

UNIVERSITY OF KWAZULU-NATAL

**AN EVALUATION OF THE POLICY AND STRATEGY
FRAMEWORK FOR SMEs IN ZIMBABWE**

By

Ceasario Blessing Mutungwe

210551056

A dissertation submitted in fulfilment of the requirements for the degree of

Master of Commerce

School of Management, IT and Governance

College of Law and Management Studies

Supervisor: Dr Evelyn Derera

Co-supervisor: Mr Nigel Chiweshe


2016


DECLARATION

I **CEASARIO BLESSING MUTUNGWE** declare that

- (i) The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.
- (ii) This dissertation/thesis has not been submitted for any degree or examination at any other university.
- (iii) This dissertation/thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
- (iv) This dissertation/thesis does not contain other persons' writing, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:
 - a) their words have been re-written but the general information attributed to them has been referenced;
 - b) where their exact words have been used, their writing has been placed inside quotation marks, and referenced.

- (v) here I have reproduced a publication of which I am an author, co-author or editor, I have indicated in detail which part of the publication was actually written by myself alone and have fully referenced such publications.
- (vi) This dissertation/thesis does not contain text, graphics or tables copied and pasted from the Internet, unless specifically acknowledged, and the source being detailed in the dissertation/thesis and in the References sections.


Signature:


Date:

ACKNOWLEDGEMENTS

Without the following individuals and organisations' assistance, this study would have remained a dream. Completing this project was only possible because I stood on the shoulders of giants. I'm eternally grateful to my Lord and Saviour for the strength and inspiration throughout the course of this study.

I would like to extend my utmost gratitude to my supervisor Dr Evelyn Derera for her patience and dedication to this study. Dr Derera's invaluable insights into the research problem helped me to carve out the best research I could come up with. Her extensive knowledge of Entrepreneurship and small businesses in Zimbabwe made the study a pleasant learning experience. Doc I thank you.

Equally dedicated to this study was Mr Nigel Chiweshe, my co-supervisor. I'm grateful for his attention to detail and commitment to this study. I'm thankful to you for availing yourself throughout this study and following up on me when I took too long to respond to feedback. You kept me focused and driven to complete this study.

I thank Dr Sanjay Soni for teaching me how to use the Statistical Package for Social Sciences (SPSS). Without his assistance and generosity this study would have cost a lot more and taken longer to complete. Thank you Dr Soni. I'd also like to extend my sincere gratitude to Cynthia Shayamunda for taking time to proof read my work. Your effort and generosity are much appreciated.

To my parents Mr and Mrs Mutungwe I'm forever thankful to you for affording me an opportunity to pursue my studies. Thank you for the financial support and words of encouragement especially when the work got tough. The completion of this study is a testimony of your love and dedication. Mom and Dad I'm grateful.

This study could not have been possible without the cooperation and assistance I got from the Ministry of Small and Medium Enterprises and Cooperatives Development, the Small and Medium Enterprises Association of Zimbabwe and small business owners who gave up their time to assist me. I'm particularly grateful to Mr T Shoko, Deputy Director Research and Policy Development for his advice and insights into the SME sector. To Mr T Muendesi, Business Development Officer for Harare Central District I thank you for referring me to SMEs and introducing me to personnel that helped complete this study.

Last but not least I'm thankful to my colleagues whose words of encouragement proved to be helpful. I'd like to extend my sincere gratitude to Arnold, Hilary, Sizo, Cardwick, Gift and Joshua. Gentlemen thank you for making me accountable to my work and giving me the drive I needed to finish this study by completing your own studies.

DEDICATION

This study is a dedication to my parents Mr and Mrs Mutungwe for instilling in us the value of education and encouraging us to pursue education regardless of circumstances. For being patient with a rebellious son and believing in a young man who had a lot of self-doubt this project is for you. You denied yourselves life's luxuries and gave up your dreams so ours could become a reality for this and more I'm thankful. This study is also dedicated to my uncle Mabasa Mugwagwa, a man of principles and concerned with everyone's well-being I dedicate this study to the ethos you held to the very end. To my siblings Tinopiwanashe and Paidamoyo it can be done.

ABSTRACT

Small and Medium Enterprises (SMEs) are important to economic growth and employment creation however they are faced by numerous challenges. Government intervention through SME policies is necessitated by the challenges which are seen as market failure. In Zimbabwe there is the National Policy and Strategy for Small and Medium Enterprises formulated in recognition of the importance of SMEs and to alleviate the challenges they face. However in spite of the SME policy small businesses are still faced with many challenges therefore this study evaluates the National Policy and Strategy for SMEs in Zimbabwe to ascertain the steps that have been taken by the government to develop SMEs. The study evaluates the SME Policy in Zimbabwe using the seven elements by the Organisation for Economic Cooperation and Development (OECD).

A mixed methods research approach was adopted employing both quantitative and qualitative research methods to gather data. The target population was divided into two groups which were nine hundred and forty-five (945) SME operators and fifteen (15) experts in the Central Business District of Harare Zimbabwe. A sample size of two hundred and seventy-two (272) SME operators was determined using Krejcie and Morgan's Sample Size Calculator and the sample size for experts was fifteen (15). Questionnaires were handed out to SME operators and interviews were conducted with experts to validate the responses from questionnaires. Using the Statistical Package for Social Science (SPSS) IBM 23.0 data gathered through questionnaires was analysed and using content analysis data from interviews was transcribed. This study found out that challenges faced by SMEs prior to the National Policy and Strategy for SMEs in Zimbabwe were still prevalent after its formulation. The objectives of the SME policy are yet to be met as SMEs cite the regulatory framework as challenge, most small businesses find it difficult to register their businesses and to access government guaranteed loans. Although there is the Ministry of Small and Medium Enterprises and Cooperatives Development to implement the policy most SMEs are of the view that it is inaccessible and underfunded to function.

Key Words: SMEs, SME Policy, Policy and Strategy Framework for SMEs in Zimbabwe

TABLE OF CONTENTS

DECLARATION.....	i
ACKNOWLEDGEMENTS	iii
DEDICATION.....	v
ABSTRACT.....	vi
TABLE OF CONTENTS	vii
LIST OF FIGURES	xvi
LIST OF TABLES	xvii
ACRONYMS.....	xix
CHAPTER 1.....	1
INTRODUCTION, BACKGROUND AND CONTEXT OF THE STUDY.....	1
1.1 INTRODUCTION.....	1
1.2 BACKGROUND AND CONTEXT	5
1.3 RESEARCH PROBLEM AND RESEARCH OBJECTIVES	9
1.3.1 Research Problem.....	9
1.3.2 Research Objectives	10
1.3.3 Research Questions	10
1.4 NEED FOR THE STUDY	10
1.5 OVERVIEW OF RESEARCH METHODOLOGY	15
1.6 STUDY LIMITATIONS	16
1.7 STRUCTURE OF DISSERTATION	17
1.8 SUMMARY	18
CHAPTER 2.....	19

SMALL AND MEDIUM ENTERPRISE POLICY DEVELOPMENT	19
2.1 INTRODUCTION	19
2.2 DEFINING SMALL AND MEDIUM ENTERPRISES: THE DEBATE.....	19
2.3 DEFINITION OF SMES IN ZIMBABWE	22
2.4 DETERMINANTS OF ENTREPRENEURSHIP WITHIN THE CONTEXT OF SME DEVELOPMENT	25
2.4.1 Regulatory Framework.....	26
2.4.2 Access to Finance.....	31
2.4.3 Entrepreneurial Capabilities	34
2.4.4 Market Conditions.....	38
2.4.5 Research and Development (R&D) and Technology	39
2.4.6 Culture.....	42
2.5 MEASURES TAKEN BY THE GOVERNMENT OF ZIMBABWE TO CREATE A CONDUCTIVE ENVIRONMENT FOR SMES	43
2.5.1 SME Policy Index: Analysis of the Policy and Strategy Framework for SMEs in Zimbabwe .45	
2.5.1.1 Education and Training Entrepreneurship	46
2.5.1.2 Cheaper and faster start-up	50
2.5.1.3 Taxation and financial matters.....	53
2.5.1.3.1 Taxation.....	54
2.5.1.3.2 Financial matters.....	56
2.5.1.4 Strengthening SMEs' technological capacity	59
2.5.1.5 Gender Dimension	61
2.5.1.6 Institutional Support.....	62
2.6 SUMMARY	65
CHAPTER 3.....	67
SME POLICY EVALUATION: THEORETICAL FRAMEWORK.....	67

3.1 INTRODUCTION	67
3.2 THE EVALUATION FRAMEWORK.....	67
3.2.1 Rationale	69
3.2.2 Appropriateness.....	73
3.2.3 Superiority	77
3.2.4 Systemic Efficiency.....	78
3.2.5 Own Efficiency	82
3.2.6 Adaptive Efficiency.....	82
3.2.7 Additionality.....	83
3.3 SUMMARY	84
CHAPTER 4.....	85
RESEARCH METHODOLOGY	85
4.1 INTRODUCTION	85
4.3 RESEARCH PARADIGM	85
4.3.1 Research approach for the Pragmatic paradigm.....	88
4.4 RESEARCH APPROACH.....	90
4.4.1 Mixed method approach designs	91
4.4.1.1 Explanatory sequential design	91
4.4.1.2 Exploratory sequential design.....	91
4.4.1.3 Convergent design	92
4.4.1.3.1 Integrating Qualitative and Quantitative data.....	93
4.5 STUDY SITE	94
4.6 TARGET POPULATION.....	94
4.7 SAMPLING	95
4.7.1 Sample Size.....	96
4.7.2 Sampling strategies	96

4.8 DATA COLLECTION METHODS	97
4.8.1 Secondary Data	97
4.8.2 Primary Data	98
4.8.2.1 Questionnaires.....	98
4.8.2.1.1 Questionnaire Design	98
4.7.2.1.2 Structure of the Questionnaire	100
<i>Section A: Demographic Information</i>	100
<i>Section B: Organisational Profile</i>	101
<i>Section C: Challenges</i>	101
<i>Section D: Measures</i>	102
<i>Section E: Evaluation and Ministry effectiveness</i>	103
4.7.2.1.3 Distribution of Questionnaires.....	103
4.8.2.2 In-depth Interviewing.....	105
4.8.2.2.1 Interview Guide	106
4.9 DATA ANALYSIS	106
4.9.1 Quantitative Data Analysis.....	107
4.9.1.1 Descriptive Statistics.....	107
4.9.1.1.1 Frequencies.....	108
4.9.1.1.2 Graphs and Charts	108
4.9.1.2 Inferential Statistics	108
4.9.1.2.1 Kruskal-Wallis Test.....	109
4.9.1.2.2 Mann-Whitney Test.....	109
4.9.1.2.3 Correlation.....	110
4.9.1.2.4 Chi-Square Test.....	111

4.9.1.2.5 Regression	111
4.9.2 Qualitative Data Analysis.....	114
4.10 RELIABILITY AND VALIDITY	114
4.10.1 Reliability	115
4.10.1.1 Measuring reliability	115
4.10.2 Validity.....	116
4.10.2.1 Content validity.....	116
4.10.2.2 Face validity.....	116
4.10.2.3 External validity.....	117
4.10.2.4 Argumentative validity	117
4.10.3 Triangulation	117
4.11 PILOT STUDY.....	118
4.12 ETHICAL CONSIDERATIONS	119
4.13 SUMMARY	120
CHAPTER 5.....	121
DATA PRESENTATION AND ANALYSIS	121
5.1 INTRODUCTION	121
5.2 RESPONSE RATE	121
5.3 RELIABILITY.....	122
5.4 DEMOGRAPHIC AND ORGANISATIONAL INFORMATION	123
5.4.1 Demographic and Organisational Profile for SME operators	123
5.4.1.1 Sector and number of employees	123
5.4.1.2 Age Group.....	125
5.4.1.3 Gender.....	127

5.4.1.4 Role in business	129
5.4.1.5 Year in which the business was established.....	131
5.4.1.6 Annual turnover	134
5.4.2 Demographic and Organisational Profile for Experts	136
5.5 PRESENTATION AND ANALYSIS OF RESULTS ACCORDING TO THE OBJECTIVES OF THIS STUDY	136
5.5.1 Shapiro-Wilk Test	137
5.5.2 Objective 1: To examine the challenges faced by SMEs in Zimbabwe	138
5.5.2.1 Descriptive of challenges faced by SMEs in Zimbabwe	139
5.5.2.2 Challenges to start-up a business.	143
5.5.2.3 Sources of start-up capital.....	145
5.5.2.4 Bank Loan application	146
5.5.2.5 Skills	150
5.5.2.6 Correlation between limited access to finance and cost of finance.....	151
5.5.2.7 Regression Model on the predictability of limited access to finance.....	153
5.5.3 Objective 2: To analyse the extent to which the Policy and Strategy Framework for SMEs addresses the challenges faced by small businesses.....	156
5.5.3.1 Government measures for SMEs	157
5.5.3.2 Government support strategies	159
5.5.3.3. Use of SEDCO services	161
5.5.3.4 Mann-Whitney Test for measures to address challenges	163
5.5.4 Objective 3: To assess the effectiveness of the Ministry of Small and Medium Enterprises and Cooperatives Development in the implementation of SME policy.....	165
5.5.4.1 Descriptive statistics on the effectiveness of the MinSMECD.	165
5.5.4.2 Small businesses perception of the MinSMECD	170
5.5.5 Objective 4: To investigate whether the objectives of the Policy and Strategy Framework for SMEs in Zimbabwe have been met.	171

5.5.5.1 Creating an enabling environment.....	172
5.5.5.1.1 Kruskal-Wallis Test.....	173
5.5.5.1.2 Test for variations in the challenge of a hostile regulatory environment across different ages	174
5.5.5.1.3 Test for variations in a hostile regulatory environment across turnover	175
5.5.5.2 Registration.....	176
5.5.5.2.1 Descriptive: Formal registration	177
5.5.5.2.2 Days it took to formally register a business.....	180
5.5.5.2.3 Chi-Square Test for the relationship between registration and loan application	182
5.5.5.2.4 Mann-Whitney U test	183
5.5.5.2.5 Independent-Samples Test: Differences between Registration and Turnover.....	186
5.5.5.3 Test for differences in SMEs before and after the National Policy and Strategy for SMEs in Zimbabwe.	187
5.5.5.3.1 Mann Whitney and Chi-square tests for differences in challenges between Pre-policy and Post-policy SMEs	188
5.6 SUMMARY	190
CHAPTER 6.....	192
DISCUSSION OF RESULTS	192
6.1 INTRODUCTION	192
6.2 OBJECTIVE 1: TO EXAMINE THE CHALLENGES FACED BY SMEs IN ZIMBABWE.....	192
6.2.1 Finance related challenges	192
6.2.1.1 Sources of start-up capital.....	193
6.2.1.2 Bank loan application	195
6.2.1.3 Correlation between the cost of finance and the limited access to finance.....	196
6.2.2 The Lack of skills.....	197
6.2.3 Challenges to starting a business.....	199

