information. Questions were made as clear as possible and easy to understand. In addition, the researcher made follow-ups on some of the questions to ensure that they were understood.

#### **iii. Measures to ensure higher response rate**

To counter the effect of the above weaknesses the researcher took the following precautions in designing the questionnaire:

- The structured questionnaires were made user-friendly by use of clear, simple and straight forward English, in particular, the use of technical jargon was minimised.
- Careful attention was given to the designing and analysis of the questionnaire.
- The participants were given reasonable time to respond to the structured questionnaires. The lead researcher and assistants collected completed questionnaires from the premises of the respondents (informal manufacturing SMEs) and in cases where this was not possible an agreed date to collect were reached between the research assistants and the respective informal SMEs.

#### **4.5.4 Phase One - Data Collection and Survey Response Rate**

Data collection in this mixed-method used the same strategies as those used by researchers engaged in only quantitative research. The response rate was 82.3%, though substantial variations in the response rate existed between informal manufacturing SMEs in different sectors. In this study, the respondents were the informal manufacturing SMEs owners, manager, non-manager and both owners and managers for the different categories explained above. A total of one thousand (1000) questionnaires were administered to the various respondents in the way shown in Table 4.4. The response rate per city were as follows: Harare (239) 29%; Bulawayo, (83) 10%; Gweru, (153) 19%; Masvingo (178) 22% and Mutare (170) 21% representing a total of (823) 82.3%.

#### **4.5.5 Data Analysis - Phase One**

The fundamental objectives of any research study are that the researcher should have accurate data analysis that ensures that research questions are effectively answered. In Phase One Exploratory Factor Analysis (EFA), descriptive and inferential statistical techniques using the Statistical Package for the Social Sciences (SPSS) version 22.0 software were used. Descriptive statistics were mainly used to screen, clean and describe the characteristics of the sample (Moses and Knutsen, 2007). With inferential statistics also being used in this research to draw main conclusions about the characteristics of the population from which the main sample is derived (Brase and Brase, 2016).

Data from the structured questionnaires were transferred to an SPSS spreadsheet and double-checked by comparing with another spreadsheet keyed by the researcher. Data cleaning was done and using a statistical package from SPSS all descriptive statistics such as frequency, mean and standard deviation were generated for all the variables and analysed further. Table 4-5 shows the method that was appropriate for the analysis of the quantitative data.

**Table 4-5: Method of Data Analysis for Quantitative Research Method**

Research Method	Nature of Data	Method of Analysis
Questionnaire (closed question responses)	Nominal, ordinal and continuous quantitative data	Statistical tests including descriptive statistics, T-test, Analysis of variance (ANOVA) and Spearman's correlation,

Source: Own, 2017

## 4.5.6 Sample Size and Geographic Location of Phase Two

### Implementation

Informal manufacturing SMEs were selected from each of the country's major five (5) cities, that is, Harare, Bulawayo, Gweru, Masvingo and Mutare based on the notion that these are the major economic hubs of Zimbabwe where meaningful informal manufacturing activities are likely to take place. In that regard, these cities provided a national outlook that allowed the findings of the study to be generalised across the rest of the country. Table 4-6 shows the organisation of the five (5) focus group interviews contacted in the five cities in Zimbabwe.

**Table 4-6: Five (5) Focus Group Interviews in Zimbabwe**

FIVE (5) FOCUS GROUP INTERVIEWS IN ZIMBABWE							
Cities	Harare	Bulawayo	Gweru	Masvingo	Mutare	Total	Expected Total Hrs
	1	1	1	1	1	5	10

Source: Own, 2017

### Key Assumptions:

- i. Five (5) focus group interviews of between 45 to 120 minutes were done in each city. The average time was supported by literature (Rabie, 2004).
- ii. 1 interview per city which gives a total of 5 focus group interviews for the whole study (Gibbs, 1997).

## 4.5.7 Focus Group Interviews – Phase Two

Bryman and Bell (2011; 2014) lament that interviews and observation are the most effective method of data collection in qualitative research. Focus group interviews questions were presented in a semi-structured interview guide guided by the research objectives and research

questions (Appendix 10: Focus Group - Questionnaires and Appendix 11: Interview Guides - Semi-structured questionnaires). Questions were designed to help get a deep understanding of the informal SMEs in the manufacturing sector.

The study used open-ended questions in conducting focus group interviews and Yin (2009), argues that this should allow constructing validity owing to the use of multiple sources of evidence that allows for multiple measurements of the same phenomenon in this study. Focus group interviews go beyond the simple collection and gathering of data and an attempt to construct meaning and interpretation in the context of the given conversations. Focus group interviews provide access to critical analysis of the research participant's behaviour and afford the researchers the opportunity to understand the meaning of that behaviour (Klenke, 2008).

Kitzinger (1994; 1995) argues that the advantages and disadvantages of the focus group are:

#### **Advantages**

- The interaction of participants in focus groups enables them to ask questions of each other, as well as to re-evaluate and reconsider their understandings of their specific experiences.
- Focus groups elicit the information in such a way that allows researchers to find out why an issue is salient and what is salient about it and therefore the gap between what people say and what they do can be better understood by researchers. In addition, the moderator can gain information from non-verbal responses to supplement/contradict verbal responses in a focus group interview.
- The opportunity to work collaboratively with researchers can be empowering for participants in a focus group interview.
- Focus group to users, participants or consumers can become a forum for change both during the focus group meeting itself and afterwards (Race, Hodge and Parker, 1994).
- Provides data more quickly and at a lower cost than by interviewing participants in groups.
- There is room for further explanations, which makes it easier for the researcher to seek clarification where there is need.

#### **Disadvantages**

- Focus groups can be intimidating at times in cases where they are shy and inarticulate members' thereby reducing reliability.
- In focus groups, the researcher or moderator has less control over the data produced than in quantitative research or one-to-one interview (Morgan, 1997).

- Sometimes in focus group interviews, it may be difficult for the researcher to identify an individual message clearly. In addition, focus group produces relatively chaotic data making analysis even more difficult.
- Focus groups are also difficult to assemble since in some cases it might be difficult to get a representative sample and focus group may discourage certain people from participating in cases where the participant is not very articulate or confident or have communication problems.
- Focus groups by their very nature may also discourage some people from trusting others with sensitive or personal information, and in this case, the use of personal interviews or use of workbooks alongside focus groups may be a more suitable strategy.
- Focus group interviews are not fully confidential or anonymous since the material is shared with other participants in the group.
- Focus group interviews are time-consuming and expensive to conduct especially in this day when transport cost is high, and petrol is expensive.
- In some cases, it may affect the relationship between the interviewee and interviewer.

The study achieved its objectives extensively by the research participants being able to share their experiences regarding the challenges they face and the important role of their informal operations in Zimbabwe and to their families thereby addressing the research questions for this study.

#### **4.5.7.1 Sampling for Focus Group Interviews**

Participants for the focus group interviews were characterised by homogeneity though the researcher ensured representativeness among the participants to allow different and contrasting opinions. Homogeneity ensured that all those involved in informal manufacturing SMEs had the same interests in common. Participants were recruited from the wider sample used for the structured questionnaire study in the survey discussed in phase one above but ensuring that all informal sectors were fairly represented. Respondents who answered the structured questionnaire under the quantitative research methodology were not involved in the focus group interview discussions. Participants in the focus group interviews were purposively selected and grouped for fair representation of all the informal manufacturing SME sectors in this study.

The three (3) parts of the focus group interviews were:

- research participants are completing the consent form (Appendix 6: Informed Consent - Participant) for agreeing to attend the focus group for discussion. Explanation was given by the researcher for participants' right to decline to be involved.
- Completion of the short focus group-questionnaire by all the participants (Annexure 10: Semi-Structured Questionnaire: Focus Group).
- Discussions questions among the researcher and other group attendants with audio recordings being made during the focus group discussion with written permission being obtained from research participants (Appendix 6: Informed Consent-Participant). The rationale for audio-recording was that the potential wealth of ideas that flowed meant that it was likely to be difficult to manage the data collection process and note key points at the same time. This was overcome by audio recording focus group interviews and making use of two interviewers.

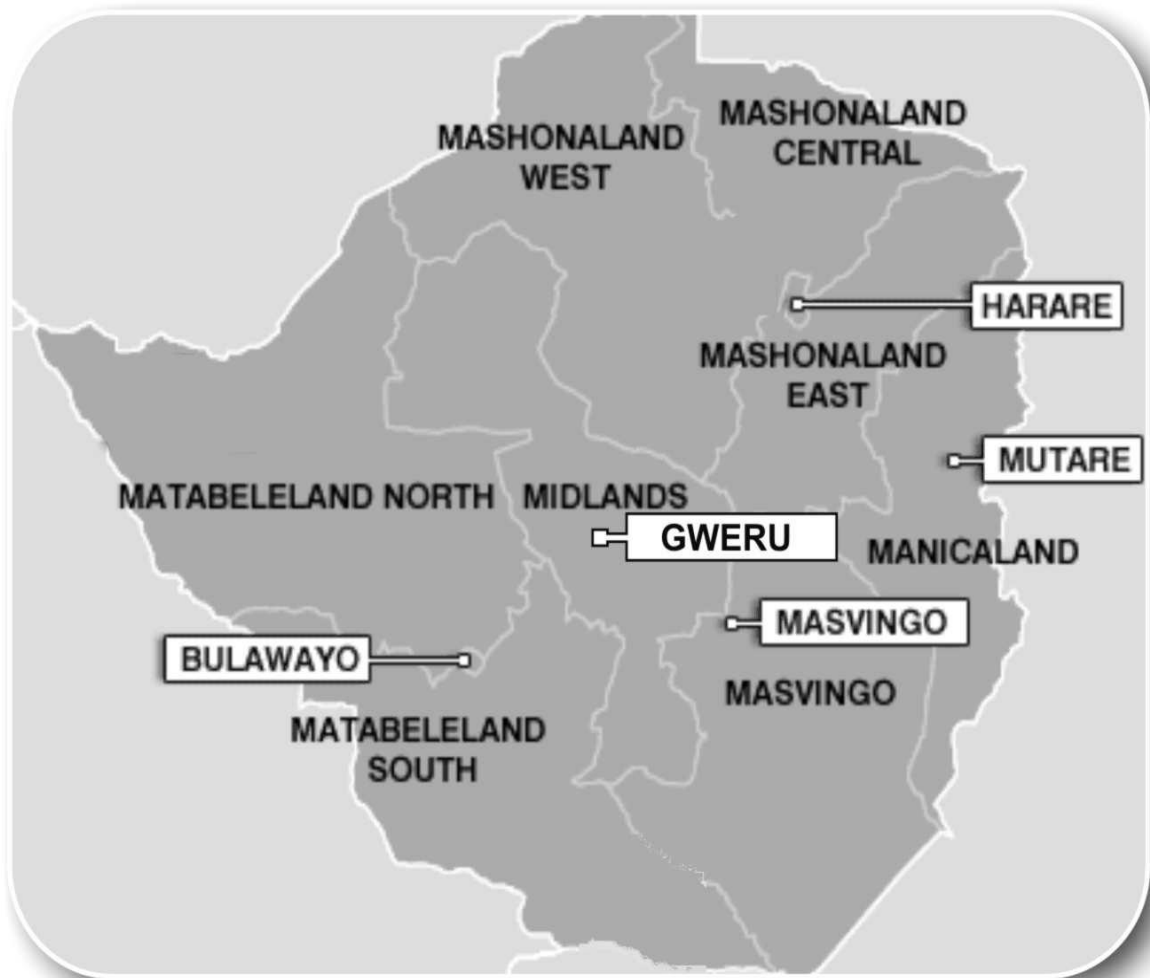
The use of the two (2) interviewers implied that one (1) person facilitated the discussion (moderator) and the other person made notes. The moderator provided clear explanations of the purpose of the group and helped the participants to feel at ease and also facilitated the open interaction between group members. The moderator promoted debate by asking open questions, challenging participants in an attempt to draw out differences and tease out a diverse range of meanings on the topic under discussion. Moderators had to probe for details and move the discussion forward when the conversation was drifting or had reached a minor conclusion. Moderators had to keep the session focused and ensured that everyone gets a chance to speak.

The degree of control and direction imposed by moderators depended upon the goals of the research and the researcher's preferred style. The two (2) moderators involved in the facilitation of the focus group interview had to agree as to how much input or direction each will give ensuring that one of the moderators facilitated and the other took notes and checked the audio-recording equipment during the interviews. Through careful planning about role and responsibilities, they ensured that consistency was maintained across all the focus groups.

#### **4.5.8 Geographic Location of Phase Two Research Sites**

Five (5) focus group interviews were held in five (5) major capital cities in Zimbabwe. In Harare, Bulawayo, Gweru, Masvingo and Mutare one focus group interview was held. The map in Figure 4-7 shows the geographic location of the five (5) cities in Zimbabwe.

**Figure 4-7: Location of Phase Two Research Sites in Zimbabwe: Harare, Mutare, Gweru, Masvingo, and Bulawayo.**

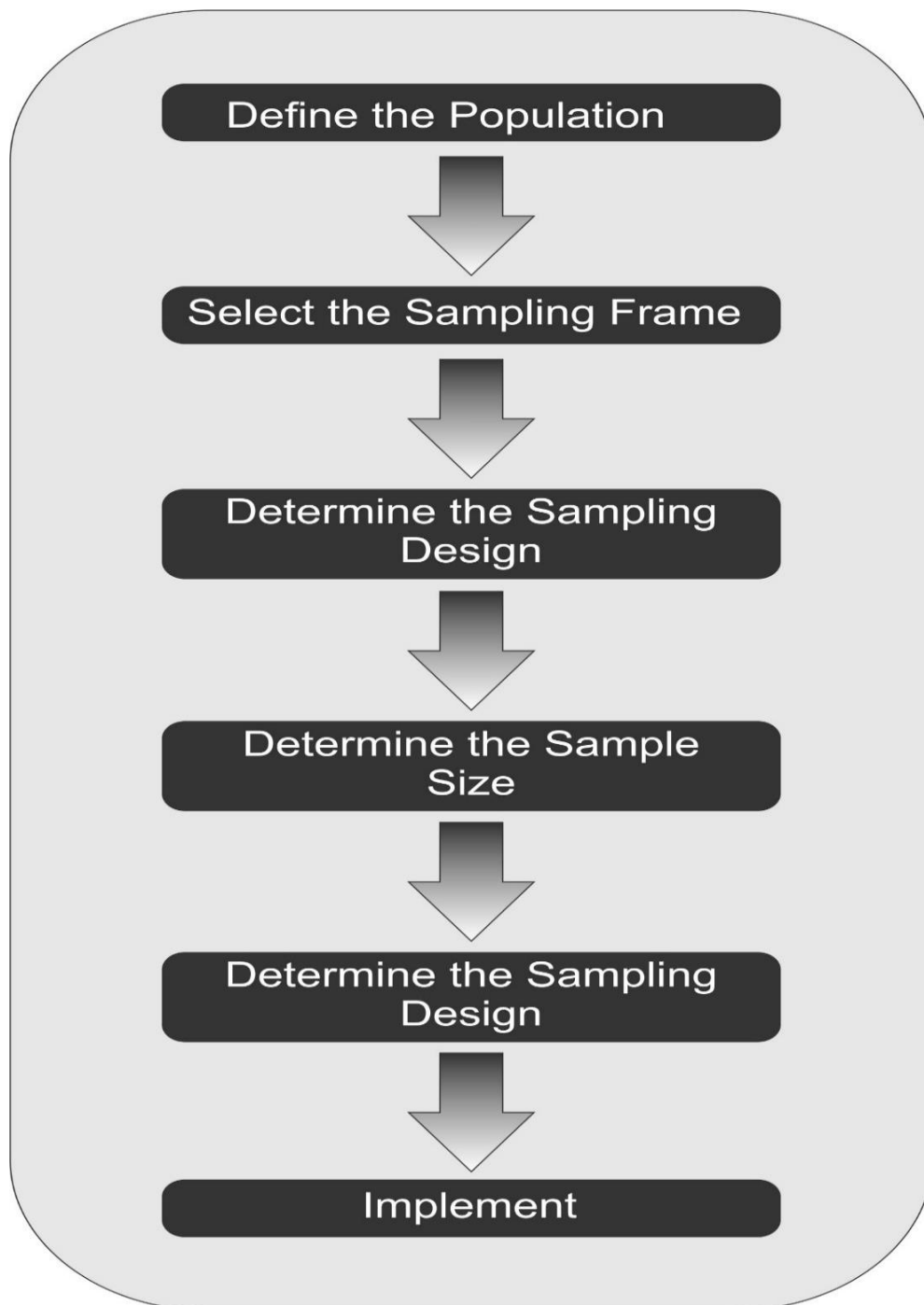


Source: [www.d-maps.com](http://www.d-maps.com)

#### **4.5.9 Sampling Strategy of Phase Two**

Sample recruitment and data collection for Phase Two took place from 14<sup>th</sup> December 2016 to 6<sup>th</sup> January 2017 with purposive sampling strategy, using a multiple entry snowball technique and the following sampling process as shown in Figure 4-8.

**Figure 4-8: The Sampling Process**



**Source: Own, 2017**

The ideal focus group size in social research is 3 to 15, but for this research, a maximum of 10 participants for each group was used as the excess of 10 participants are normally difficult to control and limit each participant's opportunity to share issues and observations. Therefore, a focus group of 10 participants is small enough to provide all the participants with an opportunity to express their opinion and large enough to ensure great diversity of opinions. However, the take-

up was poor considering that many owners of informal manufacturing small-to-medium enterprises were also actively involved in the day-to-day running of their businesses so they could not manage to come and attend the focus group interviews.

The composition of the participants in the focus group interviews was made up of the following:

- A representative from the food, bakery and confectionery processing sector.
- A representative from engineering/foundry and metal fabrication sector.
- A representative from the textile and garment making sector.
- A representative from the toiletry making sector.
- A representative from the leather and rubber making sector.
- A representative from Timber and furniture making sector.
- A representative from the Informal Business Association in Zimbabwe (IBAZ)
- A representative from the National Informal Sector Association (NISA).
- A representative from Zimbabwe Chamber of Informal Economy Association (ZCIEA).
- A representative from the Hawkers and Vendors Association of Zimbabwe (HAVAZ).

The participants were all residents of the five (5) cities. The research was restricted to those in the location of those five (5) cities as will be discussed in Chapter 5: Presentation of Data, Analysis and Interpretation: Quantitative Data and Chapter 6: Presentation of Data, Analysis and Interpretation: Qualitative. The logistical benefit of keeping the research to five (5) cities by the researcher were in the interest of the given limited resources available and the time-scales within which to complete the research.

## **4.6 Phase Two Data Collection**

### **4.6.1 Semi-structured Questionnaire for Focus Group Interviews**

The study utilised focus group interviews to collect data from respondents with a semi-structured questionnaire. Open questions have been preferred in research since these can lead to greater level of discovery (Gillham, 2000) and expand fully on areas of interest. Alderson and Scott (1996), however, acknowledge that open questions are a very useful tool for qualitative research but argues that their open-ended nature makes it more difficult to compare reports of discussion and interviews. Scholars, however, have argued that the important issue with open-ended questions is that responses of this category of questions will be more accurately reflecting the message the respondent wants to convey (Nunan, 1999; De Vaus, 2002; Creswell, 2007; Zohrabi, 2013). It is

in this regard, why the researcher had to use the open-ended questions in this research in an attempt to complement them with closed-ended questions in the quantitative research design by adopting a mixed-method.

#### **4.6.2 Pilot Study / Testing**

A pilot study for the focus group interviews using the semi-structured questionnaires were conducted among the informal manufacturing SMEs for food, bakery and confectionery processing, toiletry making, textile and garment making, leather and rubber production, engineering and metal fabrication, timber and furniture making, a representative from Informal Business Association in Zimbabwe (IBAZ), representative National Informal Sector Association (NISA), representatives from the Zimbabwe Chamber of Informal Economy Association (ZCIEA) and a representative from the Hawkers and Vendors Association of Zimbabwe (HAVAZ) in Harare who are also owners of various informal manufacturing SMEs in order to check that the semi-structured questionnaires were clear and also covered all the necessary key aspects relating to the study. Pilot-testing of the interview guide with 10 participants was performed in Mbare and Gazaland manufacturing informal SMEs in Harare on the 20<sup>th</sup> December 2017.

Modifications to the semi-structured interview guides based on interviewer experiences and feedback from pilot participants were incorporated. The research participants involved in the pilot study were excluded in the main research study. The semi-structured questionnaire was corrected and adjusted accordingly to address the shortcomings that were identified during the pilot study and also to validate them to generate ideas to be explored further with the informal manufacturing SMEs owners/managers. The final semi-structured questionnaire (interview guide) used in this thesis is shown in Appendix 10: Interview Guides - Semi-Structured Questionnaires.

#### **4.6.3 Focus Group Interviews: Data Collection**

Focus group interviews of 120 minutes each, were done in each of the following cities in Zimbabwe that is, Harare, Bulawayo, Gweru, Masvingo and Mutare. Focus group interviews with various participants were conducted to generate the required data. The participants included informal manufacturing SMEs for food, bakery and confectionery processing, toiletry making, textile and garment making, leather and rubber production, engineering and metal fabrication, timber and furniture making, representatives of the Informal Business Association in Zimbabwe (IBAZ), National Informal Sector Association (NISA), representatives from Zimbabwe Chamber

of Informal Economy Association (ZCIEA), a representative from the Hawkers and Vendors Association of Zimbabwe (HAVAZ) who also happens to be owners of the informal manufacturing SMEs.

The participants for the focus group interviews were selected based on stratum to ensure that all the informal manufacturing SMEs were fairly represented with each participant coming from the food, bakery and confectionery processing, toiletry making, textile and garment making, leather and rubber production, engineering and metal fabrication, timber and furniture making, representatives of the Informal Business Association in Zimbabwe (IBAZ), National Informal and Sector Association (NISA), a representatives from Zimbabwe Chamber of Informal Economy Association (ZCIEA), representative from the Hawkers and Vendors Association of Zimbabwe (HAVAZ), thereby having a maximum of ten (10) people for each group in the city. Interview questions were asked from the research participants to gather the data relating to the research questions and objectives. Additional probing questions during the focus group interview was allowed during the interviews with each focus group interview lasting for about 90 -120 minutes.

The following key issues were the focus of the interviews in all the cities:

- Biographical information of all the participants (collected through a closed questionnaire -Appendix 10: Semi-structured questionnaire - Focus Group).
- Challenges faced by the informal manufacturing SMEs.
- Role of the informal manufacturing SMEs in economic growth.
- Role of the informal manufacturing SMEs in employment generation.
- Effectiveness of economic and mentorship programmes by the government to informal manufacturing SMEs development.

For this study, the entire in-depth focus group interview was digitally recorded and transcribed verbatim and labelled in preparation for qualitative data analysis in Chapter 6: Data Presentation, Analysis and Interpretation: Qualitative Data. The process of transcribing the data was laborious and was useful for screening the data and indicating early the key issues and raised themes. All focus group interviews were audio-recorded using a digital voice recorder and also the researcher kept written notes for some of the interviews. Fortunately, the researcher managed to conduct all the focus group interviews in English without facing any challenges.

## 4.7 Phase Two Data Coding and Analysis

Data analysis in phase two adopted a Framework Approach. Ritchie and Lewis (2005) observe qualitative data analysis techniques are traditionally applied in policy and economic research. The Framework Approach states the research objectives in advance based on the research requirements (Pope *et al.*, 2000) that's why it starts deductively and concludes with the generation of inductive knowledge as it seeks to precisely and accurately reflect original issues and observations. Table 4-7 summarises the analytical methods that were appropriate for the qualitative data.

**Table 4-7: Method of Data Analysis for Qualitative Research Method**

Research Method	Nature of Data	Method of Analysis
Focus Group Interviews	Transcribed text	Thematic content analysis

**Source: Own, 2017**

Focus group interview data were analysed thematically by annotating printouts of transcribed text and highlighting the key descriptive themes. This involved the construction of thematic matrices that systematically analysed the data with an object to higher levels of abstraction being achieved (Braun and Clarke, 2008). During data gathering in the fieldwork, the researcher reviewed all the qualitative data that was collected. Also, data gathered from observation, focus groups interviews were summarised and clarified to research participants and where necessary respondent validations were sought.

Focus group interviews were audio-taped and then transcribed. Verbatim transcriptions of all the audio-recordings were made using Microsoft Word by the researcher with the assistance of a highly specialised qualitative research specialist. Transcription creation for this study focused on capturing both interviewer and the interviewee statements. Transcribed data were prepared for analysis by the researcher with key descriptive themes in the texts being highlighted and preliminary coding categories assigned in each case. The researcher coded the collected data and categorised it regarding differences, similarities and patterns (Potter and Wetherell, 1987 in Suominen and Mantere, 2010; and Bryman and Bell, 2016. Bryman's earlier research (2001), lamented that a framework for the qualitative researcher is provided to ensure coping with the unstructured complexities of social realities and to render it manageable. Furthermore, it allows for the theories and categories to be developed which are meaningful to the subject of research.

In this study, the data was coded manually resulting in the creation of code families and code quotations. These themes/code families were then combined to produce more specific abstract categories through repeated reflection and discussion with the qualitative data expert.

Elliger (as cited by Spens and Kovas, 2006), points out that content analysis is a ‘*method for the objective, systematic, quantitative and reliable study published information or data*’. Cullinane and Toy (also in Spens and Kovacs, 2006) observes that it is an effective method for it can be used as an instrument for determining key ideas/concepts and themes in publications and for comparative measuring of positions and trends in reporting. The content analysis makes it easier for researchers to sift through large volumes of data with relative ease in a systematic way. In this study, a lot of data was generated through the focus group interviews, and this had to be sifted thoroughly to generate themes on how the potential of the informal manufacturing SMEs can be unlocked.

For the coding process and analysis, the researcher used team-based analysis of the in-depth data despite also considering using the computer software to assist with the analysis. The researcher felt that adopting a human-based coding system as being more effective and useful in order to avoid the possibility of richness, meaning and detail in the in-depth texts being minimized (Davidson, Fielden and Omar, 2010), since an effort will be made to generalize the findings given the fact that five cities were used in Zimbabwe.

## **4.8 Reliability**

Reliability refers to consistency and is therefore concerned with the robustness of the questionnaire (Saunders, Lewis and Thornhill, 2012). In other words, whether it will produce consistent findings at different times and under different conditions such as in the case of different samples or interviewers. The researcher ensured that reliability was achieved by ensuring that at design stage they are assessed for test re-test, internal consistency and alternative form. Reliability is centred on the question of whether the results of a study are repeatable (Bryman *et al.*, 2014). It is also very close to the criterion of replication and replicability.

Onwuegbuzie and Johnson (2006), argue that without rigour any research is worthless and becomes fiction and loses its utility and value. Reliability is defined as the ability of a research instrument to produce consistent results similar to what will have been produced for the same phenomenon in other related studies (Hammersley, 1992; and Wegner, 2000). So, put in simple

words, reliability is revealed by the tendency of a study, experiment, test or any measuring procedure to result in the same outcomes on different repeated trials. Four broad categories of reliability estimation in research have been identified, with each of the estimating the degree of reliability in a uniquely. These are:

- Test-retest reliability-mainly used in assessing the consistency of a measure from one period to the other.
- Parallel-forms reliability-useful in assessing the consistency of the outcomes of the results of two tests developed similarly from the same content domain.
- Interpreter or inter-observer reliability-useful in assessing the degree to which different observers provide a consistent estimation of the same phenomenon.
- Internal consistency reliability-useful in assessing the consistency of outcomes across variables within a test.

#### **4.8.1 Instrument Reliability for the Research Study**

In ensuring that the reliability of the research instrument was maintained, a pilot study was conducted for both the quantitative research design and qualitative research design. A pilot study has two different uses in social science research; as it can be used to refer to the feasibility studies that are 'small-scale version(s) and also trial run(s) that are normally done in preparation of the main study (Polit *et al.*, 2001). According to Baker (1994), a pilot study is the trying out or pretesting of a research instrument to be used for the major study. A pilot study has some merits in that it indicates the key areas of the main research project that could be unsuccessful or complicated therefore doing a pilot study ensures that the researcher reduces the risk (De Vaus, 1993).

A pilot study was important for this study since it helped the researcher in the process of judging the reliability of the instruments through estimation of the degree to which the variables reflected the same construct obtained in similar results. To ensure minimisation of risk, the reliability of the final structured questionnaire was calculated using the Cronbach Alpha coefficients, which measures internal consistency among a set of variables by assessing the extent to which the same set of respondents provide similar consistent responses to similar items (Diamantopoulus and Schlegelmilch, 1997). Through computation, the calculated Cronbach Alpha for this research was on average above 0.7 and deemed acceptable (Field, 2009).

### **4.8.2 Validity**

Validity implies research study, its parts and the conclusions thereof and application based on it can be of high or low quality and/or in between. Validity pertains to the integrity of the conclusions that are generated from research. Saunders, Lewis and Thornhill (2012), refer to the ability of the questionnaire to measure what the researcher intends it to measure in any research. It is sometimes called measurement validity, as it concerns that what the researcher finds with the questionnaire representing the reality of what the researcher is measuring.

Blumberg, Cooper and Schindler (2008), argue that when discussing the validity of a questionnaire, researchers often refer to content validity, criterion-related validity and construct validity. Content validity is the extent to which the measurement device, in this case, the measurement questions in the questionnaire provides enough coverage of the investigate questions. The researcher ensured that enough/adequate coverage was achieved through careful definition of the research in the literature review and prior discussion with experts in the field especially from the Ministry of Small-to-medium Enterprises and Co-operative Development. In this case, the study, findings by the researcher were genuine after due consideration of all the participants to be involved, and their data and usage of the right sampling strategies and the fact that findings were not based on a few subjectively chosen respondents solved the problem of anecdotalism (Silverman, 2004). To limit the anecdotal problem, various methods were used by the researcher as explained in the earlier sections and data triangulation was also used.

The validity of the research instrument was also largely determined by seeking expert advice from the statistician and the supervisor who thoroughly assessed the extent to which the instrument represented and connected logically to the underlying theory, research objectives and the phenomena under study.

### **4.8.3 Generalisability**

Sekeran and Bougie (2013) define generalisability as the scope of applicability of the research findings in one institutional setting to the other settings. In general, the wider the range of applicability of the findings generated by research, the more useful the research is to the various users. However, some research findings cannot be generalised to all other settings, situations or organisations.

To ensure generalisability of the research findings the research sampling design for this research was logically developed, and some other important details in the data collection methods were meticulously followed.

Validity or trustworthiness if maximised in a research implies that more credible and defensible results may lead to generalisability (Golafashani as cited by Bashir, Aftal and Azeem, 2008). The quality of research is to a large extent related to the possibility of generalisability of the results and thereby to testing and increasing the validity of the given research.

Ruddin (2006) argues that case study research need not only make a claim about the generalisability of their research findings but what is crucial is the use by other researchers and the art of feeding into the process of naturalistic generalisation.

## **4.9 Research Procedure**

Considering that the title of this study was not very political and / or particularly sensitive, no major issues arose in this research conduct with the researcher only using the clearance obtained from the Ministry of Small-to-medium enterprises and Cooperative Development in Zimbabwe. The Ministry did send ethical clearance letters to their five (5) provincial offices in Harare, Bulawayo, Midlands, Masvingo and Manicaland where the study was to be conducted.

### **4.9.1 Research Protocol**

This research was carried out from 14<sup>th</sup> December 2016 to 21<sup>st</sup> January 2017 with owners/managers and non-managers of the informal manufacturing SMEs in five (5) major cities in Zimbabwe. This research study was structured as detailed below:

- The first step was to telephone the head-hunted coordinators at Zimbabwe's five universities, University of Zimbabwe (UZ) (Harare), Midlands State University (MSU) (Gweru), National University of Science and Technology (NUST) (Bulawayo), Great Zimbabwe University (GZU) (Masvingo) and Africa University (AU) (Mutare), introduced the researcher, discussed the topic in general and the reasons for the study. The agreement and willingness to assist were granted by the head-hunted coordinators whereupon an email confirming specific logistical issues were sent.

- A follow-up email, detailing the issues to address, were sent and the researcher requested that the coordinators identify ten (10) students within or outside the college from the ten (10) different locations in each city who were going to be used as research assistants for each city to administer the structured questionnaires at an agreed rate which was agreed between the researcher and the coordinator in line with the respective universities' policies.
- The research assistants were asked purposively to identify a participant to take part in the focus group interviews by sector in Harare, Gweru, Bulawayo, Masvingo and Mutare and also officially from the following informal manufacturing SMEs organisations, Informal Business Association in Zimbabwe (IBAZ), National Informal Sector Association (NISA), Zimbabwe Chamber of Informal Economy Association (ZCIEA), and Hawkers and Vendors Association of Zimbabwe (HAVAZ).
- Focus group interviews were held in five (5) provincial capital cities in Zimbabwe of Harare, Bulawayo, Gweru, Masvingo and Mutare. All the interviews were recorded through the use of an audio recorder. During the focus group interviews, the interviewer had to listen and take a few notes as and when it fits the occasion, but the researcher had to stay in control of the data gathering (Stake, 1995).
- All the data gathered during the research process were typed, saved and stored for further processing using SPSS and manually for quantitative and qualitative data respectively.

#### **4.10 Ethical Considerations**

Sekeran and Bougie (2013), observe ethics in research as referring to a code of conduct or expected societal norm of behaviour during the process of research. They further argue that ethical conduct applies to institutions, organisation, companies and the individual members that fund the research, the researchers who undertake the research and the participants who provide them with the necessary data.

Ethics should begin with the person instituting the research, who should ensure that it is done in good faith, consider and give attention to the results obtained, and surrendering the ego and pursuing institutional rather than self-interests. Often ethical conduct is reflected in the behaviour of the researchers who conduct the research, respondents providing the data, the statistician who provide the results and the research team that presents the findings, interpretation of the results and suggest alternative solutions. Ethical issues harming the research participants by, sensitive

question, issues of confidentiality and anonymity of the interviewee, the legal issue of holding research data were considered by the researcher.

Even though the research was not life-threatening, did not involve doing any intervention with research participants, the researcher did not ignore ethics and governance in doing research. The researcher had to gain confidence, trust and respect of the research participants and to be a genuine person interested in the problems of the informal manufacturing SMEs.

This research was also conducted by the ethical clearance guidance of the University of KwaZulu-Natal. Ethical clearance was obtained from the University of KwaZulu-Natal Research Office. The study ensured that appropriate steps were taken to protect the rights of individuals acting as subjects in the research by observing ethical procedures and principles governing research with humans. These included among many others confidentiality, ownership of information and respect of respondents' autonomy and consent in participating in the study.

To this end, the researcher made sure that all participants were informed about the research through the informed consent letter researcher and participant (Appendix 5: Informed Consent letter - Researcher and Appendix 6: Informed Consent - Participant) and made clear it was voluntary to participate in the research. Also, permission for audio recording was sorted as well on a voluntary basis. In other words, the researcher made use of recommendations from Creswell (2006) in this study which included:

- Non-disclosure of confidential information about the research participants (respect for privacy) - code names were used for the focus group interviews.
- Usage of numbers to reflect the respondents in the study.
- Informed consent in the form of a part where the participant would sign as agreeing to participate in an interview voluntarily.
- Freedom of choice or the right to decide whether to continue with the interview or not.

In that regard, during the focus groups interviews, the researcher was sensitive at all times to the possibility of allowing research participants who felt uncomfortable or distressed or reluctant to participate to be excused from participation in the group. However, the majority of the research

participants seemed to enjoy the focus group interviews and used them as an opportunity to share their experiences and ask questions.

#### **4.11 Summary of Chapter**

This chapter summarised the philosophical issues about the research methodology, research design and the justification thereof, research instruments, data collection procedures, data analysis, presentation for the mixed-methodology and discussed the ethical considerations used in this study. The next chapters - Chapter 5: Data Presentation, Analysis and Interpretation - Quantitative and Chapter 6: Data Presentation, Analysis and Interpretation - Qualitative build-up on statistical analysis and thematic analysis respectively. Chapter 7, integrates the quantitative and qualitative analysis together to conclude the convergent parallel design approach regarding convergent and divergent of research findings.

**CHAPTER 5:**  
**DATA PRESENTATION, ANALYSIS AND INTERPRETATION:**  
**QUANTITATIVE DATA**

## **5.1 Introduction**

This chapter presents the findings of the survey research done in the five (5) major cities of Harare, Bulawayo, Gweru, Masvingo and Mutare. The study focused on six (6) major informal manufacturing SMEs sub-sectors, namely food, bakery and confectionery processing, toiletry making, textile and garment making, leather and rubber production, engineering and metal fabrication and timber and furniture making. The primary data collected from this study was presented in a group of inferential tests. Descriptive statistics using bar graphs, tables, pie charts and using inferential statistics (tests) such as one sample t-test, independent samples t-test, Spearman's correlation, analysis for variance (ANOVA) so that it could be easily interpreted and conclusions drawn from the results. Study results and findings are also discussed in Chapter 7: Discussion of Findings, Analysis and Interpretation: Mixed-method and the Proposed Model. The discussion of the results presented in this chapter was done concerning the research objectives presented in Chapter 1: Introduction, Chapter 2: Literature Review and Chapter 3: Theoretical and Conceptual Frameworks of Informality.

### **5.1.1 Survey**

The minimum sample size was 383 informal manufacturing SMEs operating in Zimbabwe. Rubin and Babbie (2012:137), observes a 50% response rate is usually considered adequate for data analysis. A response rate of 82.3% is considered very good. The primary sample comprises 1000 questionnaires and 823 questionnaires were completed representing an overall 82.3% response rate.

A survey method was deemed the best to conduct this study, and self-completed structured questionnaires were used for the collection of the data from the informal manufacturing SMEs in the five (5) cities across Zimbabwe. Informal manufacturing small and medium enterprises (SMEs) owners, management, non-management and managers were asked questions based on the study objectives under the following sections:

- Section A: General SME and biographical Information,
- Section B: Challenges faced by informal manufacturing SMEs,
- Section C: Role of informal manufacturing SMEs on economic growth and development,
- Section D: Role of informal SMEs on employment generation,

- Section E: Effectiveness of economic programmes aimed at informal manufacturing SMEs and;
- Section F: Mentorship programmes.

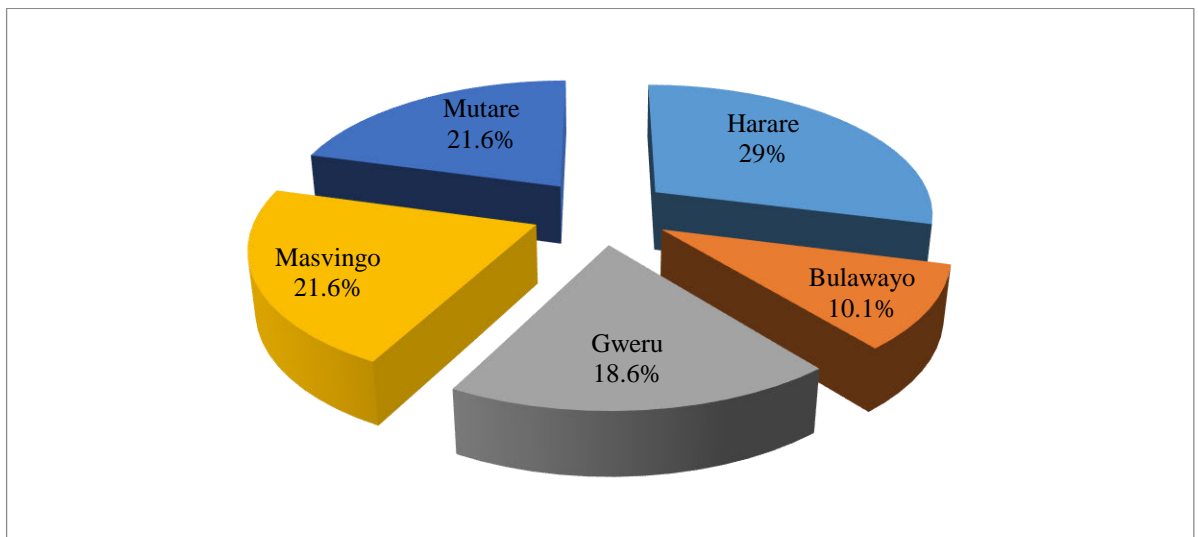
### 5.1.2 Data Preparation

The process of data analysis begins with data cleaning. The process entails checking questionnaires completed for completeness, legibility and disregarding questionnaires whose responses are incomplete or have data missing and identification of potential errors in collected data and discussing their negative and position implication. The data was later entered into SPSS 22.0 and used to compile descriptive and inferential statistics.

## 5.2 Survey: Primary Data Presentation

The chapter presents and analyses the findings from the survey done in the five (5) cities in Zimbabwe. The empirical data used in this analysis were collected using proportionate stratified random sampling from the five (5) capital cities in Zimbabwe as follows: Harare (239) 29%, Bulawayo (83) 10.1%, Gweru (153) 18.6%, Masvingo (178) 21.6% and Mutare (170) (20.7%) as shown in Figure 5-1.

**Figure 5-1: Geographical Representation of the Respondents in Zimbabwe**



Source: Own, 2017

The highest percentage of the distribution of the informal manufacturing SMEs in the sample were from Harare (29%), and the lowest was from Bulawayo (10.1%). This is consistent with findings by RBZ (2014), which found that informal manufacturing SMEs are concentrated in the major urban areas such as Harare, Bulawayo, Gweru, Mutare and Masvingo.

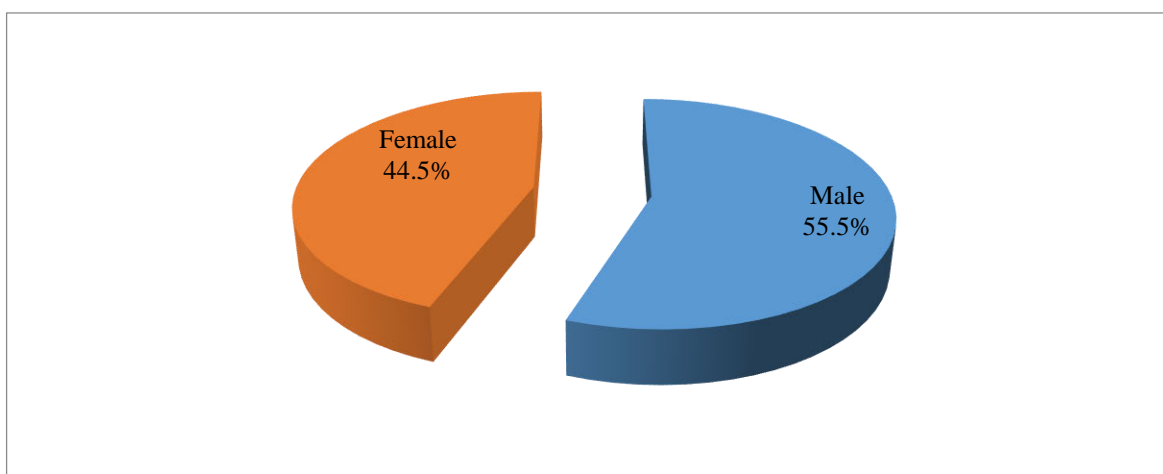
### 5.3 General SME and Biographical Information

This section discusses biographical and demographic information of the participants and informal manufacturing SMEs with respect to gender, age, marital status, education, the category of the informal manufacturing sector, number of employees, years of operation, designation in the business, whether the business is an exporter or a non-exporter and level/value of annual sales since some studies on informal SMEs have shown these demographic characteristics have a significant influence on some of the challenges faced by these informal manufacturing SMEs.

#### 5.3.1 Gender of the Respondents

In this study, respondents were given a question to indicate their gender. This was done for a dual purpose, firstly, in the spirit of finding out whether there is gender balance in the informal manufacturing categories being investigated and secondly to establish, the relationship between gender and informal manufacturing SMEs challenges. Figure 5-2 shows the gender of the respective respondents in the study.

**Figure 5-2: Gender of the Respondents**



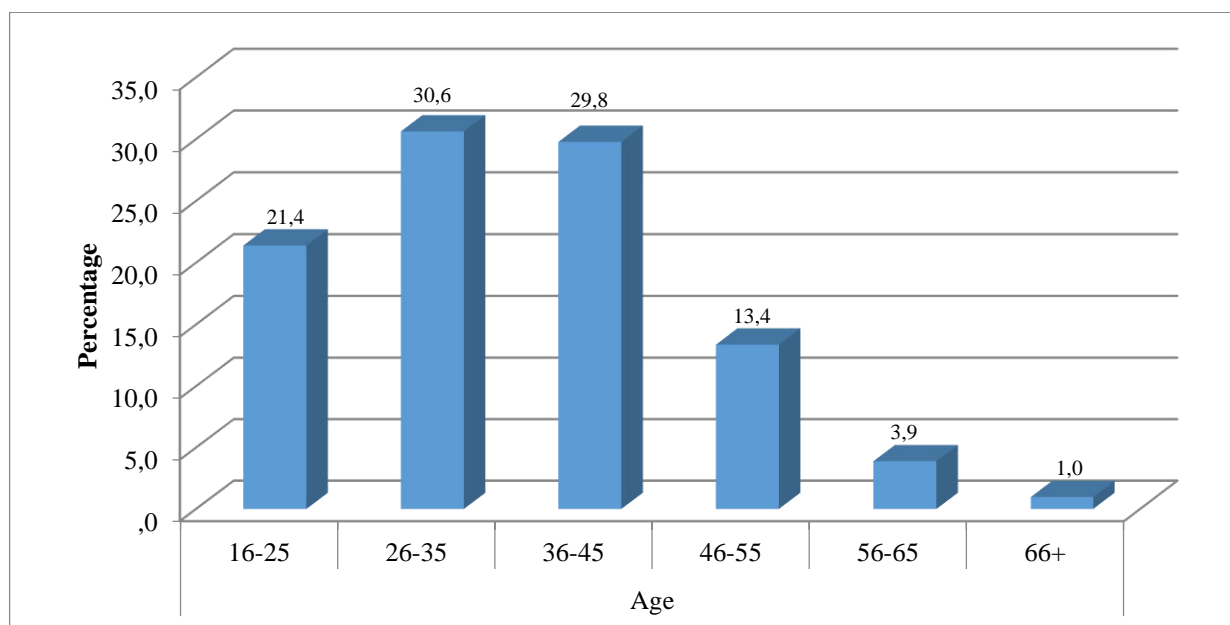
Source: Own, 2017

The figure shows that 457 (55.5%) male informal manufacturing SMEs owners were involved in the study while 366 (44.5%) were female. This sample confirms that there are more males involved in the informal manufacturing SMEs than females. This sample finding is further supported by Mahadea (2001:197), who based on economic dimensions, concluded that males tend to engage in more value addition manufacturing sectors and have more employees than their female counterparts.