6.3 OBJECTIVE 2: TO ANALYSE THE EXTENT TO WHICH THE POLICY AND STRATEGY FRAMEWORK FOR SMEs ADDRESSES THE CHALLENGES FACED BY SMALL BUSINESSES	200
6.3.1 The effectiveness of support programmes by the Government	201
6.3.2 SEDCO as an initiative to mitigate financial challenges.....	202
6.4 OBJECTIVE 3: TO ASSESS THE EFFECTIVENESS OF THE MINISTRY OF SMALL AND MEDIUM ENTERPRISES AND COOPERATIVES DEVELOPMENT IN THE IMPLEMENTATION OF THE SME POLICY ..	203
6.5 OBJECTIVE 4: TO INVESTIGATE THE EXTENT TO WHICH THE OBJECTIVES OF THE POLICY AND STRATEGY FRAMEWORK FOR SMEs IN ZIMBABWE HAVE BEEN MET.	204
6.5.1 Creating an enabling environment	204
6.5.2 Registration	206
6.5.2.1 Days it took to register a business.....	209
6.6 SUMMARY	210
CHAPTER 7	212
CONCLUSION, SUMMARY AND RECOMMENDATIONS.....	212
7.1 INTRODUCTION	212
7.2 SUMMARY OF STUDY	212
7.3 CONCLUSIONS	214
7.3.1 Objective 1: To examine the challenges faced by SMEs in Zimbabwe.	214
7.3.2 Objective 2: To analyse the extent to which the Policy and Strategy Framework for SMEs addresses the challenges faced by small businesses.....	215
7.3.3 Objective 3: To assess the effectiveness of the Ministry of Small and Medium Enterprises and Cooperatives Development in the implementation of SME policy	216
7.3.4 Objective 4: To investigate whether the objectives of the Policy and Strategy Framework for SMEs have been met.....	216
7.4 RECOMMENDATIONS.....	217
7.5 CONTRIBUTION TO THE BODY OF KNOWLEDGE	219
7.6 LIMITATIONS OF THE STUDY	220
7.7 AREAS FOR FURTHER RESEARCH	220

LIST OF REFERENCES	222
APENDIX A1: QUESTIONNAIRE	247
APPENDIX A2: INTERVIEW GUIDE	261
APPENDIX A3: ETHICAL CLEARANCE	264
APPENDIX A4: GATEKEEPERS' LETTERS	265

LIST OF FIGURES

Figure 2. 1 Assessment framework for the Promotion of Entrepreneurial Education.	47
Figure 2. 2 Assessment framework for cheaper and faster start-up and better legislation and regulation for SMEs.....	53
Figure 2. 3 Assessment Framework for Technology	60
Figure 3. 1 Additionality	83
Figure 4. 1 Framework for research –Worldviews, Design and methods.....	89
Figure 4. 2 Convergent design	93
Figure 4. 3 Triangulation	118
Figure 5. 1 Percentage of SMEs across Sectors.....	124
Figure 5. 2 Age group percentages	126
Figure 5. 3 Percentage of Gender.....	128
Figure 5. 4 Position in Business.....	129
Figure 5. 5 Turnover	135
Figure 5. 6 Frequencies of responses to inadequate management skills as a challenge.....	142
Figure 5. 7 Percentage of bank loan application	147
Figure 5. 8 Collateral requirements as challenges to bank loan application	148
Figure 5. 9 Support initiatives.....	160
Figure 5. 10 Use of SEDCO services.....	161
Figure 5. 11 SMEs consultation of the MinSMECD	166
Figure 5. 12 Programmes explained by the MinSMECD	169
Figure 5. 13 Challenges of a hostile regulatory environment	172
Figure 5. 14 SME registration.....	177
Figure 5. 15 Number of days to register company	181

LIST OF TABLES

Table 2. 1 Gross National Income (GNI) as defining criterion.....	20
Table 2. 2 International Institution definition of SMEs	21
Table 2. 3 Small Enterprises in Zimbabwe	24
Table 2. 4 Medium Enterprises in Zimbabwe	25
Table 2. 5 Determinants of Entrepreneurship	26
Table 3. 1 Objectives of the National Policy and Strategy for SMEs in Zimbabwe.....	73
Table 3. 2 Appropriateness of the National Policy and Strategy for SMEs in Zimbabwe.....	76
Table 3. 3 Systemic Efficiency of the National Policy and Strategy for SMEs in Zimbabwe.....	81
Table 4. 1 Research Paradigms	86
Table 4. 2 Summary of the questionnaire and the objectives addressed by every section.....	104
Table 4. 3 Quantitative data analysis techniques and objectives	112
Table 5. 1 Cronbach's Alpha Test for Reliability	122
Table 5. 2 Sector number of employees.....	125
Table 5. 3 Distribution of SMEs across the year of establishment	131
Table 5. 4 Experts demographic and organisational profile	136
Table 5. 5 Shapiro-Wilk test for Normality	137
Table 5. 6 Challenges faced by businesses	139
Table 5. 7 Descriptive of the challenges faced by SMEs in Zimbabwe.....	141
Table 5. 8 Start-up Challenges	143
Table 5. 9 Frequencies of challenges to start-up.....	144
Table 5. 10 Start-up capital sources	145

Table 5. 11 Descriptive of SME skills	151
Table 5. 12 Correlation between Limited access to finance and the cost of finance	152
Table 5. 13 Regression Model for limited access to finance	153
Table 5. 14 ANOVA.....	154
Table 5. 15 Predictors of the Regression model	154
Table 5. 16 Descriptive of government initiatives that are important to SMEs.....	157
Table 5. 17 Mann-Whitney U Test for financial measures.....	163
Table 5. 18 Ministry effectiveness.....	170
Table 5. 19 Kruskal-Wallis results for role and a hostile regulatory environment	174
Table 5. 20 Kruskal-Wallis results for age and a hostile regulatory environment.....	175
Table 5. 21 Kruskal-Wallis Test for Turnover and a hostile regulatory environment	176
Table 5. 22 Chi-Square Test results: Registration and bank loan application	182
Table 5. 23 Mann-Whitney U test.....	184
Table 5. 24 Mann-Whitney U test results	187
Table 5. 25 Mann-Whitney U Test and Chi-Square test results on challenge	189

ACRONYMS

AgriBank	Agricultural Development Bank
CBD	Central Business District
CIED	Centre for Innovation and Enterprise Development
COTE	Clarity and coherence Objectives Targets Eastern Partners
ESAP	Economic Structural Adjustment Programme
EaP	Eastern Partnership
GDP	Gross Domestic Product
GNI	Gross National Income
ICT	Information Communications Technology
MILES	Macroeconomic and political stability; Investment climate and infrastructure; Labour market regulation and institutions; Education and skills; Social protection
MinSMECD	Ministry of Small and Medium Enterprises and Cooperatives Development
MTP	Medium Term Plan
NASME	National Association of Small and Medium Enterprises
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
PCSMECD	Portfolio Committee on Small and Medium Enterprises and Cooperatives Development.
RBZ	Reserve Bank of Zimbabwe

SBA	Small Business Authority
SBAC	Small Business Advisory Council
SEDCO	Small Enterprise Development Cooperative
SIRDC	Scientific, Industrial, Research and Development Centre
SME	Small and Medium Enterprises
SMEAZ	Small and Medium Enterprises Association of Zimbabwe
SPSS	Statistical Package for Social Sciences
VCCZ	Venture Capital Company of Zimbabwe
ZDB	Zimbabwe Development Bank
ZimASSET	Zimbabwe Agenda for Sustainable Social and Economic Transformation
ZimPREST	Zimbabwe Programme for Economic and Social Transformation

CHAPTER 1

INTRODUCTION, BACKGROUND AND CONTEXT OF THE STUDY

1.1 Introduction

There is consensus across the academic divide with regards to the benefits associated with Small and Medium Enterprises (SMEs) which include poverty alleviation, economic development and growth, employment creation, increase in the role of the marginalised in the economy such as women and the generation of export earnings (Kapaj, 2015:73; Begum and Abdin, 2015:27; Wonglimpiyarat, 2015:297). Du Plessis, Indavog and Marriott (2015:1) are of the view that SMEs in South-East Asian nations employ approximately 75-90 percent of the domestic workforce. According to Eniola and Entebang (2015:237) the backbone of the European economy are SMEs which account for 98 percent of the enterprises in the EU, employ 67 percent of the European workforce and generate 58 percent of the revenue. According to El Kalak and Hudson (2016:135) small businesses make up 99.7 percent of US employer firms and they accounted for 63 percent of the new jobs created between 1993 and 2013. Based on the above statistics the importance of SMEs in countries and regions across the world is unquestionable

According to Khan (2015:184) SMEs are engines of growth for developed and developing countries and governments must pay special attention towards their development. Cant and Wiid (2013:707) concur that SMEs play a crucial role in almost all economies but particularly in developing countries with major employment and income distribution challenges such as South Africa. In SMEs, therefore, lies part of the remedy to high unemployment and unequal distribution of wealth, hence provision of support to ensure their success should be a priority. Evidence from India shows that SMEs contribute nearly 8 percent of the country's Gross Domestic Product (GDP), 45 percent of the manufacturing output and 40 percent of the exports (Bala, 2015:1). According to Czegledi, Fonger and Reich (2015:1) there are 3.6 million SMEs in Germany compared to 16 000 large companies and the SMEs generate 84 percent of turnover in the economic sector of construction, accommodation and food services.

Chingwenya and Mudzengerere (2013:2) are of the view that in Zimbabwe Small and Medium Enterprises (SMEs) contribute more than 50 percent of the Gross Domestic Product (GDP) and Dhliwayo (2014) shows that SMEs provide employment for over 2.9 million people. According to Matarirano and Olawale (2010:1709) 80 percent of Zimbabweans are officially unemployed and are relying on Small and Medium Enterprises (SMEs) for sustenance. Such factors justify why Small and Medium Enterprises (SMEs) should be at the centre of government policy in Zimbabwe.

However, despite such contributions and importance to the economy Small and Medium Enterprises (SMEs) have a myriad of challenges that retard their growth. Several researchers (e.g. Kauffmann, 2005; Dumbu and Chadamoyo, 2012; Harrison and Baldock, 2015; Loader, 2015) agree that some of the challenges faced by SMEs include insufficient and unreliable government support, poor managerial abilities, dubious legal system, financial constraints and market problems. SMEs in Zimbabwe's challenges are exacerbated by the fact that the country is characterised by a weak public sector, poor SME policies such as ZimPREST and corruption which are responsible for the underdevelopment of SMEs (Mashanda, 2012:20-21). Despite the benefits noted SMEs in Zimbabwe have to grapple with a lot of challenges and it is the author's assertion that these can be addressed by government through sound SME policy.

The economic success of Small and Medium Enterprises (SMEs) in many countries derives from the degree to which they are able to overcome market and institutional failures (Biggs and Shah, 2006:3043; Buckley, 2016:131). Storey (2008:5) points out that public policies to promote Small and Medium Enterprises (SMEs) are normally justified on grounds of market failure. Government, therefore, has a responsibility to support SMEs in overcoming market and institutional failure through SME policies in order to secure their economic success (Biggs and Shah, 2006:3043). Pelkmans and Renda (2014:3) notes that the most typical precondition for regulation, which becomes its main objective, is the existence of situations in which market forces, by themselves, do not lead to a socially optimal result; these situations include cases of significant market power and abuse thereof, public goods, externalities and asymmetric or incomplete information. In these instances, the government will put in place policies aimed at regulating the undesirable social condition.

According to Wonglimpiyarat (2015:302) government plays an important role in developing policies and strategies to support the development of SMEs. In recognition of the challenges that most small businesses face as a result of market failure the government has a responsibility of formulating policies that mitigate these challenges. Government can support the development of SMEs through the formulation of sound policies that yield maximum benefits for the sector.

SME policy frameworks are important for the growth of SMEs as they ensure that the adverse consequences of external disturbances have minimal disruptive impacts on the operations of small businesses (OECD, 2014:2). Government, through SME policies, can protect small businesses from large firms and external competition as they are disadvantaged by their size (Chipangura and Kaseke, 2012:46). Therefore, the success and a country's realisation of the benefits associated with SMEs are dependent on the extent to which the government, through sound policies, addresses market and institutional failure.

Zimbabwe has policies that have retarded economic growth (Clemens and Moss, 2005:4), poor implementation of policies (Chirisa, Dumba and Mukura, 2012:120) and a liquidity crisis (Nyamwanza, Mavhiki, Mapeteke and Nyamwanza: 2014:1) inhibiting the ability to address the challenges faced by SMEs. Although the benefits associated with Small and Medium Enterprises (SMEs) are hardly disputable tapping into these benefits requires a supportive government through progressive SME policies and programmes. To this end Chipangura and Kaseke (2012:41) note that many countries formulate policies and programmes on SMEs because they make a major contribution. Government policy is therefore important for the development of Small and Medium Enterprises.

According to Buckley (2016:129-130) SME policy addresses the challenges that are faced by SMEs by creating a conducive environment. McCann and Ortega-Argiles (2016:539) posit that SME policies are governmental initiatives aimed at positively influencing the formation, viability and commercial success of new and smaller scale firms. Actions by government to frame an SME policy are aimed at fostering the establishment and growth of small businesses (Blackburn, 2016). SME policy includes reducing red tape and paperwork burden, access to capital, provision of information services, export and marketing services, provision of training and consultancy and

technological transfer (Storey, 2008:8). Wach (2015:14) is of the view that the goal of SME Policy is to create a favourable business climate that addresses issues like the tax regime, marketplace frameworks and reduces red tape.

The Government of Zimbabwe formulated the National Policy and Strategy for SMEs in 2002 as the country's policy for Small and Medium Enterprises (Chikweche and Mujeyi, 2015:292). This policy is also referred to as the Policy and Strategy Framework for SMEs in Zimbabwe. For this study, the two names are used interchangeably as they refer to the same policy. The policy focuses on market promotion, technology and infrastructure support, financial assistance and enabling legal and regulatory environment (National Policy and Strategy for SMEs in Zimbabwe, 2002:7). The formulation of this policy is evidence that government recognised the importance of small businesses and has taken steps to support the sector.

Furthermore, the government's commitment towards the success of SMEs is attested to by the creation of the Ministry of Small and Medium Enterprises and Cooperatives Development (MinSMECD) in 2002 (Dumbu and Chadamoyo, 2012:80). Chirisa *et al.* (2012:126) posit that the Ministry of Small and Medium Enterprises and Cooperatives Development (MinSMECD) has a mandate to promote the development of SMEs and look into the legal and other institutional matters that relate to SMEs. Zindiye, Chiliya and Masocha (2012:657) also show that the National Policy and Strategy for SMEs in Zimbabwe was instituted in 2002 to map out strategies to address various obstacles facing small business operators. Considering the government's commitment and efforts at assisting SMEs and the highlighted recurrence of challenges faced by the sector an evaluative study is important to determine the source of the shortcomings and what can be done to resolve them.

Over the years the Zimbabwean government has developed several policies that focus on the development of SMEs. These policies include the Short Term Emergency Recovery Programme (STERP) (2009), Zimbabwe Medium Term Plan (MTP) (2011-2015) and the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim ASSET) (2013-2018). The Zimbabwe Medium Term Plan (2011:4) highlights that Zimbabwe has been known for producing high quality economic blueprints but some have fallen short on implementation. It is therefore

possible that although an SME policy has been formulated government may fail to implement the policy. This therefore necessitates an evaluative study to determine if SME policy in Zimbabwe has been implemented.

The Organisation for Economic Cooperation and Development (OECD) (2007:17) argues that the main reason for evaluations is to determine if the policy corrected or ameliorated the problems being faced or that it set out to resolve. Having identified the different challenges that are faced by SMEs this study sets out to determine if the government's National Policy and Strategy for SMEs in Zimbabwe has resolved these challenges. More specifically, the focus of the study is to evaluate the National Policy and Strategy for SMEs in Zimbabwe of 2002. Bearing in mind that policy implementation is often a challenge in Zimbabwe the study will also determine whether the objectives of the policy have been met.

1.2 Background and Context

According to Kauffmann (2005:1) in Europe and North America SMEs flourish because of fairly modern financial systems and clear government policies in favour of private enterprise. Cases of successful SME development in the West show that government policy was a key determining factor (Kauffmann, 2005:1). Ihua (2009:199) argues that SMEs across Africa fall below expectation because of unfavourable and very harsh economic conditions resulting from unstable government policies. In contrast to the case of Western economies, SMEs across Africa fail mainly because of government policies (El Kalak and Hudson, 2015:137). It is therefore imperative that government create a conducive environment in which small businesses can grow (Niska and Vesala, 2013:522). This can be done through the formulation and implementation of viable SME policies which ease up the access to finance and create a favourable regulatory framework.

Kuper (2011:6) is of the view that policy ordinarily aims to solve so-called policy problems which entail changing the reality towards a norm. The norm is that SMEs are drivers of economic growth, employment creation and poverty alleviation (McCann and Ortega-Argiles, 2016:539). However according to Manyani, Onias, Hove, Mudzuri and Chiriseri (2014:11) the

reality in Zimbabwe is that SMEs have difficulties accessing finances and they hardly grow beyond the start-up stage. Kuper (2011: 6) argues that in such a case a discrepancy between reality and the norm exists and consequently policy makers ought to formulate policies that address such discrepancies. The purpose of the SME policy and strategy framework is to resolve the high failure rate of SMEs, which is a present reality, so that the sector moves towards achieving economic growth and poverty alleviation, which is the norm.

Determining whether or not the discrepancy between the reality and the norm has been bridged is done through policy evaluation (Kuper, 2011:6). Chiasson and Vega (2015:362) argue that the aim of impact evaluation is to determine the extent to which particular policies generate the intended improvements in society. Policies are meant to bring about specific changes and evaluation determines if the desired changes have been made.

The OECD (2014:32) shows that countries require the process of evaluation that reveals the results of the investments that they have committed for the purposes of improving regulatory outcomes. Policy evaluation is an integral part of the policy implementation process which shows whether or not the desired outcome for which the policy was designed has been achieved (Storey, 2008:5). This study is an acknowledgement of the need for policy evaluation especially policies meant to benefit a sector of the economy which most of the citizens are dependent on.

Zimbabwe has experienced several political, social and economic hardships since attaining its independence in 1980 (Zhou, Mukonza and Zvoushe, 2016:235). These upheavals necessitated the growth of SMEs a major example being the introduction of the Economic Structural Adjustment Program (ESAP) in 1991 (Chipangura and Kaseke, 2012:41; Tsikirayi, Muchenje and Katsidzira, 2012:2). After the introduction of ESAP the growth of SMEs was driven by the high unemployment rates due to instituted job cuts (Chirisa *et al.*, 2012: 115). With the inception of ESAP most Zimbabweans lost their sources of income and most of these people resorted to starting small businesses so as to sustain their livelihoods. Thus Mapeto, Fields and Derera (2015:114) argue that ESAP created an environment for the development of SMEs in Zimbabwe. According Sichone (2003:1) ESAP was the Zimbabwean government's response to an economic

crisis which led to access to Western donors and it saw the introduction of wage controls and reduced government expenditure.

The Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) of 1996 was formulated at a time when there was a growing SME sector due to ESAP (Chikweche and Mujeyi, 2015:299). However, Chirisa *et al.* (2012:115) argue that ZIMPREST was a reactive policy framework meant to undo the harm of ESAP but was never fully implemented. According to Sichone (2003:2) ZIMPREST outlined macro-economic reforms. The Zimbabwe Institute (2007:22) is of the view that there has been a lack of implementation of past policies for the development of the SME sector. This shows that although there have been policies to develop and support SMEs the problem lies with policy implementation.

The National Policy and Strategy for SMEs in Zimbabwe was formulated after the realisation that SMEs constitute the primary job creating sector of the Zimbabwean economy and are responsible for the livelihood of millions of Zimbabweans (National Policy and Strategy for SMEs in Zimbabwe, 2002:5). Small businesses are crucial for the livelihoods of Zimbabweans therefore the formulation and implementation of a policy which supports the development of the sector is imperative. The main objective of the policy was to clearly define how the government, private sector and other stakeholders can encourage and create an enabling environment for SMEs to grow and enhance their contribution to national development (National Policy and Strategy for SMEs in Zimbabwe, 2002:5).

Furthermore, the National Policy and Strategy for SMEs in Zimbabwe (2002:3) identifies constraints such as limited access to finance, inadequate skills and a hostile regulatory environment as having necessitated the formulation of the policy in order to create an environment for SMEs to develop and realise their full potential. The government acknowledged the existence of these challenges and the importance of policy in overcoming them and makes a commitment to providing appropriate institutional mechanisms to facilitate SME development efforts such as through SEDCO and government credit guarantees (National Policy and Strategy for SMEs in Zimbabwe, 2002:5).

Andersson (2000:3) and McCann and Ortega-Argiles (2016:539) argue that SME policies should only be adopted to the extent that there is a particular rationale which includes government failure, market failure and systemic failure. Having appreciated the importance of SMEs and the existence of market, government and systemic failure that affect the development of SMEs the Government of Zimbabwe formulated the National Policy and Strategy for SMEs in Zimbabwe in 2002 to be the SME policy. Evaluating the Policy and Strategy Framework for SMEs in Zimbabwe is necessary because the SME sector is important to the growth of the Zimbabwean economy and there have been past failures to implement policies.

Nyangara (2013:219) is of the view that despite government's policy intervention through the Small Enterprise Development Corporation (SEDCO), Zimbabwe Development Bank (ZDB) and the Venture Capital Company of Zimbabwe (VCCZ) lending to the small business sector has remained low. Even with policy interventions from government the circumstances of SMEs are yet to improve. Such a scenario necessitates an evaluative study into the policy and strategy framework for SMEs to assess the strides that have been taken to improve the state of SMEs.

Regardless of the policies in place to assist SMEs there appears to be a high failure rate of these businesses. According to Mudavanhu, Bindu, Chigusiwa and Muchabaiwa (2011:82) up to 85 percent of SMEs in Zimbabwe will eventually collapse therefore an evaluation of the Policy and Strategy Framework for SMEs in Zimbabwe is necessary to shed more light into the reasons for the failure of SMEs even though there are policies designed for their development.

The creation of the Ministry of Small and Medium Enterprises and Cooperatives Development (MinSMECD) in 2002 was an initiative meant to develop the SME sector (Chivasa, 2014:2). However, in spite of the MinSMECD's existence SMEs still face challenges and fail. Abe and Dutta (2014:16) argue that government ministries in developing countries are often slow and complacent to carry out their mandate. Hussain, Farooq and Akhtar (2012:1581) concur with this view and argue that evidence from developing countries of the effectiveness of government to support SME development is mixed and discouraging.

However, it is worth mentioning that Zimbabwe is characterised by a weak public sector, poor SME policies and corruption (Mashanda, 2012: 20). Such factors might make the MinSMECD's efforts to implement SME policies ineffective. According to Brunetto, Farr-Wharton, Lambries, Gillett and Tomes (2015:16) policy implementation depends on the interpretation of the original message, resources availability, and the existing organisational culture. Without adequate government support through policy and diligent implementation of such policies the growth of SMEs will be stalled. Even though the government drafts sensible policies the problem tends to be with the implementation of such policies. Hwikwa and Maisiri (2013) concluded that the biggest challenge which Zimbabwe has always faced is the implementation of the economic policies and the creation of a supportive socio-economic and political environment. This, therefore necessitates an evaluative study to determine if the National Policy and Strategy for SMEs in Zimbabwe is being implemented.

There have been a number of initiatives to support small businesses but the sector still faces challenges, an evaluative study is important to examine the progress that has been made to address these challenges.

1.3 Research Problem and Research Objectives

This section is a presentation of the research problem, the research objectives and questions that will help to guide this study. The research problem is a brief outline of the central concerns of this study. The objective shows the aims and what this study seeks to accomplish. Research questions are the queries to which this study will provide answers.

1.3.1 Research Problem

This study evaluates the National Policy and Strategy for SMEs in Zimbabwe. SMEs are important to the development and growth of the Zimbabwean economy as they create employment and contribute to the nation's GDP. However regardless of their importance they face a lot of challenges in spite of the existence of policies that are meant to address these

challenges. The purpose of this study is therefore to evaluate the Policy and Strategy Framework for SMEs in Zimbabwe so as to establish whether the objectives of the policy have been met.

1.3.2 Research Objectives

The following research objectives aid in evaluating the policy and strategy framework for SMEs in Zimbabwe as they highlight the aim of this study:

- To examine the challenges faced by SMEs in Zimbabwe;
- To analyse the extent to which the Policy and Strategy Framework for SMEs addresses the challenges faced by small businesses.
- To assess the effectiveness of the Ministry of Small and Medium Enterprises and Cooperatives Development in the implementation of SME policy.
- To investigate the extent to which the objectives of the Policy and Strategy Framework for SMEs have been met.

1.3.3 Research Questions

This research will provide answers to the following questions:

- What are some of the challenges faced by SMEs in Zimbabwe?
- How effective is the policy in addressing some of the challenges facing SMEs in Zimbabwe?
- How effective is the Ministry of SMEs and Cooperatives Development in the implementation of the Policy and Strategy Framework on SMEs?
- To what extent have the objectives of the Policy and Strategy Framework on SMEs in Zimbabwe been met.

1.4 Need for the study

There is a dearth of research on the evaluation of the policy and strategy framework for SMEs in Zimbabwe with most studies highlighting the opportunities and challenges associated with this sector (Munanga, 2013:377; Mashanda, 2012:13; Zimbabwe Institute, 2007:22). Munanga

(2013: 377) researched on the key success factors for sole trader retailer growth in a multi-currency Zimbabwe. The Zimbabwe Institute (2007:22) conducted a study on the several steps that have to be taken by the Government of Zimbabwe to promote economic growth.

Research conducted on SMEs has mostly focused on the contributions of SMEs to the economy which include poverty alleviation, employment creation and economic development (Chipangura and Kaseke, 2012:45). Most of the research on government policy has been conducted by the OECD and focused primarily on its Eastern Partner (EaP) countries which include Belarus, Ukraine and Moldova (OECD SME policy Index, 2012:1). The evaluative study of SMEs in the Balkans aided in the conceptualisation of the OECD SME Policy Index 2012 (2012:1) which is a tool to support policy makers in tapping the full potential of SMEs.

Research on SMEs in Zimbabwe has placed little emphasis on government policy and evaluation of policy implementation. Zindiye, Chilya and Masocha (2012:655) conducted a study which assessed the impact of government and other institutions' support of SMEs in the manufacturing industry. Though the study addresses some policy issues, its main focus was on the support that the government has offered to SMEs and in so doing fails to attend to the tenets of the policies. Little focus was given to the National Policy and Strategy Framework on SMEs. This current research will therefore concentrate on government policy and its implementation with the focus being on SMEs across different sectors of the economy.

Carter and Wilton (2006) conducted a study entitled "Don't blame the Entrepreneur, blame the Government: The centrality of the government in enterprise development, lessons from enterprise failure in Zimbabwe." A deduction of the title shows that government is the driving force for entrepreneurship in Zimbabwe. Carter and Wilton (2006) argue that the failure by government to address the environmental factors leads to the failure of enterprise development. In this light the responsibility for the propagation of SMEs lies with the government as it has the capacity to influence the environment in which they operate. In influencing the environment Carter and Wilton (2006) are of the view that only government is better suited to influence the financial, education and training, legal and regulatory, political and economic environments whose effects affect environment development.

Research on the impact of government support on small business growth and development in Zimbabwe found out that although the government identified entrepreneurship development as a major route with which to achieve economic growth and development government's support has remained minimal (Maseko, Manyani, Chiriseri, Tseka, Mugogo, Chazuza and Mutengezanwa, 2012:51). The study also found that despite government targeted support there still remains stunted growth and sluggish development of SMEs (Maseko *et al.*, 2012:51). However the Maseko *et al* study pays little attention on the evaluation of the National Policy and Strategy for SMEs which is the mainstay of the current study. Although the study discusses the government's failure in supporting SMEs it fails to highlight the objectives and strategies of the Zimbabwean government in the development of SMEs. This study will, therefore cover this niche as it aims to evaluate the government's efforts at small business development.

Several research studies in Zimbabwe addressed the challenges faced by the SME sector. Gombarume and Mavhundutse (2014:103) carried out a research on the challenges faced by SMEs due to political uncertainty which include the reluctance of financial institutions to extend loans to SMEs. Bukaliya and Hama (2012:57) studied the challenges affecting informal business funding in Zimbabwe. While the study by Bukaliya and Hama (2012:57) identifies most of the challenges that retard the growth of small businesses little attention is given to the Policy and Strategy Framework on SMEs in Zimbabwe which will be focused on in this study.