### 5.3.2 Categories of the Age Group of Respondents

The respondents were asked a question to determine their specific personal age group. This was required to establish the influence of age, on the challenges faced by the informal SMEs. The age distribution of the respondents was as follows: 16 - 25 (176 or 21.4%), 26 - 35 (252 or 30.6%), 36 - 45 (245 or 29.8%), 46 - 55 (110 or 13.4%), 56 - 65 (32 or 3.9%) and 66 + (8 or 1%) as shown in Figure 5-3.

**Figure 5-3: Categories of the Age Group of Respondents.**



**Source: Own, 2017**

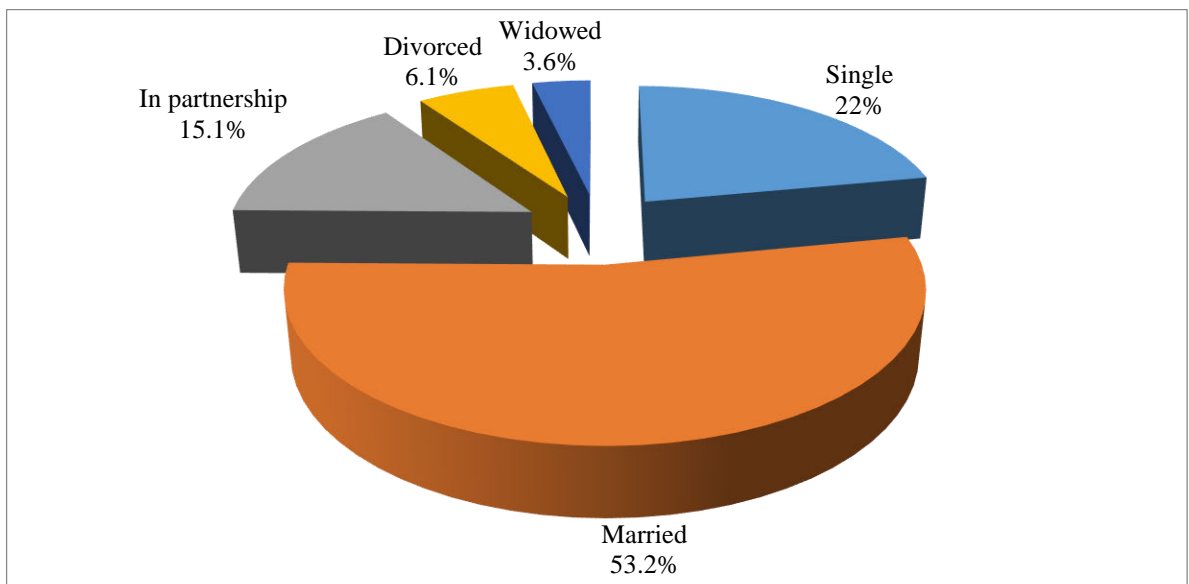
The sample of the respondents revealed that the largest age group category is the 36-45 (245) accounting for 29.8% of the sample and the smallest age group was the 66+ accounting for 1% of the sample. In this sample, it is evident that the 26-45 years indicates a great participation of the economically active population in the informal manufacturing sector with 29.8%. This is similar to a study carried out by Ndiweni, Mashonganyika, Ncube and Dube (2014:5), that also showed that the informal sector is dominated by entrepreneurs in the age group of 31-40 years constituting

40% of the participants and this is, the case in the results above with the 26 to 35 and 36-45 constituting 60.4%.

### 5.3.3 Marital Status of Respondents

The respondents were asked about their marital status. Five (5) categories of marital status were established. The five (5) categories were single, married, in partnership, divorced and widowed. The information was important to make a comparison of married respondents, with divorced and unmarried.

**Figure 5-4: Marital Status of Respondents**



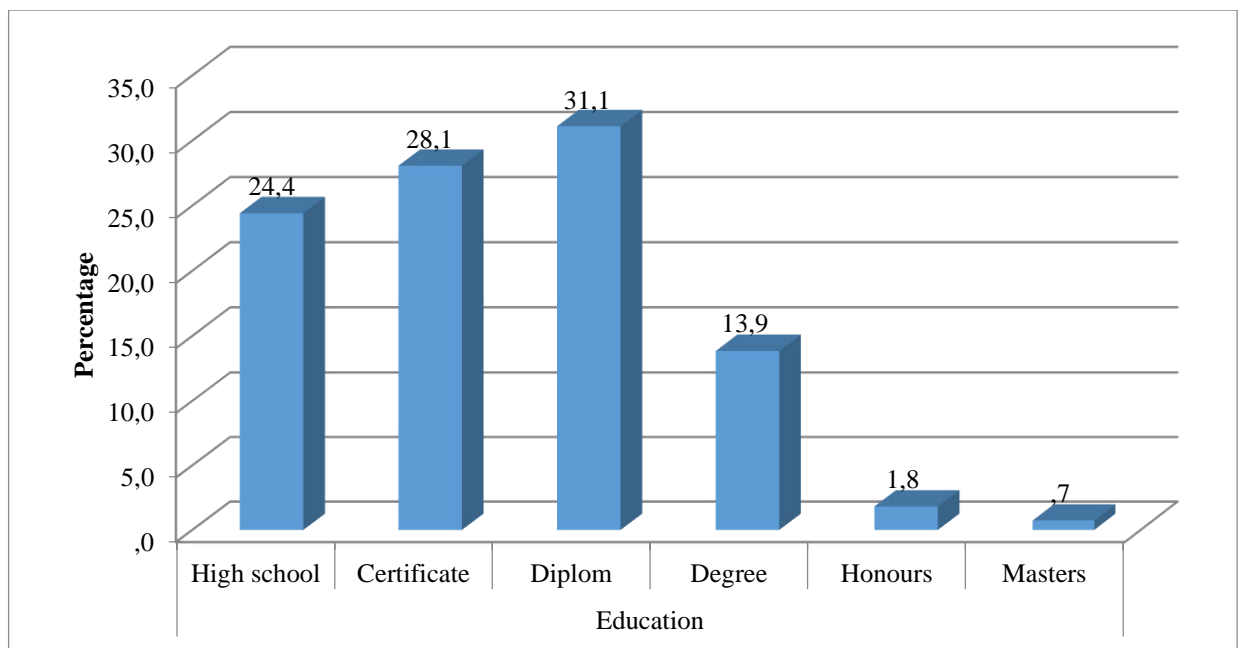
**Source: Own, 2017**

Figure 5-4 above shows, that the majority of the respondents (438) 53.2% were married while (181) 22% were single, (124) 15.1% were in partnership, (50) 6.1% were divorced and (30) 3.6% were widowed. In this sample, the finding reflects the fact that married couples pursue and use informal manufacturing SMEs to create jobs and generate revenue for their families. In a similar study, Birley and Westhead (1990), point out that couples who are married work harder and have better performance at managing a business because of family responsibilities and the psychological support they receive from the community. Ndiweni, Mashonganyika, Ncube and Dube (2014:3), also reveal that the informal sector is dominated by married couples and secondly the single and the results above also confirms that.

### 5.3.4 Educational Level of the Respondents

The respondents were asked a question to indicate their highest educational qualification to assess the informal SMEs operators' education the relationship to the challenges facing those SMEs as well. Eight (8) broad categories of educational qualification, were used to determine the educational levels. These were high school, certificate, diploma, degree, honours, masters and doctorate. The observation for the sample was that the largest sample respondents had diplomas (256) 31.1%, followed by certificates (231) 28.1%, high school (201) 24.4%, degree (114) 13.9%, honours (15) 1.8% and masters (6) 0.7% as shown in Figure 5-5.

**Figure 5-5: Educational Level of the Respondents**



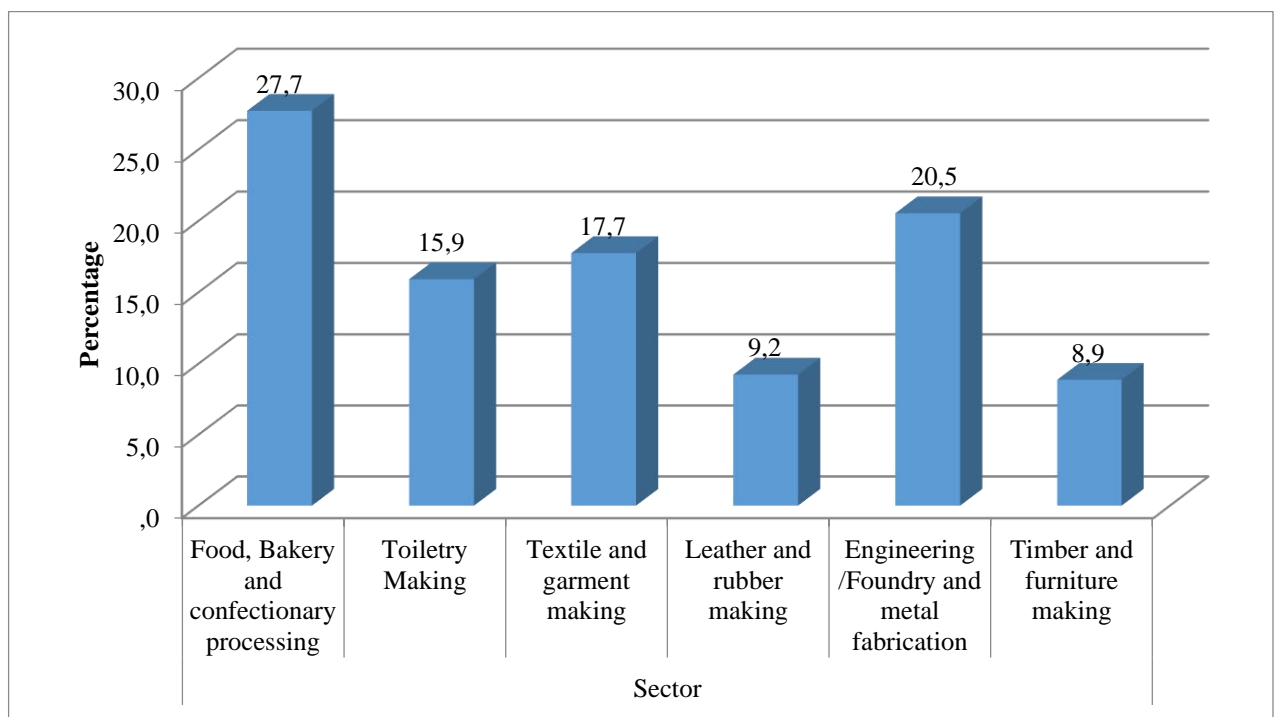
Source: Own, 2017

The findings for this sample, confirm that there was no doctorate holder involved in the informal manufacturing sector and the majority of the respondents had diplomas 31.1%. Contrary to the sample results above, a study by Gemini (1998), confirms that most informal SMEs owners in Zimbabwe had some secondary education with the majority having completed their high school education while post- high school education accounted for a relatively smaller proportion of the respondents.

### 5.3.5 Categories of the Informal Manufacturing SMEs

All sample respondents were asked a question to indicate the category of the informal manufacturing their business was operating in. This was necessary to establish a relationship between gender, educational level and the informal manufacturing SMEs sub-sectors in the study. In this sample, results indicate that the largest participants (228) 27.7% are in the food, bakery and confectionery processing followed by engineering/foundry and metal fabrication (169) 20.5%, textile and garment making 146 (17.7%), toiletry making (131) 15.9%, leather and rubber making 76 (9.2%) and timber and furniture making (73) 8.9% as shown in Figure 5-6.

**Figure 5-6: Categories of the Informal Manufacturing SMEs**



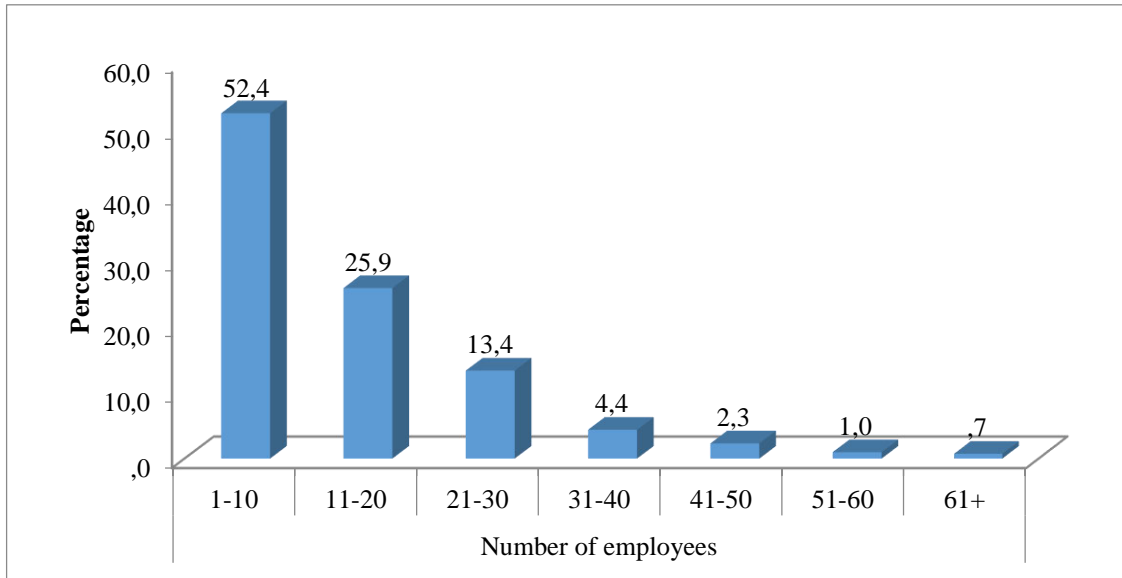
**Source: Own, 2017**

### 5.3.6 Number of Employees in the Informal SMEs

To establish the size of the informal manufacturing SMEs in the five (5) cities sample respondents were asked to answer a question on the number of employees that they employ, (431) 52.4% indicated that they employ between 1-10 employees, (213) 25.9% indicated that they employ between 11-20 employees, (110) 13.4% indicated that they employ between 21-30 employees, (36) 4.4% indicated they employ between 31-40 employees, (19) 2.3% indicated they employ between 41-50 employees, (8)1% indicated they employ between 51-60 employees, (6) 0.7% indicated they employ 61+ employees. ILO (2005) and Chisala (2008:9), in a similar study, points

out that the number of workers employed by the SMEs signifies the important role of the small-to-medium enterprises in the economy.

**Figure 5-7: Number of Employees in the Informal SMEs**

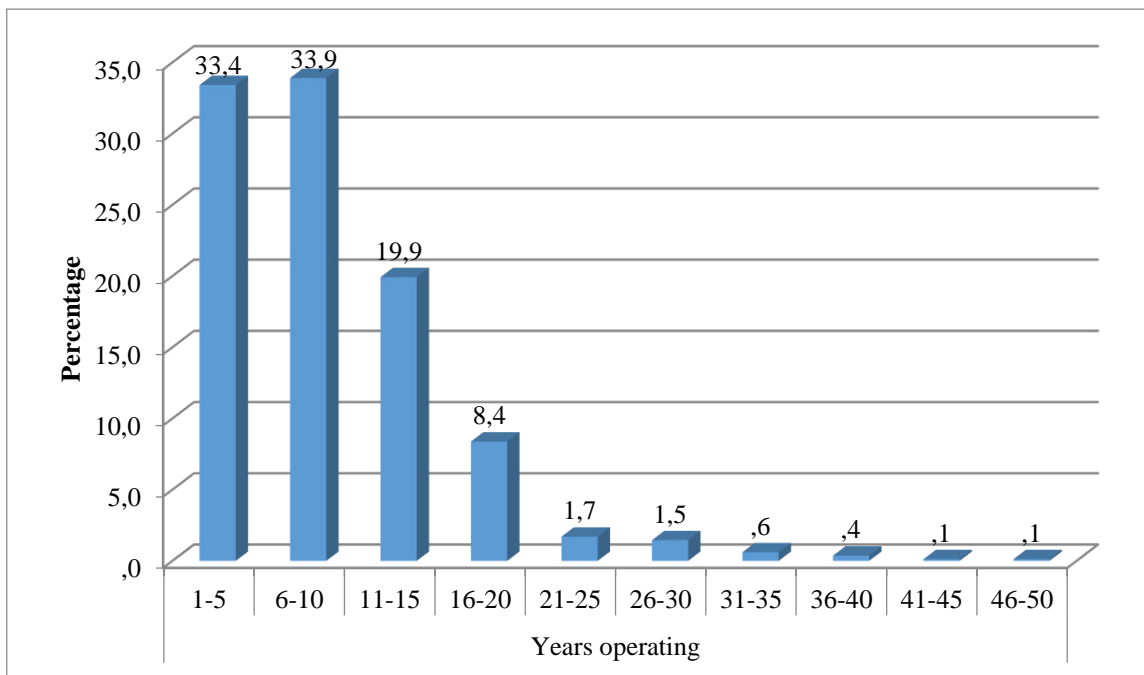


**Source: Own, 2017**

### **5.3.7 Number of Years of Operation in the Informal SMEs**

All sample participants were asked questions about the number of years there have been operating. Sample findings, indicates that 33.4% of the informal manufacturing SMEs were between 1-5 years old, 33.9% were between 6-10 years, 19.9% were between 11-15 years, 8.4% were between 16-20 years, 1.7% were between 21-25 years, 1.5% were between 26-30 years, 0.6% were between 31-35 years, 0.4% were between 36-40 years, 0.1% were between 41-45 years, 0.1% were between 46-50 years. The results are presented in Figure 5-8.

**Figure 5-8 Number of years of Operation in the Informal Manufacturing SMEs**

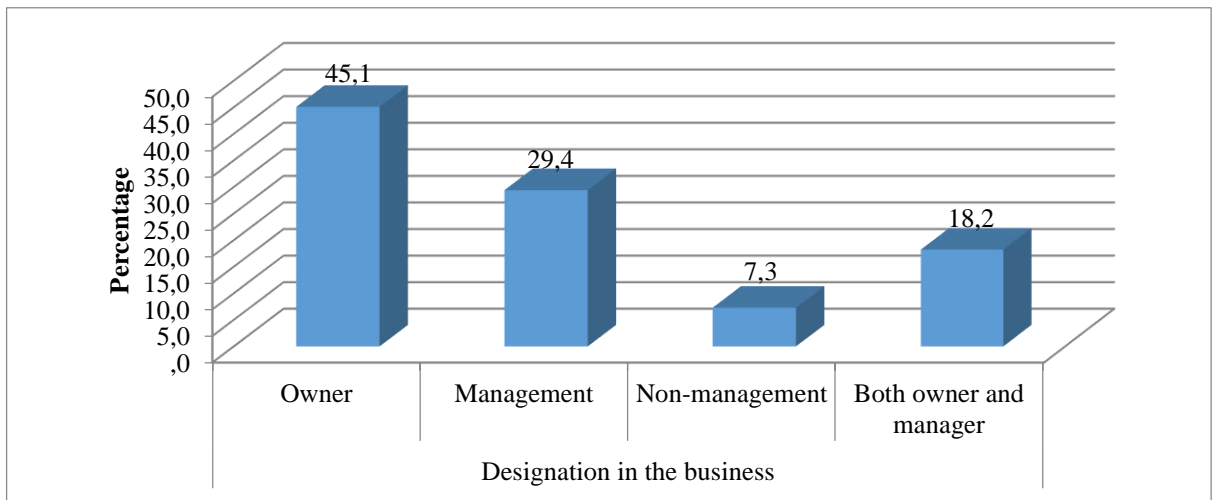


Source: Own, 2017

### **5.3.8 Designation of the Respondents of Informal SMEs Represented**

The respondents were asked a question to ascertain the designation or position within the business. This was important to establish whether there is a relationship between position and the challenges faced by the informal manufacturing SMEs. The sample results confirm that the designation of the sample respondents were owners (371) 45.1%, management (242) 29.4%, non-management (60) 7.3%, both owner and manager (150) 18.2%. The sample results revealed that the greatest respondents were owners 371 (45.1%) and the smallest percentage of respondents was non-management (60) 7.3% as shown in Figure 5-9.

**Figure 5-9: Designation of the Respondents of the Informal SMEs Represented**



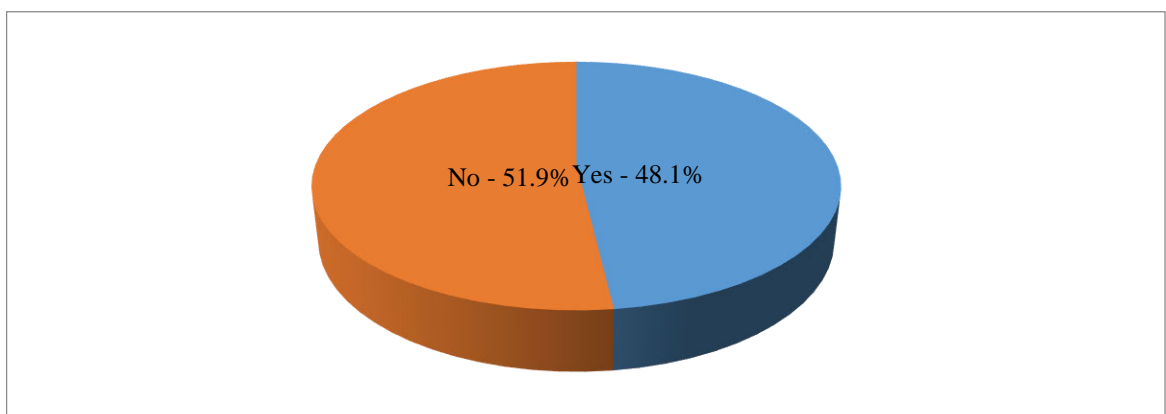
Source: Own, 2017

In this sample, it is evident that there is great involvement of the owners of the informal manufacturing with 45.1%. This is an indication that once the informal manufacturing SMEs has been established they have the limited drive to expand and their growth would be constrained by the imperative to accommodate more employees over and above the owners / founders.

### 5.3.9 Status of the Informal SMEs in Terms of Exporting

Sample interviewees were asked a question on whether there are exporters of their products or not. This question sought to establish the number of informal manufacturing SMEs that are exporting their commodities to other countries. Sample findings indicate that (396) 48.1% of the respondents are exporters while (427) 51.9% are not exporters as shown in Figure 5-10.

**Figure 5-10: Status of the Informal SMEs in Terms of Exporting**



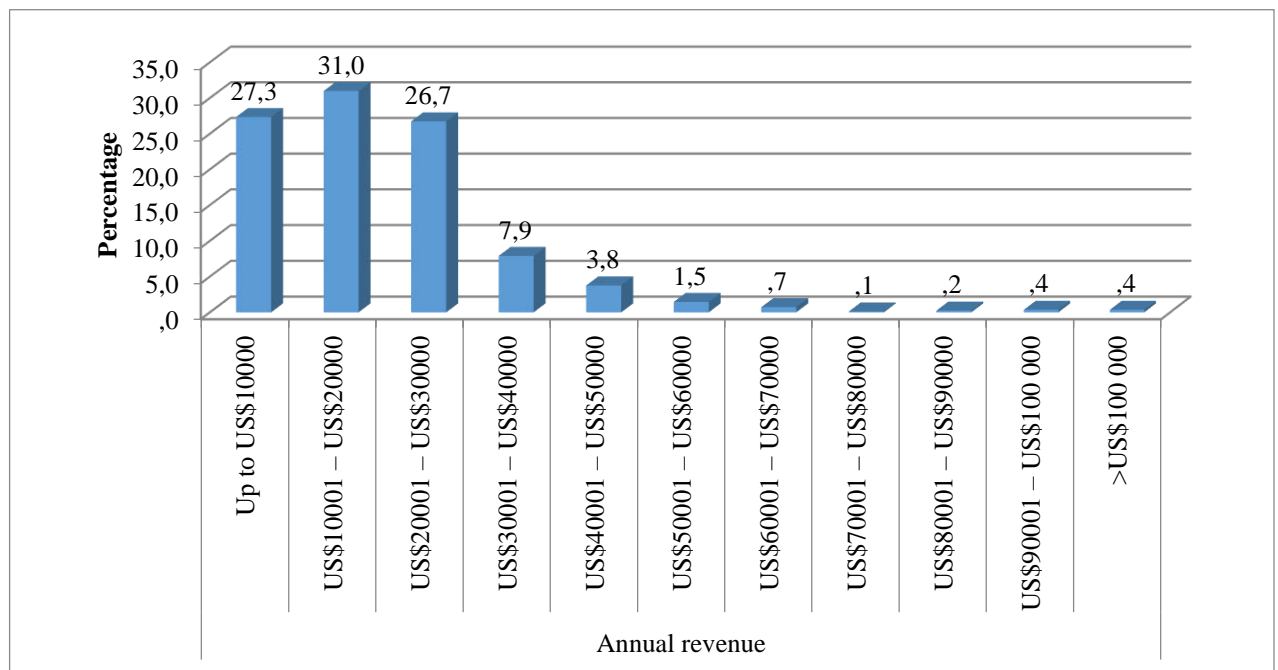
Source: Own, 2017

In this sample, 48.1% of all the firms are exporting their commodities as individuals to other countries. This shows that the informal manufacturing SMEs in Zimbabwe, are starting to see the incentive to export their products to other countries to boost their total revenue.

### 5.3.10 Value of the Informal SMEs' Annual Sales/Revenue

Respondents were asked a question about the value of the informal SMEs' annual sales revenue. The rationale for that question was to ascertain the value of annual sales levels of the informal manufacturing SMEs in Zimbabwe. The respective sample outcomes for the administered sample are summarised in Figure 5-11.

**Figure 5-11: Value of the Informal SMEs' Annual Sales / Revenue**



Source: Own, 2017

The sample results in Figure 5-11 show that:- 225 (27.3%) of the respondents have annual revenue value of up to US\$10 000.00, 255 (31%) have annual revenue value between US\$10 001.00 - US\$20 000.00, 220 (26.7%) have annual revenue value between US\$20 001-US\$30 000.00, 65 (7.9%) have annual revenue value between US\$30 001.00 -US\$40 000.00, 31 (3.8%) have annual revenue value between US\$40 001.00 - US\$50 000.00, 12 (1.5%) have annual revenue value between US\$50 001- US\$60 000.00, (6) 0.7 have annual revenue value between US\$60 001.00 - US\$70 000, 1 (0.1%) have annual revenue value between US\$70 001.00 - US\$80 000.00, 2 (0.2%) have annual revenue value between US\$80 001.00-US\$90 000, 3 (0.4%) have annual

revenue value between US\$90 001.00-US\$100 000.00 and 3 (0.4%) have US\$100 000+ annual revenue value.

Bowale and Ilesanmi (2014:140) in a similar study, concluded that business size, the category of business, sources of seed capital are significant variables that determines both employment generation and revenue generation potential of the SMEs while the age of business and level of education were important factors determining the capacity of SMEs to create employment.

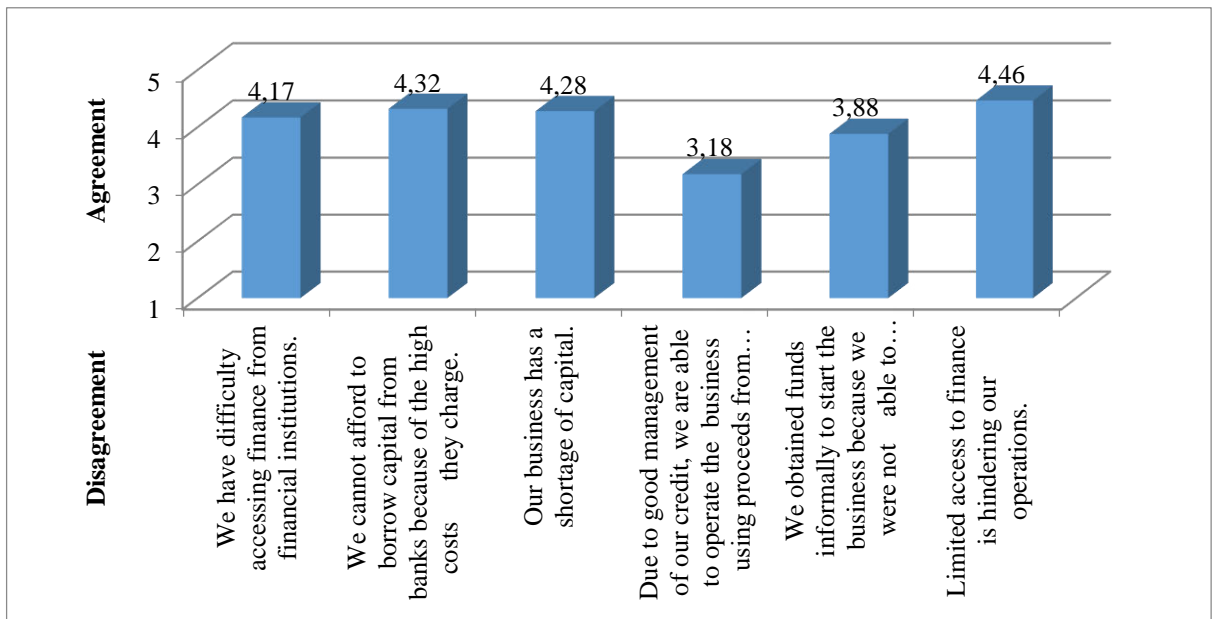
## **5.4 Running an Informal Manufacturing SME in Zimbabwe**

This section seeks to discuss the running of the informal manufacturing SMEs in Zimbabwe under six (6) major themes: access to finance theme, infrastructure and collateral security theme, research, development and marketing skills theme, business structures, environment and location theme, entrepreneurial and management skills theme, legal and regulatory framework theme. This information was analysed using one-sample statistics and one sample t-tests.

### **5.4.1 Access to Finance**

Sample respondents were given a list of six (6) actions that they believed to be the issues that prevented informal manufacturing SMEs in achieving their success and growth regarding access to finance. The actions were scored on a Likert-scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The results from the study are presented in Figure 5-12.

**Figure 5-12: Access to Finance**



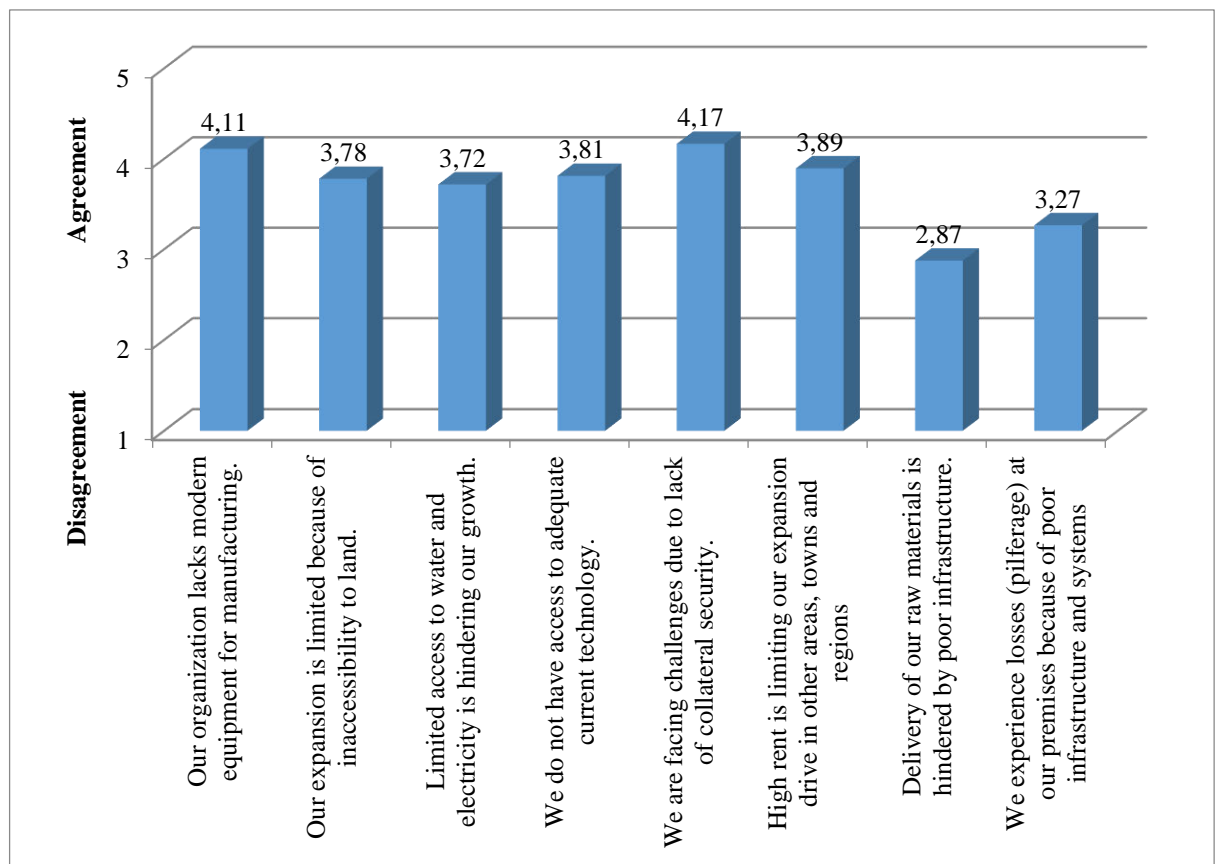
**Source: Own, 2017**

There is significant agreement that there is difficulty in accessing finance from financial institutions ( $M=4.17$ ,  $SD=1.116$ ,  $t(822) = 30.051$ ,  $p < 0.0005$ ); they cannot afford to borrow capital from banks because of the high costs they charge ( $M=4.32$ ,  $SD=0.881$ ,  $t(822) = 43.032$ ,  $p < 0.0005$ ); business has a shortage of capital ( $M=4.28$ ,  $SD=0.978$ ,  $t(822) = 37.568$ ,  $p < 0.0005$ ); good management of credit enables to operate the business using proceeds from our sales ( $M=3.18$ ,  $SD=1.023$ ,  $t(822) = 5.007$ ,  $p < 0.0005$ ); they obtained funds informally to start the business because they were not able to access funding from a financial institution ( $M=3.88$ ,  $SD=1.097$ ,  $t(822) = 23.106$ ,  $p < 0.0005$ ) and limited access to finance is hindering operations ( $M=4.46$ ,  $SD=0.853$ ,  $t(822) = 49.218$ ,  $p < 0.0005$ ). A similar study by Ogot (2014:127), reveals that lack of adequate capital is one of the top three challenges and remains a significant challenge despite government establishment of several funds of the last ten (10) years meant to improve the accessibility of capital to micro and small enterprises (MSEs). Ndiweni, Mashonganyika, Ncube and Dube (2014:5), also highlight that there is limited capital to expand or expand the businesses. This is further observed by Kauffmann (2005) and Wang (2016) who asserts that SME development in Africa is limited by limited accessibility to finance. RBZ (2014:12) points out that most SMEs lacks the capital to ensure that they can grow and increase their profitability.

## 5.4.2 Infrastructure and Collateral Security

Sample respondents were given a list of eight (8) responses on infrastructure and collateral security issues facing the informal manufacturing SMEs in Zimbabwe. The actions were scored on a Likert scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The sample results from the study are presented in Figure 5-13.

**Figure 5-13: Infrastructure and Collateral Security**



**Source: Own, 2017**

There is significant agreement that the organisation lacks modern equipment for manufacturing ( $M=4.11$ ,  $SD=1.014$ ,  $t(822) = 31.425$ ,  $p < 0.0005$ ); expansion is limited because of inaccessibility to land ( $M=3.78$ ,  $SD, 0.841$ ,  $t(822) = 26.560$ ,  $p < 0.0005$ ); limited access to water and electricity is hindering growth ( $M=3.72$ ,  $SD=0.975$ ,  $t(822) = 21.099$ ,  $p < 0.0005$ ); they do not have access to adequate current technology ( $M=3.81$ ,  $SD=1.092$ ,  $t(822) = 21.328$ ,  $p < 0.0005$ ); they are facing challenges due to lack of collateral security ( $M=4.17$ ,  $SD=0.952$ ,  $t(822) = 35.101$ ,  $p < 0.0005$ ); high rent is limiting expansion drive in other areas, towns and regions ( $M=3.89$ ,  $SD=0.928$ ,  $t(822) = 27.648$ ,  $p < 0.0005$ ) and they experience losses (pilferage) at our their premises because of poor

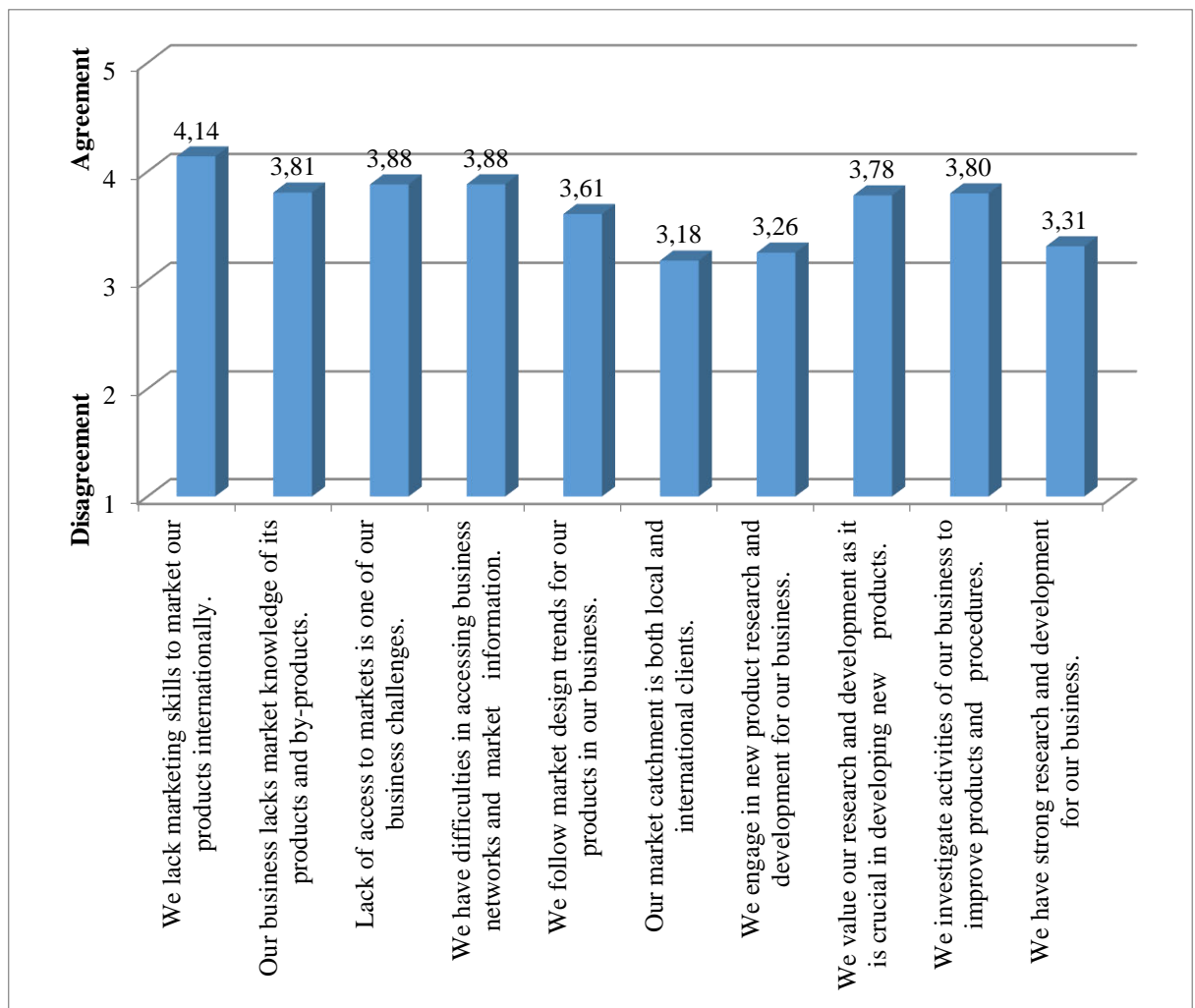
infrastructure and systems ( $M=3.27$ ,  $SD=1.020$ ,  $t(822) = 7.486$ ,  $p < 0.0005$ ). Chidoko *et al.* (2011:27) in a similar study in Zimbabwe concluded that limited access to capital and collateral is one major challenge being faced by SMEs in the informal sector because of lack of collateral to secure loans. There is little or no assistance for the informal SMEs resulting in many operating below the full capacity. ZEPARU and BAZ (2014) points out that there is limited accessibility to proper tools and equipment for improving productivity owing to limited accessibility to finance. There is significant disagreement that delivery of raw materials is hindered by poor infrastructure ( $M=2.87$ ,  $SD=1.098$ ,  $t(822) = -3.271$ ,  $p > 0.0005$ ).

The most reliable measure for this construct, infrastructure and collateral security is found by combining items 2.1-2.6 (Appendix 9: Survey - Structured Questionnaire) which gives an alpha = 0.621 which is below the accepted minimum of 0.7.

### **5.4.3 Research, Development and Marketing Skills**

Sample interviewees were given a list of ten (10) actions on research, development and marketing skills. The actions were scored on a Likert-scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The results from the study are presented in Figure 5-14 below.

**Figure 5-14: Research, Development and Marketing Skills**



**Source: Own, 2017**

There is significant agreement that informal manufacturing SMEs lack marketing skills to market products internationally ( $M=4.14$ ,  $SD=1.025$ ,  $t(822) = 31.912$ ,  $p < 0.0005$ ); that business lacks market knowledge of its products and by-products ( $M=3.81$ ,  $SD=0.958$ ,  $t(822) = 24.162$ ,  $p < 0.0005$ ); the lack of access to markets is one of the business challenges ( $M=3.88$ ,  $SD=0.858$ ,  $t(822) = 29.484$ ,  $p < 0.0005$ ); they have difficulties in accessing business networks and market information ( $M=3.88$ ,  $SD=0.788$ ,  $t(822) = 32.147$ ,  $p < 0.0005$ ); they follow market design trends for our products in business ( $M=3.61$ ,  $SD=0.904$ ,  $t(822) = 19.356$ ,  $p < 0.0005$ ); market catchment is both local and international clients ( $M=3.18$ ,  $SD=1.123$ ,  $t(822) = 4.656$ ,  $p < 0.0005$ ), they engage in new product research and development for business ( $M=3.26$ ,  $SD=1.280$ ,  $t(822) = 5.720$ ,  $p < 0.0005$ ); they value research and development as it is crucial in developing new products ( $M=3.78$ ,  $SD=0.842$ ,  $t(822) = 26.623$ ,  $p < 0.0005$ ); they investigate activities of the business to improve products and procedures ( $M=3.80$ ,  $SD=0.827$ ,  $t(822) = 27.741$ ,  $p < 0.0005$ ) and they have a strong research and development connect for business ( $M=3.31$ ,  $SD=1.094$ ,  $t(822)$

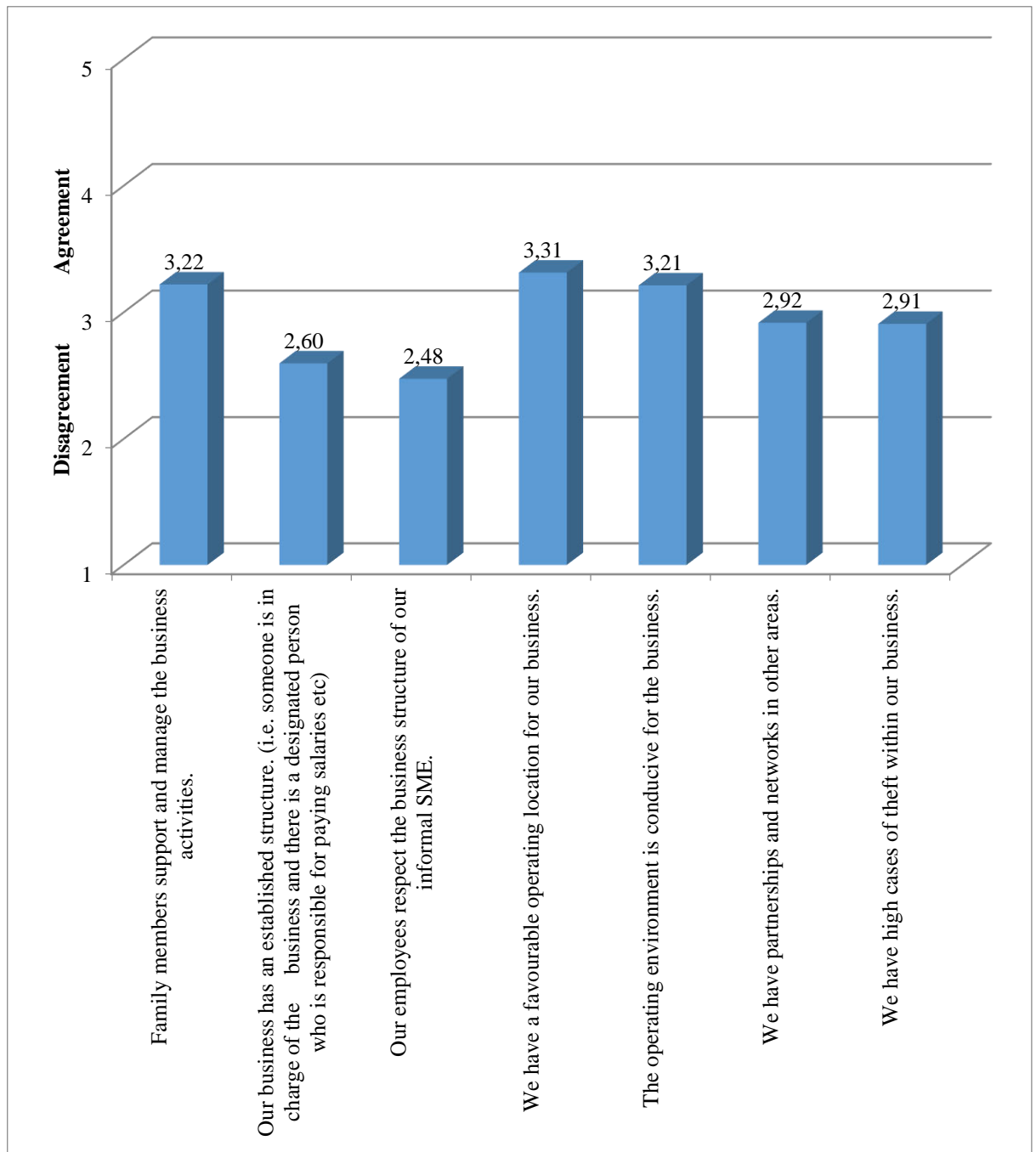
= 8.223,  $p < 0.0005$ ). Chidoko *et al.* (2011: 27), in a similar study, concluded that most informal business owners lack the relevant skills to run their business, with the majority failing to keep proper accounting records. Furthermore, RBZ (2014) observes many SMEs lacks the required skills and current technology to ensure production of high-quality products and services. A study by Chimuka and Mandipaka (2015:313), reveals that SMMEs lacks marketing and networking skills, where they can share ideas on how to successfully run, grow and sustain their businesses. On the other hand, Van Sheers (2016) in a study in South Africa observes that strategic marketing planning is the key to successful and increased small business performance.