A study by Chimucheka (2012:10391) ascertains the impediments to youth entrepreneurship in Zimbabwe's rural areas. Among the findings was the fact that insufficient and unreliable government support acts as a major impediment to enterprising youth in rural areas (Chimucheka, 2012:10393). This was also part of the findings in Muzari and Jambwa's study on constraints to SMEs development. The study found that legal and regulatory frameworks are an impediment to the development of small businesses (Muzari and Jambwa, 2012:1708). Government has the power to influence the legal and regulatory framework and its failure to make the framework conducive to business shows government insufficiency. Entrepreneurial youths are impeded by government's failure to support them as well as failure to create a business that is friendly to entrepreneurs.

Although the aforementioned studies uncover the fact that government is crucial to the development of SMEs there is a gap in exploring the Government of Zimbabwe's Policy and Strategy Framework on SMEs. This study is therefore necessary as it covers this niche by evaluating the government's support for SMEs in Zimbabwe through its national policy on SMEs. The National Policy and Strategy for SMEs in Zimbabwe (2002:4) was institutionalised to facilitate an environment in which SMEs can develop. However, in spite of this policy SMEs are faced with challenges which are blamed on the government (Gombarume and Mavhundutse, 2014:105). An evaluative study will therefore show the extent to which the government implemented the policy in an attempt to ameliorate the identified challenges.

Gangata and Matavire's 2013 study focused on determining the challenges facing SMEs in accessing finances from financial institutions. In their study Gangata and Matavire (2013:3) found that SMEs have difficulties in accessing funding from financial institutions, chief among the reasons being the provision of collateral security. Gangata and Matavire's (2013) study is similar to that of Chipangura and Kaseke (2012:49) which also determined that most SMEs fail to access finances due to the lack of collateral. This study however is an evaluation of the policy that provides a framework for the conduct of SMEs in Zimbabwe. The Gangata and Matavire (2013) study focuses solely on funding constraints but the current study will cover all the areas that are addressed in the policy document.

Karedza, Sikwila, Mpofu and Makurumidze (2014:38) conducted a research in Chinhoyi, Zimbabwe which analysed the obstacles to the success of SMEs. The study hypothesised that lack of information, infrastructure and a hostile regulatory environment are some of the problems hindering the progress of SMEs. The Karedza study (2014:38) also found that small businesses find it advantageous to stay informal so as to avoid paying taxes and complying with other regulations. To this end Ngwenya, Sibanda and Chitate (2014:1) conducted a study that attempts to establish the challenges of non-tax compliance among SMEs. Like Karedza *et al.* (2014), Ngwenya, Sibanda and Chitate (2014:1) found that because of the complexity of the tax system and economic factors failure to comply with the tax system is easier for SMEs.

Chingwenya and Mudzengerere (2013:4) carried out a study of government policy on SMEs but focused on the steps taken to mainstream the informal sector in urban local authorities. The study acknowledges that businesses in the informal sector are exempted from taxes as well as regulations by national instruments that control the operations of companies (Chingwenya & Mudzengerere, 2013:5). This current study, on the other hand focuses on enterprises that are formal and SMEs are differentiated by the fact that they are registered and can therefore be affected, positively or otherwise, by government policy thus enabling an evaluation of the implementation of the policy.

Some researchers in Zimbabwe have also focused on the strategies adopted by small businesses to adapt to the challenges they face. Nyanga, Zirima, Mupani Chifamba and Mashavira (2013) carried out a research on the survival strategies employed by SMEs in Zimbabwe during the economic crisis. Chirisa, Dumba and Mukura (2012:115) researched on the innovative, adaptive and survivalist strategies by small business enterprises in Zimbabwe between 1990 and 2009. Although the study tracks the historical development of SME policies in Zimbabwe little attention is given to the National Policy and Strategy for SMEs in Zimbabwe as will be done in this study. This study will evaluate the policy and strategy framework for SMEs in Zimbabwe as this is the area that has been neglected in most studies.

Herington and Kelley (2012:7) argue that the unacceptable levels of unemployment and poverty in most African countries can be solved through entrepreneurial activity. According to Nyamwanza *et al.* (2014:1) the unofficial unemployment level in Zimbabwe is 87 percent and as a result of job losses, about 5.4 million Zimbabweans are employed in the informal sector. The majority of Zimbabweans are increasingly becoming more dependent on SMEs for their livelihood. Such scenarios necessitate the development of SMEs in Zimbabwe because they are fast becoming the anchor of the economy. Therefore, an evaluative study of the policy that was formulated for the sector is important to show the government's efforts in assisting small businesses.

Small and Medium Enterprises (SMEs) are now critical to the development of Zimbabwe and the livelihood of her citizenry and as such a study on the country's policy on this sector

is of significant importance. An evaluation of the Policy and Strategy Framework of SMEs will help exhumate some of the challenges faced by SMEs and gaps that can be exploited by the government to gain maximum benefits from SMEs. Such a study will also highlight the progress that has been made, if any, by the government in improving the plight of SMEs.

Clemens and Moss (2005:3) highlight that the investment climate remains uncertain, being weighed down by the downside risks arising from the lack of clearly agreed policy framework. The Zimbabwean government's policies have negatively affected the level of investments therefore there is a need for an evaluative study into the country's policy for SMEs to determine if the objectives of such policies are being met. Government policy is an important determining factor of the level of investment that businesses will get (Clemens and Moss, 2005:3). Evaluating the SME policy is therefore important to unravel the possible reasons for the plight of the small business sector.

The National Policy and Strategy Framework for SMEs in Zimbabwe (2002:4) was formulated to facilitate an environment in which SMEs can develop. However, SMEs are still faced with challenges which are blamed on the government. SMEs in Zimbabwe operate under difficult business conditions which include cumbersome official procedures and unattractive tax regimes (Gombarume and Mavhundutse, 2014:105). An evaluative study will show if the government implemented the policy in an attempt to ameliorate the identified challenges.

Buckley (2016:130) argues that the lack of focus on evaluation in the policy-making process hinders the development of cumulative knowledge and policy learning in the SME policy arena. This argument shows that there is a dearth in the study of SMEs as most studies have failed to evaluate SME policies. It is this gap that this study occupies. The current study stems from the need for more evaluative policies in the SME sector.

1.5 Overview of Research Methodology

The mixed methods approach was utilised to fulfil the objectives of the study. There were two target populations for the study the first were nine hundred and forty-five (945) SMEs in the Central Business District of Harare consisting of both registered and unregistered small

businesses. The second target population were fifteen (15) experts on SMEs. The sample size constituted of two hundred and seventy-two (272) SME operators and fifteen (15) experts. Non-probability sampling techniques known as purposive and snowball sampling were used to gather data in the Central Business District (CBD) of Harare, Zimbabwe. Purposive sampling technique was used for the selection of experts and snowball sampling was used to identify SMEs. Data was collected from a sample of one hundred and ten (110) SME operators and six (6) experts. Data from primary and secondary sources was relied on in order to address the research problem. Secondary data was gathered from textbooks, journals and policy documents on SMEs in Zimbabwe whilst primary data was collected using questionnaires and interviews.

Data was collected using questionnaires which were administered to SME operators and interviews were conducted with experts. The Statistical Package for Social Sciences (SPSS) IBM SPSS Statistics 23.0 was used to analyse quantitative data. Descriptive statistics such as bar charts and pie charts were used to describe the data, whilst statistical tests such as Mann-Whitney and Kruskal Wallis were performed to make inferences from the data. A content analysis of the qualitative data assisted in validating the data gathered through questionnaires. Triangulation was also used to validate the data gathered.

1.6 Study Limitations

The National Policy and Strategy for SMEs in Zimbabwe is a national policy and ideally its evaluation should be done with reference to SMEs across the whole country. However due to resource constraints, only SMEs in the Central Business District of Harare were used as the target population. In addition, the use of non-probability sampling techniques (purposive and snowballing) may have also introduced bias of the research findings. The use of such sampling techniques implies that caution must be taken when generalising the findings of this study. As such, the empirical findings of this study cannot be generalised for the entire SME sector in Zimbabwe.

1.7 Structure of Dissertation

Chapter 1: Introduction, Background and Context of Study

The introductory chapter ushers the reader into the topic under study. Demarcations of the study are made in the introductory chapter as it shows the areas that the study will be focusing on. This chapter also gives the background to the study to show the context in which the study is being carried out. Research objectives and research questions are outlined in this chapter to show the purpose of this study as well as the questions that it intends to answer.

Chapter 2: Small and Medium Enterprise Policy Development

Chapter two defines an SME and discusses the contestation around defining SMEs. This chapter also gives an analysis of the SME policy determinants which shows the areas that government should focus on when formulating policies. The chapter also examines the measures that have been taken by the Government of Zimbabwe to create a conducive environment for small businesses. An examination of the measures will be done by analysing the National Policy and Strategy for SMEs in Zimbabwe as a policy meant to address the challenges faced by small businesses.

Chapter 3: SME Policy Evaluation: Theoretical Framework

This chapter is a discussion of the theoretical framework which informs this study. As this is an evaluative study of SME policy reference will be made to a theoretical framework which enables an evaluation of SME policy.

Chapter 4: Research Methodology

The Methodology chapter shows the methods of data collection. Discussed in this chapter are the sampling technique, data collection methods and the how the data will be analysed.

Chapter 5: Results and Analysis

Chapter six contains an analysis of the gathered data. Results of the study will be shown in this section and a discussion of these results. The outcomes of this study will be given in this section, giving evidence by making reference to the results. This section provides the answers to the research questions of the study.

Chapter 6: Discussion of Results

Findings made in chapter six are discussed in this chapter. The results of this study are reconciled to those made in other studies and linked to the literature review. Such a discussion is done according to the research objectives and research questions. The discussion chapter helps to address the aims of this study.

Chapter 7: Conclusion, Recommendations and suggestions for further research

The last chapter of this study contains a summation of the findings as well as show if the research objectives have been met. This chapter will also make recommendations that are informed by the findings of the study. Areas that need further research will also be shown in this chapter to enable the furtherance of knowledge.

1.8 Summary

Chapter one constituted a presentation of the background and context of the study it also defined the research problem and objectives that it sets out to achieve. A brief outline of the need for the study was provided to show the circumstances necessitating an evaluative study of the Policy and Strategy Framework for SMEs in Zimbabwe. An overview of the methodology adopted for the research was given to show the steps that were taken to address the research problem. Limitations to this study were outlined in this chapter before a summary of the structure of the dissertation was given. The following chapter reviews literature on the definition of SMEs and SME policy recommendations.

CHAPTER 2

SMALL AND MEDIUM ENTERPRISE POLICY DEVELOPMENT

2.1 Introduction

The previous chapter provided an introduction, background and context to this study. Also provided in chapter 1 is a rationale for conducting this study. Chapter 2 presents literature on the contestation of defining SME before establishing the working definition for this research. This will be first section of the literature review. The second section is an analysis of the SME policy determinants. This analysis is mainly a discussion of the areas SME policy should seek to influence. The third section is a discussion of the measures taken by the Zimbabwean government to create an environment conducive for small businesses. It is in the final section that the National Policy and Strategy for SMEs in Zimbabwe is discussed. An analysis of the policy is done with reference to the SME Policy Index.

2.2 Defining Small and Medium Enterprises: The Debate

The definition of Small and Medium Enterprises (SMEs) is a contested one with different countries offering definitions and classifications relevant to them (Nkrumah, 2013:8; Etuk, Etuk and Baghebo, 2014:657; Baporikar, 2015:267). There seems to be a consensus among researchers that defining SMEs is dependent on the country, economy of the country and the sector of the economy in which the SMEs are operating (Bilau, Ajabe, Bustani and Sholanke, 2015:53; Begum and Abdin, 2015:26; El Kalak and Hudson, 2016:136). The differences between countries' economies account for the lack of a generally accepted definition of Small and Medium Enterprises (SMEs) (Mutambanengwe, 2013; Munanga, 2013:379). Gibson and Van der Vaart (2008:3) are of the view that SMEs are difficult to define because they exist in different sectors of the economy which makes a general definition difficult. Bilau, Ajabe, Sholanke and Sani, (2015:979) are of the view that several definitions and meanings of SMEs exist due to the

global diversity and characteristics. Therefore, there are as many definitions of SMEs as there are countries as well as sources reporting on SMEs making a common definition of SMEs elusive.

However, defining SMEs in context is important to avoid distortions in the allocation of tax payer's money and donor spending for private sector development (Gibson and Van der Vaart, 2008:3). A functional definition of SMEs is needed to avoid the misappropriation and abuse of funds that are aimed at benefitting small businesses (Gibson and Van der Vaart, 2008:3). A careful classification also has to be developed to avoid distortions as well as excluding other entities.

Gombarume and Mavhundutse (2014:104) are of the view that it is easier to describe than to define a small business. Therefore, a descriptive definition of an SME can be offered rather than attempting to determine what an SME is. With such an approach an SME in Ghana would be defined as having an annual turnover of between US\$23 700 and US\$2 370 000 whereas in a country like Thailand, whose Gross National Income (GNI) is five times that of Ghana SMEs would have revenues ranging between US\$84 000 and US\$8 million (Gibson and Van der Vaart, 2008:3). The differences across countries' economies also imply a difference in their definition of an SME as the definition and classification is dependent on the state of the economy. In this light it is expected that South Africa's definition of SMEs would be different from that of Zimbabwe. Table 2.1 presents a summary of the classification into either small or medium enterprise.

Table 2. 1 Gross National Income (GNI) as defining criterion

COUNTRY	GNI (US\$)	SMALL ENTERPRISE (US\$)	MEDIUM ENTERPRISE (US\$)
Thailand	5 780	84 000	8 million
Ghana	1 590	23 700	2 370 000

Adapted from Gibson and Van der Vaart (2008:3)

Table 2.1 shows the cross country differences in defining an SME using GNI as a distinguishing factor. The differences in countries' GNI also implies that there will be differences in how countries define an SME. Countries with a high GNI have a higher threshold for classifying a business into either small or medium as compared to those with low. As shown in table 2.1 Thailand has a higher GNI compared to Ghana and consequently it has a higher threshold for classification.

Table 2.2 shows the different definitions of an SME offered by different institutions.