The most reliable measure for this construct, research, development and marketing skills is found by combining items 3.1-3.4 (Appendix 9: Survey - Structured Questionnaire) which gives an alpha = 0.614: although this is below the minimum of 0.7; it is acceptable as it exceeds the secondary lower margin of 0.57 (Cortina, 1993).

#### **5.4.4 Business Structures, Environment and Location**

Sample respondents were given a list of seven (7) responses on business, structures, environment and location for the informal manufacturing SMEs in Zimbabwe. The actions were scored on a Likert-scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The results from the study are presented in Figure 5-15.

**Figure 5-15: Business Structures, Environment and Location**



Source: Own, 2017

There is significant agreement that family members support and manage the business activities ( $M=3.22$ ,  $SD=1.466$ ,  $t(822) = 4.303$ ,  $p < 0.0005$ ); they have a favourable operating location for business ( $M=3.31$ ,  $SD=1.118$ ,  $t(822) = 43.032$ ,  $p < 0.0005$ ); business has a shortage of capital ( $M=4.28$ ,  $SD=0.978$ ,  $t(822) = 8.045$ ,  $p < 0.0005$ ); and the operating environment is conducive for the business ( $M=3.21$ ,  $SD=0.989$ ,  $t(822) = 6.169$ ,  $p < 0.0005$ ). Olawale and Garwe (2010:731), in

a similar study, note that geographical location has an advantage to buyers or suppliers since it creates a form of enhanced environmental scanning that ensures that new SMEs are easily identifiable thereby exploiting the growth opportunities in the market.

On the other hand, there is significant disagreement that the business has an established structure ( $M=2.60$ ,  $SD=1.371$ ,  $t(822) = -8.438$ ,  $p < 0.0005$ ); employees respect the business structure of the informal SME ( $M=2.48$ ,  $SD=1.329$ ,  $t(822) = -11.333$ ,  $p < 0.0005$ ); they have partnerships and networks in other areas ( $M=2.92$ ,  $SD=1.028$ ,  $t(822) = -2.306$ ,  $p = 0.021$ ); and they have high cases of theft within the business ( $M=2.91$ ,  $SD=1.110$ ,  $t(822) = -2.356$ ,  $p=0.019$ ).

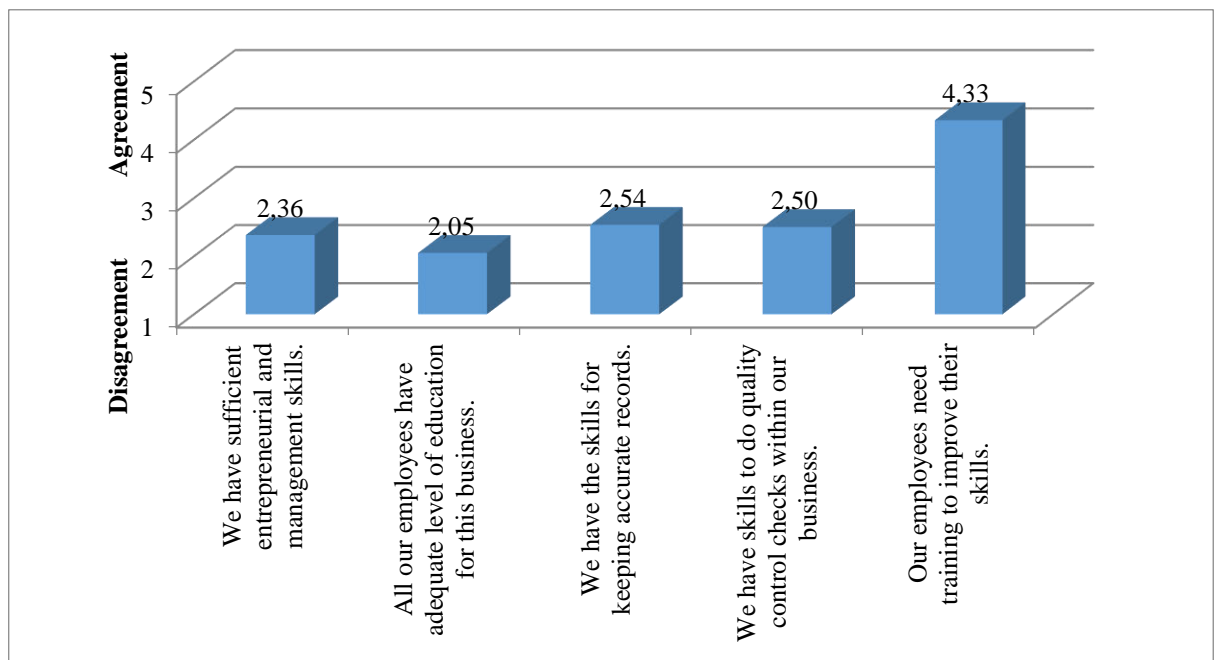
MoSMECD (2015:11), points out that some of the challenges faced by the informal SMEs are limited workspace and poor infrastructure, limited access to modern technology for production and communication purposes, limited research and development and information sharing in the sectors, poor management and entrepreneurship skills, limited access to markets, limited access to finance and high levels of informality among many others.

The most reliable measure for this construct, business structure, environment and location 4.1-4.6 (Appendix 9: Survey - Structured Questionnaire) which gives an alpha of 0.667 which is below the minimum of 0.7, although it is still acceptable as it exceeds Cortina's (1993) secondary minimum level of 0.57.

#### **5.4.5 Entrepreneurial and Managerial Skills**

Sample interviewees were given a list of five (5) responses on entrepreneurial and management skills for the informal manufacturing SMEs in Zimbabwe. The actions were scored on a Likert-scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The sample results from the study are presented in Figure 5-16.

**Figure 5-16: Entrepreneurial and Managerial Skills**



**Source: Own, 2017**

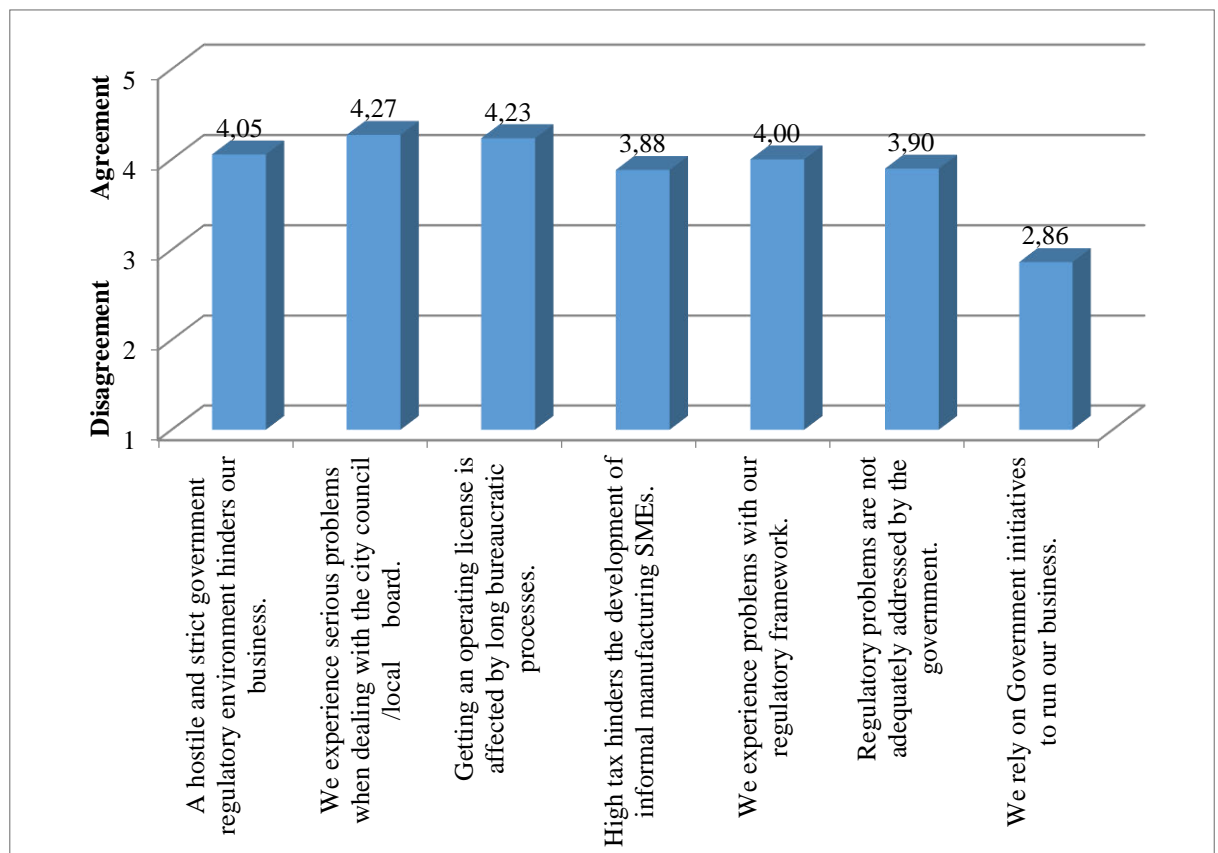
There is significant agreement that employees need training to improve their skills ( $M=4.33$ ,  $SD=1.125$ ,  $t(822) = 33.958$ ,  $p<0.0005$ ). On the other hand, there is significant disagreement that the business has sufficient entrepreneurial and management skill ( $M=2.36$ ,  $SD=1.325$ ,  $t(822) = -13.807$ ,  $p<0.0005$ ); all the employees have an adequate level of education ( $M=2.05$ ,  $SD=1.237$ ,  $t(822) = -21.917$ ,  $p<0.0005$ ); they have the skills for keeping accurate records ( $M=2.54$ ,  $SD=1.028$ ,  $t(822) = -10.055$ ,  $p<0.0005$ ); and they have skills to do quality control checks within the business ( $M=2.50$ ,  $SD=1.416$ ,  $t(822) = -10.119$ ,  $p<0.0005$ ). RBZ (2014:12), points out that many SMEs lack the skills and managerial capacity to run their businesses. Uzhenyu (2014), in a similar study also highlights that there is limited business acumen in the informal sector. Many informal SMEs have no proper training for administration, leadership and management with budgets being done outside the tradition budgeting best practices. In support of the above sample findings Nyanga, Zirima, Mupani, Chifamba and Mashavira (2013:146), highlight that inadequate management is one of the major challenges of SMEs and that this problem broadly includes lack or limited management skills, poor planning and experience, and inadequate business knowledge. Smit and Watkins (2012:6326), laments that a lack of management skills and training is also an important reason for the high failure rate of SMEs.

The most reliable measure for this construct includes items 5.1-5.4 (Appendix 9: Structured questionnaire) which gives an alpha of 0.832 which exceeds the accepted minimum of 0.7.

## 5.4.6 Legal and Regulatory Framework

Respondents in our defined sample were given a list of seven (7) responses on legal and regulatory framework issues facing the informal manufacturing SMEs in Zimbabwe. The actions were scored on a Likert-scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The results from the study are presented in Figure 5-17.

**Figure 5-17: Legal and Regulatory Framework**



**Source: Own, 2017**

There is significant agreement that a hostile and strict government regulatory environment hinders business ( $M=4.05$ ,  $SD=1.255$ ,  $t(822) = 24.110$ ,  $p < 0.0005$ ); they experience serious problems when dealing with the city council / local board ( $M=4.27$ ,  $SD=0.928$ ,  $t(822) = 39.271$ ,  $p < 0.0005$ ); getting an operating license is affected by long bureaucratic process ( $M=4.23$ ,  $SD=0.907$ ,  $t(822) = 39.061$ ,  $p < 0.0005$ ); high tax hinders the development of the business ( $M=3.88$ ,  $SD=1.041$ ,  $t(822) = 24.343$ ,  $p < 0.0005$ ); they experience problems with regulatory framework ( $M=4.00$ ,  $SD=0.889$ ,  $t(822) = 32.261$ ,  $p < 0.0005$ ); and regulatory problems are not adequately addressed by the government ( $M=3.90$ ,  $SD=1.249$ ,  $t(822) = 20.632$ ,  $p < 0.0005$ ). In support of this sample

finding, Msipah, Muchineripi, Jengeta, Mufudza and Nhemachena (2013:85) highlight in their study that the bureaucratic system in Zimbabwe has been a major limiting factor in the development of the SME sector.

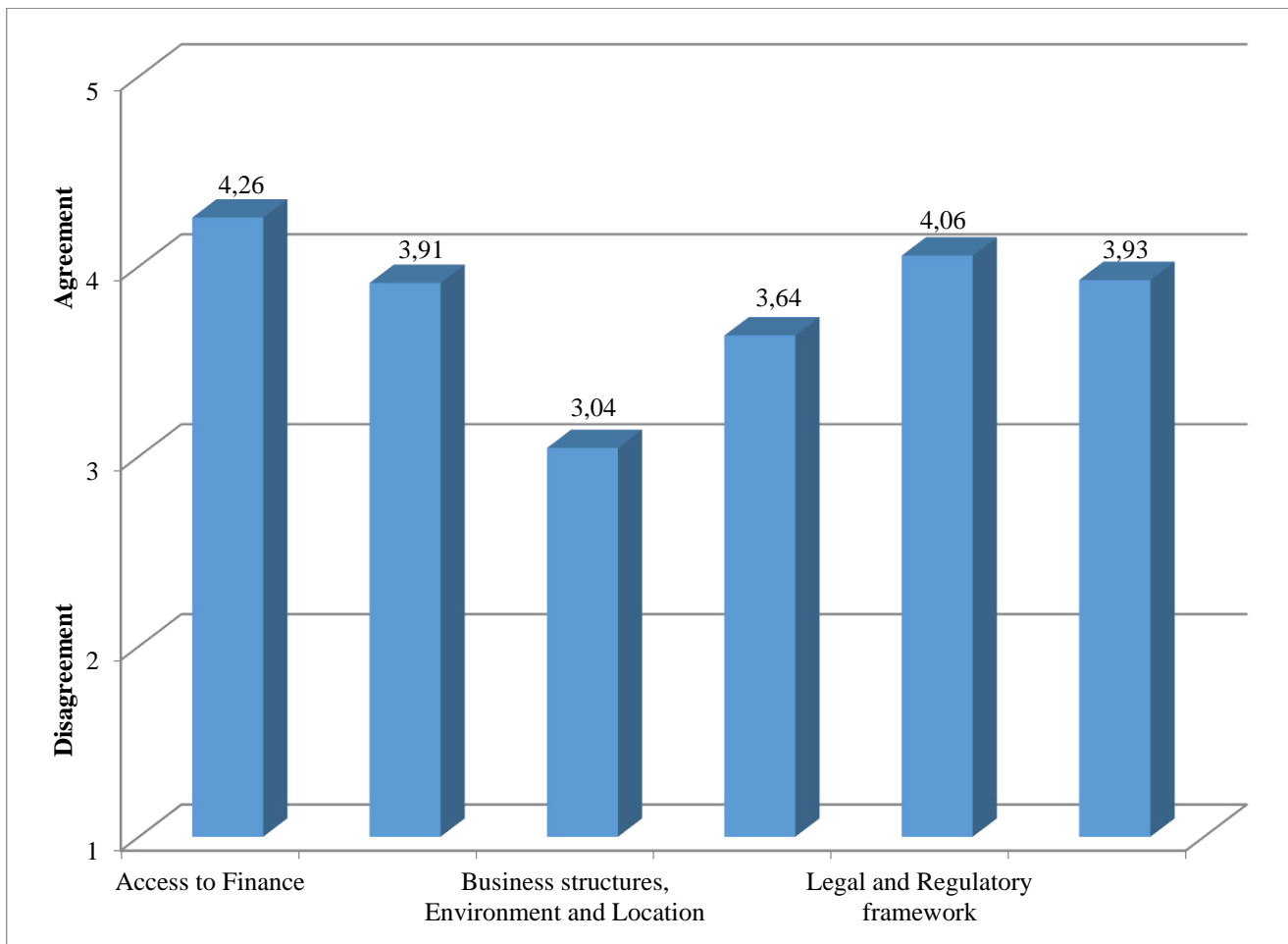
On the other hand, there is significant disagreement that they rely on government initiatives to run the business ( $M=2.86$ ,  $SD=1.216$ ,  $t(822) = -3.239$ ,  $p= 0.001$ ). Akinboade (2014:605), on a similar study based in Cameroon, concluded that regulatory compliance in Cameroon is very low citing the high cost of complying as the main challenge in ensuring compliance since the total registration costs impacts negatively on business profitability and growth. Akinboade (2015:289) also points out that high taxes pose a high cost to the small businesses with literature suggesting that only a fraction of SMEs' taxable incomes are reported to tax authorities.

The most reliable measure for this construct includes items 6.1-6.6 (Appendix 9: Structured Questionnaire) which gives an alpha of 0.701 which exceeds the accepted minimum of 0.7.

#### **5.4.7 Challenges Faced by Informal Manufacturing SMEs in Zimbabwe Summarised.**

The t-tests were used to ascertain the significant agreement/disagreement that these issues were challenges. The mean scores are then used to compare the extent of the challenges across the construct. The six (6) single measures: access to finance, infrastructure and collateral security, research, development and marketing skills, business structures, environment and location, entrepreneurial and management skills, legal and regulatory framework were analysed with the t-test to show the relative 'size' of the challenges faced by the informal manufacturing SMEs. The results of the study are presented in Figure 5-18, Table 5-1 and Table 5-2.

**Figure 5-18: Challenges Faced by Informal Manufacturing SMEs in Zimbabwe**  
**Summarised**



**Source: Own, 2017**

**Table 5-1: One- Sample Statistics**

	<b>N</b>	<b>Mean</b>	<b>Std deviation</b>
ACCESS_FINANCE	823	4.2568	.826
ICS	823	3.9129	.570
BSEL	823	3.0441	.754
EMS	823	3.6361	1.08
LRF	823	4.0569	.669
MS	823	3.9280	.621

**Source: Own, 2017**

**Table 5-2: One-Sample Test**

	<b>Test Value = 3</b>		<b>Sig. (2-tailed)</b>
	<b>T</b>	<b>Df</b>	
ACCESS_FINANCE	43.640	822	.000
ICS	45.921	822	.000
BSEL	1.680	822	.093
EMS	16.887	822	.000
LRF	45.358	822	.000
MS	42.901	822	.000

**Source: Own, 2017**

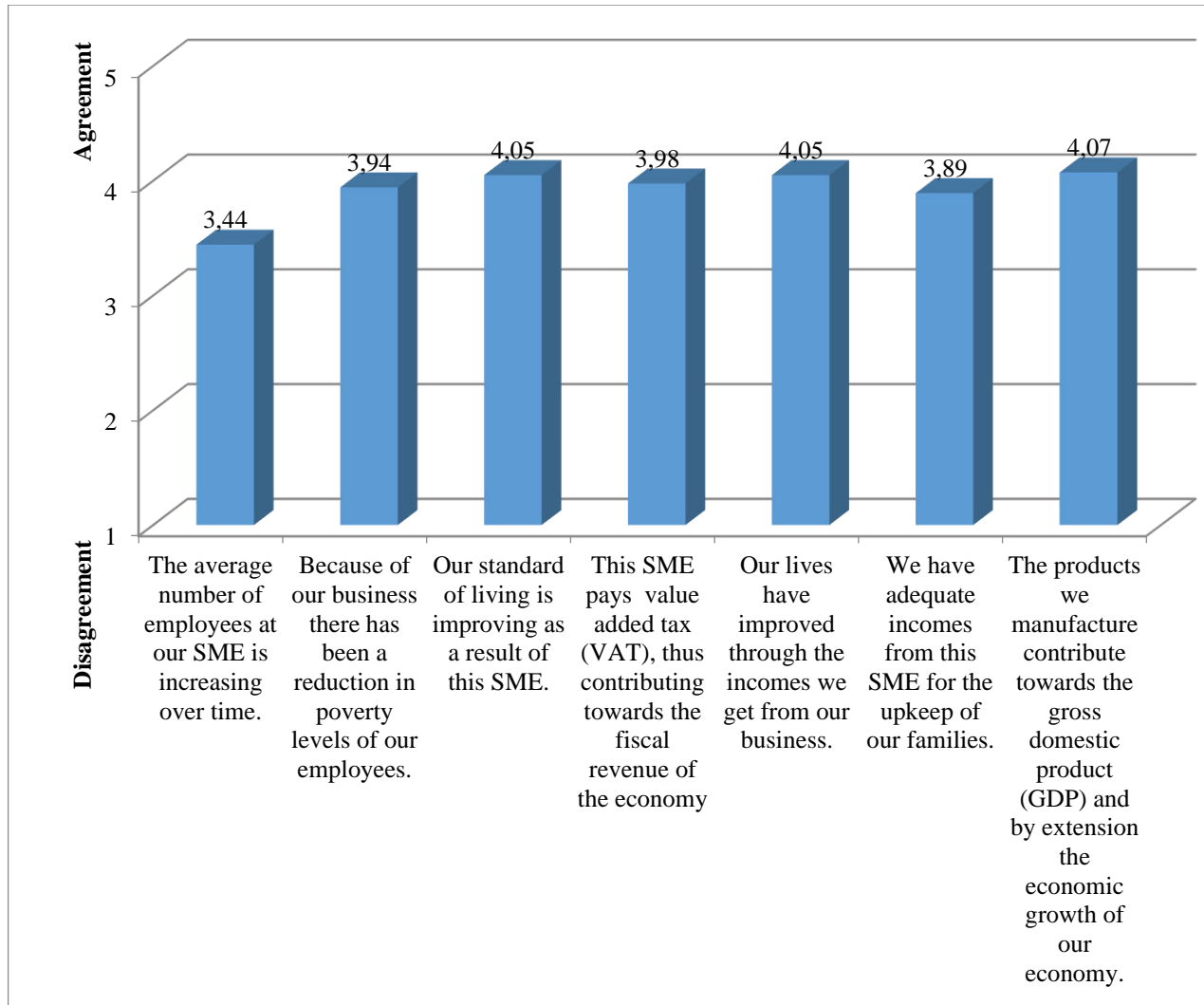
There is significant agreement that the greatest challenge is access to finance ( $M=4.2568$ ,  $SD=0.82617$ ,  $t(822) = 43.640$ ,  $p < 0.0005$ ); then legal and regulatory framework ( $M=4.0569$ ,  $SD=0.66847$ ,  $t(822) = 45.358$ ,  $p < 0.0005$ ); followed by research, development and marketing skills ( $M=3.9280$ ,  $SD=0.62056$ ,  $t(822) = 42.901$ ,  $p < 0.0005$ ); then infrastructure and collateral security ( $M=3.9129$ ,  $SD=0.57032$ ,  $t(822) = 45.921$ ,  $p < 0.0005$ ); entrepreneurial and management skills ( $M=3.6361$ ,  $SD=1.08062$ ,  $t(822) = 16.887$ ,  $p < 0.0005$ ); and the least challenge being business structures, environment and location ( $M=3.0441$ ,  $SD=0.75375$ ,  $t(822) = 1.680$ ,  $p = 0.093$ ).

## **5.5 Role of Informal Manufacturing SMEs on Economic Growth and Development**

Sample respondents were given a list of seven (7) actions on the role of the informal manufacturing SMEs on economic growth and development. The actions were scored on a Likert-

scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The results from the study are presented in Figure 5-19.

**Figure 5-19: Role of Informal Manufacturing SMEs on Economic Growth and Development**



**Source: Own, 2017**

There is significant agreement that the average number of employees is increasing over time ( $M=3.44$ ,  $SD=1.122$ ,  $t(822) = 11.307$ ,  $p < 0.0005$ ); there have been a reduction in poverty levels of employees because of the business ( $M=3.94$ ,  $SD=0.754$ ,  $t(822) = 35.833$ ,  $p < 0.0005$ ); the standard of living is improving as a result of the business ( $M=4.05$ ,  $SD=0.955$ ,  $t(822) = 31.492$ ,  $p < 0.0005$ ); the SME pays value added tax (VAT), thus contributing towards the fiscal revenue of the economy ( $M=3.98$ ,  $SD=1.193$ ,  $t(822) = 23.467$ ,  $p < 0.0005$ ); lives have improved through the incomes we get from the business ( $M=4.05$ ,  $SD=0.925$ ,  $t(822) = 32.504$ ,  $p < 0.0005$ ), they have

adequate incomes from the business for the upkeep of families ( $M=3.89$ ,  $SD=1.084$ ,  $t(822) = 23.609$ ,  $p < 0.0005$ ); and the products we manufacture contribute towards the gross domestic product (GDP) and by extension the economic growth of our economy ( $M=4.07$ ,  $SD=1.034$ ,  $t(822) = 29.735$ ,  $p < 0.0005$ ).

The average scores for the constructs ( $M$ =mean) are  $> 3$  indicating significant agreement among the respondents that the informal manufacturing SMEs contribute significantly to economic growth and development. This is supported by a similar study by Kongolo (2010:2289) who points out that SME activities can generate sustainable and reliable sources of income which enhances economic development. Furthermore, Lieldholm and Mead (1987;1993;1998) and Schmitz (1995), have summed it up by indicating that SMEs play a critical role in ensuring income stability, employment generation and sustainable economic growth.

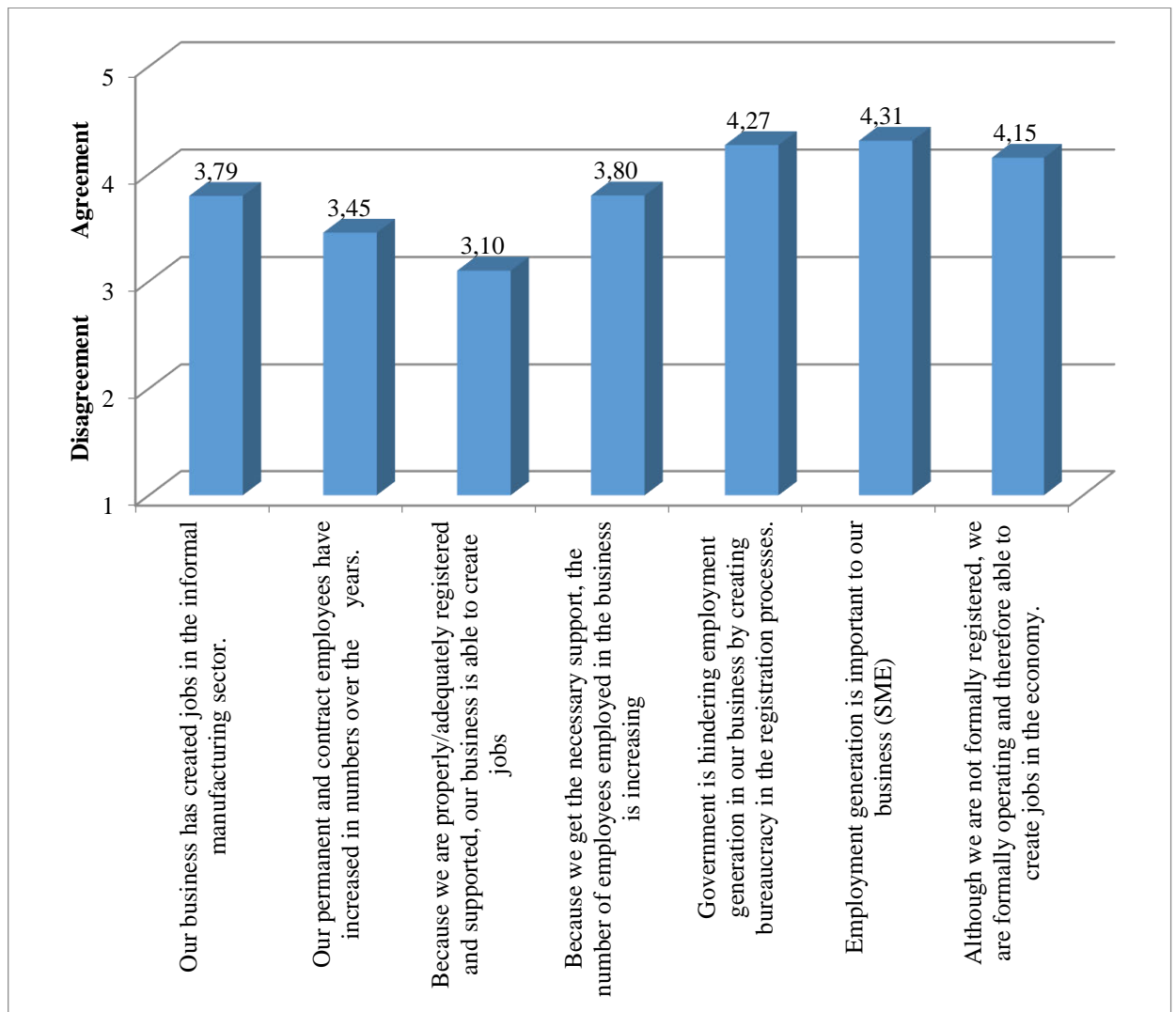
The most reliable measure for this construct includes all the items C1-C7 (Appendix 9: Structured Questionnaire) which gives an  $\alpha = 0.725$  which is greater than the accepted minimum of 0.7.

## **5.5 The Role of Informal Manufacturing SMEs on Employment**

### **Generation in Zimbabwe**

Sample participants were given seven (7) responses on the role of informal SMEs on employment generation. The actions were scored on a Likert-scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The results from the study are presented in Figure 5-20.

**Figure 5-20: The Role of Informal Manufacturing SMEs on Employment Generation in Zimbabwe**



Source: Own, 2017

There is significant agreement that the business has created jobs in the informal manufacturing sector ( $M=3.79$ ,  $SD=0.850$ ,  $t(822) = 26.811$ ,  $p < 0.0005$ ); the permanent and contract employees have increased in numbers over the years ( $M=3.45$ ,  $SD=0.940$ ,  $t(822) = 13.799$ ,  $p < 0.0005$ ); because of being properly / adequately registered and supported, the business is able to create jobs ( $M=3.10$ ,  $SD=1.005$ ,  $t(822) = 2.808$ ,  $p < 0.0005$ ); because of the necessary support, the number of employees employed in the business is increasing ( $M=3.80$ ,  $SD=1.087$ ,  $t(822) = 21.077$ ,  $p < 0.0005$ ); government is hindering employment generation in business by creating bureaucracy in the registration processes ( $M=4.27$ ,  $SD=0.987$ ,  $t(822) = 36.826$ ,  $p < 0.0005$ ); employment generation is important to our business ( $M=4.31$ ,  $SD=0.905$ ,  $t(822) = 41.445$ ,  $p < 0.0005$ ); and that although they are not formally registered, they are in favour of operating

formally and therefore able to create jobs in the economy ( $M=4.15$ ,  $SD=0.891$ ,  $t(822) = 37.008$ ,  $p < 0.0005$ ).

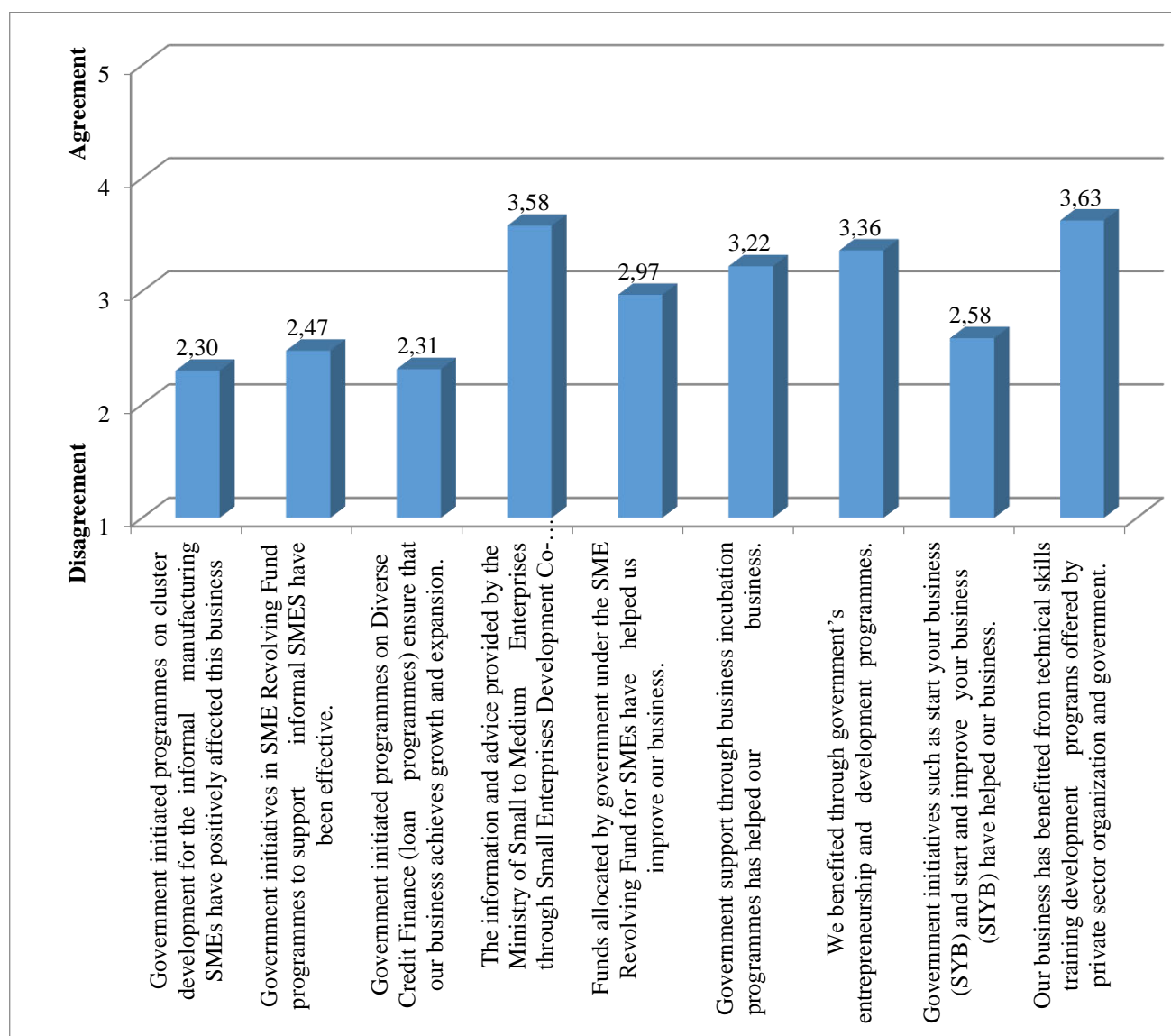
Kongolo (2010:2291), in support of the above sample highlights that SMEs can have a propensity to generate a reasonable number of more labour-intensive jobs than large companies. Informal SMEs contribute significantly to employment creation in the private sector and the gross domestic product (Fida, 2008).

The most single reliable measure for this construct, are items D1-D2, D4, D6-D7 (Appendix 9: Structured Questionnaire) with an alpha of 0.688 which is not high since it's below the minimum acceptable of 0.7 though it is acceptable.

## **5.7 Effectiveness of Economic Programmes Aimed at Informal Manufacturing Enterprises in Zimbabwe**

Respondents in the defined sample were given a list of nine (9) responses on the effectiveness of economic programmes aimed at informal manufacturing enterprises. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The actions were scored on a Likert scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The results from the study are presented in Figure 5-21.

**Figure 5-21: Effectiveness of Economic Programmes Aimed at Informal Manufacturing Enterprises in Zimbabwe**



Source: Own, 2017

There is significant agreement that the information and advice provided by the Ministry of Small-to-medium enterprises through Small Enterprises Development Co-operation (SEDCO) is adequate to support the business ( $M=3.58$ ,  $SD=0.890$ ,  $t(822) = 18.690$ ,  $p < 0.0005$ ); government support through business incubation programmes has helped our business ( $M=3.22$ ,  $SD=1.088$ ,  $t(822) = 5.829$ ,  $p < 0.0005$ ); they benefited through government's entrepreneurship and development programmes ( $M=3.36$ ,  $SD=1.097$ ,  $t(822) = 9.434$ ,  $p < 0.0005$ ); and the business has benefited from technical skills training development programmes offered by private sector organisations ( $M=3.63$ ,  $SD=1.008$ ,  $t(822) = 17.814$ ,  $p < 0.0005$ ).

There is significant disagreement that government initiated programmes on cluster development for the informal manufacturing SMEs have positively affected the business ( $M=2.30$ ,  $SD=1.250$ ,  $t(822) = -16.151$ ,  $p < 0.0005$ ); that government initiatives in SME Revolving Fund programmes to support informal SMEs have been effective ( $M=2.47$ ,  $SD=1.182$ ,  $t(822) = -12.765$ ,  $p < 0.0005$ ); the funds allocated by government under the SME Revolving Fund for SMEs have helped improve the business ( $M=2.97$ ,  $SD=1.242$ ,  $t(822) = -0.730$ ,  $p = 0.466$ ); government initiated programmes on Diverse Credit Finance (loan programmes) ensure that business achieves growth and expansion ( $M=2.31$ ,  $SD=1.338$ ,  $t(822) = -14.768$ ,  $p < 0.0005$ ); and government initiatives such as start-up and improve your business (SIYB) have helped business ( $M=2.58$ ,  $SD=1.298$ ,  $t(822) = 17.814$ ,  $p < 0.0005$ ).

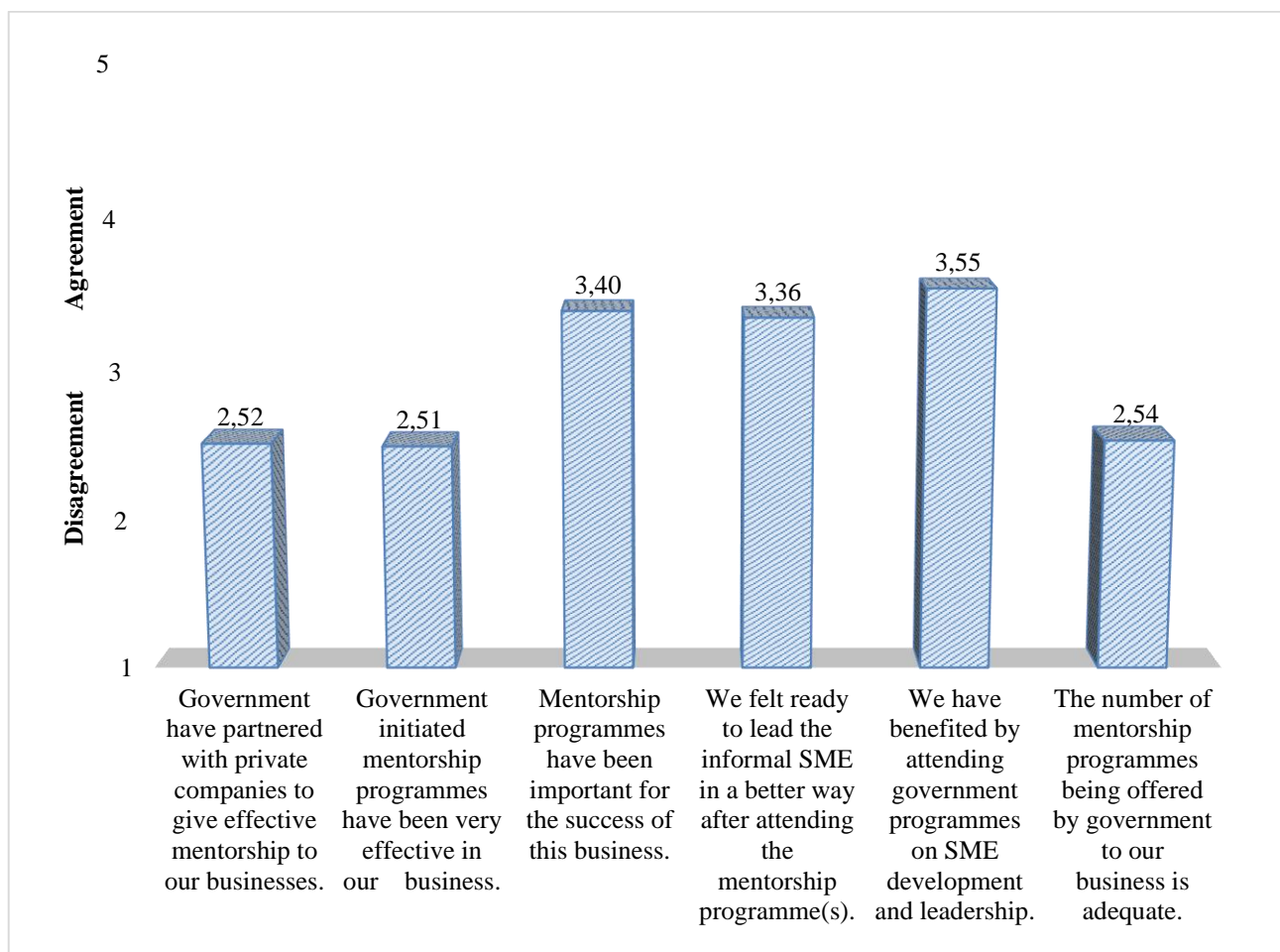
Small and Medium Business Development Chamber of India (SMBDCI) (2005), in line with the above sample findings, noted that SMEs do not get the support relevant to their growth from the concerned government Ministries, banking institutions, and corporate which is hampering their competitiveness in the local and regional markets.

The most single reliable measure for this construct, are all items (E1-E9) with an alpha of 0.779 which is higher than the minimum acceptable of 0.7.

## **5.8 Mentorship Programmes in Zimbabwe**

Sample interviewees were given a list of six (6) responses on mentorship programmes. The actions were scored on a Likert-scale of between 1 and 5. A score of 1 indicated strongly disagree, 2 disagree, 3 neutral, 4 agree while 5 indicated strongly agree. The results from the study are presented in Figure 5-22.

**Figure 5-22: Mentorship Programmes in Zimbabwe**



**Source: Own, 2017**

There is significant agreement that mentorship programmes have been important for the success of the business ( $M=3.40$ ,  $SD=1.097$ ,  $t(822) = 10.483$ ,  $p < 0.0005$ ); they felt ready to lead the informal SME in a better way after attending the mentorship programme(s) ( $M=3.36$ ,  $SD=1.061$ ,  $t(822) = 9.661$ ,  $p < 0.0005$ ); and they have benefited by attending government programmes on SME development and leadership ( $M=3.55$ ,  $SD=1.037$ ,  $t(822) = 15.161$ ,  $p < 0.0005$ ).

There is significant disagreement that government have partnered with private companies to give effective mentorship to businesses ( $M=2.52$ ,  $SD=1.294$ ,  $t(822) = -10.556$ ,  $p < 0.0005$ ); government-initiated mentorship programmes have been very effective in business ( $M=2.51$ ,  $SD=1.223$ ,  $t(822) = -11.599$ ,  $p < 0.0005$ ); and the number of mentorship programmes being offered by government to the business is adequate ( $M=2.54$ ,  $SD=1.413$ ,  $t(822) = -9.248$ ,  $p < 0.0005$ ).