Table 2. 2 International Institution definition of SMEs

Organisation	No. of Employees	Maximum Revenue (US\$)	Maximum Assets (US\$)
World Bank	300	15 million	15 million
African Development Bank	50	n/a	n/a

Adapted from Gibson and Van der Vaart (2008:5)

The table shows that while the World Bank's definition of an SME is comprehensive including the maximum revenue and maximum assets, while the African Development Bank, on the other hand only focuses on the number of employees. The differences in how international organisations define an SME contribute to the contestation in defining SMEs. As shown in table 2.2, development institutions and global financial institutions also have varying definitions of SMEs depending on their mandate and location. While the World Bank defines SMEs in terms of maximum number of employees (300), maximum revenue or turnover (US\$15 million) and maximum assets (US\$15 million), the African Development Bank only defines SMEs in terms of maximum number of employees (50) (Gibson and Van der Vaart, 2008:5). The African Development Bank's definition might be different from that offered in Zimbabwe even though it is an African country. Such differences in classification also account for the contested definition of SMEs.

2.3 Definition of SMEs in Zimbabwe

The National Policy and Strategy Framework for SMEs (2002:5) defines SMEs in reference to the number of employees, total net assets and legal structure. Reference to the number of employees and sales volumes seems to be a common criterion for defining SMEs as noted by Bennett (2014:9) who quotes sixty (60) definitions used across sixty-five (65) countries with the most common characteristics being employee numbers most common followed by sales volume.

This approach to defining SMEs is in line with Kushnir (2010:1); Sannajust (2014:8) and Kapaj (2015:73) who are of the view that the most common characteristics of the definition of SMEs are the number of employees, assets, turnover, capital and investment. Gangata and Matavire (2013:2) note that the commonly used criteria for defining SMEs are the number of employees, total employees, total net assets, sales and investment levels. However, Gibson and Van der Vaart (2008:3) are of the view that the turnover of a business is in general a more appropriate measure and an adoption of the more conventional measurements such employment should be scaled relative to the country's base.

The definition offered in the Policy and Strategy Framework for SMEs (2002:5) is in line with Gibson and Van der Vaart (2008:3) showing that registered enterprises with employment levels ranging from thirty (30) to seventy (70) employees (depending on the type of industry) are referred to as a small or medium scale enterprise (National Policy and Strategy Framework for SMEs, 2002:5-6). The policy framework also classifies enterprises into different economic sectors and categorises them into either small or medium enterprise based on the asset base measured in Zimbabwean dollars. This is however challenging in that after the economic crisis Zimbabwe adopted a multi-currency system which therefore makes the figures in the policy which are in Zimbabwean dollars are unworkable as this currency was abandoned in 2009 (Nyangara, 2013:220). This renders the definition offered in the SME policy irrelevant and the need for a new SME policy that reflects the changes that Zimbabwe has gone through (Mutambanengwe, 2013). The use of this policy already presents a problem in the defining and categorising of SMEs. This classification also shows a predisposition towards the manufacturing industry, a position which neglects other crucial industries such as mining and agriculture

(Zindiye *et al.*, 2012:685). In this regards there is need for government to also incorporate other industries into either small or medium enterprise.

Mourougane (2012:7) observed that most SMEs in Indonesia operate in the informal sector. Charman, Petersen, Pietersen, Piper, Liedeman and Legg (2015:2) notes that the informal enterprises could help address some of South Africa's core challenges of creating employment and stimulating economic growth. Small businesses' failure to register is common in other countries, although they contribute to the development and growth of the economy. This is shown by the fact that the percentage of firms that are run with formal registration is, as expected, lower for Indonesia Cambodia and Vietnam SMEs than for large firms (Mourougane, 2012:7). SMEs in Zimbabwe are also part of this global trend where a few small businesses are registered in comparison to larger firms.

For the purposes of this research the definition given by Small and Medium Enterprises Association of Zimbabwe will be used for the asset turnover as it is in US dollars which is a reflection of the current state of the economy, though the same thresholds would be regarded as limiting in other countries. Mutambanengwe (2013) makes note of another key distinguishing feature that makes up an SME which is the fact that SMEs are registered enterprises. Charman *et al.* (2015:73) classifies informal businesses as micro enterprises, however Autio and Fu (2015:68) argue that informal businesses trade legal products, yet do not apply for business registration or file any incorporation documents with government authorities. Mutambanengwe's (2013) classification of SMEs as registered enterprise is a digression from Chigwenya and Mudzengerere (2013:4) who are of the view that the informal sector is part of SMEs. To this end Maunganidze (2013) argues that the reason that SMEs are sometimes viewed as informal traders is due to their reluctance to register.

Furthermore, Esselaar, Stork, Ndiwalana and Dee-Swarray (2007:87) argue that the negative return on investment can be attributed to the failure to distinguish between the formal and the informal sectors. Differentiating between the two sectors is therefore important in order to realise the most out of policies. The National Policy and Strategy Framework on SMEs (2002:6) shows

that enterprises that fail to formalise through legal structures such as registration through the Companies Act or a Partnership Agreement should be referred to as micro-enterprises.

Ayyagari (2007:417) is of the view that SMEs are commonly defined as formal enterprises and are thus different from informal enterprises. Consequently, formalising an enterprise is important in determining whether or not it is an SME. The definition offered by the official policy will also be used in reference to the number of employees. For the purposes of this research classification of an enterprise into either small or medium in terms of employees will be referred to the National Policy and Strategy for SMEs. The classification into either small or medium enterprise will be determined by the asset and turnover as defined by SMEAZ. Table 2.3 and 2.4 show the working definition and classification of SMEs for this research.

Table 2. 3 Small Enterprises in Zimbabwe

Sector	Turnover (\$ US)	Asset Base (\$ US)	No. of Employees	Legal Structure
Manufacturing	240 000	100 000	Less than 50	Registered
Other	240 000	100 000	Less than 30	Registered

Adapted from National Policy and Strategy for SMEs (2002:6) and SMEAZ

Table 2. 4 Medium Enterprises in Zimbabwe

Sector	Turnover (\$ US)	Asset Base (\$ US)	No. of Employees	Legal Structure
Manufacturing	1 000 000	1 000 000	50 - 75	Registered
Other	1 000 000	1 000 000	30 - 50	Registered

Adapted from National Policy and Strategy for SMEs (2002:6) and SMEAZ

Tables 2.3 and 2.4 show the working definition of an SME for this study. Turnover and asset base was given in Zimbabwean dollars in the National Policy and Strategy for SMEs in Zimbabwe so for these the definition from SMEAZ was used. The working definition is therefore a combination of the definition in the National Policy and Strategy for SMEs in Zimbabwe and that offered by SMEAZ.

2.4 Determinants of Entrepreneurship within the context of SME development

Storey and Greene (2010:376) are of the view that there are a range of determinants of entrepreneurship that public policy can seek to influence. Oum, Narjoko and Harvie (2014:1-2) show that the determinants reflect the market failure faced by SMEs that require government intervention through policy. Storey and Greene (2010:377) show that the main policy determinants are regulatory framework, accesss to finance, entrepreneurial capability, market conditions, Research and Development (R&D) and technology and culture. Table 2.5 is a depiction of these determinants which will be discussed at length in the following subsections.

Table 2. 5 Determinants of Entrepreneurship

Determinants	Description
Regulatory Framework	Creating a conducive environment for the development of SMEs by changing stringent laws.
Access to Finance	Improving the accessibility of finance to SMEs at a low cost through Credit Guarantees.
Entrepreneurial Capabilities	Imparting skills to SME proprietors for them to manage their businesses effectively
Market Conditions	Increasing access to both domestic and international markets with the government's assistance.
Research and Development and Technology	Using technology to improve SMEs' access to many customers and reduces human error
Culture	Fostering an entrepreneurial spirit in people for them to start businesses.

Source: Adapted from Storey and Greene (2010:376).

2.4.1 Regulatory Framework

The regulatory framework includes the administrative burdens for entry, administrative burdens for growth, bankruptcy regulation and court legal regulations (Storey and Greene, 2010:376, Autio and Fu, 2015:70). Ayyagari, Beck and Demirguc-Kunt (2007:421) and Wach (2015:14) highlight the importance of easy entry and exit, sound contract enforcement, effective property enforcement, effective property rights registration and access to external finance as the focus areas for an effective regulatory framework for SMEs. These can foster a thriving and vibrant SME sector with high turnover and the operation of successful firms unconstrained by rigid regulations. According to Cardoza, Fornes, Farber, Duarte and Gutierrez (2015:2031) SMEs that benefit from sound government policy frameworks, favourable environmental conditions, and well-designed assistance programmes are more likely to expand internationally. Therefore, the regulatory environment is an important determinant of the development of SMEs in a country.

However, the regulatory environment often presents a challenge for SME development thus necessitating the formulation of SME policy. Cardoza *et al.* (2015:2031) identified institutional

barriers to business growth which include the quality of laws and regulations and institutional constraints related to intervention by authorities and regulatory bodies. Abe and Dutta (2014:15-16) also highlighted some of the hurdles faced by SMEs which include lengthy licensing and permit procedures and a hostile regulatory environment. All of these challenges can be addressed by government intervention through a unified SME policy once again proving that government regulations are an important determinant of SME development.

Storey (2008:5) is of the view that public policies to promote SMEs are normally justified on the grounds of market failure. Market failure occurs when resources are inefficiently allocated due to the imperfections in the market mechanisms in which case there is need for government intervention (Margetts, 2011:192; Eslava and Freixas, 2016:5). In such instances, the government would have to develop regulatory frameworks that address the market failure in order to restore the functioning of the market. Wach (2015:14) argues that SME policy priorities include improving government regulatory measures to be more favourable to small businesses. By improving the regulatory framework, the government addresses market failure, making the business environment more conducive for small businesses.

The importance of the regulatory framework is such that it has an impact on SMEs decision to register. Mourougane (2012:11) notes that a heavy regulatory burden can influence firms' decisions to become formal. Buckley (2016:129-130) also argues that SME policies are important to increase the ease of doing business by addressing the barriers or obstacles to doing business. There is therefore need to lighten the burden of entry for small businesses. Evidence from Mexico, Colombia and Malaysia suggests that the simplification of business registration procedures can lead to an increase in the number of businesses that register (Mouragane, 2012:11). In this light therefore reducing the burden of entry is important for the formalisation of small businesses.

Bartlett (2001:200) and Mouragane (2012:13) suggest that throwing money at SMEs will produce little effect if the institutional structure is ineffectively developed: the critical dimensions of the institutional structure are the tax, legislative and regulatory environment within which firms operate. Aggregate demand, interest rates and taxation are key factors

influencing the development of SMEs (Smallbone and Welter, 2001:65; Cant and Wiid, 2013:707). For the development of SMEs it is important for the government to create an SME friendly regulatory framework.

Furthermore, (Storey, 2008:4) macro policies (immigration policy, competition policy, tax and benefit regimes, and regulation) are more effective than micro policies (training, information, advice, cultural change programmes) in promoting SMEs. According to Dosi, Fagiolo, Napoletano, Roventini and Treibich (2015:166) this is so because with the correct mix of fiscal policy and monetary policy the government can target economic growth oriented activities. Smallbone and Welter (2001:64) concur with this view and point out government can influence SME development in any economy through its influence on the macroeconomic environment in which business is conducted. These assertions show that there is a need for government to focus on macroeconomic policies and make them friendlier to SMEs. Evidence from most Eastern European countries shows that the institutional frameworks (bureaucracy and tax laws) are perceived as impediments to the growth of SMEs (Bartlett, 2001:200), hence, government should influence the institutional framework to make it more conducive for small businesses. Therefore, countries need to develop their institutional frameworks to facilitate the development of small businesses.

Beck and Dermiguc-Kunt (2006:2937) note that institutional development is the most significant country characteristic that can explain cross country variations in firm financing; firms in countries with higher institutional development report significantly lower financing obstacles in comparison to those in countries with lower institutional development. The development of institutional frameworks that promote SMEs is valuable. The Zimbabwean government can focus on the regulatory framework in order to close the gap between SMEs in Zimbabwe and those of other countries.

Kyambalesa (1994:23) in a study conducted in Ghana argues that neither business acumen nor ingenuity among entrepreneurs can yield any better than marginal results unless the government provides an enabling environment. Mwena (2005:18), in a study on SMEs in Zambia points that government support for SMEs includes enactment of policies and programmes to encourage

small businesses. Kyambalesa and Mwena's studies highlight the timeless relevance and primacy of an enabling environment created by the government through regulatory framework to resolve market failure is still paramount to the development of SMEs. Divanbeigi and Ramalho (2015:2) in their study on business regulation and growth found out that an improvement of 10 points in the overall measure of business regulation is linked to an increase of around 5 percent new businesses per 1 000 adults. The number and productivity of businesses improves when there is less business regulation.

The regulatory framework is critical to the development of small businesses as it demarcates the environment in which SMEs can operate. It either hampers or promotes the operation of small businesses. Firm level data from Western and Eastern Europe shows that entry regulations (measured as the cost of registering a firm) hamper the creation of new firms, while regulations fostering property rights protection and access to finance enhance entry (Beck and Dermiguc-Kunt, 2006:2933; Mariott and Shepherd, 2015:8). If the registration process for companies is rigorous and cumbersome there are chances that fewer SMEs will be willing to register their businesses. Failure to register implies losses in tax revenues for the government. It therefore, benefits the government to improve the regulatory framework so as to make it easy for small businesses to register and operate.

Regulations have been identified as the stumbling block to the development of SMEs due to their complexities as well as the multiplicity of bureaucratic requirements (Zindiye *et al.*, 2012:658; Autio and Fu, 2015:70). Bureaucratic red tape act as a disincentive for small businesses to register, and this, therefore necessitates reduction and simplicity in the procedures for registration. Bartlett (2001:200) argues that a state bent on exploiting and thus inhibiting the newly emerging SME sector through high taxation, licence requirements, extortion, violence and the breakdown of law and order (the grabbing hand of the state) will inevitably inhibit the growth of SMEs. The regulatory framework should guarantee the security of SMEs and make sure that there is the rule of law. The propagation of small businesses lies in the government's ability to protect and promote this sector through a sound regulatory framework.

Bartlett (2001:201) noted that in countries such as Ukraine and Albania corruption led to a reduction in business activity due to the increased risk and uncertainty of doing business there. A corrupt society therefore impedes the development of SMEs by increasing the risk and uncertainty of doing business. Cant and Wiid (2013:707) point out that in South Africa corruption is among factors in an SME's external environment that has adverse on the businesses and can be an obstacle to the growth if new SMEs. Regulatory frameworks should, therefore, take into account the negative impact of corruption and put in place measures to stamp out corrupt tendencies.

Van den Berg and Noorderhaven (2016:114) in a study on corruption and SMEs in Kenya found that corruption is seen as the biggest threat to firms in developing nations with small and medium enterprises being particularly vulnerable. In another study on the impediments to youth entrepreneurship in Zimbabwe Chimucheka (2012:10392) points out that corruption by local authorities was mentioned by 60 percent of the participants as affecting access to resources provided by the state. Entrepreneurs or small business owners take risks in operating their businesses amidst uncertainties, however, there are conditions wherein the level of risks and uncertainty are increased due to a breakdown of law and order as well as the rule of law. In conditions where there are high levels of corruption risk and uncertainty is such that doing business becomes unsustainable.