The most single reliable measure for this construct, are items (F3-F5) (Appendix 9: Survey - Structured Questionnaire) with an alpha = 0.752 which is higher than the minimum acceptable of 0.7.

## 5.9 Summarised Analysis of the Four (4) Constructs

### 5.9.1 One-Sample Statistics and One Sample T-Tests

The four (4) single constructs: the role of the informal SMEs on economic growth and development, the role of informal SMEs on employment generation, the effectiveness of economic programmes aimed at informal manufacturing enterprises and mentorship programmes were analysed with one-sample t-test as before to test for significant agreement or disagreement.

There is a statistically significant agreement that informal SMEs have an important role to play in economic growth and development ( $M=3.9172$ ,  $SD=0.62553$ ,  $t(822) = 42.064$ ,  $p < 0.0005$ ); informal SMEs have an important role on employment generation ( $M=3.9004$ ,  $SD=0.62439$ ,  $t(822) = 41.368$ ,  $p < 0.0005$ ); and that mentorship programmes have been effective ( $M=3.4354$ ,  $SD=0.87119$ ,  $t(822) = 14.388$ ,  $p < 0.0005$ ).

On the other hand, there is a statistically significant disagreement that economic programmes aimed at informal manufacturing enterprises have not been effective ( $M=2.9357$ ,  $SD=0.69884$ ,  $t(822) = -2.638$ ,  $p = 0.008$ ). The summary of the results is shown in Table 5-3 and Table 5-4 below.

**Table 5-3: One-Sample Statistics**

	N	Mean	Std deviation
EGD	823	3.9172	.623
EmpGen	823	3.9004	.624
EconProg	823	2.9357	.699
MENT	823	3.4354	.871

**Source: Own, 2017**

**Table 5-4: One-Sample Test**

	Test Value = 3		Sig. (2-tailed)
	T	Df	
EGD	42.064	822	.000
EmpGen	41.368	822	.000
EconProg	-2.638	822	.008
MENT	14.338	822	.000

**Source: Own, 2017**

## **5.9.2 Relationships between the Variables (Spearman's Correlation)**

### **5.9.2.1(a) Infrastructure and Collateral Security (ICS) and Number of Employees**

The application of Spearman's correlation indicated that there is an inverse relationship between the number of employees and the challenge of infrastructure and collateral security. A two-tailed test of significance indicated a correlation between the challenge of infrastructure and collateral security and the number of employees,  $\rho = -0.229$ ,  $p < 0.0005$ . Infrastructure and collateral security are perceived as a bigger challenge by those informal manufacturing SMEs with fewer employees.

### **5.9.2.1(b) Infrastructure and Collateral Security and Years of Operating**

The application of Spearman's correlation indicated that there is an inverse relationship between the years of operating and the challenge of infrastructure and collateral security. A two-tailed test of significance indicated a correlation between the challenge of infrastructure and collateral security and the number of years of operating,  $\rho = -0.113$ ,  $p = 0.001$ . Infrastructure and collateral security are perceived as a bigger challenge by those informal manufacturing SMEs with fewer years of operating.

### **5.9.2.1 (c) Infrastructure and Collateral Security and Value of Annual Revenue /**

#### **Sales**

The application of Spearman's correlation indicated that there is an inverse relationship between the value of annual revenue/sales and the challenge of infrastructure and collateral security. A two-tailed test of significance indicated a correlation between the challenge of infrastructure and collateral security and the annual sales/revenue,  $\rho = -0.148$ ,  $p < 0.0005$ . Infrastructure and

collateral security are perceived as a bigger challenge by those informal manufacturing SMEs with a lower value of annual revenue/sales.

#### **5.9.2.2 (a) Business Structures, Environment and Location and Number of Employees**

The application of Spearman's correlation indicated that there is a positive relationship between the number of employees and the challenge of business structures, environment and location. A two-tailed test of significance indicated a significant correlation between the challenge of business structures, environment and location and employees,  $\rho=0.089$ ,  $p= 0.011$ . This challenge is perceived as a bigger challenge in informal manufacturing SMEs with a high number of employees.

#### **5.9.2.3 (a) Entrepreneurial and Management Skills and Number of Employees**

The application of Spearman's correlation indicated that there is an inverse relationship between the number of employees and the challenge of entrepreneurial and management skills. A two-tailed test of significance indicated a correlation between the challenge of entrepreneurial and management skills and employees,  $\rho=-0.107$ ,  $p= 0.002$ . This challenge is perceived as a bigger challenge in informal manufacturing SMEs with a lower number of employees.

#### **5.9.2.3 (b) Entrepreneurial and Management Skills and Years of Operating**

The application of Spearman's correlation indicated that there is an inverse relationship between the years of operating and the challenge of entrepreneurial and management skills. A two-tailed test of significance indicated a correlation between the challenge of entrepreneurial and management skills and years of operating,  $\rho=-0.119$ ,  $p= 0.001$ . This challenge is perceived as a bigger challenge in informal manufacturing SMEs fewer number of years of operation.

#### **5.9.2.3 (c) Entrepreneurial and Management Skills and Value of Annual Revenue / Sales**

The application of Spearman's correlation indicated that there is an inverse relationship between the value of annual revenue/sales and the challenge of entrepreneurial and management skills. A two-tailed test of significance indicated a correlation between the challenge of entrepreneurial and management skills and value of annual revenue/sales,  $\rho=-0.120$ ,  $p= 0.001$ . This challenge

is perceived as a bigger challenge by those in informal manufacturing SMEs with lower annual revenue/sales value.

#### **5.9.2.4 (a) Legal and Regulatory Framework and Number of Employees**

The application of Spearman's correlation indicated that there is an inverse relationship between the number of employees and the challenge of the legal and regulatory framework. A two-tailed test of significance indicated a correlation between the challenge of the legal and regulatory framework and employees,  $\rho = -0.178$ ,  $p < 0.0005$ . This challenge is perceived as a bigger challenge in informal manufacturing SMEs with a lower number of employees.

#### **5.9.2.4 (b) Legal and Regulatory Framework and Years of Operating**

The application of Spearman's correlation indicated that there is an inverse relationship between the years of operating and the challenge of the legal and regulatory framework. A two-tailed test of significance indicated a correlation between the challenge of the legal and regulatory framework and years of operating,  $\rho = -0.172$ ,  $p < 0.0005$ . This challenge is perceived as a bigger challenge in informal manufacturing SMEs fewer number of years of operating.

#### **5.9.2.4 (c) Legal and Regulatory Framework and Value of Annual Revenue / Sales**

The application of Spearman's correlation indicated that there is an inverse relationship between the value of annual revenue/sales and the challenge of the legal and regulatory framework. A two-tailed test of significance indicated a correlation between the challenge of the legal and regulatory framework and sales,  $\rho = -0.164$ ,  $p < 0.0005$ . This challenge is perceived as a bigger challenge in those informal manufacturing SMEs with lower annual revenue/sales value.

#### **5.9.2.5 (a) Research, Development and Marketing Skills and Number of Employees**

The application of Spearman's correlation indicated that there is an inverse relationship between the number of employees and the challenge of research, development and marketing skills. A two-tailed test of significance indicated a correlation between the challenge of research, development and marketing skills and the number of employees,  $\rho = -0.76$ ,  $p = 0.028$ . This challenge is perceived as a bigger in informal manufacturing SMEs with lower number of employees.

#### **5.9.2.5(b) Research, Development and Marketing Skills and Years of Operating**

The application of Spearman's correlation indicated that there is an inverse relationship between the years of operating and the challenge of research, development and marketing skills. A two-tailed test of significance indicated a correlation between the challenge of research, development and marketing skills and years of operating,  $\rho = -0.085$ ,  $p = 0.015$ . This challenge is perceived as a bigger challenge by those informal manufacturing SMEs with less / fewer years of operating.

#### **5.9.2.6 Informal Manufacturing SMEs on Economic Growth and Development and Years of Operation**

The application of Spearman's correlation indicated that there is an inverse relationship between the years of operation and the informal manufacturing SMEs on economic growth and development. A two-tailed test of significance indicated a correlation between the role of the informal manufacturing SMEs on economic growth and development and years of operation,  $\rho = -0.094$ ,  $p = 0.007$ . The role of the informal manufacturing SMEs on economic growth and development is high with fewer years of operation. In support of this (ILO, 2016), concluded that economic downturns are negatively related to the growth of the informal SMEs and vice versa. High company closures and unemployment tend to drive the growth of the informal sector. Gemini (1993), argues informal SMEs have higher 'birth' rates during economic downturn compared to high 'death' during the upturn.

#### **5.9.2.7(a) Effectiveness of Economic Programmes Aimed at Informal**

##### **Manufacturing Enterprises and Number of Employees**

The application of Spearman's correlation indicated that there is a positive relationship between the number of employees and the effectiveness of economic programmes aimed at informal manufacturing. A two-tailed test of significance indicated a correlation between the effectiveness of the economic programmes aimed at informal manufacturing SMEs and number of employees,  $\rho = 0.146$ ,  $p < 0.0005$ . The effectiveness of economic programmes aimed at informal manufacturing enterprises tends to be higher with an increase in the number of employees employed in the informal manufacturing SMEs.

### **5.9.2.7(b) Effectiveness of Economic Programmes Aimed at Informal**

#### **Manufacturing Enterprises and Value of Annual Revenue / Sales**

A two-tailed test of significance indicated a correlation between the effectiveness of the economic programmes aimed at informal manufacturing SMEs and annual revenue/sales value,  $\rho=0.116$ ,  $p= 0.001$ . The effectiveness of economic programmes aimed at informal manufacturing enterprises tends to be higher with an increase in the value of the annual revenue/sales.

### **5.9.2.8 Effectiveness of Mentorship Programmes and number of employees**

The application of Spearman's correlation indicated that there is a positive relationship between the number of employees and mentorship programmes. A two-tailed test of significance indicated a correlation between the effectiveness of mentorship programmes and some employees,  $\rho=0.096$ ,  $p= 0.006$ . The effectiveness of mentorship programmes tends to be higher with an increase in the number of employees.

## **5.9.3 Differences across Categories of Demographics - Analysis of**

### **Variance (ANOVA)**

#### **5.9.3.1 Access to finance**

There is a statistically significant difference in the agreement across sectors that access to finance is a challenge,  $F(5.817) = 5.208$ ,  $p < 0.0005$ ). Access to finance is a greater challenge in the food bakery and confectionery sector ( $M=4.3947$ ), as well as the leather and rubber making sector ( $M=4.4605$ ) compared to the toiletry making sector ( $M=3.9898$ ).

#### **5.9.3.2 Infrastructure and Collateral Security**

There is a statistically significant difference in the agreement across sectors that infrastructure and collateral security is a challenge,  $F(5.817) = 2.415$ ,  $p=0.035$ ). Infrastructure and collateral security is a greater challenge in the leather and rubber making ( $M=4.0110$ ), and food, bakery and confectionery processing sector ( $M=3.9715$ ) compared to the toiletry making sector ( $M=3.7837$ ).

### **5.9.3.3 Business Structures, Environment and Location**

There is a statistically significant difference in the agreement across sectors that business structures, environment and location is a challenge,  $F(5.817) = 3.877$ ,  $p=0.002$ ). Business structures, environment and location, are the greatest challenges in the engineering/foundry and metal fabrication sector ( $M=3.1785$ ) as well as textile and garment making sector ( $M=3.1667$ ) compared to the toiletry making sector ( $M=2.8511$ ).

### **5.9.3.4 Entrepreneurial and Management Skills**

There is a statistically significant difference in the agreement across sectors that entrepreneurial and management skills are a challenge,  $F(5.817) = 7.034$ ,  $p<0.0005$ ). Entrepreneurial and management skills are a greater challenge in the engineering/foundry and metal fabrication sector ( $M=3.8358$ ) and textile and garment making sector ( $M=3.7620$ ) compared to the toiletry making sector ( $M=3.103$ ).

### **5.9.3.5 Legal and Regulatory Framework**

There is a statistically significant difference in the agreement across sectors that legal and regulatory framework is a challenge,  $F(5.817) = 5.491$ ,  $p<0.0005$ ). The legal and regulatory framework is a greater challenge in the timber and furniture making sector ( $M=4.3037$ ), as well as the textile and garment making sector ( $M=4.1290$ ), compared to toiletry making sector ( $M=3.8779$ ).

### **5.9.3.6 Research, Development and Marketing Skills**

There is a statistically significant difference in the agreement across sectors that research, development and marketing skills access are a challenge,  $F(5.817) = 2.392$ ,  $p=0.036$ ). Research, development and marketing skills are a greater challenge in the leather and rubber making sector ( $M=4.0329$ ) and food, bakery and confectionery sector ( $M=4.0186$ ) compared to the toiletry making sector ( $M=3.8378$ ).

### **5.9.3.7 Role of Informal Manufacturing SMEs on Economic Growth and Development in Zimbabwe**

There is a statistically significant difference in the agreement across sectors that the informal manufacturing SMEs has an important role on economic growth and development,  $F(5.817) = 2.352, p=0.039$ ). Informal manufacturing SMEs seems to play an important role on economic growth and development in the food, bakery and confectionery sector ( $M=3.9856$ ) as well as the leather and rubber making sector ( $M=3.9699$ ) compared to the engineering/foundry and metal fabrication ( $M=3.7794$ ).

### **5.9.3.8 Role of Informal Manufacturing SMEs on Employment Generation in Zimbabwe**

There is a statistically significant difference in the agreement across sectors that informal manufacturing SMEs have a role on employment generation,  $F(5.817) = 2.076, p=0.066$ ). More employment generation has been observed in the leather and rubber making sector ( $M=4.0237$ ) and toiletry making sector ( $M=3.9389$ ) than in the engineering/foundry and metal fabrication sector ( $M=3.7953$ ).

### **5.9.3.9 Effectiveness of Economic Programmes Aimed at Informal Manufacturing Enterprises in Zimbabwe**

There is a statistically significant difference in the agreement across sectors on the effectiveness of economic programmes aimed at informal manufacturing enterprises,  $F(5.817) = 11.681, p<0.0005$ ). Economic programmes aimed at informal manufacturing enterprises have been greatly effective in toiletry making sector ( $M=3.2867$ ), food, bakery and confectionery processing sector ( $M=2.9659$ ) than in engineering/foundry and metal fabrication ( $M=2.7653$ ) and timber and furniture making ( $M=2.6788$ ).

### **5.9.3.10 Mentorship Programmes in Zimbabwe**

There is a significant difference in the agreement across sectors on the effectiveness of mentorship programmes,  $F(5.817) = 3.407, p=0.005$ ). Mentorship programmes have been effective in the toiletry making sector ( $M=3.5776$ ) as well as food, bakery and confectionary processing sector

(M=3.5132) compared to engineering/foundry and metal fabrication sector (M=3.3037) and the timber and furniture making sector (M=3.1872).

## **5.9.4 Independent Sample T-Test: Exporter**

### **5.9.4.1 Access to finance**

Access to finance is more of a challenge for those who export their finished products (M=4.3510, SD=0.823) than for those who don't export their finished goods (M=4.1694, SD=0.821),  $t(821) = 3.168$ ,  $p = 0.002$ ).

### **5.9.4.2 Entrepreneurial and Management Skills**

Entrepreneurial and management skills are more of a challenge for those who do not export their finished goods (M=3.7190, SD=1.042) than for those who export their finished goods (M=3.5467, SD=1.115),  $t(821) = -2.291$ ,  $p = 0.022$ ).

### **5.9.4.3 Role of Informal Manufacturing SMEs on Economic Growth and Development**

Informal manufacturing SMEs that export tend to contribute more to economic growth and development (M=3.9834, SD=0.572) than for those who do not export their finished goods (M=3.8558, SD=0.666),  $t(817) = 2.954$ ,  $p = 0.003$ ).

### **5.9.4.4 Role of Informal Manufacturing SMEs on Employment Generation**

#### **Generation**

Informal manufacturing SMEs that export their products tend to generate more employment (M=3.9505, SD=0.613) than for those who do not export their finished goods (M=3.8539, SD=0.632),  $t(821) = 2.224$ ,  $p = 0.026$ ).

### **5.9.4.5 Effectiveness of Economic Programmes Aimed at Informal**

#### **Manufacturing Enterprises in Zimbabwe**

Economic programmes aimed at informal manufacturing SMEs tend to be more effective to firms that export their finished goods ( $M=3.0297$ ,  $SD=0.711$ ) than for those who do not export their finished goods ( $M=2.8486$ ,  $SD=0.677$ ),  $t(821) = 3.746$ ,  $p < 0.0005$ ).

### **5.9.4.6 Mentorship Programmes in Zimbabwe**

Informal manufacturing SMEs that have access to mentorship programmes tend to export their finished products ( $M=3.5976$ ,  $SD=0.730$ ) than for those who do not export their finished goods ( $M=3.2849$ ,  $SD=0.961$ ),  $t(791) = 5.280$ ,  $p < 0.0005$ ).

## **5.10 Summary of Chapter**

The chapter has presented empirical evidence on the problems faced by the informal manufacturing SMEs in Zimbabwe, the role of the informal SMEs on economic growth and development, the role of informal SMEs in employment generation, the effectiveness of the economic programmes on informal manufacturing SMEs and mentorship programmes. Most of the respondents in the survey for all the informal manufacturing categories have indicated the greatest challenges as access to finance, legal and regulatory framework, followed by research, development and marketing skills, then infrastructure and collateral security; entrepreneurial and management skills and the least challenge being business structures, environment and location.

There is also an agreement with participants in the sample that informal manufacturing SMEs have an important role in economic growth and development, informal manufacturing SMEs have an important role in employment generation, and that mentorship programmes have been effective. Contrary to the above, there is disagreement that economic programmes aimed at informal manufacturing enterprises have been effective. The next Chapter 6: Data Presentation, Analysis and Interpretation - Qualitative Data, discusses the findings of the qualitative research design.

**CHAPTER 6:**  
**DATA PRESENTATION, ANALYSIS AND INTERPRETATION:**  
**QUALITATIVE DATA**

## **6.1 Introduction**

This chapter presents the findings of the focus group interviews that were held in the country's five (5) major cities of Harare, Bulawayo, Gweru, Masvingo and Mutare and the discussion of the study findings thereof. Primary data collected from the focus group interviews were analysed, presented (some visually in the form of graphs, tables and charts so that it could be easily interpreted) and conclusions drawn from the results. Study results and findings are also discussed using thematic analysis in this chapter. These findings and discussions form the basis of the integrated Chapter 7: Discussion, Analysis and Interpretation: Mixed-method and the Proposed Model. The discussion of the results presented in this chapter was done concerning the research objectives presented in the Introduction in Chapter 1, Literature Review in Chapter 2 and Theoretical and Conceptual Frameworks in Informality Chapter 3.

## **6.2 Focus Group Interviews: Primary Data Presentation**

This section presents findings drawn from data obtained during the focus group interviews done in the five (5) cities in Zimbabwe. The focus groups consisted of representatives from each manufacturing sector that is food, bakery and confectionery processing, toiletry making, textile and garment making, leather and rubber making, engineering / foundry and metal fabrication (Appendix 1: Categories of the Informal Manufacturing SMEs) and representatives from of the informal manufacturing SMEs Associations (Representatives from the Informal Business Association in Zimbabwe, Representative from the National Informal Sector Association (NISA), Representative from the Chamber of Informal Economy Association (ZCIEA) and Representative from the Hawkers and Vendors Association of Zimbabwe (HVAZ)).

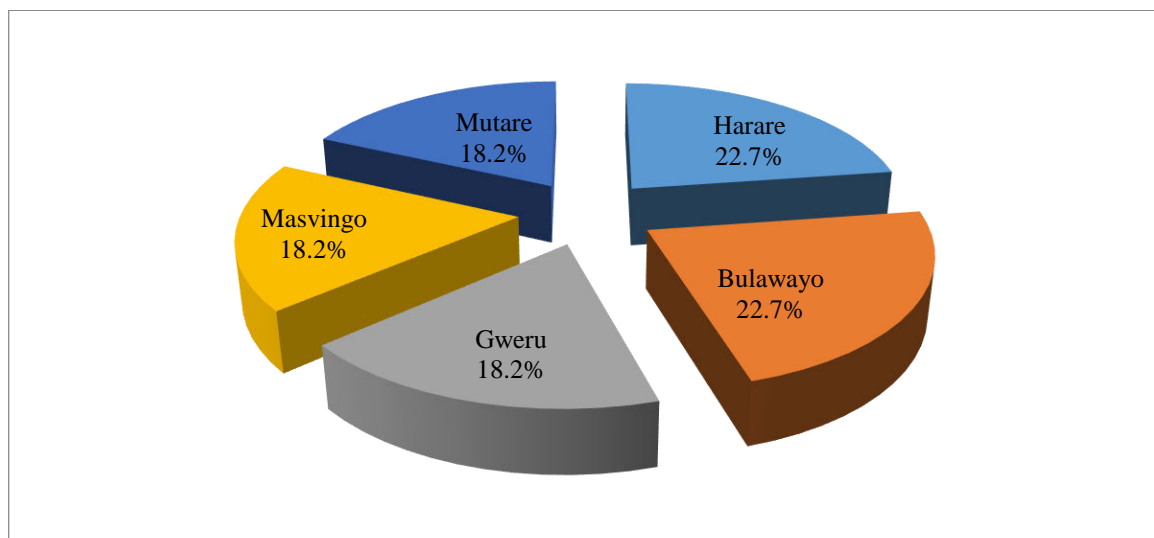
Participants had to confirm their attendance before the Focus Group interview date (Appendix 12: Confirmation Letter: Focus Group Interview) and signed the Informed Consent Letter (Appendix 6). Informal manufacturing SMEs owners, management, non-management and managers were given semi-structured questionnaires to complete (Appendix 10: Semi-structured questionnaires: Focus Group Interviews) and participated in Focus group interviews which were conducted using semi- structured questionnaires (Appendix 11: Interview Guidelines: semi-structured questionnaires).

## **6.2.1 Geographic Representation of the Respondents for Focus Group**

### **Interviews in the Five (5) Cities.**

The empirical data used in this analysis were purposively collected from the five (5) provincial capital cities in Zimbabwe were as follows: Harare (10) 22.7%, Bulawayo (10) 22.7%, Gweru (8) 18.2%, Masvingo (8) 18.2% and Mutare (8) 18.2% as shown in Figure 6-1.

**Figure 6-1: Geographical Representation of the Respondents for Focus Group Interviews in the Five (5) Cities**



Source: Own, 2017

The highest percentages of the participants in the focus group interviews were from Harare and Bulawayo 22.7% and the lowest were from Gweru, Masvingo and Mutare at 18.2% for all. The percentage of the participants reflects the larger population numbers in the two largest cities of Harare and Bulawayo.

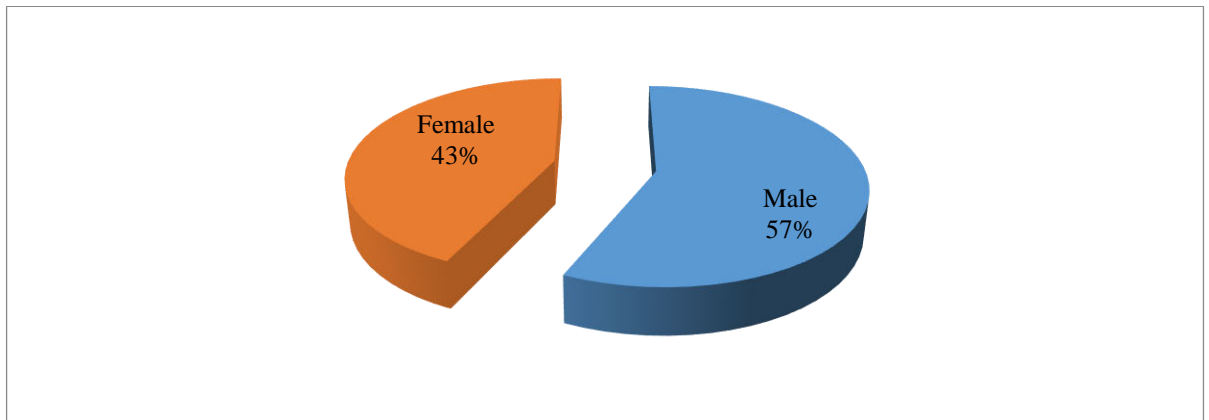
### **6.3 General SME and Biographical Information**

This section discusses biographical and demographic information of the participants in the focus group interviews who represented their informal manufacturing SMEs. Information about gender, age, marital status, education, the category of the informal manufacturing sector, number of employees, years of operation, designation in the business, whether the business is an exporter and the value of annual sales is presented. Previous studies on informal SMEs have shown, these demographic characteristics have a significant influence on some of the challenges faced by these informal manufacturing SMEs as well as on the role of the informal manufacturing SMEs in employment generation, the effectiveness of economic programmes on informal manufacturing SMEs, mentorship programmes and role of informal manufacturing SMEs on economic growth and development (ZEPARU and BAZ, 2014). In Appendix 17: Tables-Qualitative Data, the biographical data is further broken down per focus group to assist with the comparison of responses obtained in different regions of Zimbabwe.

### 6.3.1 Gender of the Respondents in the Focus Group Interviews

Interviewees were given a question to indicate their gender. The rationale was to determine if there was gender balance in the informal manufacturing categories being involved in focus group interviews. Figure 6-2 shows the gender of the respective participants involved in the focus group interviews.

**Figure 6-2: Gender of the Respondents in the Focus Group Interviews**



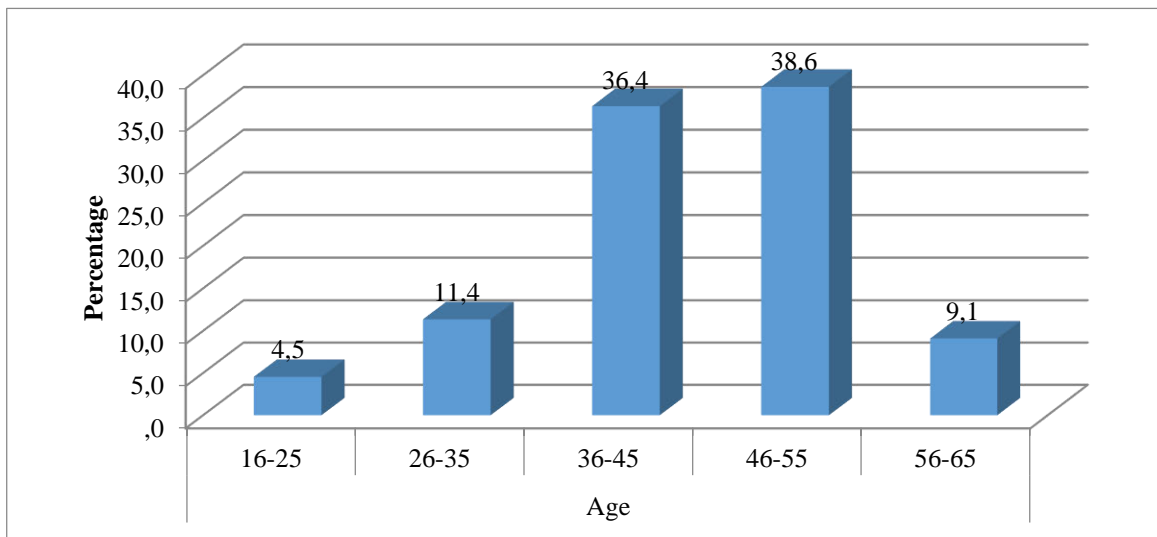
**Source: Own, 2017**

Figure 6-2 shows that 25 (56.8%) male informal manufacturing SMEs owners, managers, non-management were involved in the study while 19 (43.2%) of those who participated were female. It is of paramount importance to examine the gender composition of those involved in the informal manufacturing SMEs focus group interviews because it is known that gender has a great influence on the sector in which an entrepreneur might try to venture into. This finding shows that in this representative sample there were more males involved in informal manufacturing SMEs than females. This is supported by Mhone (1993), who points out that men tend to be involved in complex and relatively bigger industries than their female counterparts and that men contributed more than 50% of income than typically those SMEs run by women who supplement the family income.

### 6.3.2 Age Groups of Participants

The interviewees were asked which age group they fell in. This information was important to establish the relationship between the age group of the participants and the challenges faced by the informal SMEs. The age distribution of the participants was as follows: 16-25 (2) 4.5%, 26 - 35 (5) 11.4%, 36-45 (16) 36.4%, 46-55 (17) 38.6% and 56-65 (4) 9.1% as shown in Figure 6-3.

**Figure 6-3: Age Group of Participants.**



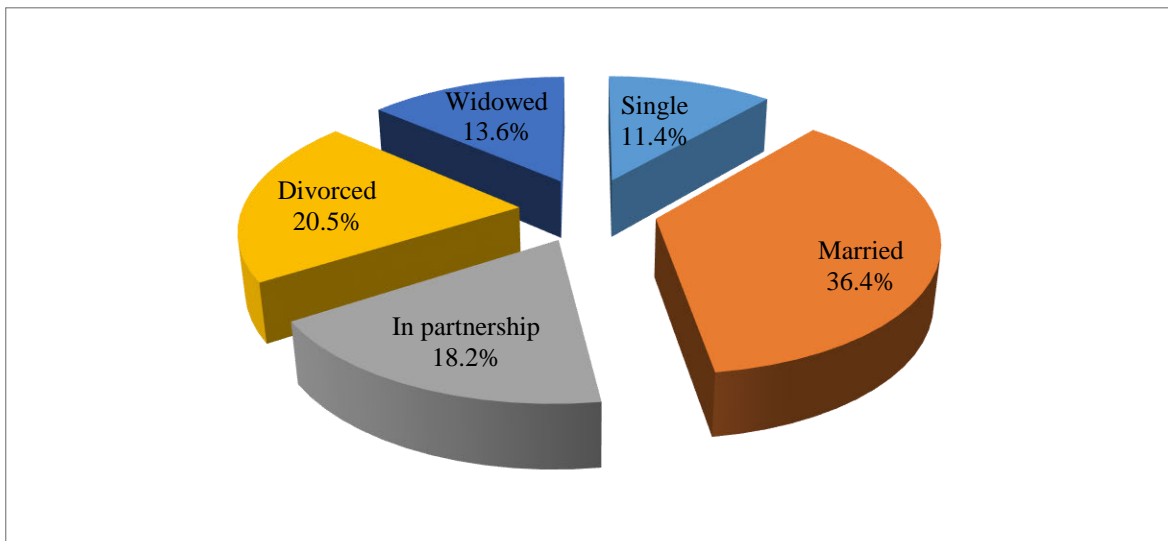
**Source: Own, 2017**

The findings revealed that the largest age group category is the 46-55 years with 38.6%, then the 36-45 years with 36.4% and the smallest age group was the 16-25 years with 4.5%. Results indicate greater participation in the informal sector of the 46-55 (38%) and 36-45 (36.4%) age groups. This is the age group which typically have increased family responsibility and would thus be more inclined to explore informal business opportunities as a means of generating income in a country with such high unemployment.

### **6.3.3 Marital Status of Participants**

The respondents who participated in the focus group interviews were asked to indicate their marital status. Five (5) categories of marital status were established: single, married, in partnership, divorced and widowed. The rationale was to enable the researcher to compare the responses of married participants to those who are unmarried or divorced and to note any difference in their inputs.

**Figure 6-4: Marital Status of Participants**



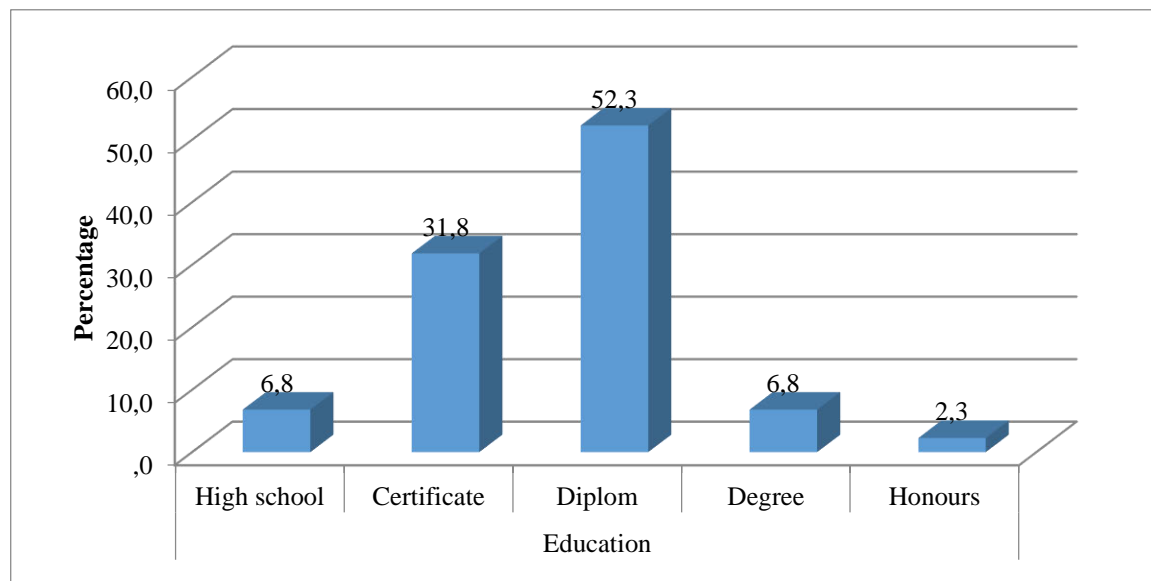
**Source: Own, 2017**

Figure 6-4 shows that the majority of the respondents (16) 36.4% were married while (9) 20.5% were divorced, (8) 18.2% were in partnership, (6) 13.6% were widowed and (5) 11.4% were single. The finding shows that married couples pursue and use informal manufacturing SMEs for employment and revenue generation for their families. Birley and Westhead (1990), points out that couples who are married work harder and have better performance at managing a business because of family responsibilities and the psychological support they receive from the community.

### **6.3.4 Educational Level of Participants**

The participants involved in the focus group interviews were asked a question to indicate the level of their highest educational qualification. The rationale was to assess the informal manufacturing SMEs owner's/manager's level of education and the challenges facing those SMEs as well. In this case, eight (8) broad categories of the level of educational qualification were used. These categories were high school, certificate, diploma, degree, honours, masters and doctorate (PhD). The results indicate that most of the respondents had diplomas (23) 52.3%, then certificates (14) 31.8%, high school (3) 6.8% as well as a degree (3) 6.8% and honours (1) 2.3% There were no participants with masters and doctorates involved in the informal manufacturing sector as shown in Figure 6-5 below.

**Figure 6-5: Educational Level of Participants**



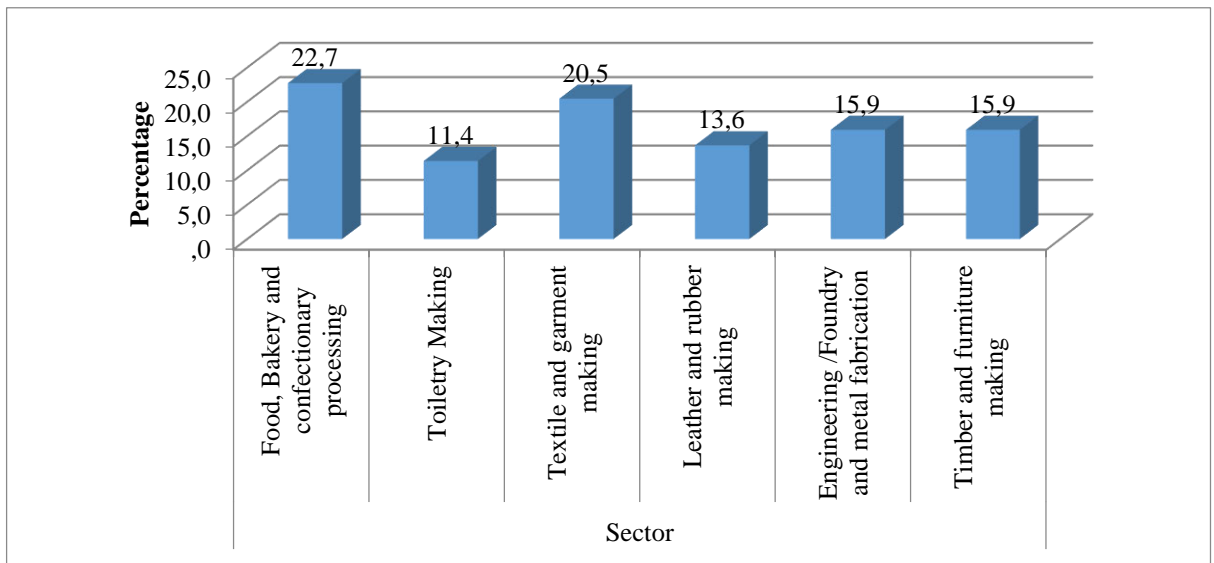
**Source: Own, 2017**

The above results are supported by the ILO (2004), which concluded that at least over 50% of the informal SMEs owners had completed their high school education. In addition, Global Entrepreneurship Monitor (GEM) (2011), confirms that the level of education enhances the individual's willingness and ability to start the small business and the possibility of the business to survive beyond the start-up phase.

### **6.3.5 Categories of the Informal Manufacturing SMEs**

Participants were asked a question to show the category of the informal manufacturing SMEs their business was operating in. This information was necessary to ascertain a relationship that exists between gender, educational level and the informal manufacturing SMEs sub-sectors in the study. The results indicate that the majority of the participants, (10) 22.7% are in the food, bakery and confectionery processing, then (9) 20.5% in the textile and garment making, engineering/foundry and metal fabrication (7) 15.9%, 7 (15.9%) in timber and furniture making, (6) 13.6 in leather and rubber making and (5) 11.4% in toiletry making as shown in Figure 6-6.

**Figure 6-6: Categories of the Informal Manufacturing SMEs**

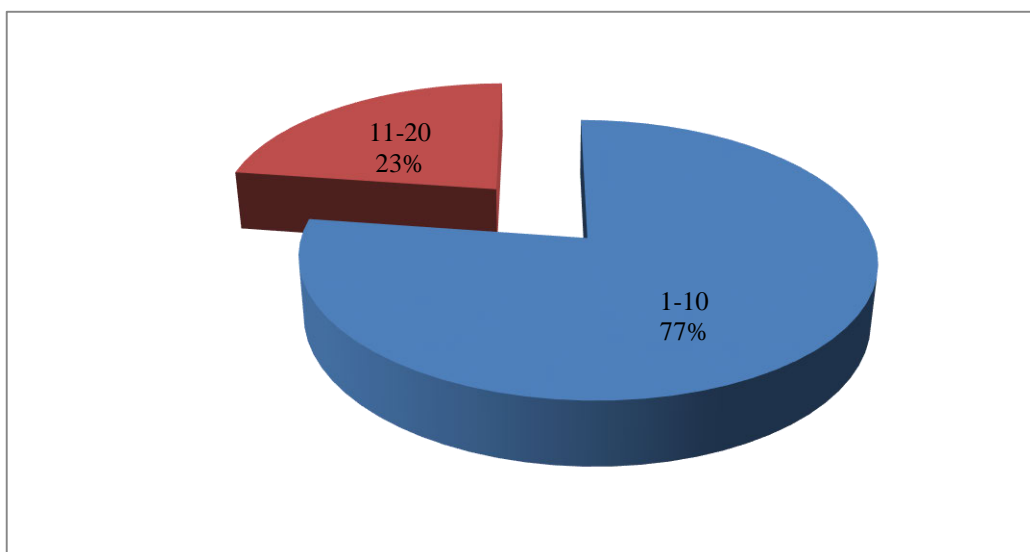


Source: Own, 2017

### 6.3.6 Number of Employees in the Informal Manufacturing SMEs

Interviewees were asked a question on the number of employees that they employ. The information was required to establish the size of the informal SMEs. Seven (7) broad categories of the number of people employed were established as follows; 1-10 employees, 11-20 employees, 21-30 employees, 31-40 employees, 41-50 employees, 51-60 employees and 61+ employees. The finding shows that the majority of the informal manufacturing SMEs 34 (77%) have between 1-10 employees and 10 (23%) had between 11-20 employees. There were no informal manufacturing SMEs with more than 21 employees as shown in Figure 6-7.

**Figure 6-7: Number of Employees in the Informal Manufacturing SMEs**

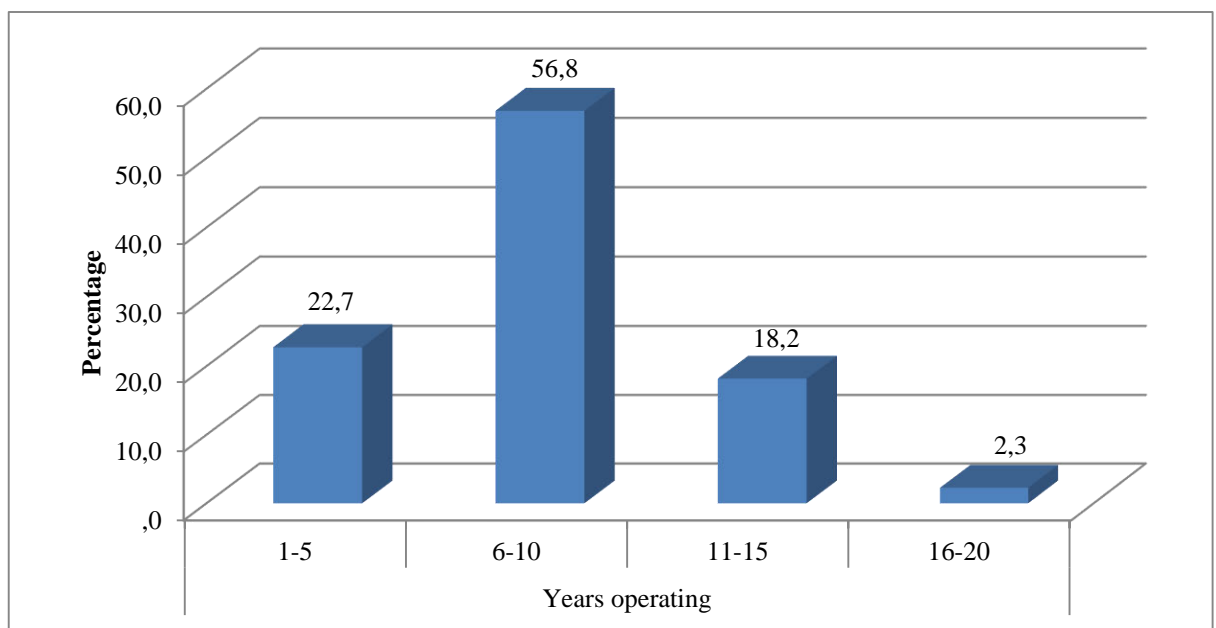


Source: Own, 2017

### 6.3.7 Number of Years of Operation in the Informal SMEs

Respondents were asked questions about the number of years they have been operating. Eleven (11) broad categories were provided as follows: 1-5 years, 6-10 years, 11-15 years, 16-20 years, 21-25 years, 26-30 years, 31-35 years, 36-40 years, 41-45 years, 46-50 years and 51+ years. Findings indicate, that (25) 56.8% of the informal manufacturing SMEs were between 6-10 years old, (10) 22.7% were between 1-5 years, (8) 18.2% were between 11-15 years while (1) 2.3% were in the 16-20 years. The results are presented in Figure 6-8.

**Figure 6-8 Number of Years of Operation in the Informal SMEs**



Source: Own, 2017

These results confirm that most of the businesses are in the start-up phase and the majority are not lasting for than 20 years.

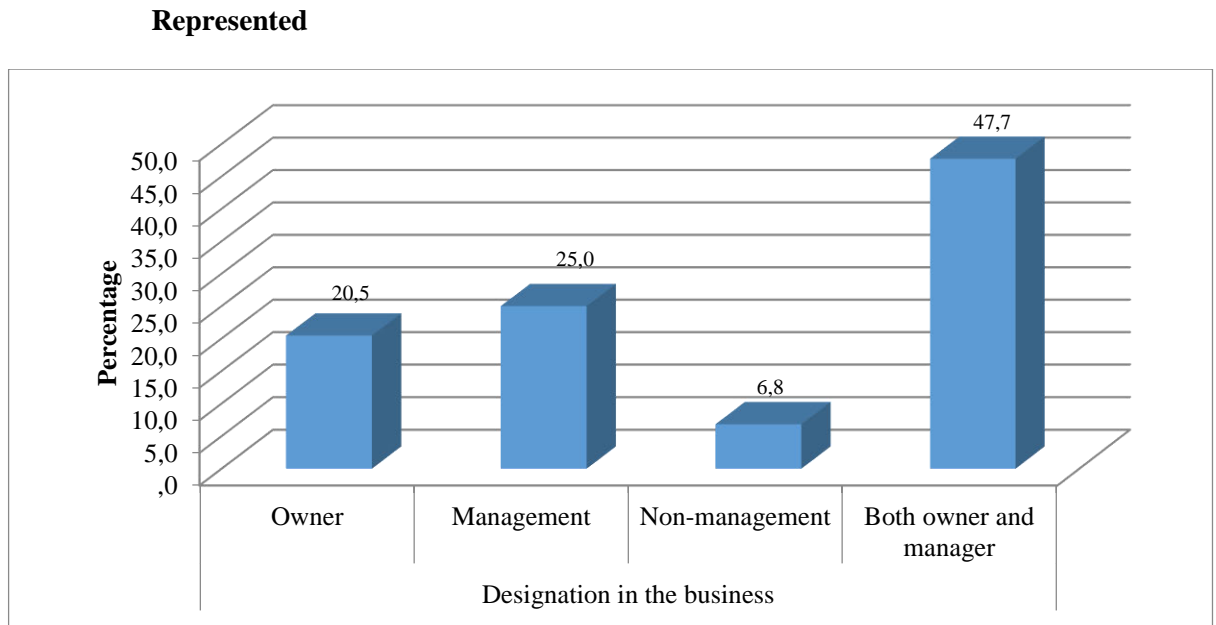
### 6.3.8 Designation of the Participants of Informal Manufacturing SMEs

#### Represented

The interviewees were asked what their designation or position within the business is. The rationale was to establish whether there is a relationship between the position and the challenges faced by the informal manufacturing SMEs. The designation of the participants as both owners and managers (21) 47.1%, management (11) 25%, owner (9) 20.5% and non-management (3)

6.8%. The findings show that most of the participants were owners and managers 21 (47.7%) and the least percentage of the participants were non-management (3) 6.8% as shown in Figure 6-9.

**Figure 6-9: Designation of the Participants in the Informal Manufacturing SMEs**



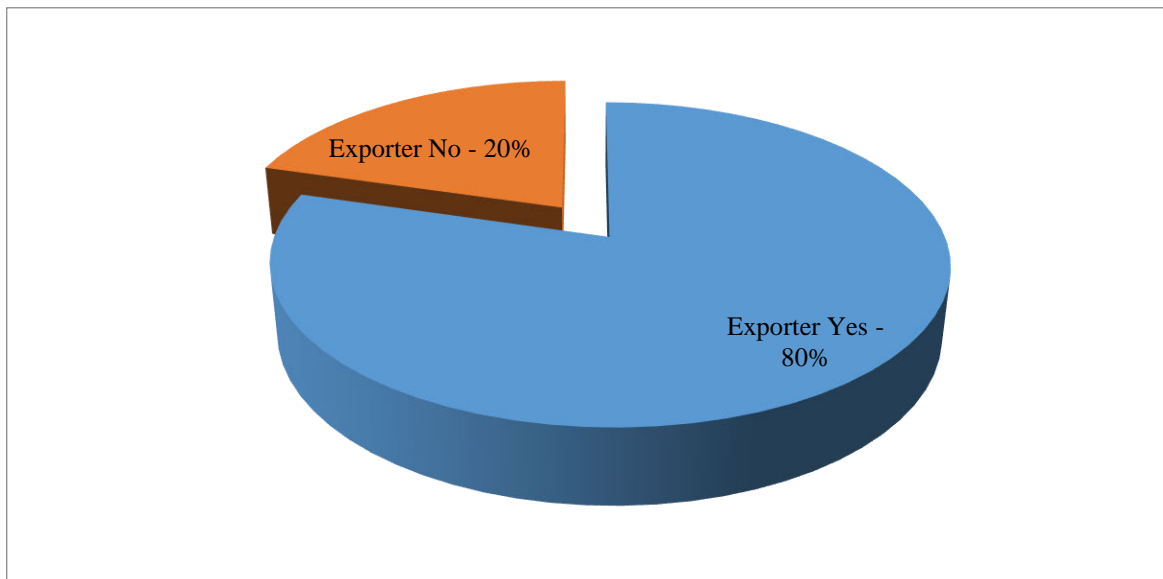
**Source: Own, 2017**

These findings in Figure 6.9 indicate a great involvement of both owners and managers (47.7%) in the management of the informal manufacturing SMEs.

### **6.3.9 Status of the Informal SMEs in Terms of Exporting**

Participants were asked a question on whether they are exporters or non-exporters of their products. This question sought to establish the number of participants involved in focus group interviews which were exporting their commodities to other countries. Findings indicate that (35) 79.5% of the participants were exporters while (9) 20.5% were not exporters as shown in Figure 6-10.

**Figure 6-10: Status of the Informal SMEs in Terms of Exporting**



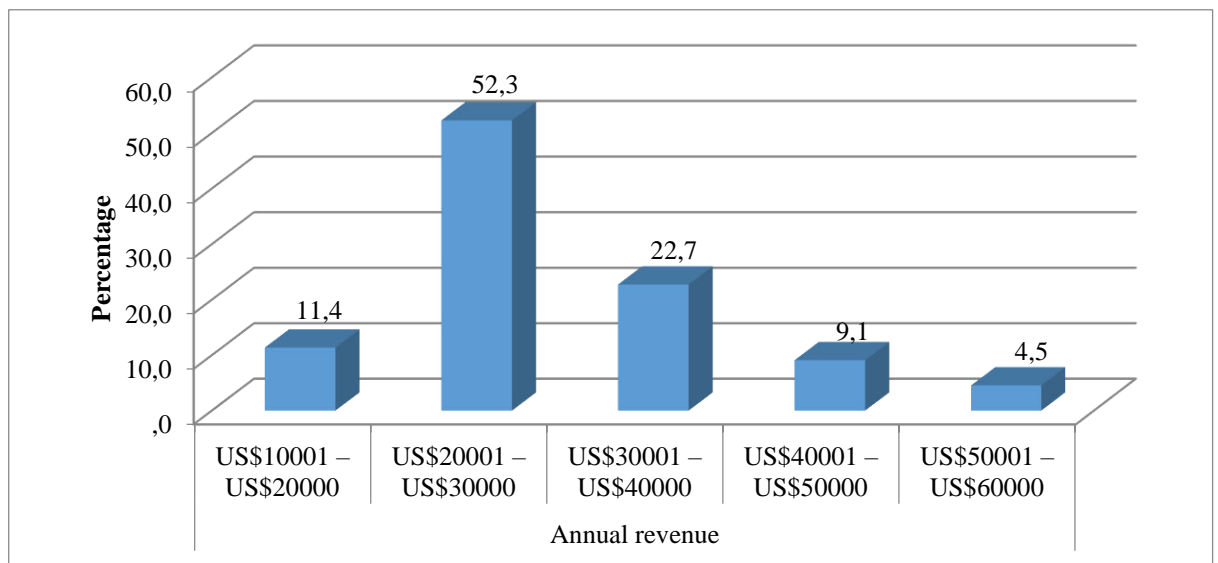
**Source: Own, 2017**

The findings indicate 79.5% of all the informal manufacturing firms are exporting their commodities as individuals to other countries.

### **6.3.10 Value of the Informal SMEs' Annual Sales / Revenue**

Interviewees were asked a question about the value of the informal manufacturing SMEs' annual sales revenue. The information was required to ascertain the sales levels of the informal manufacturing SMEs in Zimbabwe. Eleven (11) broad categories were given as follows (per annum): up to US\$10 000, US\$10 001-US\$20 000, USD\$20 001-US\$30 000, US\$30 001-US\$40 000, US\$4 0001-US\$50 000, US\$50 001-US\$60 000, and then up to US\$100 000+ (increasing by US\$9 999 for each category). Their respective responses are summarised in Figure 6-11.

**Figure 6-11: Value of the Informal SMEs' Annual Sales / Revenue**



**Source: Own, 2017**

The findings in Figure 6-11 show that (5) 11.4% of the participants have a sales value of up to US\$10 000, 23 (52.3%) have sales value between US\$20 001-US\$30 000, 10 (22.7%) have sales value between US\$30 001-US\$40 000, (4) 9.1% have sales values between US\$40 001.00-US\$50 000 and (2) 4.5% have sales value between US\$50 001-US\$60 000.

## **6.4 Running an Informal Manufacturing SME in Zimbabwe**

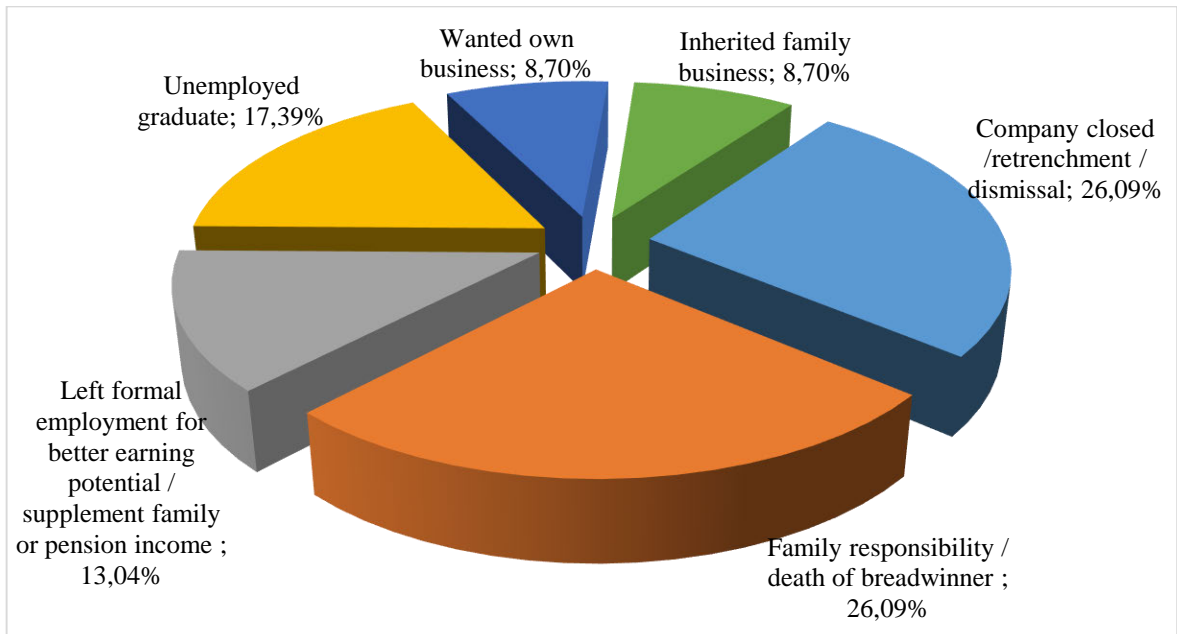
### **6.4.1 Theme – Motivators for Starting the Informal Manufacturing**

#### **SMEs.**

In Chapter 2: Literature Review it was noted that the unemployment rate in Zimbabwe is very high and it is common knowledge that the vast majority of adults of working age are not employed owing to the devastating economic decline.

Participants were asked the primary reasons why they started their informal manufacturing SMEs. A total of 26.09% (6) of the participants highlighted that their previous company had closed, they were retrenched or they were dismissed, 26.09% (6) cited that they were driven by family responsibilities and death of their breadwinners, 13.04% (3) indicated that they left formal employment for better earning potential, while some indicated the need to supplement family income and pension income, 17.39% (4) were forced to work in the informal sector as they remained unemployed after graduating, 8.70% (2) were driven by a passion to owning businesses while the remaining 8.70% (2) had inherited family business as shown in Figure 6-12.

**Figure 6-12: Motivators for Starting the Informal Manufacturing SMEs**



**Source: Own, 2017**

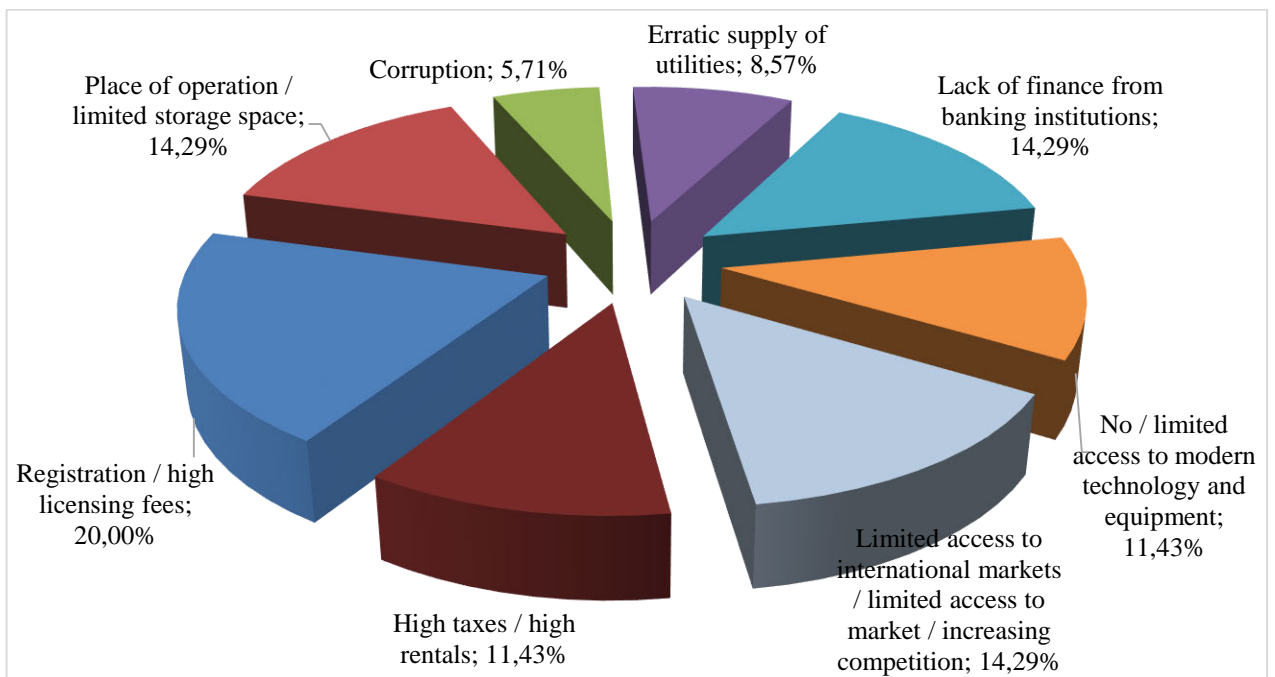
In support of the above findings, a study by the ILO (2004), found that the majority (60%) of its participants in the informal sector were forced to be involved because of the failure to be absorbed in the formal jobs.

## **6.4.2 Theme – Challenges Faced by the Informal Manufacturing**

### **Business**

The results revealed the challenges faced by the participants across the five (5) cities confirming that 20% (7) high licensing fees / registration, 14.29% (5) limited storage and place of operation, 8% (2) corruption, 8.57% (3) erratic supply of utilities, 14.29% (5) lack of finance from banking institutions, 11.43% (4) no/limited access to modern technology and equipment, 14.29% (7) limited access to international markets / limited access to market / increasing competition and 11.43% (4) high taxes / high rentals as their main challenges as shown in Figure 6-13.

**Figure 6.13: Challenges Faced by the Informal Manufacturing Businesses**



**Source: Own, 2017**

Many of these challenges could arguably be addressed by the government to bolster the informal economy. It is, however, not likely that this will be done since the Government of Zimbabwe does not have sufficient funds to make significant changes.

- **Lack of Finance from Banking Institutions**

Participants' results confirmed that lack of finance from banking institutions is one of the main challenges faced by the informal manufacturing SMEs. Since they are not formally registered and do not have collateral security, they cannot borrow from the formal banking institutions. Porumboiu (2016), in a study in Eastern Europe and Central Asia, observes that small enterprises' have limited access to banking institutions than medium and large firms. Kongolo (2010:2288) in a study in South Africa observes SMEs are often confronted with limited accessibility to finance. In addition, Msipah *et al.* (2013), in a study in Zimbabwe cites limited accessibility to finance due to lack of security to support borrowing as one of the major constraints being faced by the SMEs sector. It was also mentioned that to access financing, many owners of informal business turn to loan sharks. This is a risky practice and incurs very high-interest rates. This practice further erodes the profitability of the informal manufacturing sector.

- **Erratic Supply of Utilities**

Results above revealed that erratic supply of utilities is one of the major challenges faced by the informal manufacturing SMEs in Zimbabwe. Njaya (2015:105), also notes that the informal SMEs faces different challenges and chief among them is the erratic and unreliable supply of public utilities (water and electricity). In addition, in support of this Bamfo (2012:620), in a study based in Ghana, concludes that the government should ensure a reliable and stable supply of utilities by ensuring that they have instituted the right corrective measures. Participants mentioned that erratic water and electricity supply results in both lack of production (sometimes for several days they are unable to produce any products to sell) and spoiling of products which require refrigeration. This, once again, severely negatively impacts the profitability of the informal manufacturing business.

- **Registration and high licensing fees and corruption**

Respondents confirmed that high registration and licensing fees were major challenges and in support Chidoko *et al.* (2011:27), in a study in Zimbabwe, highlights that corruption and bureaucratic registration processes by the government forces budding entrepreneurs to go into the informal economy.

- **Place of operation / limited storage space**

One of the major challenges that came out in focus group interviews was about access to a formal place of operation for businesses and limited storage space in which to safely store components and completed products awaiting sale. ZEPARU and BAZ (2014:16), in their study of the informal SMEs, found that 73% of the participants confirmed that they operated in legally designated places with proper premises with 27% operating illegally in undesignated areas. However, study results show that what is regarded as legal operating spaces are open spaces where people allocate themselves small pieces of land which then is regularised through local authorities.

- **No / limited access to modern technology and equipment**

An increasing technology-driven and automated world, access to modern technology and updated ways of manufacturing can assist manufacturers to produce more without necessarily incurring greater costs. Thus no/limited access to modern technology and equipment has been observed as one of the major challenges of the informal manufacturing SMEs. Chidoko *et al.* (2011:28), in a

study in Zimbabwe, indicated that lack of adequate equipment is always a problem with many informal SMEs usually not having the reliable and proper equipment to do their work. This results in them struggling to compete with formal businesses.

- **Limited access to international markets/limited access to market/increasing competition**

Limited access to international markets / limited access to the market is also among the challenges faced by the informal manufacturing SMEs in Zimbabwe. In Zimbabwe, the market is largely dominated by the Chinese made products and the weak currency even makes it more difficult to export as the informal SMEs' products are relatively expensive compared to other international products. This has resulted in a rapid decline in informal manufacturing SMEs sales revenue annually.

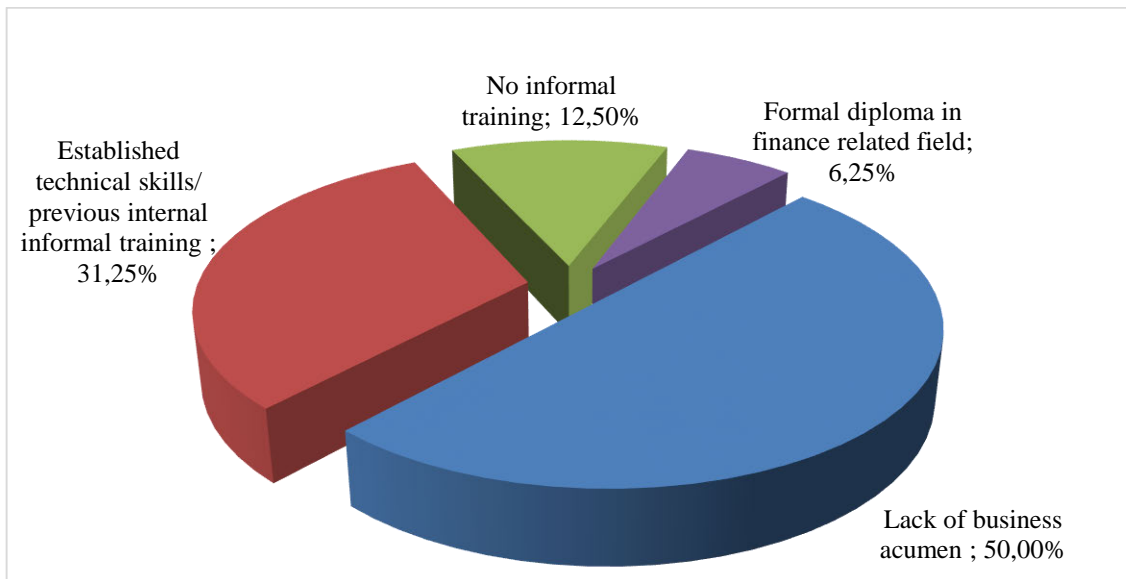
- **High taxes / high rentals**

Participants indicated that high taxes/high rentals have been observed as one of the challenges faced by the informal manufacturing SMEs in Zimbabwe. High taxes and rates greatly affect the operations and profitability of the informal manufacturing SMEs. Akinboade (2015) in a study in Cameroon observes that taxation imposes a high cost to small businesses though SMEs are considered the 'hard to tax group' from the informal sector.

### **6.4.3 Theme – Business Acumen of the Owners and Managers of the Informal SMEs**

The results of this study revealed that 31.25% (5) of the participants had established technical skills/previous internal informal training, 12.5% (2) had no formal training at all, 6.25% (1) had a formal diploma in a finance-related field while 50% (8) had lack of business acumen as shown in Figure 6-14.

**Figure 6-14: Business Acumen of the Owners and Managers of the Informal SMEs**



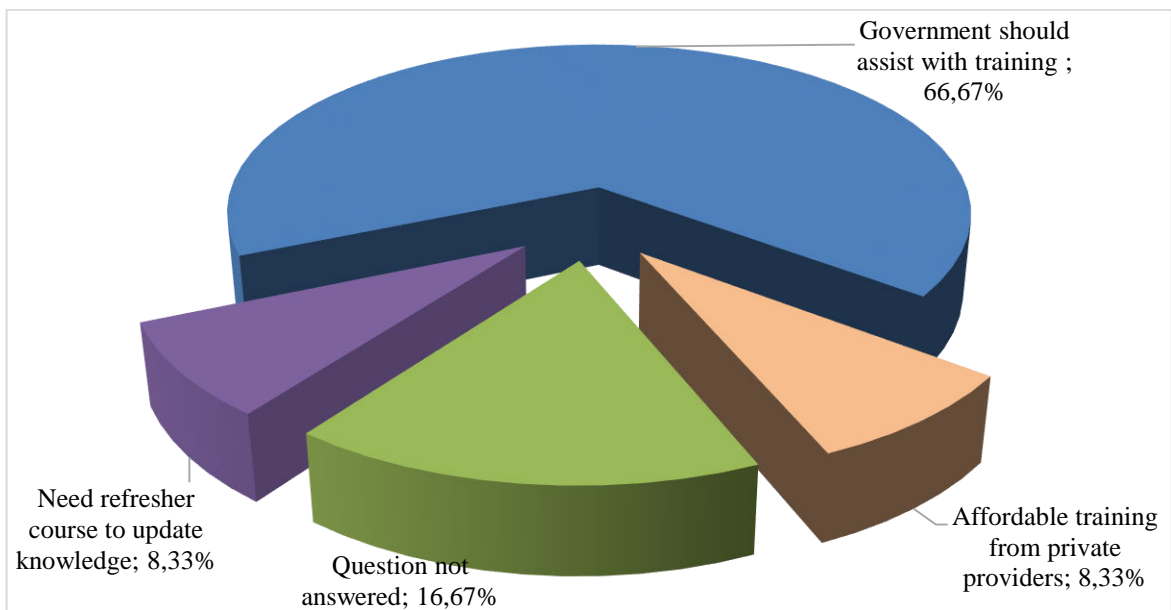
**Source: Own, 2017**

In support of the above, Msipah *et al.* (2013), cite lack of management skills in financial management and marketing strategies as one of the challenges being faced by the SMEs in the informal economy. The ILO (2004), in a study in Zimbabwe, found similar results where owners had little or no formal training at all, with the majority of the participants indicating that their skills were either based on on-the-job training or past employment. The principles of business and financial management are therefore not well understood by the majority of participants who rely on manufacturing knowledge to run their businesses.

#### **6.4.4 Theme - Improved Business Knowledge and Skills**

Participants were asked for suggestions on how they could acquire improved business knowledge and skills. The responses indicated that the majority believe that it should be the responsibility of government to step in - 66.67% (8) indicated they felt government should assist with training, 16.67% (2) did not answer the question, 8.3% (1) felt the affordable training from private providers could be the answer with the remaining 8.33% (1) also indicating that there was a need for refresher courses to update knowledge as shown in Figure 6-15.

**Figure 6-15: Improved Business Knowledge and Skills**



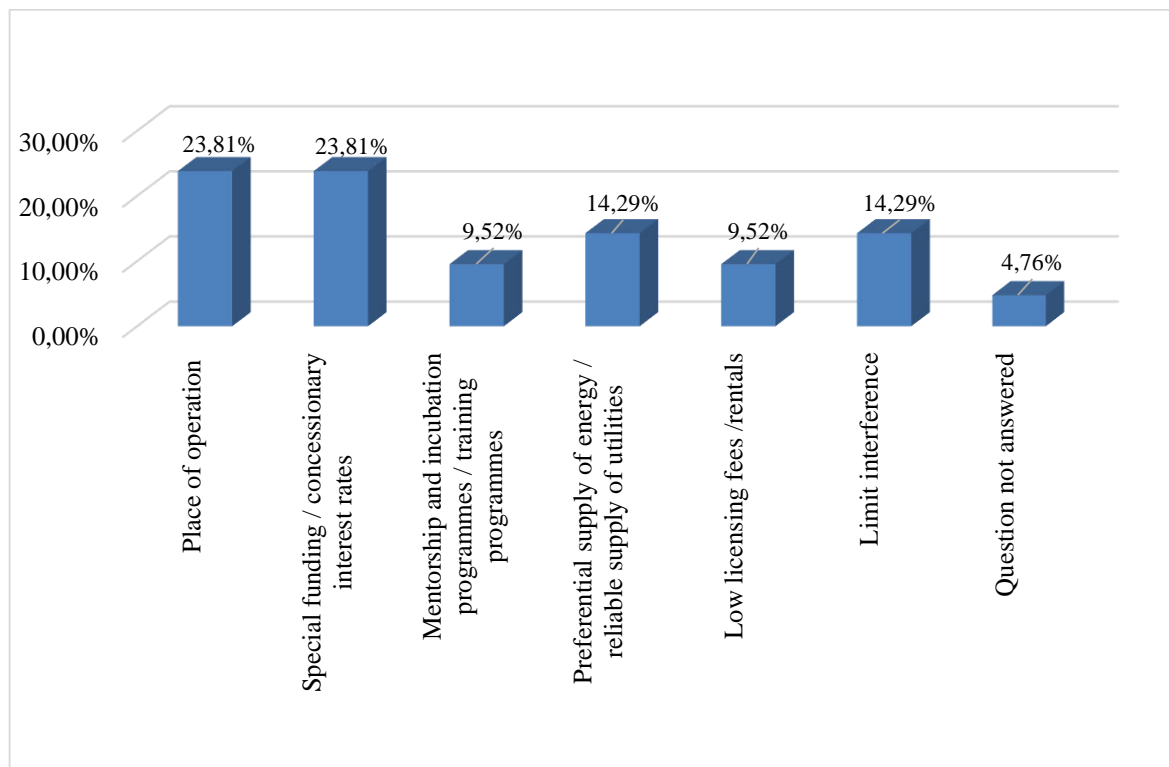
**Source: Own, 2017**

Although the informal manufacturing entrepreneurs assert that it is the role of government to improve business knowledge and skills, the government currently does not have the funds for such programmes.

#### **6.4.4.1 Challenges that can be addressed by Government**

Respondents were asked which of the challenges they experienced and they thought could be addressed by government. The results indicated that, 23.81% (5) felt that government could provide informal manufacturing SMEs with designated /places of operation, 23.81% (5) pointed out that government could create a special fund or at least lend to informal manufacturing SMEs at concessionary interest rates, 9.52% (2) highlighted that government could provide mentorship and incubation programmes/training programmes, 14.29% (3) indicated that government could supply preferential supply of energy/decentralisation of functions and reliable supply of utilities, 9.52% (2) pointed out that government could offer low licensing or rental fees, 14.29% (3) cited that there was need a for government to limit their interventions in the operations of the informal manufacturing SME and 4.76% (1) did not answer the question as shown in Figure 6-16.

**Figure 6-16: Challenges that can be addressed by Government**



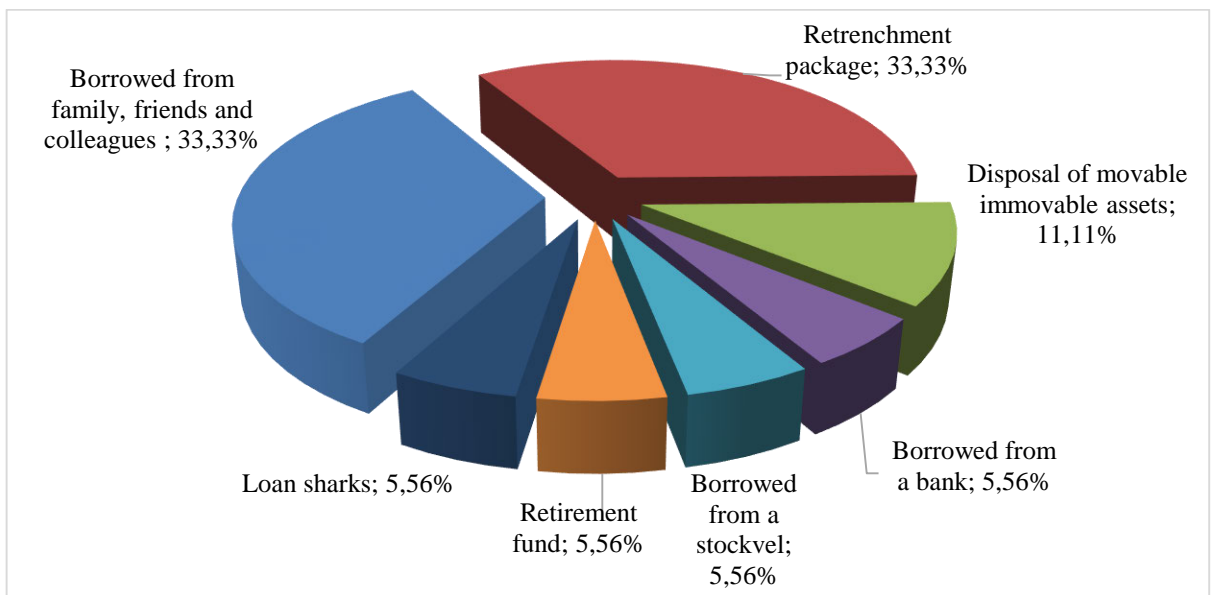
**Source: Own, 2017**

Bamfo (2012), in a study on SMEs and in support of the above findings, reveals that banking institutions should ensure that accessibility of loans improves by coming up with concessionary lending interest rates for small and medium enterprises and considering other alternatives sources/ways of securing lending to SMEs rather than demanding collateral security which is always difficult to be available.

### **6.4.5 Sources of Financing for the Informal Manufacturing Business from Inception**

Respondents were asked about how they financed their informal manufacturing SMEs from inception with equal numbers of respondents, 33.33% (6) indicating that they borrowed from family, friends or colleagues and that they used their retrenchment package. A further, 11.41% (2) cited that they disposed of their movable and immovable assets, 5.56% (1) borrowed from a banking institution, 5.56% (1) borrowed from a stokvel, and 5.56% (1) used retirement funds as shown in Figure 6-17.

**Figure 6.17: Sources of Financing the Informal Manufacturing Business from Inception**

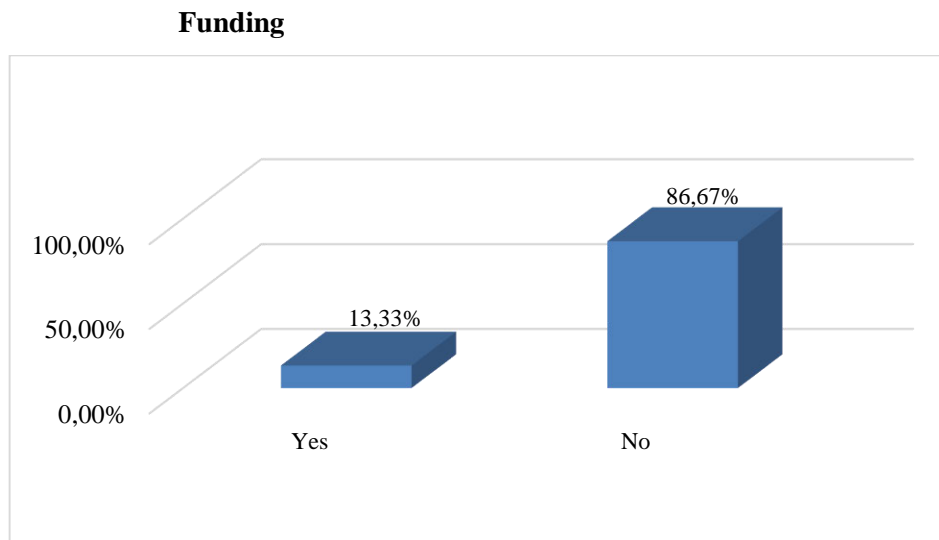


**Source: Own, 2017**

In support of the above, the ILO (2004), concluded that many entrepreneurs in the informal sector had used very little start-up capital which, in most cases would have been mobilised from formal employment savings from the previous employer or borrowed from family friends, colleagues or relatives. Migiro (2005:12), in a study in Kenya also concluded that personal savings (own capital) are the main sources of financing for SMEs, with borrowing from friends and relatives being another viable option.

Participants were then asked whether they feel that they would be able to secure funding from the government to help them start or expand their business. It was very clear that the respondents did feel that government would be of any assistance with 86.67% (13) of the respondents indicating that there was no possibility of getting funding from the government while only 13.33% (2) indicated that there was a possibility as shown in Figure 6-18.

**Figure 6-18: Possibility of Informal Manufacturing SMEs Accessing Government**



**Source: Own, 2017**

ZEPARU and BAZ (2014), also indicated that limited accessibility to finance is one of the major constraints confronting proprietors in the informal sector. Furthermore, it was noted that it is very difficult for the SMEs in the informal sector to be given funds by banking institutions due to the unavailability of collateral security.

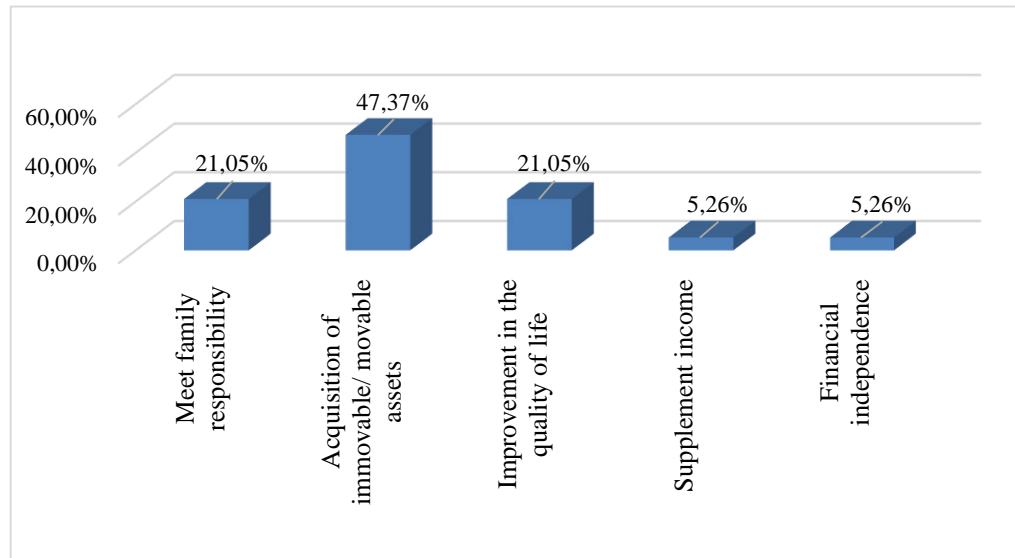
When asked about the unavailability of funding from the government only one participant 6.66% (1) cited harsh economic conditions as the reason for government failure, while ten participants 66.66% (10) felt that the main issue is government inefficiency. One other participant 6.66% (1) indicated that funding was available due to having a strong connection within government and three participants 20% (3) declined to answer the question.

#### **6.4.6 Theme – Impact of Informal Manufacturing SMEs Business to Lives of the Owners**

Respondents were asked to reflect on the impact of the informal manufacturing business on their lives. It was clear from the responses that the informal businesses have a significant and positive impact on the lives of those associated with them. A total of 47.37% (9) of the respondents indicated that through their business endeavours they managed to acquire immovable and movable assets, 21.05% (4) highlighted that it had led to improvement in the quality of life, 21.05% (4) indicated it assisted them to take care of their family responsibilities, 5.26% (1)

indicated that they have managed to supplement their income and 5.26% (1) pointed out the ability to achieve financial independence as shown in Figure 6-19.

**Figure 6-19: Impact of Informal Manufacturing SMEs Business to Lives of the Owners**



**Source: Own Data, 2017**

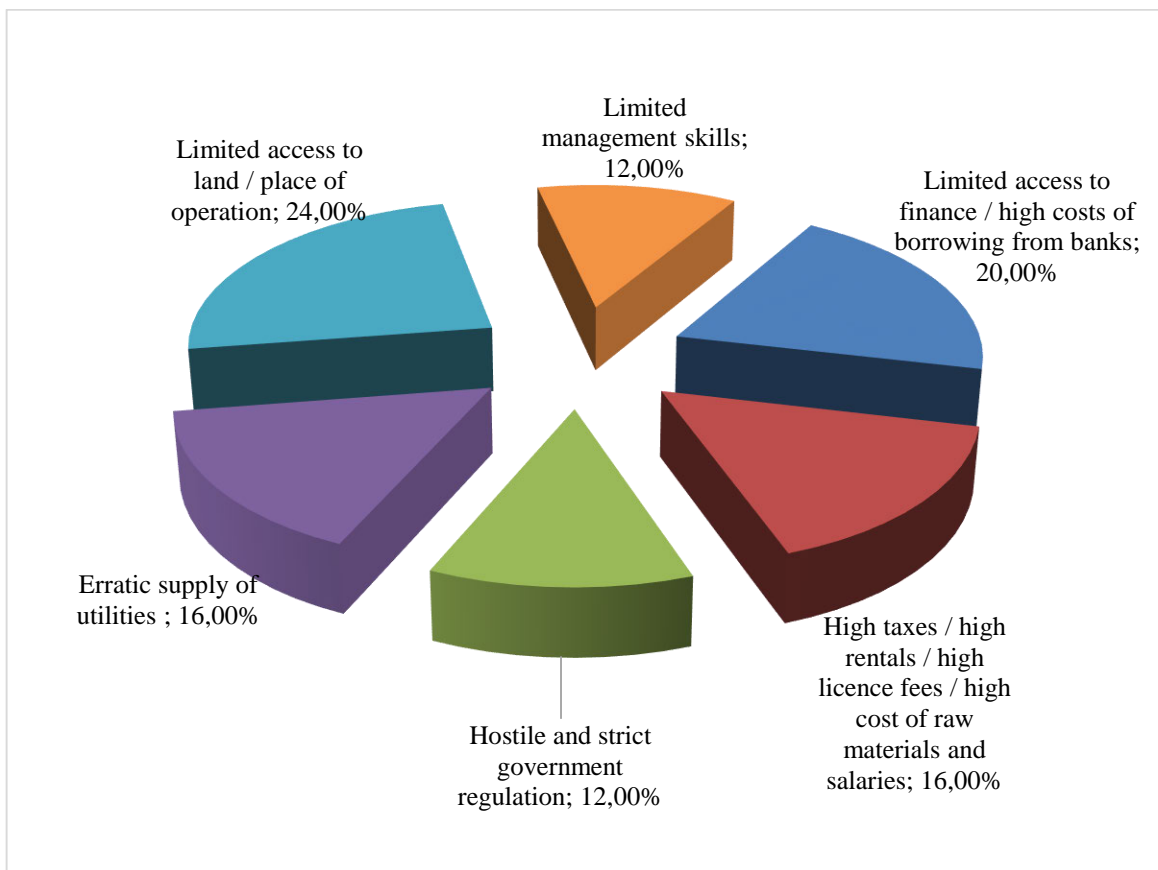
During discussions, respondents indicated that running an informal manufacturing SME had become a way of life and that such businesses positively impacted the lives of many people. Respondents felt disappointed by the lack of focus from government on the sector and requested that their challenges be brought before the necessary officials as they feel strongly that there is an important role for these SMEs to play in economic development in Zimbabwe.

### **6.4.7 Theme - Major Obstacles Faced by Informal Manufacturing**

#### **SMEs**

Participants were asked to highlight the major obstacles their informal manufacturing business were currently facing. Some 24% (6) indicated that they had limited accessibility to land/limited space of operation/place of operation, 20% (5) cited limited accessibility to finance, high costs of borrowing from banking institutions, 12% (3) pointed out that strict government regulation, hostile and strict government laws, 16% (4) erratic supply of utilities, 12% (3) highlighted limited management skills while 16% (4) pointed high taxes, high rentals, high licence fees, the high cost of raw materials and salaries as their main current challenges as shown in Figure 6-20.

**Figure 6-20: Major Obstacles Faced by Informal Manufacturing SMEs**



**Source: Own, 2017**

In support of the above findings, Gombarume and Mavhundutse (2014:106) indicated that government policies are not spelt out and accessible to the SMEs in the manufacturing sector in Zimbabwe. Peck *et al.* (2017) observed that small and micro-businesses encounter increased regulatory burden with some growth-oriented entrepreneur's also recognising the merits in being actively involved in seeking regulatory knowledge.

## **6.5 Role of the Informal Manufacturing SMEs in Zimbabwe.**

### **6.5.1 Theme – Role of Informal Manufacturing SMEs in Economic**

#### **Growth and Development**

The impact of the informal manufacturing SMEs on individuals has been clearly outlined in the section above indicating a positive role towards improving the lives of those associated with the businesses. Respondents were then asked questions about the role their businesses play within the country and specifically concerning economic growth and development. A total of 25% (7) indicated that the SMEs have a positive and important role in the economy, 35.71% (10) pointed

out that they lead to increased production, access to a variety of products/supplier to infrastructural development projects, 14.29% (4) indicated that they create employment and 25% (7) highlighted that their role lead to improvement in the standard of living and for securing formal housing for families.

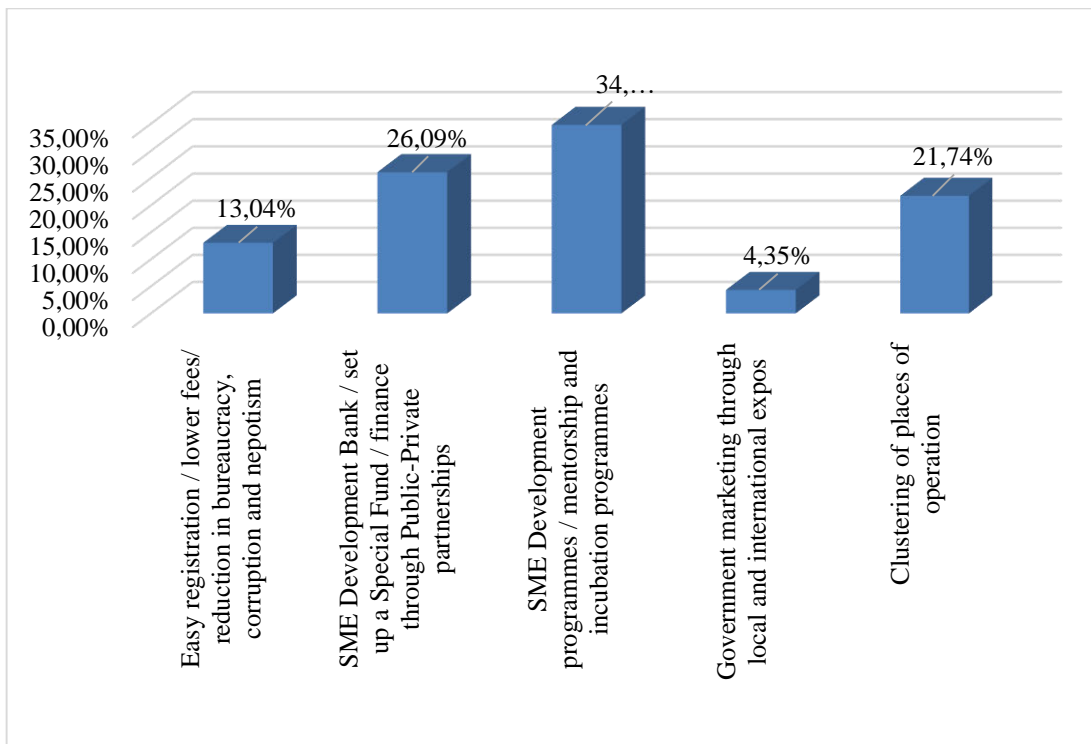
Macculoh (2001:16), based on a study in East Africa, points out the important role of SMEs in employment generation thereby promoting economic growth. Njaya (2015:103), points out that there is no denying on the critical role played by the informal sector in contributing towards the GDP. However, the challenge is only the inability to quantify their contributions towards the GDP accurately. Globally, the informal sector has generated over US\$10 trillion in 2013 while in Zimbabwe the informal economy annual turnover was US\$7.4 billion with 5.7 million employees (Njaya, 2015).

## **6.5.2 Theme – Government Role to Boost Informal Manufacturing**

### **SMEs’ Contribution to the Economy**

Participants in the focus groups were asked what they think could be done by the government to boost the informal manufacturing SME’s contribution to the economy. The most mentioned proposal 34.78 (8) was the introduction of SME development and training programmes, mentorship programmes, and incubation programmes. A further 26.09% (6) pointed out the need for the creation of an SME Development Bank or special fund, improved access to finance through Public-Private partnerships, concessionary lending rates and being offered finance. In addition, 13.04% (3) highlighted the need to simplify registration, lower registration fees, reduce bureaucracy, licence fees, corruption and nepotism, 4.35% (1) pointed on the need to introduce government marketing through local and international expos and 21.74% (5) advocated for the development of places of operation in clusters as shown in Figure 6-21.

**Figure 6-21: Government Role to Boost Informal Manufacturing SMEs' Contribution to the Economy**



**Source: Own, 2017**

Lekanya and Mason (2014:345), in their study, found that access to funding is a major problem with 75% of the participants in that study indicating that they started their small business using their own funding.