Furthermore, imprecise regulations that are difficult to implement can leave too much scope for interpretation and the use of discretion by local officials which in turn contribute to corruption (Smallbone and Welter, 2001:65). There is a need, therefore, to develop precise legislation so as to encourage the propagation of SMEs in Zimbabwe. Mourouhane (2012:7) in a survey carried out in Indonesia, found that SMEs are more likely to pay a bribe than large firms with a greater share of respondents expecting to have to bribe officials to obtain a license. Stringent regulatory frameworks can facilitate the propagation of such corruption. By lessening the regulatory burden government will also be dealing with corruption.

Storey and Greene (2010:377) note that the rate of business entry was directly associated with the incidence of political upheavals. The Peruvian crisis of 1999 led to a fall of business start-ups

of more than five (5) percent (Storey and Greene, 2010:377). This factor shows that the environment in which regulatory frameworks are to be implemented is equally important as the regulatory frameworks themselves. In this case political stability is a contributing factor to the rate of start-ups thus regulatory frameworks need to be accompanied by a conducive political environment. China promulgated the SMEs promotion law in 2002 which saw the removal of institutional barriers that hinder the development of SMEs and creation of a level playing field for SME development (Chen, 2006:140). China is, therefore, a good illustration of the yields and rewards of government influencing the regulatory environment in an effort to develop small businesses.

2.4.2 Access to Finance

Access to finance is a crucial area for policy makers to address as this is one of the most pervasive challenge that confronts SMEs. Storey and Greene (2010:376) are of the view that policy makers should address areas such as access to debt financing, business angels and other types of equity. Berg and Fuchs (2015:3) argue that the government should provide a conducive lending environment. The government has the power to determine the lending environment for small businesses thus it should make it favourable for SMEs to gain access to finance. However, Maunganidze (2013:22) notes that the MinSMECD is perennially underfunded and SEDCO received a paltry USD 3.7million over a four-year period of which USD 200 000 was received in 2012. Such a scenario shows that even though the financing of SMEs is important there is little being done to improve the accessibility of finances.

Rostamkaleai and Freel (2015:256) note that in accessing bank finance small firms are disadvantaged by their information opacity, the relative scarcity of collateralisable assets and disproportionately high monitoring costs. Keasey, Pindado and Rodrigues (2015:867) argue that bank market power is associated with lower levels of SME investment and banks have a greater incentive to constrain or simply cut this type of credit. Because small businesses are viewed as too risky banks opt not to offer loans to them. SMEs also have little property to put up as collateral hence the challenges to accessing finance.

Despite being recognised as being the key to economic growth the SME sector remains grossly underfunded and unsupported (Mashanda, 2012:20; Berg and Fuch, 2015:2). Access to finance for business ventures should be made easier in order to realise the most out of small businesses. Harrison and Baldock (2015:2) argue for the need for a more coherent public policy approach to address the SME financing issues. In this light therefore SME policy is an important initiative that can resolve the financial challenges that are faced by SMEs.

Mudavanhu *et al.* (2011:83) in their study of the determinants of Small and Medium Enterprises failure in Zimbabwe point out that in a study across 11 African countries, nine confirmed that the cost and availability of credit is a major factor that affects SME development. Karedza *et al.* (2014:39) also note that the same problem exists in Zimbabwe where the cost of financing in terms of interest rates has been cited as one of the major challenges facing SMEs. Small businesses are viewed as high risk profiles and as such are charged with higher interest rates which increases their operation costs and decreases their competitiveness (Gangata and Matavire, 2012:2). The growth of SMEs is thus stunted by the cost of interest rates on loans. Therefore, it is important to have SME policies that lessen these costs so as to encourage the growth of SMEs.

Blackburn (2012:9) argues that market failure exists because a financial institution's decision to lend is based on collateral and track record rather than the economic viability of the business. Although small businesses might be viable the lack of a track record and collateral acts as an obstacle to raising the adequate funds. Gombabume and Mavhundutse (2014:104) in a study on the challenges faced by Small to Medium Enterprises in Chitungwiza assert that SMEs find it difficult to meet stringent demands set by financial lenders who often demand collateral security. The Zimbabwe Institute (2007:22) notes that the lack of collateral security prevents SMEs from having access to capital. Addressing the problems of a track record and collateral is therefore important for government so that the potential of the small business might be realised.

Nyanga, Zirima, Mupani, Chifamba and Mashavira (2013:145) in their study of the survival strategies employed by SMEs in Zimbabwe to survive the economic crisis made similar observations arguing that start-ups might have difficulties accessing finance from local banks or face strongly unfavourable lending conditions. In Zimbabwe difficulties in business financing are

such that SMEs hardly grow beyond the initial stage (Manyani, 2014:11). Government, therefore, needs to influence the financing of small businesses especially in the start-up phase. This is imperative in an economy where Mudavanhu *et al.* (2011:82) estimate that up to 60 percent of small businesses fail in the first year. To reduce the failure rate of small businesses in their start-up phase government needs develop intervention strategies that are aimed at lending to SMEs in their formative years.

Size, age and ownership are the most reliable predictors of firms' financing obstacles; older, larger and foreign owned firms report lower financing obstacles (Beck and Dermiguc-Kunt, 2006:2935; Khan, 2015:186). Chipangura and Kaseke (2012:46) argue that SMEs are most vulnerable in terms of survival because of their newness and smallness. This assertion implies that small and domestic firms stand little chance at accessing finances. Due to their size, small businesses are seen as having more risk of defaulting consequently banks, if they are willing to lend, might lend to SMEs at high interest rates (Chirisa, Dumba and Mukura, 2012:117). Hence the responsibility of government is ensuring that small and domestic enterprises access finance by influencing policy instruments and formulating intervention strategies that improve the accessibility to finance of indigenous small businesses.

Thiam (2007:6) is of the view that the constraints faced by SMEs in their search for financial capital are symptoms of deeper structural problems. Gombarume and Mavhundutse (2014:103) concur that the liquidity crunch in the financial sector meant that SMEs regarded as risky and less attractive to lend to were the most affected. The failure of the economy has worsened the financing of small businesses. Some of these structural problems include the fact that because SMEs are viewed as risky they are offered short term debt (Matarirano and Olawale, 2010:1715). In order to improve the financing of small businesses there is need to address the whole state machinery to make it more efficient so as to benefit SMEs.

Institutional development is the most significant characteristic that can explain cross country variations in firms' financing obstacles. Small businesses in countries with higher institutional development report significantly lower financing obstacles than those in countries with lower development (Beck and Dermiguc-Kunt, 2006:2937). Developing institutions is thus important if

government wants to improve SMEs' access to finance. Policies that are aimed at changing the accessibility of finances to SMEs as well as those that change the institutional set up of countries should be put in place to enhance access to finances for small businesses. Government also needs to adjust legal and institutional systems in order to mitigate the obstacles of accessing finances. According to Beck and Dermiguc-Kunt (2006:2940) countries that have more effective and adaptable legal systems have their firms reporting lower financing obstacles. It is thus important for policy makers to review the impact of the legal system on small businesses.

However, it is worth highlighting that availing loans to SMEs should be done under strict monitoring as some of the funds can be subject mismanagement. Bukaliya and Hama (2012:62) in a study of the challenges affecting informal businesses' access to finance in Zimbabwe note that the informal businesses have a reputation of high indiscipline whereby after submitting a viable business proposal and granted a loan, the informal business operators divert the funds to other personal expenditures. Penalties have to be put in place as a deterrent against the abuse of funds.

2.4.3 Entrepreneurial Capabilities

This determinant of entrepreneurship is concerned with the training and experience of entrepreneurs, business and entrepreneurship education (skills) and entrepreneurship infrastructure (Storey and Greene, 2010:377; Wach, 2015:14). This focus area recognises the need to impart skills and knowledge to SME operators to ensure that they are competent in the management of their enterprises. Mudavanhu *et al.* (2011:83) and Jha and Singh (2015:496) argue that one of the main reasons for the failure of SMEs is the lack of managerial skills. This highlights the importance of equipping SMEs with managerial skills so that they are competent enough to plan as well cope with the pressures that are associated with operating an SME.

Skills are needed for the management of finance as many SMEs lack the knowledge on how to handle resources, leading to the waste of funds that could be distributed elsewhere (Odendaal, 2013). The lack of financial management skills implies that although government funds SMEs these funds can be mismanaged and therefore it is befitting to have government train managers of SMEs. Mazhindu and Mafuba (2013:2315) in their study on Zimbabwean SMEs' adoption of

accounting standards found that 80 percent of SMEs failed to maintain accounting records with the lack of skills accounting for such a high percentage (Mazhindu and Mafuba, 2013:2315). Bukaliya and Hama (2012:63) argue that business management deficiencies show that small enterprises fail to keep books of accounts for their business operations. Failure to maintain accounting records tends to increase the risk of mismanagement of funds as such there is a need to equip SMEs with skills.

Inkoun (2003:23) asserts that SME performance is closely linked to entrepreneurial capabilities of the proprietor wherein proprietors with business skills and business related qualifications have 30 percent more likelihood to survive than non-qualified proprietors. The level of skills that an SME operator has therefore determines whether or not that particular enterprise will be successful. Etuk, Etuk and Baghebo (2014:658) found out that in Nigeria small businesses remain small for years because of the mind-set of their owners who lack the basic knowledge of managing a business venture. In this light, therefore, the proprietor has to have knowledge on how to keep the enterprise's books up to date as well as how to manage the day to day activities of the company.

Business owners can also lack knowledge of funding sources available or lack the skills to present themselves as investable opportunities to investors (Blackburn, 2012:8). Thus the failure of SMEs to access finances can be attributed to a lack of adequate skills to attract investors into buying in to their businesses. The lack of skills can lead to a situation whereby SME owners are misinformed on how financial institutions assess credit risks resulting in them failing to secure loans. To this end Blackburn (2012:21) argues that the lack in skills may account for why 41 percent of SME employees lack an understanding of the way banks assess business credit risk.

Mudavanhu *et al.* (2011:83) notes that most SMEs have high operating costs but have insufficient funds to keep them afloat as such there is a need to have proprietors that are equipped with the necessary skills in order for the enterprises to cope. Zindiye (2008:213) in a study on the factors affecting SMEs in the manufacturing industry in Zimbabwe, found that the International Labour Organisation (ILO) has been involved in the training of SME entrepreneurs through programmes such as Start Your Business (SYB) and Start and Improve Your Business

(SIYB). Small business owners are equipped with the necessary skills for them to develop their businesses and aspiring individuals are given information on how to start a business and how to manage a business entity.

Furthermore, management training may enable the business owners to apply for and use loans and resources more efficiently so as to achieve set objectives without needing additional finance (Bukaliya and Hama, 2012:63). The success of an SME therefore depends on the skills level of the owner. Chadamoyo and Dumbu (2012:32) assert that the lack of formal management training in the management of SMEs is a critical limiting factor to the growth and expansion of such businesses. Du Plessis, Indavong and Marriott (2015:2) concur and are of the view that management abilities are key to enhancing the growth of SMEs. These arguments show the importance of management skills for SMEs to development a lack thereof will limit the growth of SMEs

However, it is also important to note that laying the burden to train proprietors on the government can be problematic. This is so because even though the Government of Zimbabwe's responsibilities are on the increase its sources of revenue are narrowing (Nyamwanza *et al.*, 2014:2). Therefore, providing skills training for SME proprietors will be difficult. Storey (2008:3) is of the view that micro policies which include management programmes and training are ineffective compared to macro policies such as tax incentives in government's SMEs assistance programmes. The failure rate of Small and Medium enterprises in Zimbabwe is 85 percent with 60 percent failing in the first year and 25 percent in the first three years (Mudavanhu *et al.*, 2011:82). Timm (2013) highlights that in South Africa five out of seven small businesses fail within the first year. As such, it can be argued as to whether or not government should assist SME proprietors acquire the right skills for the effective management of their enterprises.

Additionally, Zimbabwe has had various interventions to equip SMEs with entrepreneurial skills but little growth has been evidenced (Msipah, Chavhunduka, Jengeta, Mufudza and Nhemachena, 2013:82). This is an indication that even though government can assist SMEs only a few will produce the desired results. This failure can be as a result of the SMEs' failure to cope

with foreign competition to which the government has no control over; foreign competition has been found to be predatory to SMEs especially in the manufacturing sector (Mudavanhu *et al.*, 2011:83) Even with government intervention it is possible for some SMEs to fail therefore there needs to be discriminate assistance. Criteria on how and which enterprises can be assisted have to be developed should government offer assistance to SMEs in the form of skills training.

Maseko *et al.* (2012:51) argue that although the government of Zimbabwe has been advancing targeted support in marketing, management and finance to the SMEs, some have remained small and worse still others have collapsed. This finding shows that there could be deep rooted problems faced by SMEs which go beyond skills shortages. As such indiscriminate skills equipping programmes might fail to save SMEs.

Management training can take on the route that is taken by Peru where proprietors of high growth companies are equipped with management skills instead of those with low growth potential (Ramis, 2002:5). According to Ramis (2002:5) this ensures that SMEs with higher potential are assisted to maximise and realise their potential. This is in line with Ramis' (2002) assertion that it is imperative to ensure that businesses with the potential to survive and be effective are assisted so that a country can realise the benefits associated with SMEs. The discriminate training of proprietors is important to the management of already scarce resources as is the case with Zimbabwe. The reality that a lot of factors contribute to the failure of SMEs and that the government has limited resources necessitates the discrimination of other enterprises in skills training programmes.

The Reserve Bank of Zimbabwe (2009) found that targeted support to SMEs translates into economic development in countries like Indonesia where SMEs account for 98 percent of employment creation and growth with Japan and Thailand having their SMEs contributing 81 percent and 78 percent to GDP respectively. Selected SMEs that have the potential to develop and grow can also be targeted for skills enrichment programmes so that they can contribute to the economy.

2.4.4 Market Conditions

Addressing market conditions is concerned with making foreign markets accessible to SMEs, public procurement as well as improving the accessibility of domestic markets (Storey and Greene (2010:377). Chingwenya and Mudzengerere (2013:10) hail the amended State Procurement Act of 2010 which created a quota system for SMEs which makes it a policy that 25% all tendering and contracts to supply goods and services should be awarded to SMEs.