Participants were then asked about what they felt government is currently doing to boost the contribution of the informal sector in Zimbabwe. Of the respondents, 33.33% (6) stated that there was limited clustering of the informal SMEs or non-strategic clustering of informal SMEs, 33.33% (6) there has been limited skills, training and mentorship programmes, 11.11% (2) mentioned some improvement in accessibility of funds to formal SMEs and some limited access to finance, 16.67% (3) noticed decentralisation occurring at a slow pace, but 5.56% (1) mentioned that corruption and preferential inclusion were hampering efforts.

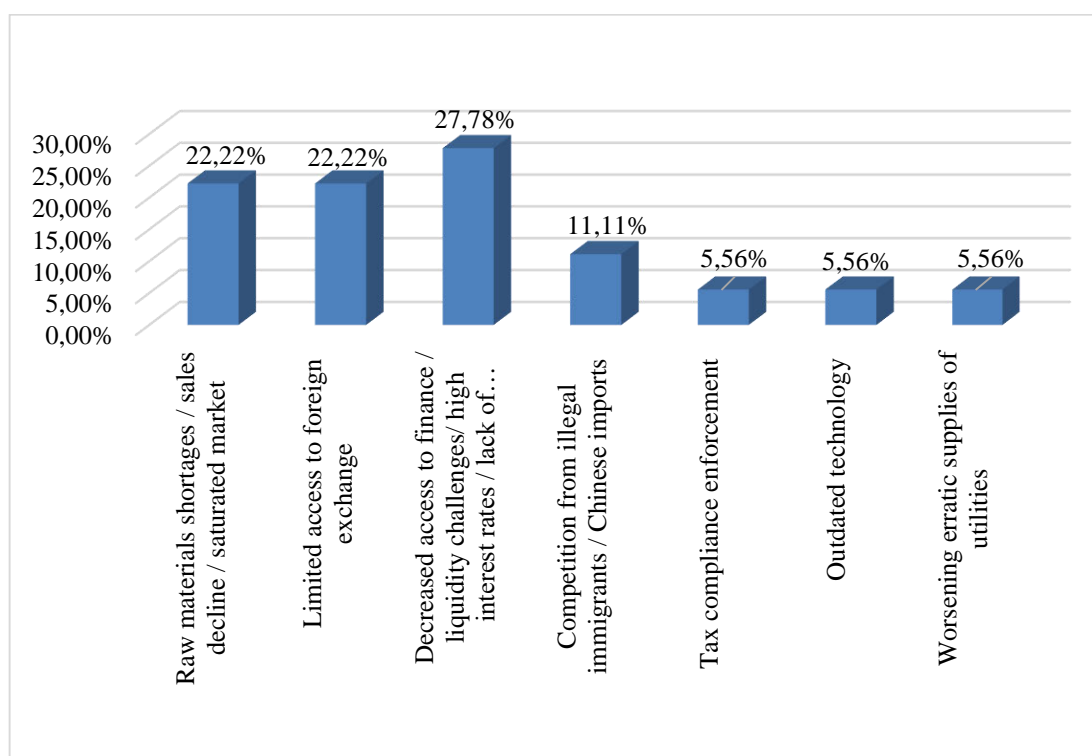
In Zimbabwe, while land is available and is being allocated, respondents stated it is important to note that it is available in limited quantities and that while the government is allocating land in various cities through clusters, the areas where the clusters are normally housed are mostly not strategic for their business often far from the market. Participants also noted that not all initiatives

by the government benefit the informal sector and that some of the initiatives are backed by politicians to further their party's interests.

### 6.5.3 Theme – Anticipated Future Difficulties in the Informal Manufacturing SMEs in Zimbabwe

Respondents were asked to point out difficulties that informal manufacturing SMEs would anticipate in future and 22.22% (4) cited raw materials shortages, sales decline and a saturated market for products, 22.22% (4) highlighted limited access to foreign exchange, 27.78% (5) pointed to the declining access to finance, liquidity challenges, high interest rates and lack of purchasing power to buy the products, 11.11% (2) lamented increased competition from illegal immigrants and competition from Chinese imports, 5.56% (1) highlighted tax compliance enforcement, 5.56% (1) pointed to outdated technology whilst 5.56% (1) pointed to increased erratic supply of utilities as shown in Figure 6-22.

**Figure 6-22: Anticipated Future Difficulties in the Informal Manufacturing SMEs in Zimbabwe**

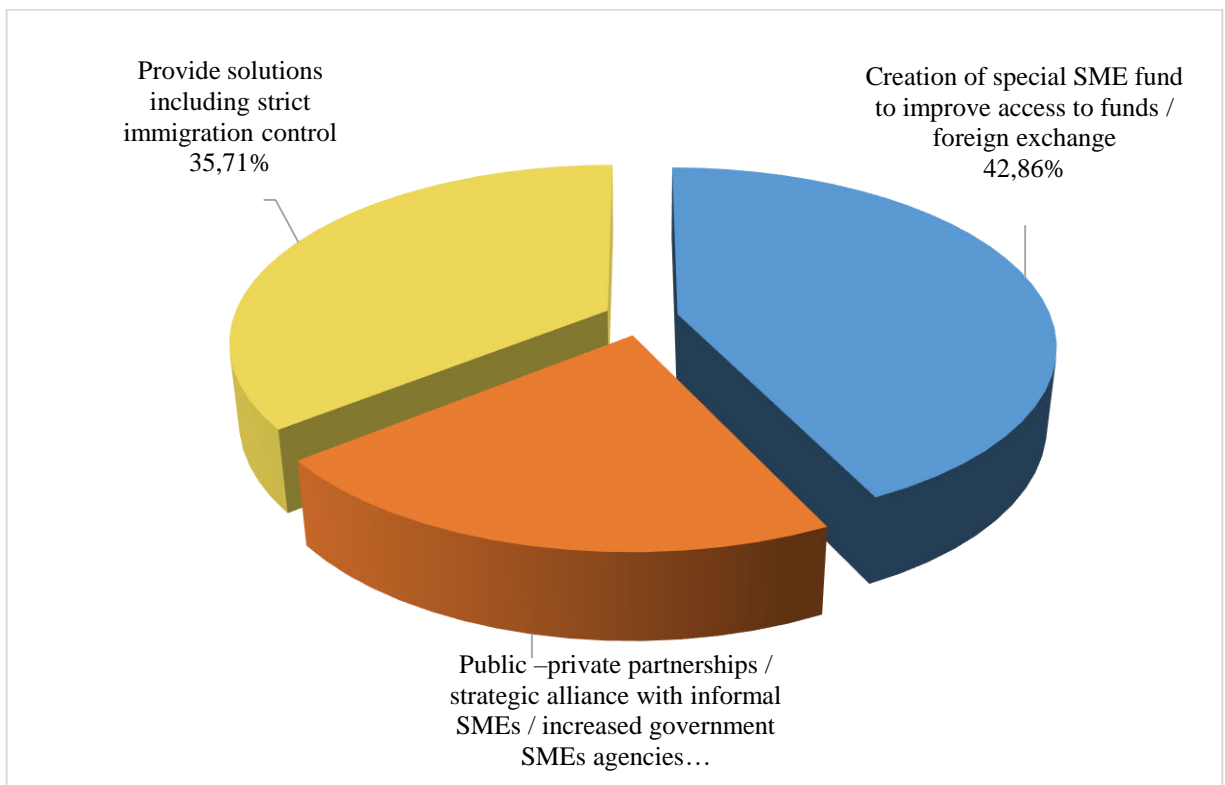


Source: Own, 2017

#### **6.5.4 Theme – Proposed Solutions to Address these Difficulties**

The participants who took part in the focus group interviews were asked about what solutions they feel would address anticipated future difficulties. Among the responses, 42.86% (6) pointed out the need for creation of a SME special fund for foreign exchange and to improve access to finance, 21.43% (3) cited the need to create public-private partnerships, strategic alliances with informal SMEs and increased government SMEs agencies, 35.71% (5) felt that government should be required to provide solutions such as strict immigration policy to curb illegal immigrants as shown in Figure 6-23.

**Figure 6-23: Proposed Solutions to Address these Difficulties**



**Source: Own, 2017**

The participants agreed that the solutions to the anticipated difficulties for informal manufacturing SMEs lie with government. Business feels like their hands are tied as there is little that they can do without the support of government.

### **6.5.5 Theme – Informal Manufacturing SMEs’ Contribution towards Employment.**

All the participants 100% (14) who took part in the five (5) focus group interviews agreed that the informal manufacturing sector is the greatest employer in Zimbabwe and has an important role towards employment creation. In support of the above, Alert (2013) (as cited by Ramukumba, 2014), points out that the SMEs are lynchpins of a successful employment strategy since SMEs tend to be more labour-intensive than capital intensive. Rao, Metts and Monge (2003:13), in a study in South Africa, point out that SMEs are creating a significantly larger number of jobs than those created by large organisations.

## 6.5.6 Theme – Number of Employees Employed by the Informal Manufacturing SMEs per Focus Group Interview.

Respondents who participated in the focus group in Harare indicated that they had 33.33% (13) permanent workers (P) and 66.66% (26) contract employees (C). In Bulawayo they pointed out that they had 58.82% (30) permanent (P) and 41.18% (21) contract (C), in Gweru 28.57% (4) permanent (P), 71.42% (10) contract (C) employees, in Masvingo they indicated 28.57% (8) permanent (P) and 71.43% (20) contract (C) while in Mutare they cited 19.04% (4) permanent (P) and 80.95% (17) contract (C) as shown in Table 6-1.

**Table 6-1: Number of Employees Employed by the Informal Manufacturing SMEs**

	F1			T	%	F2			T	%	F3			T	%	F4			T	%	F5			T	%
<b>P</b>	6	5	2	13	66.66	12	13	5	30	58.82	2	2	4	28.57	2	6	0	8	28.57	2	1	1	4	19.04	4
<b>C</b>	4	13	9	26	33.33	0	12	9	21	41.18	6	4	10	71.42	4	4	12	20	71.43	8	5	4	17	80.95	17
<b>T</b>	10	18	11	39	100	12	25	14	51	100	8	6	14	100	6	10	12	28	100	10	6	5	21	100	21

Source: Own, 2017

A study by Njaya (2015:104) in Zimbabwe also confirms that the informal sector is the fastest growing and largest recruiter in the country, however, the lack of recognition, high levels of disorganisation and poor coordination and lack of financial support from the government hindered the small-to-medium enterprises from reaching their maximum potential.

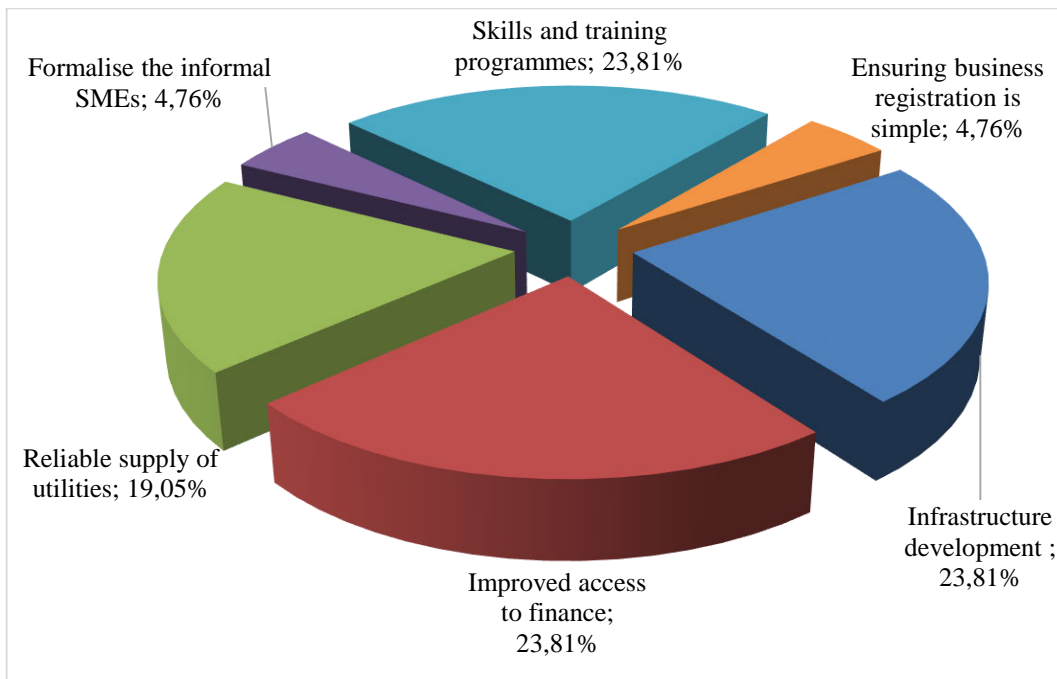
In addition, this study found that among the SME representatives in the focus groups, none of their employees has a worker's representative as the arrangement complicates a good working relationship among the owners and the employees. However, Sparks and Barnett (2010:5), argue that although trade unions do not represent the employees in the informal manufacturing SMEs, consideration can be given to having a specific association for each category whose mandate would be to reduce official harassment, nepotism and corruption in the informal economy and protect the interests of those SMEs and their employees.

## **6.5.7 Theme – Government’s Role in Assisting the Informal**

### **Manufacturing SME’s in Reducing Unemployment**

Participants were asked about what role they think government could play to assist informal manufacturing SMEs to generate jobs and 23.81% (5) indicated that they expected the government to provide infrastructure development, 23.81% (5) pointed out that improved access to finance could be the answer, 19.05% (4) highlighted the need for a reliable supply of utilities, 4.76% (1) pointed out the need to formalise the informal SMEs, 23.81% (5) then reiterated the need for skills and training programmes whilst 4.76% (1) concluded by emphasising the need for registration of business to be simplified as shown in Figure 6-24.

**Figure 6-24: Government’s Role in Assisting the Informal Manufacturing SME’s in Reducing Unemployment**



**Source: Own, 2017**

In support of the above, Katua (2014:468), points out that in aggregation, SMEs are by far the largest absorbers of labour and greatest creators of wealth. There is therefore solid support for the participants’ desire to see the greater government focus on the informal SME sector.

## **6.6 Effectiveness of the Economic Programmes Offered by the Government of Zimbabwe**

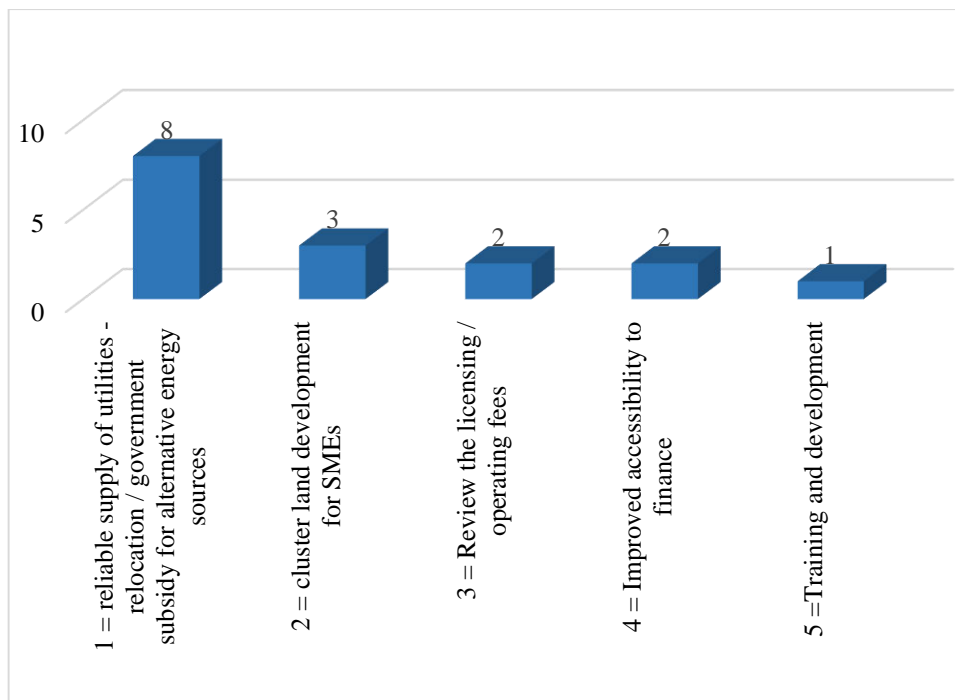
### **6.6.1 Theme – Impact of the Provision of Utility Services to Business Operations and Proposed Government Solutions**

Respondents who took part in the focus group interviews were asked about how the provision of utility services by government affected the running of their businesses. Here 47.37 % (9) indicated the inability to provide fresh food to customers / loss in productivity and great impact on business operations, 21.05% (4) highlighted that the profitability of their business had been greatly eroded, 21.05% (4) highlighted that lack of provision of utility services has led to high rentals, forced business to operate illegally, increased business operating costs and led to the loss of stock due to lack of storage spaces and 10.53% (2) cited limited operation and storage space for business activities / products.

The participants indicated their desire to be relocated to areas that have more reliable provision of utilities than others. Others proposed the need for government to provide alternative sources of water, for example, by drilling boreholes in their places of operation. Njaya (2015:105), in support of the above also points out that lack of, or erratic supply of public utilities is among the many challenges faced by the informal SMEs in Zimbabwe.

Participants were asked to elaborate on what they think government should do to address the challenge of a stable provision of utility services and how this would positively improve their businesses. Eight (8) participants indicated that government should ensure a reliable supply of utilities and also offer subsidies for alternative energy sources, three (3) stressed the need for cluster land development for SMEs, two (2) advocated for the reviewing of the licensing/operating fees, two (2) highlighted the need for improved accessibility to finance, one (1) pointed out the need for training and development for informal manufacturing while the remaining four (4) did not answer the question as shown below in Figure 6-25.

**Figure 6-25: Proposed Solutions by Government to Improve Provision of Utilities Services**



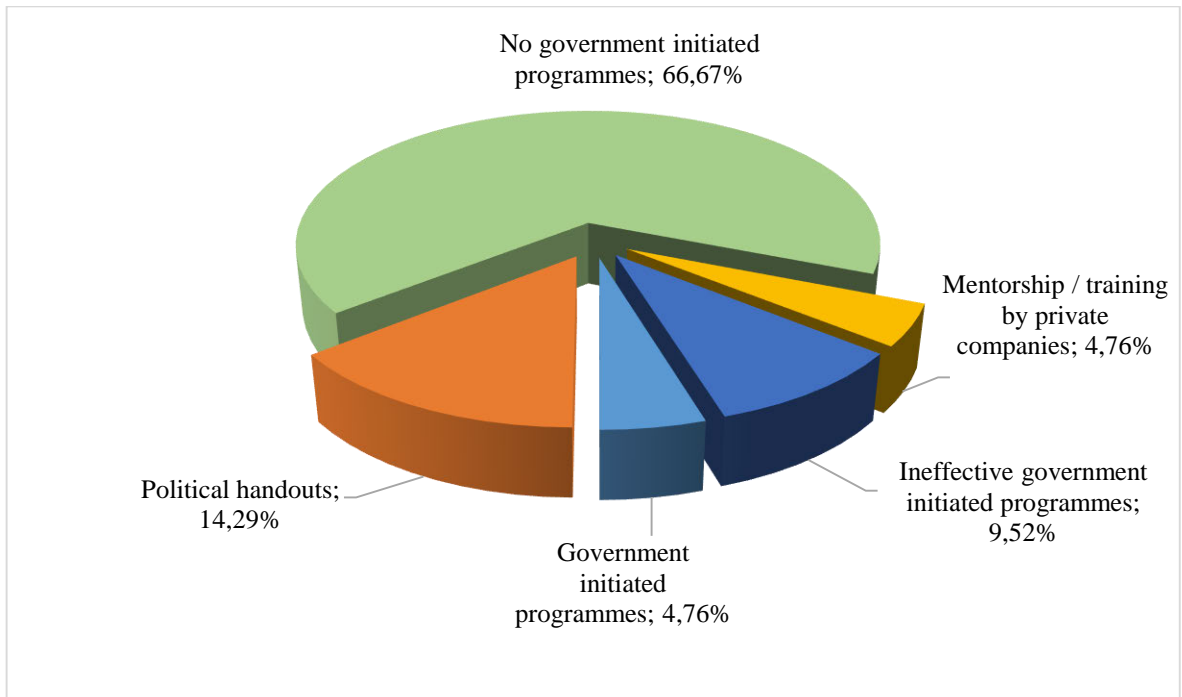
**Source: Own, 2017**

Bamfo (2012:620), based on a study in Ghana concludes that the government should ensure a reliable and stable supply of utilities by ensuring that they have instituted the right corrective measures. In this regard, most of the challenges regarding provision of utilities in Zimbabwe can be addressed by the government for the benefit of informal manufacturing SMEs.

## **6.6.2 Theme – Government Initiated Programmes to Promote Informal Manufacturing SMEs Development into Becoming Formal**

Findings reveal that 66.67% (14) of the participants indicated that there were no government initiated programmes, 14.29% (3) indicated that they did receive some political handouts, 9.52% (2) pointed out that government-initiated programmes were ineffective, 4.76% (1) indicated having benefited from government-initiated programmes whilst the other 4.76% (1) pointed out having benefited from mentorship /training programmes by private companies as shown in Figure 6-26.

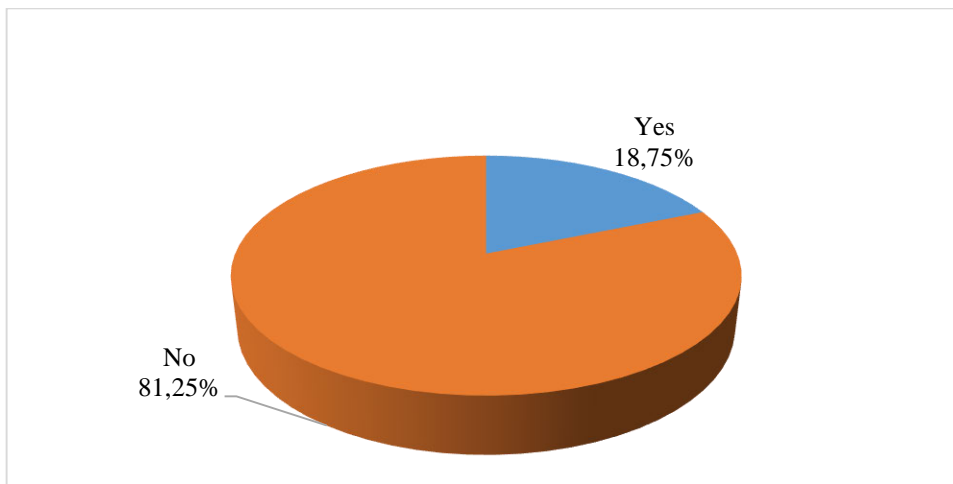
**Figure 6-26: Government Programmes to Promote the Development of the Informal Manufacturing SMEs into Becoming Formal.**



**Source: Own, 2017**

In conclusion, concerning the effectiveness of the economic programmes offered by the Government of Zimbabwe, the findings, in general, confirms that government programmes have not been effective in promoting the development and transition of the informal manufacturing SMEs into formal businesses. The majority of the participants 81.25% (13) indicated that their business did not benefit from any of the government initiatives while 18.75% (3) pointed out that they had benefited from these initiatives as shown in Figure 6-27.

**Figure 6-27: Confirmation of Businesses that have benefited from Government Programmes to Formalise them**



Source: Own, 2017

### **6.6.3 Theme – Initiatives by government to stimulate the development and Creation of informal manufacturing SMEs**

All the (14) respondents who took part in the five (5) focus group interviews across the country in this study indicated that there are no government initiatives to stimulate development and formalisation of the informal manufacturing SMEs. Participants also indicated that they did not benefit from any other government programmes in Zimbabwe. The majority of the participants indicated that the initiatives by the government are not good enough to stimulate the development or creation of the informal manufacturing SMEs.

### **6.6.4 Theme – Difficulties you have had in accessing business networks**

Joining a business network is known to be a good way of expanding the reach of your business and is a useful marketing platform for small businesses. Some six (6) respondents mentioned such business networks during discussions and five (5) responded that access to these networks by informal manufacturing SMEs is limited since their businesses are small and lacks goodwill. The other participants indicated that the business fails to meet the defined criteria for inclusion due to the inability to meet the necessary formal paperwork requirements. Furthermore, respondents were asked to share their experience with regard to accessing market information; here seven (7) of the respondents who answered (a total of eight (8) responded to this question) indicated

restricted access to market information due to lack of paperwork and one (1) cited lack of international recognition as restricting access to market information.

## **6.7 Summary of Chapter**

The chapter has presented the findings from discussion with the focus groups, about their informal manufacturing SMEs: four (4) main themes emerged from the data, these being challenges faced by the informal manufacturing SMEs, the role of the informal manufacturing SMEs in economic growth, the role of an informal manufacturing SME in employment creation and the effectiveness of the economic programmes for SMEs by the government. The data revealed that there are slightly more males involved in informal manufacturing SMEs, that informal SMEs are facing significant challenges with limited access to finance, limited availability of public utilities, and lack of government-initiated support being prominent among them. While the informal SME sector has a great deal to contribute to the growth and development of the Zimbabwean economy, this is being hampered by circumstances beyond the control of the entrepreneurs. In the next chapter findings for both the quantitative and qualitative research design are discussed, and a model is proposed which will be used to address the challenges faced by the informal manufacturing SMEs.

**CHAPTER 7:**  
**DISCUSSION OF FINDINGS, ANALYSIS AND**  
**INTERPRETATION: MIXED-METHOD AND THE PROPOSED**  
**MODEL**

## **7.1 Introduction**

This chapter presents the discussion, analysis and interpretation of data using mixed methods. This is done in an integrated format by comparing findings from Chapter 5: Data Presentation, Analysis and Interpretation-Quantitative Data and Chapter 6: Data Presentation, Analysis and Interpretation-Qualitative Data. These main findings and discussions form the basis on which Chapter 8: Summary of Findings, Conclusions and Recommendations of the study were made. The discussion of the results presented in this chapter was done concerning the aim and research objectives presented in the Introduction in Chapter 1, the Literature Review in Chapter 2, Theoretical and Conceptual Frameworks on Informality in Chapter 3 and Research Methodology and Research Design in Chapter 4.

The analysis, interpretation and discussion of the findings in this chapter were done using descriptive research, making use of statistical instruments such as tables, pie charts, bar graphs, and statistics summary such as sample t-test, independent sample t-test, Spearman's correlation, analysis of variance (ANOVA), descriptive statistics, mean and standard deviation. For comparison purposes, the researcher provided a general snapshot of the respondents for each sample in both the quantitative and qualitative research design.

## **7.2 Primary Data Interpretation and Analysis**

### **7.2.1 Geographic Representation of the Respondents**

The findings of the survey and focus group interviews regarding geographic representation shows no relationship at all. The empirical data confirms that respondents who took part in the research in five (5) cities are as follows: Harare-Survey (29%) and Focus Group Interview (22.7%), Bulawayo - Survey (10%) and Focus Group Interview (22.7%), Gweru-Survey (18.6%) and Focus Group Interview (18.2%), Masvingo-Survey (21.6%) and Focus Group Interview (18.2%) and Mutare-Survey (20.7%) and Focus Group Interview (18.2%).

Though there is no relationship, the finding confirms that the highest percentages of the participants in both the survey and focus group interviews were from Harare-Survey (29%) and focus group interview (22.7%). This probably supports the notion that Harare is the capital city and the busiest economic hub in Zimbabwe (UN HABITAT, 2008).

### **7.3 General SME and Biographical Information**

This section discusses, analyses and interprets the biographical and demographic information of the participants and informal manufacturing SMEs in the survey and focus group interviews with respect to gender, age, marital status, education, category of the informal manufacturing sector, number of employees, years of operation, designation in the business, whether the business is an exporter and level / value of annual sales. Similar studies on informal SMEs have shown these demographic characteristics have significant influence on some of the challenges faced by these informal manufacturing SMEs.

#### **7.3.1 Gender of the respondents**

It was important to examine the gender composition of those involved in the informal manufacturing SMEs survey and focus group interviews across the country. The findings for the study, confirms that there are more males involved in the informal manufacturing SMEs across the country with the survey having been completed by 55.5% males and the focus group interviews comprising 56.8% male residents compared to females who responded to the survey being 44.5% and focus group interview 43.2% of the respondents. This is supported by the findings of a similar study that indicated that there are more male run / managed small businesses (Mintah and Darkwah, 2018). In addition, greater male involvement in informal manufacturing SMEs is attributed to the African cultural norms and attitude of the society which looks at women as being inferior and having other roles apart from that of providing financially for the family.

#### **7.3.2 Categories Age Groups of Participants**

The age of the respondents was considered in both the survey and focus group interviews. The age distribution of the participants was as follows: 16-25 - survey 21.4% and focus interview group 4.5%, 26-35 - survey 30.6% and focus group interview 11.4%, 36-45 - survey 29.8% and focus group interview 36.4%, 46-55- survey 13.4% and focus group interview 38.6% and 56-65 – survey 3.9% and survey 9.1% and 66+ - survey 1% and focus group interview 0%. The findings revealed that the largest age percentage among the 16-25 to 46-55 with a cumulative percentage of 90.9% focus group and 95.1% for survey. The results confirm that greater participation of younger owners/managers/non-management in the informal manufacturing SMEs since young entrepreneurs are not risk averse. It also shows, that informal manufacturing SMEs owners/managers/non-management are young and energetic and have the desire to achieve better results. This is supported in studies done by Kolvereid and Isaksen (2006), who assert that

businesses run by young entrepreneurs have greater growth potential as compared to business run by those who are older.

### **7.3.3 Marital Status of Participants**

The results confirm that most of the respondents who participated in the study both in the survey and focus group interviews were married with 53.2% of the survey respondents and 36.4% of the focus group interview respondents indicating that they are married. The finding reveals that married couples purse and use informal manufacturing SMEs for employment generation and revenue generation for their families. This is line with the ILO (1994), which indicated that over 80% of the informal SMEs proprietors were married.

### **7.3.4 Educational Level of Participants**

The study results revealed that most of the respondents had diplomas with 31.1% of those who completed the survey and 52.3% of those who participated in the focus group interviews holding a diploma. There were no participants with doctorates involved in the informal manufacturing sector in either the survey or the focus group interviews. The results of both the survey and focus group interviews clearly indicate a high level of education among the informal manufacturing SMEs in Zimbabwe. This would imply that there are higher chances of stimulating growth of the businesses since the owners, managers and even non-management staff have the skills that can provide good leadership for expansion. Earlier studies by the ILO (2004), also confirms that the majority of the informal manufacturing SMEs owners in Zimbabwe have at least attained primary level education.

### **7.3.5 Category of the Informal Manufacturing SMEs**

The results indicate that the majority of the participants in both the survey and focus groups were in the food, bakery and confectionary processing manufacturing SME category with 27.7% and 22.7% of respondents respectively. The least number of respondents for the survey were in the timber and furniture making category with 8.9% and for the focus group interviews, the toiletry making category was least represented with 11.4%. The finding revealed that most informal manufacturing SMEs are in the food, bakery and confectionery processing category. This may be so since it is one of the sectors that involves less risk as people always have to eat, irrespective of the levels of economic downturn in an economy.

### **7.3.6 Number of Employees of the Informal Manufacturing SMEs**

The finding from both the survey and focus group interviews revealed that the majority of the informal manufacturing SMEs have between 1-10 employees (survey - 52.4% and focus group interviews - 77.3%) followed by those who employ between 11-20 employees (survey - 25.9% and focus group interviews 22.7%). This finding is supported by similar studies done by the ILO (2004), which concluded that there is over-employment in the informal sector in Zimbabwe characterised by lower profitability. In this study, the number of employees in the study was inclusive of both permanent, seasonal, contract and casual employees.

### **7.3.7 Number of years of operation for the informal SMEs**

Findings for both the survey (33.9%) and focus group interviews (56.8%) indicates that most of the informal manufacturing SMEs have been operating between 6 and 10 years. In general, the majority of the informal manufacturing SMEs have been operating for between 1 and 20 years with the survey having a cumulative total of 95.6% and all of focus group interview respondents falling into this band. Radipere (2012:179), points out that the older the entity, the more it is assumed to positively contribute to the development of the economy. This is guided by the notion that the longer the business has been operating the more it is assumed to have sustained itself and obtained experience in that sector. However, ILO / SATEP (1985) and Gemini (1991), in another study found out that the majority of the informal SMEs had an average age of 7 years and 8.7 years respectively.

### **7.3.8 Designation of the Participants of Informal Manufacturing SMEs**

#### **Represented**

Findings from the study confirm that most of the participants in the study were owners (45.1% in the survey) and both owner and manager (47.7% in the focus group interviews). In addition, the results indicate that in both the survey and focus group interviews, non-management representatives constitute the smallest percentage (survey - 7.3% and focus group interviews - 6.8%). Results reveal a high level of involvement of both owners and management in the day-to-day running of the informal manufacturing SMEs in Zimbabwe.

### **7.3.9 Status of the Informal SMEs Concerning Exporting**

There was a large difference in the number of SMEs exporting between the survey and focus group cohorts. Findings indicate that for the survey, 48% of the respondents indicated that they are exporters whereas for focus group interviews 79.5% of the participants indicated that they were exporters. The results indicate that the informal manufacturing SMEs have started to export as a way of penetration into the regional market since much only exports on a small-scale basis.

### **7.3.10 Value of the Informal SMEs' Annual Sales Revenue**

Results reveal that annual sales revenue was starkly different from the survey and focus group participants. For the majority of the respondents in the survey, the annual income was reported to be between US\$10 001-US\$20 000 constituting 31% of the respondents, while in the focus group interviews the majority recorded annual sales revenue of between USD\$20 001- US\$30 000 - 52.3% of the respondents. The above findings confirm that the annual sales revenue for firms in the informal manufacturing sector in Zimbabwe is still lower compared to those for the developed countries. However, based on volumes this confirms that there is a significant amount of revenue that is generated from the informal manufacturing SMEs in Zimbabwe.

## **7.4 Operating an Informal Manufacturing SME in Zimbabwe**

### **7.4.1 Access to Finance**

Results from both the survey and focus group interviews confirm that access to finance is one of the main challenges of the informal manufacturing SMEs: here the results  $M=4.2568$ ,  $SD=0.82617$ ,  $t(822)=43.640$ ,  $p<0.0005$  in the study indicate that they faced limited access to finance as their challenge while 14.29% in focus group interviews as well confirming the same. In addition, participants who took part in focus group interviews, indicated their sources of financing their business from inception with 33% indicating that they used their retrenchment package, 33.33% borrowed from family, friends and colleagues, 11.11% disposed of their movable and immovable assets, with 5.56% indicating they borrowed from loan sharks, 5.56% used their retirement fund, 5.56% borrowed from a stokvel and 5.56% borrowing from a bank. It was clear that access to formal financing is severely limited for informal manufacturing SMEs and that the owners often resort to less recommended financing models to start their businesses.

Beck and Demirgüç (2006:294) and Porumboiu (2016) assert that limited access to finance is one of the major challenges of SMEs which hamper their growth. Olawale and Garwe (2010), in agreement with the above, cite that lack of capital seems to be the primary cause for high business failure and is regarded as the major constraint facing small and micro business owners. In support, Shafeek (2009), also laments that without adequate financing business owners will not be able to attract and retain skilled and capable staff, pay for license fees or acquire facilities or do any of the other things necessary to smoothly run a successful operation. The ILO / SATEP (2004), found that owners of informal SMEs have utilised little start-up capital, and this was mainly obtained from the formal employment past savings or borrowing from family friends, colleagues or relatives.

### **7.4.2 Infrastructure and Collateral Security**

The participants who took part in the study in the survey indicated that infrastructure and collateral security are a challenge with a  $M=3.9129$ ,  $SD=0.57032$ ,  $t(822) = 45.921$ ,  $p < 0.0005$  and in the focus group interviews 14.29% pointed out that infrastructure and collateral were among the challenges being faced by the informal manufacturing SMEs. Njaya (2015:104), in a study in Harare, concluded that the majority of the SMEs lacked immovable and movable assets that could be used for borrowing as collateral security. ZEPARU and BAZ (2014), highlighted that many informal SME businesses struggle to access finance mainly because they are not formally registered and this limits the willingness of banking institutions to lend to them as the probability of recovery is lowered due to the business being difficult to locate.

Collateral security is a major constraint on the capacity of the informal SMEs to borrow from banking and non-banking institutions, a constraint which has greatly hampered their ability to grow and create employment opportunities. Bukaliya and Aleck (2012:71) conclude that banking institutions considers collateral seriously when processing loan applications. Unfortunately, the majority of the informal SMEs do not have collateral security to back their loan application and this results in limited access to capital.

### **7.4.3 Research, Development, Marketing, Entrepreneurial and Managerial Skills**

The respondents in the survey indicated that entrepreneurial and management skills were a major challenge with  $M=3.6361$ ,  $SD=1.08062$ ,  $t(822) = 16.887$ ,  $p < 0.0005$  while in focus group

interviews 14.29% indicated that limited access to international markets, limited access to market and increasing competition were a major problem.

Similarly, Gemini (1998), cited finance and marketing as the major challenges being faced by the informal manufacturing, commercial and services SMEs. Gombarume and Mavhundutse (2014:106), in a study of SMEs in Chitungwiza in Zimbabwe also concluded that there is management deficiency in many SMEs which cripples the decision-making process. In addition, Gartner, Starr and Bhat (1999:230), indicates that successful SMEs owners have abilities to scout for niche markets and understand their competitors while Hankison (2000:94) posits that marketing is a great skill that is required by SMEs. Myles (2010) points out that SMEs are normally started by entrepreneurs who are good at certain specific services though they may not possess any managerial skills. The traditional belief is that managers of SMEs must thus have the general knowledge for allocating resources to avoid making poor decisions. It is thus essential for the owners and managers of informal SMEs in Zimbabwe to acquire such skills if the sector is to continue to grow and positively impact the ailing economy. Lawal, Adegbuyi, Iyiola, Ayoade and Taiwo (2018:11) observes the need for SMEs owners to leverage on the assistance obtained through networking informally with other businesses, families and friends to benefit from opportunities linked to new markets, suppliers and business development information.

#### **7.4.4 Business Structures, Environment and Location**

The significance of having suitable premises from which to operate varied between the survey and the focus group participants. Those in the survey felt that business structures, environment and location were least among the challenges they face ( $M=3.0441$ ,  $SD=0.75375$ ,  $t(822)=1.680$ ,  $p=0.093$ ) while 14.29% of those who took part in the focus group interviews indicated that place of operation/limited storage space was their main challenge. This issue was also repeated many times during the focus group interviews. Most businesses do not have a dedicated building from which to operate.

#### **7.4.5 Legal and Regulatory Framework and Registration Inefficiencies**

Survey respondents confirmed that legal and regulatory framework was a major problem faced by the informal manufacturing SMEs in Zimbabwe with  $M=3.9280$ ,  $SD=0.66847$ ,  $t(822)=43.640$ ,  $p<0.005$  while 20% in the focus group interviews confirmed that registration inefficiencies and high licensing fees as their main problem.

Nyanga *et al.* (2013:146), cite that in the past, developing countries SMEs were exempted from a significant number of government regulations. However, currently, there is a paradigm shift in the same regulations applicable to large entities are now uniformly applied to SMEs. These regulations are complex and sophisticated and very difficult for SMEs to be compliant to them. Nyamunda (2013:19) argues, in support of government's failure to provide support to SMEs, that despite SEDCO being created as an empowerment tool in the early 1980s, the institution's mandate was hindered by a very hostile economic and legislative climate coupled with undercapitalisation. The government has been using SEDCO as a device for appeasing the desperate and influential sections of its electorate but had little of the desired effect on the SMEs.

## **7.5 Role of Informal Manufacturing SMEs in Zimbabwe**

### **7.5.1 Theme – Economic Growth and Development**

Participants who took part in the survey indicated that informal manufacturing SMEs have an important role in economic growth and development ( $M=3.9172$ ,  $SD=0.62553$ ,  $t(822) = 42.064$ ,  $p<0.0005$ ). Participants in the focus group interviews were asked questions about their role in economic growth and development, and 25% (7) indicated that they have a positive and important role in the economy, 35.71% (10) pointed out that they lead to increases production, access to a variety of products/supplier to infrastructural development projects, 14.28% (4) indicated that they create employment and 25% (7) highlighted that their role lead to improvement in the standard of living and for securing formal housing for families. The importance of the informal SMEs to the economy of the country seems to be well understood by the participants in both the survey and focus groups.

Ramukumba (2014:26) points out that the importance of SMEs is highly noticeable in numerous African countries such as Togo, Burkina Faso, Nigeria, Malawi, Uganda, Ghana, Cote d'Ivoire, Kenya and many others. Rogerson (2001a), highlights that the economic activities of SME in Africa are very important for the promotion of employment creation, economic growth and poverty reduction. In addition, Ahiawodzi and Adade (2012:47), reiterate that SMEs have an important role in the economic development of developed and developing countries. Zimbabwe is no exception as confirmed by the findings above.

## **7.5.2 Theme – Employment Generation**

Participants in the survey confirmed that informal manufacturing SMEs have an important role to play in employment generation ( $M=3.9004$ ,  $SD=0.62439$ ,  $t(822)=41.368$ ,  $p<0.0005$ ) while 100% of respondents in the focus group interviews confirmed that the informal manufacturing SMEs are the greatest employer in their respective regions and have an important role in employment creation. There has been a convergence regarding participants in the survey and those who took part in the focus group, agreeing that indeed the informal manufacturing SMEs are actively contributing to employment generation in Zimbabwe. In support of these findings, Njaya (2015:103), cites that Zimbabwe National Statistics Agency reported that over 2.8 million small enterprises generated over 5.7 million jobs while around 800 000 medium-sized enterprises generated over 2.9 million jobs.

## **7.6 Effectiveness of Economic Programmes for Informal**

### **Manufacturing SMEs in Zimbabwe**

Survey results confirm that economic programmes aimed at informal manufacturing SMEs have not been effective ( $M=2.9357$ ,  $SD=0.69884$ ,  $t(822)=-2.638$ ,  $p=0.008$ ). Respondents who took part in the focus group interviews had fourteen (14) of the participants revealing that they were no government initiated programmes, three (3) indicated that they did receive some political handouts, two (2) pointed out that government initiated programmes were ineffective, one (1) indicated that they benefited from government initiated programmes whilst the other one (1) pointed out having benefited from mentorship/training programmes by private companies.

Njaya (2015:102) highlighted that government had offered support in many ways through the creation of SEDCO, Small and Medium Enterprises Development Corporation (SMEDCO) and the creation of a fully-fledged Ministry of Small-to-medium enterprises and Cooperative Development. However, the institutional structures have not been effective in addressing the challenges of the informal SMEs due to a significant number of factors chief among them being the high cost of borrowing, limited availability of finance specifically for SMEs and outdated technology and poor infrastructure. A study by Wagner and Sternberg (2004), points to the fact that most enterprises fail because of the ineffective policies that are crafted to ensure economic growth and recommend that enterprise policy strategies should be made to the specific institutional and environmental context.

## **7.8 Mentorship Programmes in Zimbabwe**

Participants in the survey indicated that mentorship programmes have been effective ( $M=3.4354$ ,  $SD=0.87119$ ,  $t(822) = 14.388$ ,  $p<0.0005$ ) and 66.67% of the focus group interviews respondents indicated that government should assist with training and mentorship programmes towards the development of the informal manufacturing SMEs. Results indicate that those SMEs that had access to mentorship programmes tend to export to neighbouring countries. Respondents who indicated that mentorship programmes were effective pointed out their ability to manage the business properly, increased profitability, increased revenue/sales and positive cash-flows as some of the reasons. This supports the notion that mentorship programmes were effective.

## **7.9 Proposed Model for Unlocking Informal Manufacturing SMEs in Zimbabwe**

Globally policy-makers have begun to recognise the informal manufacturing SMEs as the key driver of economic growth and development. Benzing and Chu (2009:74), established that governments of developing countries have begun to recognise the significant contribution of the informal SMEs sector towards gross domestic growth and employment generation, however, more could be done to encourage citizens to invest in this sector.

In this section, the proposed model for unlocking informal manufacturing SMEs is discussed and presented. The suggested model is largely based on the integrated findings in Chapter 7: Discussion, Analysis and Interpretation: Mixed-method and the proposed model and that currently, the models being used in Zimbabwe do not ensure that the full potential of the informal manufacturing SMEs is realised. In addition, the proposed model answers the research objective that suggest, the development of a business model for unlocking informal manufacturing SMEs' potential for developing countries.

Given the important role of the SMEs, the researcher covers six (6) interrelated issues in this section which will be used for suggesting a framework for a business model by firstly presenting the operational challenges of the informal manufacturing SMEs in Zimbabwe and then conceptualises the concept 'model'. Thirdly, the proposed model for unlocking the informal manufacturing SMEs is described.

## **7.9.1 Unlocking Informal Manufacturing SMEs Potential in Zimbabwe**

The study aimed to explore and analyse the challenges faced by the informal manufacturing SMEs in Zimbabwe to developing a model in which their full potential can be unlocked. In support of the development of the model Davenport (2005:698), observes a ‘one size fits all’ approach to support SME growth is not usually most suitable in all scenarios. Therefore, the development of the model for unlocking informal manufacturing SMEs is premised on that assumption. The desire to formalise the informal SMEs in Zimbabwe cannot be overemphasised. According to small-to-medium enterprises and Cooperatives Development Annual Report (2016), the transition to formality for SMEs calls for the development of a comprehensive, integrated strategy/model if the objective of increasing the number of formalised Micro Small-to-medium enterprises (MSMEs) is to be achieved in Zimbabwe.

Formalisation refers to the process of formalising informal businesses to ensure that the economic activity happens under laws and regulations of the land that the venture is operating in. Ayyagari *et al.* (2005), integrate the above by concluding that the percentage share of the formal SMEs in the manufacturing sector tends to increase as the country improves its prosperity/value while the informal manufacturing sector loses its significance. Benhassine, Mckenzie, Pouliquen and Santini (2018) observed that the rate to formalise can be doubled by focusing interventions on firms with characteristics which place them near to the margin of formalising on their own. These factors are found to be male-operated firms, run by owners who are educated, whose operations are outside the main market and looks very similar to a formal enterprise.

## **7.9.2 The Concept of Model**

Globally, models have been used to address both simple and complicated problems. Models consider relevant factors that will have a major impact on the decision to be made. Many different forms of models exist and, in most cases, depend on the purpose and its intended uses. In the case of the informal manufacturing SMEs, the proposal is that it be mapped from the literature review, theoretical and conceptual frameworks of informality and research findings so that it can be practical. Murdick *et al.* (1988) as cited by Migiro (2005), observe that models are used to define or describe a phenomenon, show relationship and processes and/or present situations in symbolic terms that can be manipulated to derive certain predications.

For this study, the model for unlocking informal manufacturing SMEs potential shows the challenges, their role in an economic growth, employment creation, economic development and the actual provisions required for their full potential to be realised.

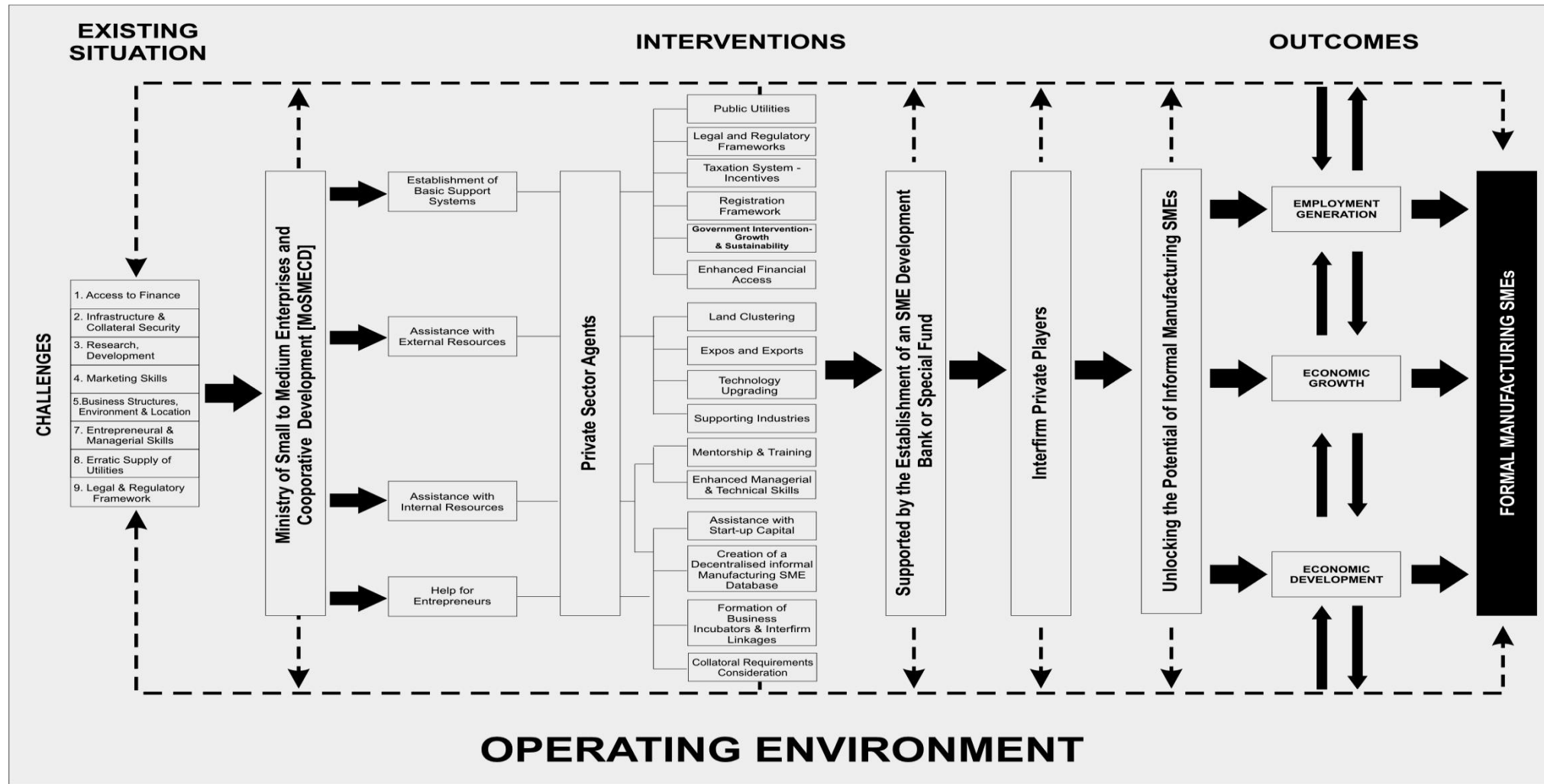
### **7.9.3 The Proposed Model**

Many models for the unlocking of the informal manufacturing SMEs exist and are functioning in Zimbabwe. However, there has not been much growth for these informal SMEs hence the need for another model in which their full potential can be realised based on the challenges and their role in economic growth, employment creation and economic development.

The proposed model is different from other models because it is based on a mixed economy and it focuses on a collaborative approach by involving all the integrated players in the operating environment. The model emphasises the involvement of not for profit making and profit-making institutions and also advocates for the establishment of an SME Development Bank or a Special Fund to support the informal manufacturing SMEs.

The study, therefore, recognises that informal manufacturing SMEs face challenges such as accessibility to finance, lack of proper infrastructure, lack of research and development, poor entrepreneurial skills and management of resources and proposes the following model that captures the various constraints faced by the informal manufacturing SMEs as shown in Figure 7-9.1.

Figure 7-9.1 Proposed Business Model for Unlocking the Potential of the Informal Manufacturing SMEs



Source: Own, 2017

In this model, the informal manufacturing SMEs are a system that is open to interaction with its environment either positively or negatively. To this end, Figure 7.9.1 shows the analogy between the informal manufacturing SMEs and the model. The next section interprets the proposed model in detail.

## **7.9.4 Interpretation of the Proposed Business Model**

- **Existing Situation**

### **7.9.4.1 Challenges**

The challenges identified in the study (limited access to finance, infrastructure and collateral security, research, development and marketing skills, business structures, environment and location, entrepreneurial, managerial skills and business skills, erratic supply of utilities, legal and regulatory framework) would have to be addressed by the Ministry of small-to-medium enterprises and Cooperative Development in conjunction with other government departments and other private sector agents. The government is the pillar for addressing these challenges since they are responsible for the various policy frameworks towards the SMEs growth and development.

### **7.9.4.2 Role of Ministry of SME and Co-operative Development**

Ministry of SME and Cooperative Development in conjunction with other government departments and private sector agents should establish basic support systems, assist with external resources, assist with internal resources and help the entrepreneurs to thrive. The Ministry of SME and Co-operative Development have a very important role to play in addressing the many challenges faced by the informal manufacturing SMEs in Zimbabwe.

### **7.9.4.3 Private Sector Agents**

Private sector agents have an important role to play in assisting the Ministry of SME and Cooperative Development by sharing the notes on the proper management of the informal manufacturing SMEs through public-private partnerships. Public-private partnership is traditionally effective in SME development. Private sector agents entail the involvement of non-governmental institutions (not for profit) as well as profit-oriented institutions.

- **Interventions**

#### **7.9.4.4 Government Programmes / Policies**

Interventions involves a collaborative effort by integrated players. The government through the Ministry of SME and Cooperative Development should come up with new programmes/policies and initiated to support the informal manufacturing SMEs further. These programmes/policies could include legal and regulatory framework development, taxation system with incentives for the informal manufacturing SMEs, clear registration framework, initiatives focusing on growth and sustainability of the informal manufacturing SMEs, enhanced financial access, land-clustering by category, expo's to stimulate informal manufacturing exports, provision of up to date technology, mentorship and training in managing, enhanced managerial and technical skills (supporting industries), assistance with start-up capital, the creation of a decentralised informal manufacturing SME database, formation of business incubation programmes and interfirm linkages and collateral security requirements consideration.

#### **7.9.4.5 Establishment of SME Development Bank**

The government through the Ministry of SME and Cooperative Development should consider the establishment of an SME development bank to support the government programmes and policies towards the informal manufacturing SMEs development.

#### **7.9.4.6 Inter-firm Linkages – Private Players**

Private players would also be expected to have formal and informal inter-firm linkages with established players in their sectors and also a symbiotic relationship with the Ministry of SME. This will ensure that there are knowledge sharing and training between the informal manufacturing SMEs and the established entities.

- **Outcomes**

#### **7.9.4.7 Unlocking the Potential of Informal Manufacturing SMEs**

Through the various interventions in the informal manufacturing SMEs, the potential of the informal manufacturing SMEs would be realised. The realisation of the full potential of the SMEs would lead to employment generation which would create more jobs in the operating environment. With more jobs being created in the economy the economy will experience high economic growth in the form of an increase in GDP. This will in the long term lead to economic development and the conversion of the informal manufacturing SMEs into formal businesses.

Through addressing the challenges faced by the informal manufacturing SMEs through the various interventions strategies the full potential of the informal manufacturing SMEs would be unlocked.

#### **7.9.4.8 Formalised Informal Manufacturing SMEs**

Through the immense support from the SME Development Bank, the informal manufacturing SMEs potential would be unlocked, and this will lead to employment creation, economic growth and economic development. Overall, these businesses would become formalised entities.

#### **7.9.4.9 Further Explanation – Proposed Model**

The current SME Framework in Zimbabwe is characterised by red tape, bureaucratic registration, anti-informal SMEs policies (for example, Operation Murambatsvina), ineffective government support services, poor legal and regulatory framework. The model developed above is a reflection of the key constraints faced by the informal manufacturing SMEs and an attempt to address the negative characteristics highlighted earlier on. Based on the above-proposed model, formalisation of the informal manufacturing SMEs will entail registering and licensing the enterprises and should involve the following key pillars:

- **Developing the Registration Framework**
  - Registration of a form of business as a private limited company, cooperative, partnership or sole trader.
  - Registering with Zimbabwe Revenue Authority (ZIMRA) who are the tax authorities.
  - Obtaining local authorities licenses.
  - Officially being registered with National Social Security Authority (NSSA) and Manpower Development Fund (MDF), and
  - Registration with the Ministry of SME and Cooperative Development.
  
- **Developing a Supporting Legal and Regulatory Framework**
  - Developing an effective legal and regulatory framework that promotes informal manufacturing SMEs by avoiding restrictive registration requirements and allowing many microfinance institutions to enter the market.
  
- **Developing Effective Government Support Mechanisms**

- Government initiatives should be properly designed and better evaluated to ensure informal SME development. Policy analysis reflects that government interventions may help significantly to stimulate the take-off of the informal manufacturing SMEs.
- **Developing a Favourable Financial Infrastructure**
- Establishing a solid and favourable infrastructure to enable an improved accessibility of finance by the informal manufacturing SMEs.
- **Providing Appropriate and new Technology**
- Provision of appropriate technology is a catalyst for ensuring the growth and development of the informal manufacturing SMEs. Usage of state of the art technology leads to improved products, reduced production and operating costs, innovation and improved efficiency.

### **7.9.5 Way Forward**

It is proposed that this model will guide owners and managers of the informal manufacturing SMEs on what they should do to unlock their full potential. Kasseeah (2016:432) observes that formality generally will improve the ability of the firm to establish property rights over their assets thereby reducing the risk of being harassed and fined by government officials. The main issues highlighted is to establish a symbiotic and synergistic relationship with government and the operating environment. Informal manufacturing SMEs can only grow and develop fully if it adopts a system that interacts and responds positively to developments in their operating environment.

### **7.10 Summary of Chapter**

The chapter has presented discussion, analysis and interpretation: mixed-method regarding the quantitative and qualitative research design and the proposed model. The chapter has discussed the convergent and divergent research findings in terms of the geographic location of the respondents, general SME and biographical information, the role of informal manufacturing SMEs on economic growth and development and effectiveness of economic programmes aimed at informal manufacturing SME and mentorship programmes. The chapter also argued that the informal manufacturing SMEs face a plethora of challenges that include limited accessibility finance, improper infrastructure, use of outdated technology, lack of management and marketing skills, a harsh and hostile regulatory environment and closes the gap with a proposed model that captures the earlier constraints facing the informal SMEs. The chapter concludes by discussing

the proposed business model for unlocking the informal manufacturing SMEs' potential and that the adoption of this model would ensure high growth and development of the SMEs. The next Chapter 8: Summary of Findings, Conclusions and Recommendations discusses the conclusions and recommendations of the study.

**CHAPTER 8:  
SUMMARY OF FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

## 8.1 Introduction

The previous chapter discussed the analysis and interpretation, mixed-method. This chapter presents the summary, conclusions and recommendations of the entire study on unlocking the potential of the informal manufacturing small-to-medium enterprises in an African economy. The conclusions made from the study have significant policy implications for the government of many developing countries and their respective Ministries / Department for Small and Medium Enterprises and Development, in Africa in general and Zimbabwe in particular. This study sought to develop a model in which the potential of the informal manufacturing SMEs could be unlocked.

To achieve this aim, the study addressed the following objectives:

- a. To explore the challenges faced by the informal manufacturing SMEs in Zimbabwe.
- b. To investigate the effectiveness of the economic programmes aimed at informal manufacturing SME development in an economy.
- c. To assess the role of informal manufacturing SMEs in economic growth and development in Zimbabwe.
- d. To assess the role of informal manufacturing SMEs in employment creation in Zimbabwe.
- e. To develop a business model for unlocking informal manufacturing SMEs' potential in Zimbabwe.

A mixed-method research design was employed to conduct the study. The survey method was employed to collect data using a structured questionnaire for the quantitative research design while focus group interviews were employed through a semi-structured questionnaire and interview guidelines to obtain information for qualitative research design.

Both the structured questionnaires and semi-structured questionnaires were developed by the researcher having the aim and objectives of the study in mind. The structured questionnaires collected information with respect to the geographic representation of the respondents, general SME and biographical information, challenges faced by the informal manufacturing SMEs, the role of informal manufacturing SMEs in economic growth and development, the role of informal manufacturing SMEs on employment generation, the effectiveness of economic programmes aimed at informal manufacturing enterprises and mentorship programmes (Appendix 9: Survey - Structured Questionnaire).

The semi-structured questionnaire which was in two (2) parts also collected information about the geographic representation of the respondents, general SME and biographical information (Appendix 10: Focus Group - Questionnaire) and challenges faced by informal manufacturing SMEs, the role of the informal manufacturing SMEs in economic growth, the role of an informal manufacturing SME in employment creation and effectiveness of the economic programmes by the government (Appendix 11: Interview Guidelines - Semi-Structured Questionnaire).

The survey method considered a total of eight hundred and twenty-three (823) questionnaires that were received from the participants, indicating an 82.3% response rate. All the questionnaires received were reviewed to determine their applicability and usability of the study.

Five (5) focus group interviews in Harare, Bulawayo, Gweru, Masvingo and Mutare were considered for this study. In Harare ten (10) participants representing all the informal manufacturing SMEs, ten (10) were considered in Bulawayo, eight (8) in Gweru, eight (8) in Masvingo and eight (8) in Mutare

The analyses of data for this study were done using the Statistical Package for Social Sciences (SPSS) 22.0 for Quantitative Data Analysis and Microsoft Word and Excel for Qualitative Data Analysis.

The next section summarises the outcomes of the study by research objective.

## **8.2 Summary of the Main Findings Based on Research Objectives**

### **8.2.1 Research Objective One: Identify Informal Manufacturing SMEs**

#### **Demographic Factors**

The research question corresponding to the above objective was:

**Are biographical and demographic factors a panacea to the challenges that face informal manufacturing small-to-medium enterprises?**

##### **8.2.1.1 Gender**

There are more male entrepreneurs involved in the informal manufacturing SMEs sector in Zimbabwe than females. The average percentage of men in both surveys and focus group

interviews is 56.15% while for the females its 43.85%. Generally, men are risk takers and compared to women. ZEPARU and BAZ (2014) and Mintah and Darkwah (2018) argues men are more involved in complex and larger economic activities than their female counterparts.

#### **8.2.1.2 Age**

Most of the respondents who took part in the research are in the age groups of 16-25 years to 46-55 with a cumulative percentage average age of 93%. The results reveal that there is greater number of younger owners/managers and non-management who are actively involved in the informal manufacturing SMEs in Zimbabwe.

#### **8.2.1.3 Marital Status of Participants**

Results reveal that majority of the participants in the study are married couples with an average percentage of 44.8% for both the survey and focus group interviews in the informal manufacturing SMEs sector. Birley and Westhead (1990), in support of this, point out that couples who are married work harder and have better performance at managing a business, because of family responsibilities; the psychological support they receive from the society is far greater compared to that received by divorced and single people.

#### **8.2.1.4 Education**

Summarily, the results confirm that the majority of the participants in the study had diplomas with an average percentage of 41.7%. The results further cement the notion that the majority of the players in the informal sector in Zimbabwe have at least completed primary level. Consideration can be given by the government to emphasise further informal and formal training emphasising entrepreneurship, preparation of financial statements and heavily subsidised apprentices (Sparks and Barnett, 2010:5).

#### **8.2.1.5 Category of the Informal Manufacturing SMEs in Zimbabwe**

Study results reveal the highest percentage of involvement in the food, bakery and confectionery processing with an average of 25.2%. It shows this category as being less risky and highly profitable because citizens must eat despite the harsh economic downturn in the country.

### **8.2.1.6 Number of Years of Operation for the Informal SMEs in Zimbabwe**

Results confirm that the majority of participants in the informal manufacturing SMEs have been in existence for between 1-20 years. There was a desire to spell out the age of the business since this reflects the experience and gives an indication of how long the business has survived. In general, the older the business, the more it is likely to contribute to the economy (Radipere, 2012:179). A Gemini study in (1991), concluded that most of the informal manufacturing SMEs have an average age of between 7 - 8.7 years.

### **8.2.1.7 Number of Employees of the Informal Manufacturing SMEs**

Results revealed that the majority of informal manufacturing SMEs have employees between 1-10 employees – survey 52.4% and focus group interviews 77.3% and 11-20 employees – survey 25.9% and focus group interviews 22.7%. In support of this finding, Masarira and Msweli (2013) points out that successful SMEs absorb not only a significant part of the economically active population but plays a significant role in reducing other social ills like crime, prostitution and social spending.

### **8.2.1.8 Status of the Informal SMEs in terms of Exporting**

The findings indicate that many of the participants were exporters with an average of 65.7%. Results confirm that informal manufacturing SME are exporting to neighbouring countries as a way of penetrating the regional markets.

### **8.2.1.9 Value of the Informal SMEs' Annual Sales Revenue**

Summarily the study results confirm that the annual sales revenue for the majority of the respondents were between US\$10 001 - US\$20 000 and US\$20 001 - US\$30 000. This reveals that the annual sales revenue of the informal manufacturing sector is still very much lower compared to sales annual revenue in developed countries.

## **8.2.2 Research Objective Two: To explore the challenges faced by informal manufacturing SMEs in Zimbabwe.**

The research question corresponding to the above objective was:

What are the challenges faced by the informal manufacturing SMEs in Zimbabwe?

Research results confirm that there is a statistically significant agreement that accessibility to finance is the greatest challenge, the regulatory framework, followed by research, development and marketing skills, infrastructure and collateral security, entrepreneurial and management skills and the least challenge being business structures, environment and location with the six constructs having a mean greater than three ( $M > 3$ ).

### **8.2.3 Research Objective Three: To investigate the effectiveness of the economic programmes aimed at informal manufacturing SME development in Zimbabwe.**

Results reveal that there is significant disagreement that government-initiated programmes have not been effective in informal manufacturing SMEs development. Nyamunda (2013:19) in support of government's failure to provide support to SMEs argues that despite SEDCO being created as an empowerment tool in the early 1980s, the institution's mandate was hindered by a very hostile economic and legislative climate coupled with undercapitalization. Some participants argued that the government has been using SEDCO as a device for appeasing the desperate and influential sections of its electorate.

### **8.2.4 Research Objective Four: To assess the role of informal manufacturing SMEs in economic growth and development in Zimbabwe.**

There is significant agreement that the informal manufacturing SMEs have a very important role to play in economic growth and development. Findings confirm that the average scores for the constructs  $M > 3$  indicating that informal manufacturing SMEs contribute greatly towards economic growth and development. Ayanda and Laraba (2011:204) point out that it is increasingly becoming more important for government and policy-makers that SMEs have a vital role in the growth and development of an economy. There is greater need to support and strengthen the SMEs' production capacities and global competitiveness in the economy since SME sector are recognised as the engine for economic development and growth.

### **8.2.5 Research Objective Five: To assess the role of informal manufacturing SMEs in employment creation in Zimbabwe.**

Research results reveal that the informal manufacturing SMEs have an important role in employment generation with participants from the Survey and Focus Group Interviews all alluding to that fact. Kauffman (2005:4), in support of this, points out that micro and small businesses operating in South Africa accounts for more than 55% percent of jobs available and around 22% of the country's GDP in 2003.

## **8.3 Summary of Main Conclusions**

Despite the constraints in doing this research, interesting findings and observations will be discussed: the general conclusion is that the majority of the informal manufacturing SMEs are largely driven by male entrepreneurs and are also located in urban and peri-urban areas for easy accessibility to their raw materials, infrastructure, energy, and semi-skilled labour with both methods revealing this.

As is evidenced by limited access to finance as one of their challenge, the uptake of formal financial products by the informal manufacturing SMEs is still very low and financial inclusion among the informal SMEs in the manufacturing sector is largely driven by informal mechanisms like borrowing from stokvels, savings from formal employment, loan sharks, retirement funds, disposal of movable and immovable assets, retrenchment packages and borrowing from family, friends and colleagues.

## **8.4 Recommendations of the Study**

Recommendations based on the study research findings follow. This section also provides pointers for future research as it identifies areas that the study has not tackled and where current literature is inadequate. Recommendations arising from this study are addressed to the Ministry of Small and Medium Enterprises and Cooperative Development, GoZ, Informal SMEs Associations, and any other interested stakeholders locally and regionally since they proffer practical implications and suggestions for implementation in the Zimbabwean scenario. The following main recommendations are made.

## **8.4.1 Small and Medium Enterprises' Access to Finance and Intervention Measures**

In Zimbabwe, the government recognises the importance of the informal manufacturing SMEs and the need to support their existence and development in the long run. In support of that, the Government of Zimbabwe has in the last two decades in 1997 to 2017 attempted to create various arms and departments to develop the SME sector.

In Zimbabwe, the informal manufacturing SMEs employ many people from the youth opposed to those who are of an advanced age. Informal SMEs have acted as a catalyst in ensuring economic development and raising the general standard of living of the population in Zimbabwe. Lack or limited access to finance is one major problem faced by the informal SMEs and therefore limits the informal manufacturing SMEs' ability to exploit the increased global market opportunities post Structural Adjustments Programmes (SAPs) based chiefly on liberalisation, deregulation and removal of constraints to develop international trade and improve technology transfers.

The Government of Zimbabwe should develop workable policies and programmes that may help the informal manufacturing SMEs in the short-run and long-run to compete in the local, regional and international markets and consequently easing accessibility to finance. In support of that, the government should be proactive in the development and implementation of the informal manufacturing SME financing and intervention measures. The government of Zimbabwe should tailor make the financing and intervention measures as well as enacting legislation to dovetail with the financing needs of the informal economy. Taiwo *et al.* (2016:15) in a study in Nigeria pointed out that small businesses require access to funding for their enterprises to flourish on a continuous basis. Rogerson (2008:61), on the other hand, postulates that financing, regulation and training have been a continuous thread in important policy debates in South Africa about small, medium and micro-enterprises development for many years. Accessibility to finance has been identified as a key element of promoting and strengthening the enabling operating environment for SMMEs development.

## **8.4.2 Establishment of an SME Development Bank**

The government through the responsible Ministry of Small to Medium Enterprises and Cooperative Development should consider establishing an SME Development Bank which should influence the Financial Inclusion Framework and financing issues to improve the accessibility of

financial services by the marginalised sectors such as the informal manufacturing SMEs sector. This will work towards the growth and promotion of the formalisation of the informal SMEs by ensuring easy accessibility to their financial needs and services. ZEPARU and BAZ (2014) and Kessey (2014) also note that facilitating accessibility to formal sources of finance could be a major stride in ensuring the growth of the informal SMEs sector and formalising and legalising their operations.

The SME Development Bank would also be responsible for providing quarterly, semi-annually and annual recommendations on financing and borrowing of the informal and formal SMEs. In support of this idea, Chimucheka and Mandipaka (2015) point out that despite the frantic efforts by the government in addressing the reluctance of commercial banking institutions to offer SMMEs loans since they lack the required collateral security, the government could support by developing a legal and regulatory framework that ensures that SMMEs can borrow at concessionary interest rates from state banks. Ramukumba (2014:33) in a study in South Africa, highlights that the country has a finance agency whose mandate is to improve the accessibility of finance to SMEs. Khan (2015:9), points out that government should direct its efforts on banks by closely integrating the formal financial system and the informal finance system to incentivise the SMEs owners

### **8.4.3 Institutional, Legal and Regulatory Framework Reforms –**

#### **Registration**

Legal and regulatory reforms need to be done to ensure financing, the establishment of an SME Development Bank and intervention measures are accommodated. This may include the following:

- Changing the regulations and laws surrounding financing especially in institutions that are involved in financial intermediation activities. The proposed reforms to target key areas that will lead to the increased accessibility of financial institutions like microfinance or developmental banks that are likely to have a large catchment area of the informal manufacturing SMEs borrowers and revisiting the legal requirements for borrowing by unsecured borrowers like the owners of the informal manufacturing SMEs. In addition, legislation for protecting lessees against high down payment requirements for renting manufacturing spaces needs to be considered.

- Through the Reserve Bank of Zimbabwe (RBZ) undertake policy reforms on bank charges and interest rates, the establishment of credit bureaus and more SME credit registries. In Zimbabwe, currently, we do not have credit ratings of informal manufacturing SMEs for independent analysis. In addition, SME credit registries can serve a very important role in ensuring that standardised historical information on informal manufacturing SMEs borrowers is available thereby creating a new kind of collateral-reputation collateral. The RBZ should seriously consider introducing regulations that seeks to ensure that building societies, merchant and commercial banks allocate a certain agreed percentage of their loan portfolio to the informal manufacturing SMEs. Currently, no specific banking regulations and/or directive require the banks to allocate a certain percentage of their loan portfolio to the informal manufacturing SMEs. RBZ should also encourage the formation of many developmental banks as this will contribute towards the development of the informal manufacturing SMEs in the economy.
- The Ministry of SME and Cooperative Development through the responsible Minister should call for an establishment of an independent body to identify and categorise key priority issues with respect to legislation, regulation and financing in the informal manufacturing SMEs subsectors like textile and garment making, timber and furniture making, engineering and metal fabrication, toiletry making, food, bakery and confectionery as a means to formalisation and employment creation.

The Government of Zimbabwe should ensure that information on regulatory and legislative changes concerning the informal manufacturing SMEs should be readily available to all relevant stakeholders. The current situation in Zimbabwe is such that the information structure from the Ministry of SME and Co-operative Development are disintegrated as the SME activities are housed in many different Ministries. The recommendation would be for the government to establish a portal for all the informal manufacturing SMEs to facilitate the effective provision of various online services. The government should workshop the portal services intended benefits and develop a national training programme for the informal manufacturing SMEs on how to access the online services.

In the long run, the information portal will stimulate local demand for information and communication technologies thereby ensuring that the informal manufacturing SMEs have access to domestic and international markets and overall easy access to finance both locally and internationally.

In support of the above Williams and Lansky (2013:366) observe informal sector activities tend to give an unfair leverage to illegally operating a business over formal businesses and argue that leaving this unattended cultivates a deregulatory culture that attracts law-abiding companies into the informal economy thereby running away from the required regulatory requirements in order to be competitive. Naidu and Chand (2011:255), in a study in Fiji and Tonga also noted serious concerns raised by the owners/managers of MSME with specific reference to the negative impact of regulation and taxation in the growth and survival of these entities. However, Amhaa and Woldehanna (2016); Altenburg, Hampel-Milagrosa and Loewe (2016) point out that good institutions, policies, government support programmes, legal and regulatory frameworks are key elements influencing the growth and expansion of micro-small enterprises.

#### **8.4.4 Creation of a Decentralised Informal Manufacturing SMEs**

##### **Database.**

There are millions of informal manufacturing SMEs in Zimbabwe. However, their finer details in terms of addresses and contact people are fragmented and therefore are making it difficult for the Ministry of SME and Cooperative Development to tailor-make proper solutions to ensure that this informal economy can be formalised.

The proposal for the government to establish ten (10) provincial central databases on all informal manufacturing SMEs operating in Zimbabwe. The provincial central data system would ensure comprehensive and accurate data sets relating to the informal manufacturing SMEs are available. The database would have to be updated continuously throughout all the ten (10) provinces.

Currently, the MSME database is not updated with various reasons being cited such as software failure, unavailability of forms from the province to capture and challenge of transport to facilitate data collection on informal SMEs (MoSMECD, Annual Report 2016).

Furthermore, the informal manufacturing SMEs database will be very useful to policy-makers in the country by ensuring that appropriate policies are formulated in an attempt to formalise this sector. In this regard, recommendations are made for the Ministry of Information and Communication Technologies (MoICT) to champion the creation of integrated information and communication technology database, not only for quantification of production but to facilitate trade in the domestic and foreign markets. Mbuyisa and Leonard (2017:191), point out that an

attempt to minimise the challenges faced by SMEs, several solutions can be considered including but not limited to the embracing of technology to boost operational efficiency. Indications are that mobile smartphones are overtaking computers as the tools for the execution of the day-to-day running of the SMEs, in light of their prevalence and accessibility.

#### **8.4.5 Formation of Business Incubators and Inter-Firm Linkages**

Given the very important role and contribution of the informal manufacturing sector to Zimbabwe, a proposal for the government to establish manufacturing business incubators in each province to take care of the informal manufacturing SMEs needs during its early formation up until the informal SMEs is ready to be weaned off and operate as an independent business organisation should be put on the table.

In addition, industrial linkage programmes linking similar informal manufacturing SMEs with large companies and multinational companies can be used to facilitate accessibility to market, technology transfer and business networks. Kongolo (2010:2294), in support of the above, observes government should come up with revolutionary support policies to promote and strengthen SMEs development, for example, specific incentives can be given to informal manufacturing SMEs. In summary, programmes and policies intervention should be directed towards the creation of a conducive and enabling environment in which the informal SMEs can expand their business operations. In addition, Ramukumba (2014:33), notes the need to establish skills development programmes to address the critical challenge of lack of management skills by the SMEs.

Currently, the Ministry of SME and Cooperative Development is only working on the operationalisation of the India-Africa Incubation Centre which started late in 2015 and is still facing challenges of funding.

In addition, large manufacturing organisations should be encouraged to subcontract some of their businesses to the informal manufacturing SMEs because this will go a long way in improving the market power of the informal SMEs involved and also indirectly make them access local and international financiers as they will be linked and associated with the corporate image of the large companies. In the long-run, the informal manufacturing SMEs will end up making great strides in establishing strong business networks.

More informal manufacturing SMEs should be heavily involved in marketing by working with formal manufacturing SMEs and also actively participating in trade and technology fairs. The Ministry of SME and Cooperative Development should ensure that the informal manufacturing SMEs participate at the following fairs each year:

- Zimbabwe International Trade Fair (ZITF)
- Harare Agricultural Show (HAS)
- SMEs Expo on Engineering, Production Machinery and Equipment

#### **8.4.6 Collateral Requirements Consideration**

Banking institutions should consider moving from requesting the traditional physical collateral as security and consider alternative practices such as group borrowing that can minimise uncertainties in issuing loans to the informal manufacturing SMEs. Consideration should be given for finance to be availed to the informal manufacturing SMEs in collective environments and arrangements as this can enable them to exploit and unlock their full potential. It is proposed that the informal manufacturing SMEs can form a co-operative for regulation of their operations as well as to enjoy economies of scale and thereby reducing the many challenges they might face. Amhaa and Woldehanna (2016) observe that high collateral requirements from banking institutions were considered as a major challenge for youth owned micro-small enterprises in a study in Ethiopia followed by lack of access to credit, lack of business premises, power shortages, erratic supply of water and lack of raw materials. A study by Osano and Languitone (2016) points out that collateral requirements creates a disincentive to the small to medium enterprises to acquire formal banking finance and that SMEs are denied loans by banks due to the high risk associated with lending to them.

#### **8.4.7 Enhanced Managerial and Technical Skills Training for the Informal Manufacturing SMEs**

Recommendations for enhanced decentralised managerial and technical skills training Programmes for the informal manufacturing SMEs in the country's ten (10) provinces by the government and other development partners such as World Vision, Care International, Goal, and ILO to name but a few. Tailor-made training programmes should be focused on accounting record keeping, quality assurance, entrepreneurship, branding, networking and marketing, stock control, business plan writing among many other business management courses. Inadequate business

management skills have been cited as one of the most prominent reasons for the dismal failure of the SMEs (Lutfi *et al.*, 2016).

Despite the majority of the informal manufacturing SME owners having acceptable levels of education, the majority of them heavily rely on the personal network (colleagues, friends, family and other related informal SMEs) to acquire business knowledge and skills.

Most of the informal SMEs that participated in this study lack skills for total quality management and accounting record keeping with no separation between personal and business finances. Ibidunni, Iyiola and Ibidunni (n.d), in support of the above finding state that management of SMEs needs to acquire skills in management and marketing from time to time to keep abreast of the changing economic environment. Ali, Rattanawiboonsom, Perez, and Khan (2017:394) also observe that educational institutions can be used as vehicles for educating the younger generation on the importance of SMEs with a focus of creating entrepreneurship which will lead them to self-identity, self-esteem and self-dignity.

Chimucheka and Mandipaka (2015); Mugozhi and Hlabiso (2017) reveal that government should significantly improve their programmes among SMMEs by strengthening postgraduate education especially on SMME development and project management. Improvement of managerial skills and competence can be significantly improved through the encouragement of SMMEs to make use of short and medium-term programmes being offered by government agencies.

#### **8.4.8 The Need for Government Interventions Focusing on Growth and Sustainability.**

The age of the informal manufacturing SMEs in this study can be used as a benchmark for sustainability and maturity of the SMEs given the fact of other reliable baseline data. As revealed in this study the majority of the informal SMEs in manufacturing is relatively young in operation for 5-10 years or less this being attributed to the turbulent operating economic environment in Zimbabwe.

Chidoko *et al.* (2011), in a study, highlight that corruption and bureaucratic registration processes are the major reasons why informal manufacturing SMEs are not registering their businesses to trade formally. Informal SME owners in the study cite long processes and complex and costly

requirements for registration as the reasons to remain informal. This is because the education levels for the SMEs owners are lower as discussed earlier on with the majority of the participants being diploma holders and some have challenges of engaging and completing the paperwork required by the regulatory authorities.

The government in an attempt to reduce complexities in the registration processes should consider introducing a 'one stop shop' model where interested informal manufacturing SMEs can register all their activities at once. In addition, consideration to provide awareness programmes for registration and the benefits attached thereof should be given. In support of this, Nyamwanza *et al.* (2016), observe that the Government of Zimbabwe came up with different support measures to support SMEs; among them were the liberalisation policy, infrastructure development policies – through creating market stalls in all urban centres and intentionally legalising street vending at designated areas. Sparks and Barnett (2010:6) in support, reveal that by their nature the informal activities are in many cases not reported and therefore government should find out favourable ways that allow the informal sector businesses to disclose their information without the fear of being given penalties. Olawale and Garwe (2010:736) also point out that marketing research should be done to ensure that there is enough demand for commodities being offered by the new SMEs.

#### **8.4.9 Public Utilities**

About accessibility of electricity, the Zimbabwean government should have large investments poured into electricity production and transmission. In addition, transparent regulation and professional public purchase contracts must be drafted and implemented to have a reliable supply of electricity since electricity has been singled out among the main obstacles to informal SMEs business activities.

Fjose, Grunfeld and Green (2010:24) argue in support of the finding on utilities by saying that electricity is one of the major obstacle that SMEs face in sub-Saharan Africa, and this is a regional problem related to electricity generating capacity in the region.

#### **8.5 Suggested Area of Further Research**

This study is expected to be only an eye opener regarding unlocking informal manufacturing SMEs potential in an African economy. It is a preview of important and relevant research to come in the areas of informal SMEs growth and development in Zimbabwe. This research, however, provides powerful policy tools to the Ministry of Small-to-medium enterprises and Cooperative

Development in Zimbabwe and also points out that with tight budgetary resources and various limitations policy actions should be well targeted to address the most critical issues to be effective.

The study was limited in its focus on a single country, Zimbabwe and thus it is imperative for similar studies to be done in other countries in southern, northern, eastern and western Africa in the future.

## **8.6 Summary of Thesis**

The study aimed to develop a suitable model in which the potential of the informal manufacturing SMEs can be unlocked. Chapter 1 introduced the study by providing the background to the study, the evolution of the informal SME in Zimbabwe, the rationale of the study, statement of the problem, the aim of the study and significance of the study. Chapter 2 presented the historical perspectives of the informal sector, informal SME taxonomisation in urban Zimbabwe, the role and challenges of the faced by the SMEs, linkages of informal enterprises with formal firms and empirical studies of the informal manufacturing sector in India. Chapter 3 discussed the theoretical framework on informality, the emergence of SMEs in developing countries, theoretical models linked to Africa and Zimbabwe, conceptual framework, SMEs' role in employment generation and industrial development in Africa and formalisation debate. Chapter 4 presented the methodology, the research design, the research philosophy, the mixed-method research design and research design implementation. Thus, the study used a mixed method design using survey and focus group interviews. On the other hand, Chapter 5 presented data analysis and interpretation: quantitative data. Chapter 6 discussed data analysis and interpretation: qualitative data. Chapter 7 presented a discussion of findings, analysis and interpretation: mixed-method and the proposed model while Chapter 8 documented the summary of findings, conclusions and recommendations. Based on the proposed conceptual framework / model, the researchers believe that the study objectives were addressed making this study a success.

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## **APPENDICES**

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**APPENDIX 1:**  
**CATEGORIES OF THE INFORMAL MANUFACTURING SMALL-  
TO- MEDIUM ENTERPRISES**

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<b>Food, Bakery &amp; Confectionery Processing</b>	<b>Toiletry Making</b>	<b>Textile &amp; Garment Making</b>	<b>Leather &amp; Rubber Production</b>	<b>Engineering &amp; Metal Fabrication</b>	<b>Timber &amp; furniture Making</b>
oil expressing; fruit & vegetable drying; peanut butter/jam making; milk processing, juice making; freezits making; food flavours; honey processing; meat processing; kapenta fishing and processing; grinding mills, stock feeds	Liquid soap, dishwashers; detergents; laundry/bath soap; powdered soap, tooth paste, cosmetics	Cotton processing; yarn spinning, weaving; knitting; crocheting, tie & die; tailoring (protective clothing, uniforms, corporate, ladies, gents and children's wear; embroidery, curtains	Leather, bags; shoes; jackets; belts; rubber, tyre re-treading	agricultural implements; window frames, door frame, burglar bars etc.	Timber, furniture manufacturing, arts and sculpture (wood)

**Source: Own Research**

1. Six (6) broad categories of the informal manufacturing sector that were used are shown above.
2. A generic model would be developed based on these six (6) categories

**APPENDIX 2:  
APPROVAL LETTER**



**Student Name:** Herrison Matsongoni  
**Student No.:** 215081624  
**Name of School:** Graduate school of Business & Leadership  
**Proposed Qualification:** Doctoral Of Business Administration / Doctor Of Philosophy  
**Date:** 19 October 2015

---

**Title:** Unlocking Informal SME's Potential in a Multi-currency African Economy. A Case Study of the Manufacturing Sector in Zimbabwe.

**Title:** Please rewrite the title. Rephrase- "Multicurrency" not necessary

**Research Design:** Research questions should align with research objective. State the method of testing for auditing and relating analysis.

**Theoretical Framework:** There is need to state the theories that will be applicable for the study.

**Additional comments:** Be clear as to who the population and sample of the study is.

**Panel decision:** Approved with minor corrections highlighted above.

**Congratulation!** Please revise the proposal accordingly and submit to the ethics committee for approval.

Best regards

Dr. Muhammad Hoque  
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Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

**APPENDIX 3:**  
**ETHICAL CLEARANCE LETTER – MoSMECD**



Correspondence should not be addressed to individuals

Reference: *SMED/17/18*

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ZIMBABWE

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12 February 2016.

**REF: REQUEST FOR INFORMATION FOR ACADEMIC PURPOSES: MR. HERRISON MATSONGONE: STUDENT NO. 215081624: UNIVERSITY OF KWAZULU-NATAL.**

Reference is made to your letter dated 30 December 2015 in respect of the above.

We hereby confirm that the Ministry accepted your request and that you be given access to the requested information pertaining to unlocking informal SME's potential in a Multi-currency African Economy.

You are hereby directed to approach the Director Research and Policy Development on the 6<sup>th</sup> floor, Linguenda House. The Division can be contacted at the following contact details: Office No. 615, 6<sup>th</sup> floor, Linguenda House, c/o Mr. B. Mangosho, cell 0775 747 114, email address: [bemangosho@smeed.gov.zw](mailto:bemangosho@smeed.gov.zw).

By copy of this letter, the Division have been advised accordingly.



*W. Kurezi*  
W. Kurezi

For: Secretary Small and Medium Enterprise and Cooperative Development  
Cc: Director Research and Policy Development.

**APPENDIX 4:**  
**ETHICAL CLEARANCE LETTER - RESEARCH OFFICE**



15 March 2016

Mr Harrison Matsongoni 215081624  
Graduate School of Business and Leadership  
Westville Campus

Dear Mr Matsongoni

Protocol reference number: HSS/0209/0160

Project Title: Unlocking Informal small to medium enterprises (SME) potential in an African Economy. A case study of the manufacturing sector in Zimbabwe

**Full Approval – Expedited Application**

In response to your application received 3 March 2016, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shenuka Singh (Chair)  
Humanities & Social Sciences Research Ethics Committee

/pm

Cc Supervisor: Dr Emmanuel Mufambara & Dr M Hoque  
Cc Academic Leader Research: Dr M Hoque  
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag 204001, Durban 4000

Telephone: +27 (0) 31 260 3507/03534537 Facsimile: +27 (0) 31 293 4809 Email: [sa@ukzn.ac.za](mailto:sa@ukzn.ac.za) / [smrmanm@ukzn.ac.za](mailto:smrmanm@ukzn.ac.za) / [mon-tp@ukzn.ac.za](mailto:mon-tp@ukzn.ac.za)

Website: [www.ukzn.ac.za](http://www.ukzn.ac.za)

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**APPENDIX 5:**  
**INFORMED CONSENT LETTER – RESEARCHER**

**UNIVERSITY OF KWAZULU-NATAL**  
**GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

Dear Respondent,

**DBA/PhD Research Project**

**Title: Unlocking Informal Small to Medium Enterprises' (SMEs) Potential in an African Economy. A Case Study of the Manufacturing Sector in Zimbabwe.**

**Researcher:** Herrison Matsongoni

Email: htsongaz@gmail.com

Mobile: +27 83 688 7975

**Supervisor:** Dr Emmanuel Mutambara

Telephone: +27 31 260 8129

Mobile: +2774 561 5083

**Research Office:** Ms P Ximba

Telephone: +27 31 260 3587

I, **Herrison Matsongoni** a DBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu-Natal. You are invited to participate in a research project entitled, *'Unlocking Informal Small to Medium Enterprises' (SMEs) Potential in an African Economy. A Case Study of the Manufacturing Sector in Zimbabwe'* The aim of this study is to explore the challenges faced by informal manufacturing SME's in Zimbabwe and to develop a feasible model in which their potential can be unlocked.

Through your participation. I hope to understand the challenges faced by the informal manufacturing SMEs in Zimbabwe. The results of the survey/focus group interviews are intended to contribute to the development of a model for unlocking informal manufacturing SME's potential in Zimbabwe and African economies at large.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequences. There will be no monetary gain from participating in this survey/focus group interviews. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, University of KwaZulu-Natal.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about thirty (30) minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's signature \_\_\_\_\_ Date \_\_\_\_\_

**This page is to be retained by participant**

**APPENDIX 6:**  
**INFORMED CONSENT – PARTICIPANT**

**UNIVERSITY OF KWAZULU-NATAL  
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

**DBA/PhD Research Project**

**Title: Unlocking Informal Small to Medium Enterprises' (SMEs) Potential in an African Economy. A Case Study of the Manufacturing Sector in Zimbabwe.**

**Researcher:** Herrison Matsongoni

Email: htsongaz@gmail.com

Mobile: +27 83 688 7975

**Supervisor:** Dr Emmanuel Mutambara

Telephone: +27 31 260 8129

Mobile: +2774 561 5083

**Research Office:** Ms P Ximba

Telephone: +27 31 260 3587

**CONSENT**

I..... (full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

**Additional consent, where applicable**

I hereby provide consent to:

Audio-record my interview / focus group discussion YES/NO

Video-record my interview / focus group discussion YES/NO

Use of my photographs for research purposes YES/NO

\_\_\_\_\_  
SIGNATURE OF PARTICIPANT

\_\_\_\_\_  
DATE

\_\_\_\_\_

\_\_\_\_\_

SIGNATURE OF WITNESS

DATE

**This page is to be retained by researcher**

**APPENDIX 7:**  
**AN INTRODUCTORY LETTER TO PARTICIPANTS**



Graduate School of Business and Leadership

Researcher: Herrison Matsongoni

Email: [htsongaz@gmail.com](mailto:htsongaz@gmail.com)

Mobile: +27 83 688 7975

**Dear Respondent**

I am carrying out an academic research entitled “**Unlocking Informal Small to Medium Enterprises’ (SMEs) Potential in an African Economy. A Case Study of the Manufacturing Sector in Zimbabwe.**” in partial fulfilment of the requirements of the Doctor of Business Administration (DBA) Degree at the University of KwaZulu-Natal (UKZN) in Durban, South Africa. The study also aims to develop a model for unlocking informal manufacturing SMEs’ potential in an African economy.