Incentives such as tax holidays were also given to the private sector that sub-contracts business to the informal sector (Chigwenya and Mudzengerere, 2013:10). Such policies give SMEs an advantage in a market that is dominated by reputable large firms. Zindiye *et al.* (2012:659) highlight that a facilitative trading environment has been created in which procedures for exporting and importing have been simplified and costs minimized for SMEs by the government in Zimbabwe.

Mudavanhu *et al.* (2011:83) argues that foreign competition is more predatory to SMEs than domestic competition. The protection of domestic small businesses against competition from foreign competition is therefore imperative. According to Hwang (2015:10) the protection of SMEs is necessary for deterring the exploitation of SMEs and allowing a level playing field for SMEs to compete against large conglomerates. Nurturing SMEs is important to make them competitive however this process can be hampered by foreign competition which can stifle the growth of small businesses. Chipangura and Kaseke (2012:47) assert that due to globalisation SMEs face stiff competition from international competitors. Government assistance in the development of markets for small businesses is thus imperative so as to ensure they are competitive and can even tap into the international market.

SMEs have little access to markets because of the excessive control of the distribution channels by larger firms and inefficient distribution channels (Chipangura and Kaseke, 2012:48). Government can offer assistance to small businesses through facilitating small businesses' access to international markets is helpful in ensuring that small businesses become competitive as well as expand their operations into the international markets Chipangura and Kaseke (2012:48) argue

that limited international experience, poor quality control, product standardisation and limited access to international partners impede small businesses' expansion into international markets.

2.4.5 Research and Development (R&D) and Technology

The OECD encourages policy makers to give consideration to Research and Development (R&D) and technology which would include university and industry interface, technological cooperation between firms, technology diffusion and broadband access (Greene and Storey, 2010:377). Anon-Higon, Manjon-Antolin, Manez, Sanchis-Llopis (2015:362) point out that Research and Development (R&D) is one of the main drivers of firm's performance and competitiveness. R & D is important for the development of small businesses and can give them a competitive advantage. To this end Zindiye *et al.* (2012:660) noted that the government of Zimbabwe has been encouraging such institutions as the Scientific, Industrial, Research and Development Centre (SIRDC) and the Centre for Innovation and Enterprise Development in Zimbabwe to strengthen their programmes to assist SMEs. The Small and Medium Enterprises Association of Zimbabwe (SMEAZ) (2011) emphasised the need for having researchers that can assist SMEs in their operations.

The importance of Information and Communication Technology (ICT) for small businesses is such that its adoption is no longer optional for growing SMEs but a prerequisite for competing well in markets (Dube, Chitura and Runyowa, 2010:2; Palacios-Marques, Soto-Acosta and Merigo, 2015:23). For small businesses to develop and expand their market they need the facilitation of ICT. This view is also held by Chinomona (2013:82) who argues that Information Technology (IT) connects the small business to its customers and other stakeholders, while also saving time and improving accuracy in the exchange of information about the company's products and services. Technology is therefore important to small business development and hence the government should draft policies that ensure that SMEs realise these benefits. Musikanzwa (2014:37) notes that the failure by SMEs to adequately account for their businesses rose from the lack of computerised accounting packages such as pastel. Therefore, access to technology would improve the accounting practices of small businesses.

Low levels of Information and Communication Technology (ICT) utilisation among SMEs are caused by the lack of knowledge necessary to select the right technology rather than the high cost of equipment and software (Arendt, 2007:85; Salleh, Rohde and Green, 2016:3). Acquiring information on technology that is relevant to the operations of small businesses is therefore an important initiative that should be taken. Government can assist SMEs by putting in place ICT specialists that teach small business operators on the types of technology that can enhance their businesses. Mashanda (2012:13) and Palacios-Marques, Soto-Acosta and Merigo (2015:23) show that low levels of computer literacy in the owner or poor knowledge on how to use technology may result in a business being less likely to adopt e-commerce. Computer literacy is therefore important for the adoption of ICT among SME owners.

Additionally, Arendt (2007:85) is also of the view that the training policy and education system's failure to adapt to the technological changes results to skills deficiency. Government therefore has to influence the education system and training policy to be more ICT oriented in an effort to increase the number of technologically savvy individuals who can assist in SMEs' adoption of technology.

Mashanda in a study of the barriers to ICT adoption among SMEs in Zimbabwe found out that there is unreliable and poor connection due to the poor telecommunications and erratic power supply (Mashanda, 2012:15). In this case, therefore, the government has the responsibility of ensuring that the relevant infrastructure that facilitates ICT adoption is developed.

However, Esselar *et al.* (2007:92) in their research on ICT usage among SMEs in 13 African countries including Zimbabwe show that 45 percent of SMEs state that the reason that they do not have a computer with internet connection is that it is too expensive. Mashanda (2012:13) and Salleh, Rohde and Green (2016:2) argue that the nature and environment in which SMEs operate has a great impact on whether an organisation will adopt e-commerce services. In environments where internet connection is expensive, the likelihood of SMEs adopting ICT is low. Dube *et al.* (2010:2) lamented about the slow rate of e-commerce adoption among small businesses which they attributed to the high cost of adoption.

Information and Communication Technology (ICT) adoption is inhibited by poor physical infrastructure challenges including legal and regulatory issues, weak ICT strategies and lack of research and development (R & D) (Mashanda, 2012:11). There is an interconnection between ICT and research and development therefore policies that influence the two are important for the development of small businesses. Mashanda (2012:15) shows that there is an unreliable and poor internet connection due to poor telecommunications and erratic power supply in most developing countries. Even though SMEs are willing to adopt ICT, the existence of broad structural problems such as erratic power supply can act as an impediment. Addressing such problems would go a long way to improve the level of ICT adoption by SMEs.

Furthermore, Mpofu (2008:3) posits that ICT adoption in SMEs can be driven or inhibited by government intervention. Therefore, government should facilitate rather than hamper efforts to adopt ICT. According to Mashanda (2012:23) although Zimbabwe had the second fastest growing ICT sector in Sub-Saharan Africa but years of neglect have meant that the sector has lost adequate support despite the availability of policies crafted to support the industry. The challenges faced by Zimbabwe over the years have had adverse effects on the rate of ICT adoption. The ripple effects of the retardation of ICT have been on SMEs and their capacity to adopt ICT. According to Mavimbela and Dube (2016:1) an adoption of ICT would leapfrog SMEs to levels beyond survival but lead to sustainable businesses. Therefore, it is important to resolve the ICT problem in Zimbabwe to ensure such benefits.

Mpofu (2008:3) further argues that government's primary role is to articulate vision and policy as these are the two development drivers for national ICT development initiatives to promote e-business among SMEs. The responsibility for facilitating ICT adoption therefore rests with the government as it has the capacity to influence policies that lead to the adoption of ICT. However, the government has failed to diffuse ICT across different sectors. Mpofu (2008:4) further argues that government, as the leader and facilitator in technology adoption by SMEs, should work with other stakeholders to leverage resources.

2.4.6 Culture

Greene and Storey (2010:377) highlight the importance for policy makers to give consideration to such aspects as people's attitudes towards entrepreneurs. Bergmann (2012:3) defines culture as a collective programming of the mind which distinguishes the members of one group of people to another and is concerned with people's attitudes and norms. According to Bergmann (2012:4) culture has an influence on the organisation of economic activity and the shaping and effectiveness of institutions, and culture also has an impact on social networks and confidence building within social groups in some societies entrepreneurs are discouraged and as such the risk taking attitude with the resultant impact on the growth of SMEs being adverse. Another focus area that is addressed by Storey and Greene (2010:377) is the desire for business education and entrepreneurship education (mind set). Such components are lacking in the schools' curriculum as most individuals are being equipped to be effective employees rather than innovative and entrepreneurial.

Smallbone and Welter (2001:66) argue that the state also has influence on the value placed on enterprise and entrepreneurs within the society. If government takes on the lead in encouraging entrepreneurs, they will become admirable which will encourage people to venture into entrepreneurship. Government can foster an entrepreneurial culture and spirit by incentivising entrepreneurial ventures and, in so doing, change people's attitudes towards entrepreneurs and entrepreneurship.

According to the Odendaal (2013), South Africa is not an entrepreneurial country with its early-stage entrepreneurial activity rate at 9.2 percent which is a significantly lower average compared to that which is Brazil of 40 percent. Odendaal (2013) argues that most South Africans prefer having a job compared to starting a business. In such instances it becomes imperative for the government to place more value and incentives on being entrepreneurial by offering attractive rewards and assistance. Pedagogics and curriculums that are entrepreneurial can contribute positively to the change of attitudes towards entrepreneurs and entrepreneurship. This opinion is necessitated by the argument that entrepreneurship is hardly taught in schools and that South Africa's Junior Achievers entrepreneurship programme has had limited success (Odendaal,

2013). The same applies in relation to Zimbabwe where the school curriculum places little emphasis on entrepreneurship therefore few people venture into it rather preferring to get a job.

Government's stance with respect to encouraging people to start and develop their own businesses and through the behaviour of politicians and government officials in their dealings with entrepreneurs can change people's attitudes towards entrepreneurship (Smallbone and Welter, 2001:66). If government holds entrepreneurs in high esteem and there are laws that protect enterprising individuals and their business entities the desire to be entrepreneurial can be fostered. Odendaal (2013) noted that only 14 percent of Africans intend to start a business in the next three years which is rather low considering the high unemployment rates in African countries. There should be more people intending to start a business in Africa mainly because of the high unemployment rates that characterise most African countries.

Corno, Lal and Colombo (2015:126) show that Italy is the least entrepreneurial country among developed countries mainly because generally would-be entrepreneurs in Italy find themselves in a tough environment where education does not offer the right foundation for a career in entrepreneurship. There is need for government to encourage entrepreneurial culture especially through education. The Organisation for Economic Cooperation and Development in the SME Policy Index (2007:46-47) argues that an entrepreneurial culture is fostered by a lifelong learning framework that values entrepreneurship as a key competence. For entrepreneurship to become a way of life there is need for its constant practice so that it becomes a part of the society. Curriculum that values entrepreneurship fosters an entrepreneurial culture across its society.

2.5 Measures taken by the Government of Zimbabwe to create a conducive environment for SMEs

Hussain *et al.* (2012:1581) state that measures to support SMEs all over the world are on the premise that they make substantial contributions to economic growth and are effective job creators. In this light devising strategies to overcome the hurdles faced by SMEs is important. According to Agwu and Emeti (2014:101) challenges in the performance of SMEs can be

resolved by government intervention through SME policy. Mutandwa, Taremwa and Tabanambazi (2015) shows that because of such challenges as the limited access to finance, and a hostile regulatory framework the government formulates an SME policy to create a conducive environment to foster the growth of small businesses.

Chipangura and Kaseke (2012:41) argue that many countries make special policies and programmes on SMEs. The European Union has the Small Business Act as its compass for policy (OECD, 2012:5) and China is noted to have introduced in succession a series of laws and policies involving financial support, technological innovation and market development (Cheng and Wang, 2012:37). Mapeto *et al.* (2015:114) argue that SMEs in Zimbabwe are faced with a multiplicity of challenges which include inadequate finance as well as punitive rules and regulations. The government has responded by establishing institutions, policies and strategies that are meant to address the challenges faced by small businesses.

This section is a discussion of the National Policy and Strategy for Small and Medium Enterprises (SMEs) in Zimbabwe which is the SME policy. The National Policy and Strategy for SMEs in Zimbabwe (2002:5) was formulated with the aim to create an enabling environment for the growth and development for small businesses. In order to make an effective analysis of the Policy and Strategy Framework this section will discuss the Organisation for Economic Cooperation and Development (OECD) SME Policy Index in the Zimbabwean context. The index will serve as a context in which to understand the small business development strategy in Zimbabwe. Assessing the progress that has been made in policy implementation is facilitated by using the Policy Index hence its adoption in this study. The OECD SME Policy Index is a valuable benchmark against which to analyse the policy and strategy framework for SMEs in Zimbabwe. Although fundamental differences exist that make such an approach complex, much focus will be on the common principles such as the need for a regulatory framework that is conducive for small business development.

2.5.1 SME Policy Index: Analysis of the Policy and Strategy Framework for SMEs in Zimbabwe

The SME Policy Index is a benchmarking tool designed to assess SME policy frameworks in emerging economies and monitor progress in policy implementation over time (OECD, 2014:2). Reference to the Policy Index is important in a comprehensive critique of Zimbabwe's policy and strategy framework for SMEs. The OECD (2014:2) argues that the SME Policy Index identifies strengths and weaknesses in policy design and implementation and allows for cross-country comparison. The policy index is ideal for this study in that it identifies strong and weak points in the policy design and implementation, and provides a list of priority actions for reform for countries (SME Policy Index: Eastern Partnership Countries, 2012:3). The SME Policy Index is an evaluation framework for SMEs (SME Policy Index, 2007:14). The main objective of the SME Policy Index is to provide governments with a framework to assess policies targeting SME development (OECD, 2014:2). Considering that the current study is an evaluation of the policy and strategy framework for SMEs in Zimbabwe, the SME Policy Index by OECD is useful in that it provides a framework for such an analysis. Below is an outline of the relevant policy dimensions that will be referred to in this section:

- Education and training entrepreneurship.
- Cheaper and faster start-up.
- Taxation and financial matters.
- Strengthening SMEs' technological capacity.

The National Policy and Strategy on SMEs in Zimbabwe (2002:5) identifies key areas that the government makes a commitment to address. These are:

- Creation of an enabling legal and regulatory environment
- Investment promotion
- Market promotion
- Technology and Infrastructure support
- Entrepreneurship and management skills development

According to the Government of Zimbabwe these areas act as impediments to the propagation of SMEs and in instituting the National Policy and Strategy for SMEs and hence the need for government to address.

2.5.1.1 Education and Training Entrepreneurship

The SME Policy Index (2007:47) assigns two sub-dimensions for the education and training entrepreneurship dimension which are policy and delivery, as well as non-formal learning. To realise the most out of the education entrepreneurship training dimension there is need for concerted effort by institutions concerned with promoting lifelong entrepreneurship learning which will require common understanding, policy interfaces and agreements on strategy and resources (SME Policy Index, 2007:47). The policy and delivery sub-dimension recommends four indicators that can be used to understand policy support of education and training. Below is an outline of the four indicators (SME Policy Index):

- The degree to which the policy exists and is being implemented.
- Delivery within primary education.
- Delivery within lower secondary education.
- Pilot projects and experimentation.