Could you kindly provide information by completing this questionnaire to the best of your knowledge? Your involvement is completely voluntary and you have a right to ask for more information, raise any issues or concerns. No identifiable individual responses collected in this questionnaire will be disclosed in this study. Your responses will be treated as confidential and will not be used for purposes other than those intended for this research. This questionnaire should take approximately twenty-five (25) minutes to complete.

For any further information, do not hesitate to contact the researcher on the above contact details and/or my supervisor Dr Emmanuel Mutambara on the following email address: [mutambara@ukzn.ac.za](mailto:mutambara@ukzn.ac.za)

Thank you in anticipation

**Herrison Matsongoni**

**Student Number 215081624**

**APPENDIX 8:**  
**SURVEY - STRUCTURED QUESTIONNAIRE**

QUESTIONNAIRE NUMBER :

CITY :

(TO BE USED BY THE RESEARCHER CONDUCTING THE INTERVIEW)

**PART I**

**SECTION A: GENERAL SME AND BIOGRAPHICAL INFORMATION**

Researcher / Research Assistant:

\_\_\_\_\_

Date:

\_\_\_\_\_

**Please answer the questions below by placing a tick (✓) in the box that is appropriate.**

A1. What is your gender?

1. Male
2. Female

A2. What is your age group?

1. 16 - 25 years
2. 26 - 35 years
3. 36 - 45 years
4. 46 - 55 years
5. 56 - 65 years
6. 66+ years

A3. What is your marital status?

1. Single
2. Married
3. In Partnership
4. Divorced
5. Widowed

A4. What is your highest qualification?

- 1. High School
- 2. Certificate
- 3. Diploma
- 4. Degree
- 5. Honours
- 6. Masters
- 7. PhD
- 8. Others: Specify

A5. In which category of the informal manufacturing sector is your business operating in?

- 1. Food, bakery and confectionery processing
- 2. Toiletry making
- 3. Textile and garment making
- 4. Leather and rubber making
- 5. Engineering /foundry and metal fabrication
- 6. Timber and furniture making
- 7. Others, specify.....

A6. How many employees (including yourself) do you employ?

- 1. 1 - 10 employees
- 2. 11- 20 employees
- 3. 21- 30 employees
- 4. 31- 40 employees
- 5. 41- 50 employees
- 6. 51- 60 employees
- 7. 61+ employees

A7. How many years have you been operating?

- 1. 1 - 5 years
- 2. 6 - 10 years
- 3. 11- 15 years
- 4. 16 - 20 years

- 5. 21 - 25 years
- 6. 26 - 30 years
- 7. 31 - 35 years
- 8. 36 - 40 years
- 9. 41 - 45 years
- 10. 46 - 50 years
- 11. 51+ years

A8. What is your designation in the business? (Select **ONE** option only)

- 1. Owner
- 2. Management
- 3. Non-management
- 4. Both owner and manager
- 5. Others, specify .....

A9. Are you an exporter of your finished goods?

- 1. Yes
- 2. No

A10. What is the value of your annual revenue/sales in United States dollars?

- 1. Up to US\$10000
- 2. US\$10001 – US\$20000
- 3. US\$20001 – US\$30000
- 4. US\$30001 – US\$40000
- 5. US\$40001 – US\$50000
- 6. US\$50001 – US\$60000
- 7. US\$60001 – US\$70000
- 8. US\$70001 – US\$80000
- 9. US\$80001 – US\$90000
- 10. US\$90001 – US\$100 000
- 11. >US\$100 000

**PART: II**

**Indicate your agreement with each of the statements below:**

**SECTION B. CHALLENGES FACED BY INFORMAL MANUFACTURING**

**SMES**

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>SECTION B1: ACCESS TO FINANCE THEME</b>					
B1.1. We have difficulty accessing finance from financial institutions.					
B1.2. We cannot afford to borrow capital from banks because of the high costs					
B1.3. Our business has a shortage of capital.					
B1.4. Due to good management of our credit, we are able to operate the business using proceeds from our sales.					
B1.5. We obtained funds informally to start the business because we were not able to access funding from a financial institution.					
B1.6. Limited access to finance is hindering our operations.					
<b>SECTION B2: INFRASTRUCTURE AND COLLATERAL SECURITY THEME</b>					
B2.1. Our organisation lacks modern equipment for manufacturing.					
B2.2. Our expansion is limited because of inaccessibility to land.					
B2.3. Limited access to water and electricity is hindering our growth.					
B2.4. We do not have access to adequate current technology.					

B2.5. We are facing challenges due to lack of collateral security.					
B2.6. High rent is limiting our expansion drive in other areas, towns and regions.					
B2.7. Delivery of our raw materials is hindered by poor infrastructure.					
B2.8. We experience losses (pilferage) at our premises because of poor infrastructure and systems.					
<b>SECTION B3: RESEARCH, DEVELOPMENT AND MARKETING SKILLS THEME</b>					
B3.1. We lack marketing skills to market our products internationally.					
B3.2. Our business lacks market knowledge of its products and by-products.					
B3.3. Lack of access to markets is one of our business challenges.					
B3.4. We have difficulties in accessing business networks and market information.					
B3.5. We follow market design trends for our products in our business.					
B3.6. Our market catchment is both local and international clients.					
B3.7. We engage in new product research and development for our business.					
B3.8. We value our research and development as it is crucial in developing new products.					
B3.9. We investigate activities of our business to improve products and procedures.					
B3.10. We have strong research and development for our business.					

<b>SECTION B4: BUSINESS STRUCTURES, ENVIRONMENT AND LOCATION THEME</b>					
B4.1. Family members support and manage the business activities.					
B4.2. Our business has an established structure. (i.e. someone is in charge of the business, and there is a designated person who is responsible for paying salaries etc.)					
B4.3. Our employees respect the business structure of our informal SME.					
B4.4. We have a favourable operating location for our business.					
B4.5. The operating environment is conducive to the business.					
B4.6. We have partnerships and networks in other areas.					
B4.7. We have high cases of theft within our business.					
<b>SECTION B5: ENTREPRENEURIAL AND MANAGEMENT SKILLS THEME</b>					
B5.1. We have sufficient entrepreneurial and management skills.					
B5.2. All our employees have an adequate level of education for this business.					
B5.3. We have the skills for keeping accurate records.					
B5.4. We have skills to do quality control checks within our business.					
B5.5. Our employees need the training to improve their skills.					
<b>SECTION B6: LEGAL AND REGULATORY FRAMEWORK THEME</b>					
B6.1. A hostile and strict government regulatory environment hinders our business.					
B6.2. We experience serious problems when dealing with the city council /local board.					
B6.3. Getting an operating license is affected by long bureaucratic processes					
B6.4. High tax hinders the development of informal manufacturing SMEs.					
B6.5. We experience problems with our regulatory framework.					
B6.6. Regulatory problems are not adequately addressed by the government.					
B6.7. We rely on Government initiatives to run our business.					

### SECTION C. ROLE OF INFORMAL MANUFACTURING SMES ON ECONOMIC GROWTH AND DEVELOPMENT

	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
C1. The average number of employees at our SME is increasing over time.					
C2. Because of our business, there has been a reduction in poverty levels of our employees.					
C3. Our standard of living is improving as a result of this SME.					
C4. This SME pays value added tax (VAT), thus contributing towards the fiscal revenue of the economy.					
C5. Our lives have improved through the incomes we get from our business.					
C6. We have adequate incomes from this SME for the upkeep of our families.					
C7. The products we manufacture contribute towards the gross domestic product (GDP) and by extension the economic growth of our economy.					

### SECTION D. ROLE OF INFORMAL SMES ON EMPLOYMENT GENERATION

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
D1. Our business has created jobs in the informal manufacturing sector.					
D2. Our permanent and contract employees have increased in numbers over the years.					
D3. Because we are properly/adequately registered and supported, our business is able to create jobs.					
D4. Because we get the necessary support, the number of employees employed in the business is increasing.					

D5. Government is hindering employment generation in our business by creating a bureaucracy in the registration processes.					
D6. Employment generation is important to our business (SME)					
D7. Although we are not formally registered, we are formally operating and therefore able to create jobs in the economy.					

**SECTION E. EFFECTIVENESS OF ECONOMIC PROGRAMMES AIMED AT INFORMAL MANUFACTURING SMALL-TO-MEDIUM ENTERPRISES**

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
E1. Government initiated programmes on cluster development for the informal manufacturing SMEs have positively affected this business.					
E2. Government initiatives in SME Revolving Fund programmes to support informal SMES have been effective.					
E3. Government initiated programmes on Diverse Credit Finance (loan programmes) ensure that our business achieves growth and expansion.					
E4. The information and advice provided by the Ministry of Small to Medium Enterprises through Small Enterprises Development Co-operation (SEDCO) is adequate to support our SMEs.					
E5. Funds allocated by the government under the SME Revolving Fund for SMEs have helped us improve our business.					
E6. Government support through business incubation programmes has helped our business.					

E7. We benefited through government's entrepreneurship and development programmes.					
E8. The government initiatives such as start your business (SYB) and start and improve your business (SIYB) have helped our business.					
E9. Our business has benefitted from technical skills training development programs offered by private sector organisation and government.					

## SECTION F. MENTORSHIP PROGRAMMES

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
F1. Government have partnered with private companies to give effective mentorship to our businesses.					
F2. The government initiated mentorship programmes have been very effective in our business.					
F3. Mentorship programmes have been important for the success of this business.					
F4. We felt ready to lead the informal SME in a better way after attending the mentorship programme(s).					
F5. We have benefited by attending government programmes on SME development and leadership.					
F6. The number of mentorship programmes being offered by government to our business is adequate.					

**Thank you for taking your time to complete the questionnaire**

**APPENDIX 9:**  
**SEMI-STRUCTURED QUESTIONNAIRE:**  
**FOCUS GROUP**

**QUESTIONNAIRE NUMBER** :

**CITY** :

(TO BE USED BY THE RESEARCHER CONDUCTING THE INTERVIEW)

**PART I**

**SECTION A: GENERAL SME AND BIOGRAPHICAL INFORMATION**

Interviewer:

\_\_\_\_\_

Interview Date:

\_\_\_\_\_

**Please answer the questions below by placing a tick (✓) in the box that is appropriate.**

A1. What is your gender?

- |                          |           |
|--------------------------|-----------|
| <input type="checkbox"/> | 1. Male   |
| <input type="checkbox"/> | 2. Female |

A2. What is your age group?

- |                          |                  |
|--------------------------|------------------|
| <input type="checkbox"/> | 1. 16 - 25 years |
| <input type="checkbox"/> | 2. 26 - 35 years |
| <input type="checkbox"/> | 3. 36 - 45 years |
| <input type="checkbox"/> | 4. 46 - 55 years |
| <input type="checkbox"/> | 5. 56 - 65 years |
| <input type="checkbox"/> | 6. 66+ years     |

A3. What is your marital status?

- |                          |                   |
|--------------------------|-------------------|
| <input type="checkbox"/> | 1. Single         |
| <input type="checkbox"/> | 2. Married        |
| <input type="checkbox"/> | 3. In Partnership |
| <input type="checkbox"/> | 4. Divorced       |
| <input type="checkbox"/> | 5. Widowed        |

A4. What is your highest qualification?

- 1. High School
- 2. Certificate
- 3. Diploma
- 4. Degree
- 5. Honours
- 6. Masters
- 7. PhD
- 8. Others: Specify

A5. In which category of the informal manufacturing sector is your business operating in?

- 1. Food, bakery and confectionery processing
- 2. Toiletry making
- 3. Textile and garment making
- 4. Leather and rubber making
- 5. Engineering /foundry and metal fabrication
- 6. Timber and furniture making
- 7. Others, specify.....

A6. How many employees (including yourself) do you employ?

- 1. 1 - 10 employees
- 2. 11- 20 employees
- 3. 21- 30 employees
- 4. 31- 40 employees
- 5. 41- 50 employees
- 6. 51- 60 employees
- 7. 61+ employees

A7. How many years have you been operating?

- 1. 1 - 5 years
- 2. 6 - 10 years
- 3. 11- 15 years
- 4. 16 - 20 years

- 5. 21 - 25 years
- 6. 26 - 30 years
- 7. 31 - 35 years
- 8. 36 - 40 years
- 9. 41 - 45 years
- 10. 46 - 50 years
- 11. 51+ years

A8. What is your designation in the business? (Select **ONE** option only)

- 1. Owner
- 2. Management
- 3. Non-management
- 4. Both owner and manager
- 5. Others, specify .....

A9. Are you an exporter of your finished goods?

- 1. Yes
- 2. No

A10. What is the value of your annual revenue/sales in United States dollars?

- 1. Up to US\$10000
- 2. US\$10001 – US\$20000
- 3. US\$20001 – US\$30000
- 4. US\$30001 – US\$40000
- 5. US\$40001 – US\$50000
- 6. US\$50001 – US\$60000
- 7. US\$60001 – US\$70000
- 8. US\$70001 – US\$80000
- 9. US\$80001 – US\$90000
- 10. US\$90001 – US\$100 000
- 11. >US\$100 000

**END OF QUESTIONNAIRE**

**APPENDIX 10:**  
**INTERVIEW GUIDELINES: SEMI-STRUCTURED**  
**QUESTIONNAIRE**



## GRADUATE SCHOOL OF BUSINESS & LEADERSHIP (GSBL)

### SEMI-STRUCTURED QUESTIONNAIRE FOR FOCUS GROUP INTERVIEWS

#### Introduction of the Interviewer

Hello, my name is Herrison Matsongoni. I want to do a Focus Group Interview as part of my Doctorate in Business Administration (DBA) thesis titled, *'Unlocking Informal Small to Medium Enterprises' (SMEs) Potential in an African Economy. A Case Study of the Manufacturing Sector in Zimbabwe.'*

During the focus group interview, I would like to discuss the following topics, *challenges faced by informal manufacturing SMEs, role of informal manufacturing SMEs in employment creation and economic growth, effectiveness of government programmes towards informal manufacturing SMEs development and models for unlocking informal SMEs' potential in an African economy*

## **Topic 1: Challenges faced by informal Manufacturing SMEs**

1.1 Tell us why you started your informal business in manufacturing?

**PROBES**

Tell me more about what business knowledge and skills your business need and how you think there can be acquired?

1.2 Could you please tell us the challenges faced by your businesses, in Zimbabwe?

**PROBES**

What did you mean when you said .....? Are there any other challenges you would like to tell me about? How did you overcome some of these challenges like financing, human resources skills, government interference? What did you do?

**PROBES**

Tell me more about what business knowledge and skills your business has and how you think there can be improved/acquired?

1.3 Do you think that some of these challenges can be addressed by the government? Which ones in particular?

**PROBES**

What do you think the government should do to address those problems? What initiatives is government currently doing to solve your problems? Do you have suggestions on things that could be done differently to be more effective?

1.4 How did you finance your informal manufacturing business from inception?

**PROBES**

Was there a possibility for you to get funding from government? Can you give me more details? How would you describe the impact of interest rates and taxes on your business? What challenges, if any, did you experience to access finance?

1.5 How has your business changed your life?

**PROBES**

Has your business benefited the community? How did it benefit the community?

1.6 What are the major obstacles your business is currently facing?

**PROBES**

How can these problems be overcome? What difficulties, if any, have you had in accessing business networks? What difficulties, if any, have you experienced in accessing market information?

**Topic 2: Role of the informal manufacturing SME's in economic growth**

2.1 What is the role of the informal manufacturing SMEs in economic growth and development?

**PROBES**

Is your business contributing to the economy? What do you think can be done by the government to boost your contribution towards economy?

2.2 What is the government doing to boost the contribution of the informal sector in Zimbabwe?

2.3 What future difficulties do you anticipate in the manufacturing SME's in Zimbabwe?

**PROBES**

What solutions do you have to address these difficulties? How can these difficulties be avoided?

**Topic 3: Role of informal manufacturing SME's in employment creation.**

3.1 What is the contribution of the manufacturing SMEs towards employment creation?

**PROBES**

Can you expand a little on this? How many people does your business employ? How many are permanent and contract?

**PROBES**

Is there any possibility to increase this number? What do you think should be the role of government in ensuring more people are involved in the informal manufacturing sector?

3.2 Do you allow your employees to have workers' representative within your organisation?

**PROBES**

Are you an affiliate of any Trade Union? Why are you happy/not happy with your employees being affiliated with the Trade Union?

3.3 In light of the high rate of unemployment what role do you think the government has to assist informal manufacturing SMEs to generate jobs?

**PROBES**

What type of assistance do you think the government should give to the informal manufacturing SMEs?

**Topic 4: Effectiveness of the economic programmes by government**

4.1 How has the provision of utility services by government affected the running of your business?

**PROBES**

What do you think the government should do to address that? If the provisions of these services are improved how will this improve your business?

4.2 What programmes have been created by the government to promote the development of informal SMEs into becoming formal?

**PROBES**

Has your business benefited from any of these? Why? Which of these support initiatives has your business benefited from? How did you benefit from these programmes? What else do you think the government should do?

4.3 Has your business benefited from any of these?

4.4 Are the initiatives by government good enough to stimulate the development or creation of the informal manufacturing SMEs? How so?

<b>PROBES</b>
---------------

Is there anything else you would want to tell me? What skills development programmes offered by the government have you attended since you started your informal business? Would you recommend other informal business owners to attend these programmes and why?

**Topic 5: Conclusion**

5.1 What comments or questions do you have for me? What would you like to tell me that you have thought about during this focus group interview?

5.2 I would like to return to some of the earlier discussions to ensure that I have understood you correctly and to ensure that we have captured all the viewpoints.

5.3 I thank you all very much for your time and your valuable insights that you have shared with me during this discussion.

**END OF SEMI-STRUCTURED INTERVIEW**

**APPENDIX 11:**  
**CONFIRMATION LETTER - FOCUS GROUP INTERVIEWS**



Graduate School of Business and Leadership

Researcher: Herrison Matsongoni

Email: [htsongaz@gmail.com](mailto:htsongaz@gmail.com)

Mobile: +27 83 688 7975

17 December 2017

**Dear Participant**

Thank you very much for your acceptance and willingness to be actively involved in our Focus Group Interviews for an academic research entitled “**Unlocking Informal Small to Medium Enterprises’ (SMEs) Potential in an African Economy. A Case Study of the Manufacturing Sector in Zimbabwe.**”

As indicated in our earlier telephonic conversation, we would like to hear your diverse views and opinions about the informal manufacturing SMEs in Zimbabwe. You shall be in a group of between 6 -10 participants and all your responses will be kept anonymous.

The venue, date, and time for the focus group interviews are provided below:

<b>Venue</b>	Mbare, Harare
<b>Date</b>	
<b>Time</b>	0900hrs -1030hrs

If you need directions to the venue for the focus group and/or you will not be able to join us for any reasons. Please call as soon as possible on +27836887975, so we can make alternative arrangements to invite someone else.

Thank you in anticipation

**Herrison Matsongoni**

**Student Number 215081624**

**APPENDIX 12:  
RESEARCH ASSISTANTS**

**UNIVERSITY OF KWAZULU-NATAL**  
**GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

**DBA / PhD Research Project**

**Title: Unlocking Informal Small to Medium Enterprises' (SMEs) Potential in an African Economy. A Case Study of the Manufacturing Sector in Zimbabwe.**

**Researcher:** Herrison Matsongoni

Email: htsongaz@gmail.com

Mobile: +27 83 688 7975

**Supervisor:** Dr Emmanuel Mutambara

Telephone: +27 31 260 8129

Mobile: +27 74 561 5083

**Research Office:** Ms P Ximba

Telephone: +27 31 260 3587

No	First Name	Second Surname	Mobile Number	Email address
1.				
2.				
3.				
4.				
5.				

<b>6.</b>				
<b>7.</b>				
<b>8.</b>				
<b>9.</b>				
<b>10.</b>				

**APPENDIX 13:**  
**TIME SCALE – WORKPLAN**

**Doctor of Business Administration (DBA) – GSB&L**

<b>Completed Stages</b>		<b>Dates</b>	<b>Status</b>
1.	Registration - DBA Student No. 215081624	March 2015	Done
2.	Doctoral Proposals Seminars and Supervisor Allocation	April 2015 - May 2015	Done
3.	Proposal Defence	October 2015	Done
4.	Ethical Clearance - Ref: HSS/0203/016D	January - March 2016	Done
5.	Chapter 1: Introduction	April - June 2016	Done
6.	Chapter 2: Literature Review	July - August 2016	Done
7.	Chapter 3: Theoretical and Conceptual Frameworks for Informality	August - September 2016	Done
8.	Chapter 4: Research Methodology and Research Design	October - November 2016	Done
9.	Data Collection and Fieldwork	December 2016 - January 2017	Done
10.	Data Analysis - Quantitative Data	February - March 2017	Done
11.	Chapter 5: Data Presentation, Analysis and Interpretation: Quantitative Data	April - May 2017	Done
12.	Chapter 6: Data Analysis - Qualitative Data and Letter of Intention to submit	June - July 2017	Done
13.	Chapter 6: Data Presentation, Analysis and Interpretation: Qualitative Data	August - August 2017	Done
14.	Chapter 7: Discussion of Findings, Analysis and Interpretation: Mixed-method and the Proposed Model.	August - September 2017	Done
15.	Chapter 8: Summary of Findings, Conclusions and Recommendations	October - November 2017	Done
16.	Presentation of the First Draft Thesis	November 2017	Done
17.	Correcting the First Draft Thesis	November 2017	Done
18.	Professional Language Editing	November 2017	Done
19.	Submitting the Final Draft Thesis for marking	December 2017	Done
20.	Submitting the Final Thesis	December 2017	Done



**APPENDIX 14:  
MONETARY BUDGET**

<b>NUMBER</b>	<b>DESCRIPTION</b>	<b>TOTAL (ZAR)</b>
1.	Airfares - Durban to Harare; Car Hire	30 000.00
2.	Research assistants, accommodation and miscellaneous	65 000.00
3.	Bond paper, Printing and recording systems - questionnaires	5 500.00
4.	Internet Browsing - Outside Campus 50hrs @R10	2 500.00
5.	Thesis editing	5 000.00
6.	Final editing of thesis	2 000.00
7.	Printing and binding	5 000.00
	<b>TOTAL COST</b>	<b>115 000.00</b>

**APPENDIX 15:**  
**TABLES - QUANTITATIVE DATA**

**Table 16.1: Cities**

<b>Name of City</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Harare	239	29	29
Bulawayo	83	10.1	39.1
Gweru	153	18.6	57.7
Masvingo	178	21.6	79.3
Mutare	170	20.7	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.2: Gender**

<b>Sex</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Male	457	55.5	55.5
Female	366	44.5	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.3: Age Group of Participants**

<b>Age Group</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
16-25	176	21.4	21.4
26-35	252	30.6	52
36-45	245	29.8	81.8
46-55	110	13.4	95.1
56-65	32	3.9	99
66+	8	1	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.4: Marital Status of Participants**

<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Single	181	22	22
Married	438	53.2	75.2
In partnership	124	15.1	90.3
Divorced	50	6.1	96.4
Widowed	30	3.6	100

<b>Total</b>	<b>823</b>	<b>100</b>	
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Source: Own, 2017

**Table 16.5: Level of Education**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
High School	201	24.4	24.4
Certificate	231	28.1	52.5
Diploma	256	31.1	83.6
Degree	114	13.9	97.4
Honours	15	1.8	99.3
Masters	6	0.7	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.6: Category of the Sector**

<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Food, bakery and confectionery processing	228	27.7	27.7
Toiletry Making	131	15.9	43.6
Textile and garment making	146	17.7	61.4
Leather and rubber making	76	9.2	70.6

Engineering / foundry and metal fabrication	169	20.5	91.1
Timber and furniture making	73	8.9	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.7: Number of Employees**

Number of employees	Frequency	Percentage	Cumulative Percentage
1-10	431	52.4	52.4
11-20	213	25.9	78.3
21-30	110	13.4	91.6
31-40	36	4.4	96.0
41-50	19	2.3	98.3
51-60	8	1.0	99.3
61+	6	0.7	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.8: Years of Operating**

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
1-5	275	33.4	33.4
6-10	279	33.9	67.3
11-15	164	19.9	87.2
16-20	69	8.4	95.6
21-25	14	1.7	97.3
26 – 30	12	1.5	98.8
31 -35	5	0.6	99.4
36 -40	3	0.4	99.8
41-45	1	0.1	99.9
46-50	1	0.1	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.9: Designation of Participants**

<b>Designation</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Owner	371	45.1	45.1
Management	242	29.4	74.5
Non-management	60	7.3	81.8
Both owner and manager	150	18.2	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.10: Exporter**

<b>Exporter</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Yes	396	48.1	48.1
No	427	51.9	100
<b>Total</b>	<b>823</b>	<b>100</b>	

Source: Own, 2017

**Table 16.11: Annual Sales**

<b>Sales</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Up to US\$10000	225	27.3	27.3
US\$10001 - US\$20000	255	31	58.3
US\$20001 - US\$30000	220	26.7	85.1
US\$30001 - US\$40000	65	7.9	93.0
US\$40001 - US\$50000	31	3.8	96.7
US\$50001 - US\$60000	12	1.5	98.2
US\$60001 - US\$70000	6	0.7	98.9
US\$70001 - US\$80000	1	0.1	99
US\$80001 - US\$90000	2	0.2	99.3
US\$90001 – US\$100000	3	0.4	99.6
US\$100000+	3	0.4	100
<b>Total</b>	<b>823</b>	<b>100</b>	

**Source: Own, 2017**

**APPENDIX 16:**  
**TABLES – QUALITATIVE DATA**

**Table 17.1: Cities**

<b>Name</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Harare	10	22.7	22.7
Bulawayo	10	22.7	45.5
Gweru	8	18.2	63.6
Masvingo	8	18.2	81.8
Mutare	8	18.2	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.2: Age Group Category**

<b>Age Group</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
16 - 25	2	4.5	4.5
26 - 35	5	11.4	15.9
36 - 45	16	36.4	52.3
46 -55	17	38.6	90.9
56 - 65	4	9.1	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.3: Level of Education**

Level of Education	Frequency	Percent	Cumulative Percent
High School	3	6.8	6.8
Certificate	14	31.8	38.6
Diploma	23	52.3	90.9
Degree	3	6.8	97.7
Honours	1	2.3	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.4: Category of the Sector**

Category of the Sector	Frequency	Percent	Cumulative Percent
Food, bakery and confectionery processing	10	22.7	22.7
Toiletry making	5	11.4	34.1
Textile and garment making	9	20.5	54.5
Leather and rubber making	6	13.6	68.2
Engineering/foundry and metal fabrication	7	15.9	84.1
Timber and furniture making	7	15.9	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.5: Number of Employees**

Category of employees	Frequency	Percent	Cumulative Percent
1 -10	34	77.3	77.3
11-20	10	22.7	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.6: Years of Operating**

Range	Frequency	Percent	Cumulative Percent
1 -5	10	22.7	22.7
6 -10	25	56.8	79.5
11 -15	8	18.2	97.7
16 - 20	1	2.30	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.7: Designation of Participants**

Designation	Frequency	Percent	Cumulative Percent
Owner	9	20.5	20.5
Management	11	25.0	45.5
Non-management	3	6.8	52.3
Both owner and manager	21	47.7	100

<b>Total</b>	<b>44</b>	<b>100</b>	
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Source: Own, 2017

**Table 17.8: Exporter**

<b>Exporter</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>
Yes	35	79.5	79.5
No	9	20.5	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.9: Annual Sales**

<b>Sales per annum</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percentage</b>
US\$10001- US\$20000	5	11.4	11.4
US\$20001 -US\$30000	23	52.3	63.6
US\$30001- US\$40000	10	22.7	86.4
US\$40001-US\$50000	4	9.1	95.5
US\$50001-US\$60000	2	4.5	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.10: Marital Status of Participants**

Marital Status	Frequency	Percent	Cumulative Frequency
Single	5	14.4	11.4
Married	16	36.4	47.7
In partnership	8	18.2	65.9
Divorced	9	20.5	86.4
Widowed	6	13.6	100
<b>Total</b>	<b>44</b>	<b>100</b>	

Source: Own, 2017

**Table 17.10: Consolidated Information - Focus Group Interviews: Qualitative Data**

		Focus Group 1 Harare	Focus Group 2 Bulawayo	Focus Group 3 Gweru	Focus Group 4 Masvingo	Focus Group 5 Mutare
Number of participants in group		10	10	8	8	8
Gender	Male	7	6	5	5	2
	Female	3	4	3	3	6
Age	16 - 25	-	1	-	1	-
	26 - 35	3	1	-	-	2
	36 - 45	4	3	3	4	1
	46 - 55	2	4	3	3	5
	56 - 65	1	1	2	-	-
Marital Status	Single	1	2	-	1	1

	Married	4	2	2	4	3
	Partnership	1	2	3	1	1
	Divorced	2	3	1	1	2
	Widowed	1	1	2	1	1
Education	High school	1	1	-	-	1
	Certificate	2	2	3	3	3
	Diploma	4	6	5	5	4
	Degree	2	1	-	-	-
	Honours	1	-	-	-	-
Category of manufacturing SME	Food processing and confectionery processing	2	3	1	2	2
	Toiletry making	1	1	1	1	1
	Textile & garment making	1	1	3	3	1
	Leather & rubber making	2	1	1	1	1
	Engineering, foundry and metal work	2	2	2	1	1
	Timber and furniture making	2	2	-	-	2
	1 - 10	6	7	8	6	7

Number of employees	11 - 20	3	3	-	2	1
	21 - 30	-	-	-	-	-
	31 - 40	-	-	-	-	-
Years of operation	1 - 5	1	2	4	2	2
	6 - 10	5	3	4	6	6
	11 - 15	4	4	-	-	-
	16 - 20	-	1	-	-	-
Designation of representative	Owner	1	3	1	1	3
	Management	1	3	3	2	2
	Non-management	1	-	-	2	-
	Owner and manager	7	4	4	3	3
Export status	Yes, exporting	7	8	6	7	6
	No, not exporting	3	2	2	1	2
Annual turnover (US\$)	10001 - 20000	-	2	-	-	-
	20001 - 30000	-	-	5	8	2
	30001 - 40000	5	4	3	-	5
	40001 - 50000	3	2	-	-	1
	50001 - 60000	2	2	-	-	-

Source: Own, 2017

**APPENDIX 17:**  
**INTERVIEW SCHEDULE - CODE BOOK**

**GRADUATE SCHOOL OF BUSINESS & LEADERSHIP (GSBL)**

***Title: Unlocking the potential of the informal Small to Medium Enterprises' (SMEs) in an African economy: A case study of the manufacturing sector in Zimbabwe***

**1.1 Tell us why you started your informal business in manufacturing?**

**Response codes:**

- 1 = company closed / voluntary retrenchment / retrenchment / dismissal
- 2 = family responsibility / death of breadwinner (extrinsic motivators)
- 3 = left formal employment for better earning potential / supplement family income / supplement pension income
- 4 = unemployed graduate
- 5 = wanted own business (intrinsic motivator)
- 6 = inherited family business

**1.2 Could you please tell us the challenges faced by your businesses, in Zimbabwe?**

**Response codes:**

- 1 = registration / high licensing fees
- 2 = place of operation/limited storage space
- 3 = corruption
- 4 = erratic supply of utilities
- 5 = lack of finance from banking institutions
- 6 = no / limited access to modern technology and equipment
- 7 = limited access to international markets/limited access to market / increasing competition
- 8 = high taxes/high rentals

**1.2.1 Tell me more about what business knowledge and skills your business has and how you think they can be improved/acquired?**

**Response codes:**

**1.2.1.1**

- 1 = Lack of business acumen / inadequate management experience
- 2 = Established technical skills / previous internal training / formal diploma in finance related field

3= Previous internal informal training

4= No formal training

**Response codes:**

**1.2.1.2**

1 = government should assist with training / government programmes / government should assist

2 = affordable training from private providers

3 = question not answered

4 = need refresher course to update knowledge

**1.3 Do you think that some of these challenges can be addressed by the government? Which ones in particular?**

**Response codes:**

1 = place of operation

2 = government special funding / government special funding at concessionary interest rates

3 = government mentorship and incubation programmes

4 = government control of resources / government intervention in energy / decentralisation of functions / reliable supply of utilities

5 = low licensing fees / rentals

**1.4 How did you finance your informal manufacturing business from inception?**

**Response codes:**

1 = borrowed from family and friends / borrowed from family/borrowed from friends / borrowed from colleagues

2 = retrenchment package

3 = disposal of movable assets / disposal of immovable assets

4 = borrowed from a banking institution

5 = savings from formal employment

6 = borrowed from a stokvel

**1.4.1 Was there a possibility for you to get funding from the government? Can you provide more details?**

**Response codes:**

**1.4.1.1**

1 = yes

2 = no

**Response codes:**

**1.4.1.2**

- 1 = Harsh economic conditions
- 2 = Ineffective government / government connections
- 3 = Question not answered

**1.5 How has your business changed your life?**

**Response codes:**

- 1 = family responsibility
- 2 = acquisition of assets / acquisition of immovable and movable assets
- 3 = improvement in the quality of life
- 4 = supplementary income

**1.6 What are the major obstacles your business is currently facing?**

**Response codes:**

- 1 = limited access to finance / high costs of borrowing from banking institutions
- 2 = high taxes/high rentals / high licence fees/high cost of raw materials and salaries
- 3 = strict government regulation / hostile and strict government laws
- 4 = Limited access to markets
- 5 = erratic supply of utilities
- 6 = limited accessibility to land / limited space of operation/place of operation
- 7 = limited management skills

**1.6.1 What difficulties if any, have you had in accessing business networks? What difficulties if any have you experienced in accessing market information?**

**Response codes: Business Network**

**1.6.1.1**

- 1 = Accessibility by informal manufacturing SMEs is limited / accessibility limited since business is small
- 2 = Failure to meet the defined criteria
- 3 = Question not answered

**Response codes: Market Information**

**1.6.1.2**

- 1 = Restricted access to market information
- 2 = Lack of international recognition
- 3 = question not answered

**2.1 What is the role of the informal manufacturing SMEs in economic growth and development?**

**Response codes: Economic growth**

**2.1.1**

- 1 = positive / important / important role
- 2 = increasing production / access to variety of products
- 3 = Employment creation
- 4 = question not answered

**Response codes: Economic Development**

**2.1.2**

- 1 = infrastructural development
- 2 = improvement in the standard of living
- 3 = question not answered

**2.1.1 What do you think can be done by the government to boost your contribution towards the economy?**

**Response codes:**

- 1 = easy registration / lower registration fees/reduction in bureaucracy/licence fees / corruption and nepotism
- 2 = SME Development Bank / creation of a Special Fund / Access to finance through Public-private partnerships
- 3 = SME Development programmes / mentorship programmes / incubation programmes
- 4 = Government marketing through local and international expos
- 5 = Development of places of operation in clusters/clustering of operations

**2.2.1 What is the government doing to boost the contribution of the informal sector in Zimbabwe?**

**Response codes:**

- 1 = limited clustering of informal SMEs / non-strategic clustering of informal SMEs
- 2 = limited skills and training programmes / limited mentorship programmes
- 3 = accessibility of funds to formal SMEs
- 4 = limited access to finance
- 5 = decentralisation at slow pace

**2.2.2 What future difficulties do you anticipate in the manufacturing SME's in Zimbabwe?**

**Response codes:**

- 1 = raw materials shortages / sales decline / saturated market for products
- 2 = limited access to foreign exchange
- 3 = increased limited accessibility to finance / liquidity challenges / high interest rates
- 4 = competition from illegal immigrants
- 5 = tax compliance enforcement
- 6 = outdated technology
- 7 = increased erratic supplies of utilities

**2.3.1 What solutions do you have to address these difficulties? How can these difficulties be avoided?**

**Response codes:**

- 1 = creation of an SME special fund / foreign exchange / improved access to finance
- 2 = public - private partnerships / strategic alliance with informal SMEs / increased government SMEs agencies
- 3 = strict immigration policy on illegal immigrants
- 4 = SME development programmes
- 5 = Question not answered

**3.1 What is the contribution of the manufacturing SMEs towards employment creation?**

- 1 = significant
- 2 = insignificant

**Response codes: Narrative**

All the participants agreed that the informal manufacturing sector has the largest / greatest / many employees

**3.1.1 Can you expand a little on this? How many people does your business employ? How many are permanent and contract?**

Response codes

- 1 = Permanent
- 2 = contract

**3.1.2 Is there any possibility to increase this number?**

**Response codes:**

- 1 = yes
- 2 = No

**3.2 Do you allow your employees to have workers' representative within your organisation?**

**Response codes:**

- 1 = No workers' representative / complicates a good working relationship
- 2 = Workers representative

**3.4 In light of the high rate of unemployment what role do you think the government has to assist informal manufacturing SMEs to generate jobs?**

**Response codes:**

- 1 = infrastructure development
- 2 = improved access to finance
- 3 = reliable supply of utilities
- 4 = formalise the informal SMEs
- 5 = skills and training programmes
- 6 = registration of business should be easy

**4.1 How has the provision of utility services by government affected the running of your business?**

**Response codes:**

- 1 = inability to provide fresh food to customers
- 2 = eroding of the profitability of the business
- 3 = limited operation and storage space for business activities / loss of stock due to elements of weather
- 4 = high rentals from landlords / high licensing fees forces business to operate Illegally / high bribes by council officials
- 5 = loss in productivity / business operations

**4.1.1 What do you think the government should do to address that and how can the provisions of these services improve your business?**

**Response codes:**

**4.1.1.1**

- 1 = reliable supply of utilities
- 2 = cluster land development for SMEs
- 3 = Review the licensing / operating fees
- 4 = Improved accessibility to finance
- 5 = Training and development
- 6 = government subsidy
- 7 = question not answered

#### **4.1.1.2**

1 = smooth running of the business

2 = skills and knowledge sharing

3 = affordability to the informal SMEs

4 = growth and profitability / improve the profitability of the business

5 = increase production

6 = Question not answered

#### **4.2 What programmes have been created by the government to promote the development of informal SMEs into becoming formal?**

##### **Response codes:**

1 = government-initiated programmes

2 = political handouts

3 = no government-initiated programmes

4 = mentorship / training programmes by private companies

5 = ineffective government-initiated programmes

#### **4.3.1 Has your business benefited from any of these?**

##### **Response codes:**

1 = Yes

2 = No

#### **4.4 Are the initiatives by government good enough to stimulate the development or creation of the informal manufacturing SMEs? How so?**

##### **Response codes**

1 = yes

2 = no

##### **Response codes: Narrative**

No initiatives have been noted in this question

**APPENDIX 18:**  
**CONFIRMATION OF INTENTION TO SUBMIT THESIS**



UNIVERSITY OF  
KWAZULU-NATAL

INYUVESI  
YAKWAZULU-NATALI

**COLLEGE OF LAW AND MANAGEMENT STUDIES**

**Confirmation of Intention To Submit Thesis**

*(This Form Is To Be Completed 3 Months before Submission of Masters Theses & 6 Months before Submission of PHD Thesis/Coursework. Form is to be Handed to the supervisor/s for their signature and then a copy is to be sent to the PostGrad Office. Original is kept by the school)*

**NAME OF STUDENT** : Herrison Matsongoni

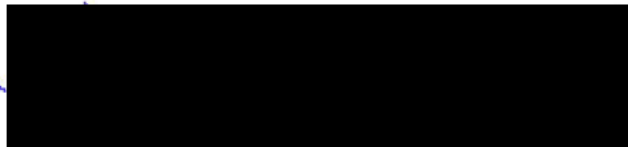
**STUDENT NUMBER** : 215081624


**DEGREE** : Doctorate in Business Administration (DBA)

**SCHOOL** : Graduate School of Business and Leadership

**TITLE OF THESIS** : **Unlocking Informal Small to Medium Enterprises' (SMEs) Potential In an African Economy. A Case Study of the Manufacturing Sector in Zimbabwe**

**NAME OF SUPERVISOR** : Dr Emmanuel Mutamboro

**SUPERVISOR SIGNATURE** : 

**DATE OF INTENTION TO SUBMIT:** 

**POSTAL ADDRESS** : Unit 26 Summersands  
41 Sol Harris Crescent  
North Beach  
Durban  
4001

**CELLPHONE** : 083 688 7975

**E-MAIL ADDRESS** : htsongaz@gmail.com

**DATE** : 10 July 2017

**APPENDIX 19:**  
**DOCTORAL RESEARCH GRANT AWARDS: 2017**



27 March 2017

Mr. Herrison Matsongoni  
Graduate School of Business and Leadership  
College of Law and Management Studies  
Westville Campus

Dear Mr. H Matsongoni

Student No: 215081624

**Doctoral Research Grant Award: 2017**

I have the pleasure of informing you that your application for a Doctoral Grant has been successful.

This letter sets out the terms and conditions applicable to your Doctoral Grant, should you choose to accept it.

1. You receive this grant as a Doctoral student. As such your acceptance of the grant is subject to the normal conditions applicable to students of UKZN, as well as the policies and procedures of UKZN, as amended and / or extended by this Letter of Grant.
2. This is a once off grant which will be paid into your supervisor's cost centre in a separate account in your name in 2016. The breakdown for the grant is made up as follows:

<b>Collection of Data in 2017</b>	<b>R 15 000.00</b>
(Details attached on application form)	

3. Your obligations specific to the Grant are as follows:
  - 3.1 You must be a registered doctoral student at UKZN. You must submit proof of this registration to the College Dean of Research.
  - 3.2 The Grant is awarded for your doctoral study in 2017. You are required to submit a progress report and financial statement, dealing with the disbursement of the Grant funds, from your supervisor by the 1<sup>st</sup> of August 2017.
  - 3.3 You must submit proof of ethical clearance and the acceptance letter for your research proposal by the School Research and Higher Degrees Committee in the School in which you are registered for your studies.
  - 3.4 The use of Grant funds is subject to standard University rules and procedures, including but not limited to the provision that all purchases made with Grant funds become the property of the University, where applicable.

[Doctoral Research Grant Award 2017]

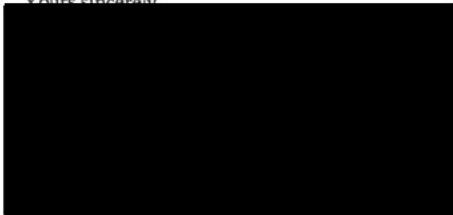
4. As Grant funds will be transferred into your cost centre which will be controlled by your supervisor, you are therefore required to provide the College Dean of Research Office with the appropriate cost centre number. The College Dean of Research Office will advise the Finance Division of your award on receipt of your acceptance of this Grant and the submission of the required documents.
5. You hereby confirm that in addition to meeting the required deliverables, you will also undertake the proper administration of all aspects of the Grant, such as the keeping of proper records as required by good practice, with the assistance of the College Finance Division in the case of financial records, and the preparation and submission of reports based on those records according to deadlines that may be specified by UKZN.
6. You agree that, should you fail to adhere to the terms and conditions of this letter, UKZN may in its sole and absolute discretion either grant you additional time to fulfil your obligations, or cancel the Grant and reclaim all monies paid to you, after having given you reasonable notice of any breach on your part, and a reasonable time to remedy such breach.

Should you accept this Grant award on these terms and conditions, please sign and complete the necessary details as required on the attached undertaking, and return same to Ms. Bongiwe Mokoena (ext. 1553; [mokoena@ukzn.ac.za](mailto:mokoena@ukzn.ac.za)) in the College Dean of Research Office, 4<sup>th</sup> Floor, L Block Westville Campus, by no later than **31 March 2017**. Kindly also send by email a scanned copy of the undertaking to the Principal Accounting Officer Research Grants & Contracts Mr. Arvin Gareeb ([gareeba@ukzn.ac.za](mailto:gareeba@ukzn.ac.za)).

Should you have any queries, kindly contact Ms. Bongiwe Mokoena (please see contact details above).

I wish you well in your Doctoral studies.

Yours sincerely,



.....  
Professor M Carnelley  
College Dean of Research

**APPENDIX 20:  
TURNITIN REPORT**

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**APPENDIX 21:**  
**PROFESSIONAL LANGUAGE EDITING LETTER**



Dynamic Language &  
Translation Specialists

Antoinette Bisschoff

71

Tel: 018 293 3046

Cell: 082 878 5183

CC No: 1995/017794/23

Thursday, 14 December 2017

To whom it may concern,

**Re: Letter of confirmation of language editing**

The thesis, '**Unlocking informal small-to-medium enterprises' potential in an African economy. A case study of the manufacturing sector in Zimbabwe**', by **Herrison Matsongoni (215081624)** was language edited. Final corrections remain the responsibility of the author.



**Antoinette Bisschoff**

Officially approved language editor of the NWU since 1998

Member of SA Translators Institute (no. 100181)

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