Curriculum in primary and secondary education should include entrepreneurship as this would foster an entrepreneurial mind-set (Amadi-Echendu, Phillips, Chodokufa and Visser, 2016:23). Youths have indicated that the government is failing to support entrepreneurship as a career opportunity for them Chimucheka (2012:10393). The OECD for Association of South-East Asian Nations (ASEAN) and East Asia (2014:136) points that it is essential to encourage young students to enter into businesses by providing start-up facilities and incentives. With the establishment of such facilities and incentives, youth can be motivated to be entrepreneurial. The promotion of entrepreneurship as a career path for the youth can be done by developing curriculum that encourages and imparts entrepreneurial skills (Amadi-Echendu *et al.*, 2016:23).

Furthermore, nurturing the entrepreneurial spirit and new skills from an early age and throughout the education system will help develop skilled entrepreneurs (SME Policy Index, 2007:46).

Developing curriculum that teaches and fosters entrepreneurship is an important role that government can include in SME policy. Delivery in primary and lower secondary is in line with research which suggests that children are likely to demonstrate entrepreneurial aptitudes like creativity and risk taking at a young age (SME Policy Index, 2007:46). Figure 2.1 is an illustration of the assessment framework for Entrepreneurial Education.

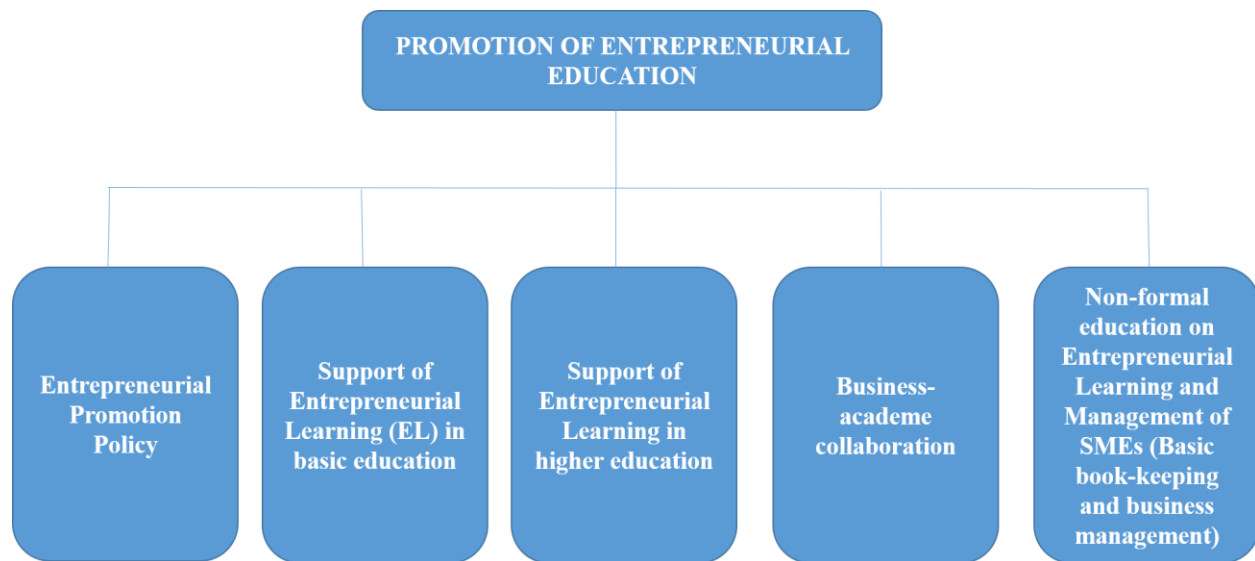


Figure 2. 1 Assessment framework for the Promotion of Entrepreneurial Education.

Source: OECD (2014:39)

According to the OECD (2014:137) SME Policy Index assessment framework for the Promotion of entrepreneurial education was used for the assessment of ASEAN and East Asia. It includes the existence of an entrepreneurial promotion policy and the support of entrepreneurial learning (EL) in both basic education and higher education. So far the discussion was mainly focused on entrepreneurial promotion and the support of Entrepreneurial Learning (EL) in basic and higher education. The discussion below is mainly focused on the fifth part of the assessment framework which is concerned with non-formal education on Entrepreneurial Learning and management of SMEs such basic book keeping and business management.

The lack of marketing skills and market knowledge as well as inadequate management and entrepreneurial skills are some of the constraints that hinder the growth and development of

SMEs in Zimbabwe (National Policy and Strategy Framework for SMEs, 2002:3). Dumbu and Chadamoyo (2012:80) in a study on managerial deficiencies, argue that managerial inefficiency or poor managerial ability affects the growth of an industry. A deficiency in managerial capabilities has been identified by the Government of Zimbabwe as a major challenge to the development of SMEs.

Short entrepreneurial learning courses including advisory and outreach services should be in place to equip SMEs with the needed skills (OECD, 2014:140). Entrepreneurs have been noted to place little priority on training and are unwilling to participate in programmes that require them to finance even a small proportion of training costs (National Policy and Strategy for SMEs, 2002:11). There is therefore a need to devise methods that encourage participation in training programmes among SMEs and the government is better placed to develop such methods. According to the National Policy and Strategy for SMEs in Zimbabwe (2002:11) the government identified some areas of weakness that the policy seeks to address. These are:

- Cash management.
- Market strategies.
- Finance.
- Technical skills for start-ups e.g. design for quality products.
- Implementation of growth strategies.

In a study of marketing among SMEs Tsikirayi *et al.* (2012:7) found out that the lack of marketing orientation is the major factor responsible for business failure. Dumbu and Chadamoyo (2012:83) argue that small firms face financial problems because they lack proper financial systems. Management mistakes accounted for 88.7 percent of SMEs failure as the performance of small firms is closely linked to the entrepreneurial capabilities of the proprietor (Gombarume and Mavhundutse, 2014:104). Studies conducted in Zimbabwe identify similar challenges as those noted in the National Policy and Strategy for SMEs in Zimbabwe. Having identified the challenges that are faced by SMEs in capabilities it is imperative to determine the government's approach to resolving these deficiencies.

The government made a commitment to providing skills development and training at shop floor, management and entrepreneurial level (National Policy and Strategy for SMEs, 2002:11). Such programmes are aimed at improving the skills of the entrepreneurs at all the levels in an effort to improve the state of SMEs in Zimbabwe. Zindiye (2008:209) found that 73 percent of entrepreneurs confirmed that the Zimbabwean government had done enough to address skills shortages among SMEs. Such improvements in skills training shows that the government's intervention strategy was effective in terms of outreach.

However, the results of government's efforts will be more noticeable through improvements in SMEs. Skills development by the government are based on three tiers that will focus on entrepreneurship development, business management and support, and technical skills training (National Policy and Strategy for SMEs, 2002:11). The policy also states that entrepreneurship development will be carried out at a national basis especially for women and youth (National Policy and Strategy for SMEs, 2002:11). However, the policy fails to specify how this national initiative will be carried out.

According to the National Policy and Strategy for SMEs (2002:11) business management and support will be developed to focus on training in areas such as strategic marketing, business planning, financial management, general business management, business ethics and Information Technology (IT). These focus areas are central to the development of SMEs and are aimed at making them competitive in the face of international competitors as well as large local companies. Technical management skills training is developed to sharpen production skills of SMEs and will be carried out in institutions of higher learning, university, colleges and vocational training centres (National Policy and Strategy for SMEs, 2002:11). Other programmes aimed at improving the skills level of SMEs in Zimbabwe include encouraging the private sector to provide mentorship for small businesses and donor supported programmes that provide for retired executives who provide hands on technical assistance to SMEs (National Policy and Strategy for SMEs, 2002:12).

Zindiye (2008:213) in the study of government's support of SMEs established that 70 percent of the respondents confirmed that Empretec, ILO and SEDCO have been helpful in the

development of SMEs. Empretec is primarily involved in the training of SMEs and has trained various SME owners and employees in managerial aspects such as human resources management, financial management and marketing management (Zindiye, 2008:213). The findings are important in showing that government has taken initiatives to help develop SMEs through skills training programmes which the majority of entrepreneurs are finding helpful.

However, it is important to note that Zindiye's study was limited to government's assistance of SMEs in the manufacturing sector and as such the findings are not generalisable to SMEs in other sectors of the economy. Maseko *et al.* (2012:52) establish that the manufacturing sector constitutes only 20 percent of the total number of SMEs compared to over 40 percent for the retail and commerce sector. Therefore, government bias towards SMEs in the manufacturing sector can be problematic in that they constitute a lesser percentage of SMEs meaning that the benefits to small businesses will not be fully realised.

2.5.1.2 Cheaper and faster start-up

Central to cheaper and faster start-up is the company registration process which includes registration, notification and compliance (SME Policy Index, 2007:15). Lessening the requirements for company registration lessens the burden of compliance on SMEs thereby encouraging more small businesses to register. The SME Policy Index (2007:15) is concerned with a restructuring of the registration process thus achieving a substantial reduction of the time and costs associated with company registration. To achieve this government can establish one stop shops, licenses and permits, and the establishment of an electronic company register (SME Policy Index, 2007:15). These suggestions are aimed at easing the process of registration and act as incentives for small businesses in the informal sector to register.

Deregulation is an intervention strategy by the government of Zimbabwe which entails the removal of legal impediments to starting and growing a business and is enshrined in the Small Businesses Act (National Policy and Strategy for SMEs, 2002:8). Loosening the grip of government regulations on company registration will encourage company registration as well as their growth. Msipah *et al.* (2013:82) are of the view that the Small Business Act acts as a legal instrument to facilitate the growth of the sector and offer an effective mechanism for giving

incentives to SMEs. Such a legal instrument is important as it gives the government a legal obligation to ensure the development of the small business sector. It also shows government support of SMEs and will go a long way to lessen the burden of starting up and growing a small business.

Minimising and simplifying the process of establishing a business through simple procedures that require minimum time and effort for example the issuing of relevant licences and permits, is another intervention strategy for lessening the burden of registration (National Policy and Strategy for SMEs, 2002:8). Chirisa *et al.* (2012:128) concur with this and point out that there is need for government to eliminate those regulations that stifle business growth by removing bottlenecks in the registration process of SMEs. The SME Policy Index (2012:4) notes that reforms to the company registration process have limited overly burdensome regulations in countries like Belarus and Ukraine. Therefore, simplification of the registration process is important to the establishment of small businesses.

However, in Zimbabwe the government is still to enact the Small Business Act and as such, there are still challenges with the registration process for SMEs in Zimbabwe (Zimbabwe Medium Term Plan, 2011:157). The lack of a commitment from the government towards fulfilling its obligations is problematic. Murwira (2014) reports that the Zimbabwean government is yet to align over 400 laws to the new constitution and in this task, it is largely underfunded and resource constraint. Such a situation shows that the chances of the Small Business Act being enacted are slim due to the government being incapacitated.

Furthermore, the Government of Zimbabwe through ZimASSET (2013:34) points out that the success of the policy is dependent on the alignment of legislation, policies and guidelines by all government ministries and departments. The slow progress in the alignment of laws and policies presents a problem for SMEs especially since the financing of the sector is reliant on the Small Business Act. The importance of the Small Business Act is such that the SME Policy Index (2012:4) highlights that legislative simplification reduces administrative and legislative barriers for SMEs.

In 2002 government suggested the establishing of a one stop shop by the Zimbabwe Investment Authority which would reduce the time of setting up a business from 48 days to 5 days. At the time Zimbabwe was ranked 157 out of 183 on the World Bank's Ease of Doing Business Report (Industrial Development Policy, 2012:31). However, in 2014 Zimbabwe was ranked 170 out of 189 on the World Bank ease of doing business rankings (Murwira, 2014). With the establishment of a one stop shop it would have been expected that doing business in Zimbabwe would become easier however it is increasingly becoming more difficult to do business in Zimbabwe. Partly to account for this is the fact that officers at the one stop shop have no power to make the necessary decisions and also the existence of numerous bottlenecks that make doing business in Zimbabwe cumbersome and expensive (Murwira, 2014).

Furthermore, due to administrative bureaucracy it takes longer for SMEs to register and obtain licences for their entities. According to Gombarume and Mavhundutse (2014:105) it takes 952 days to deal with licensing issues in Zimbabwe. To this end, Chipangura and Kaseke (2012:54-55) argue that cumbersome laws, heavy regulatory burden and administrative bureaucracy increase the transaction costs for SMEs thereby hampering their performance and growth. The registration process is also costly because of the numerous procedures that the business has to go through. Figure 2.2 is an illustration of the assessment framework for cheaper and faster start-up. The legislation and regulation for SMEs framework is included to show how legislation and regulation can be developed to influence SME start-up.

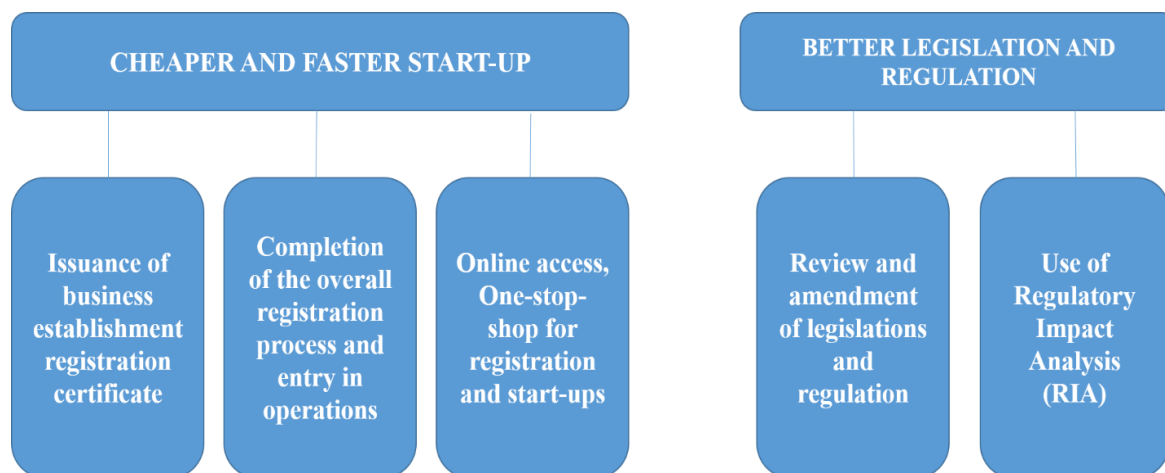


Figure 2. 2 Assessment framework for cheaper and faster start-up and better legislation and regulation for SMEs.

Figure 2.2 shows the SME Policy Index assessment framework for Cheaper and Faster start-ups and better legislation and regulations according to the OECD (2014:41). In order for the Government of Zimbabwe to allow for cheaper and faster start-up there is need to lessen the time it takes for the issuance of business establishment registration certificate and the completion of the overall registration process and entry in operations. Online access and one-stop-shop for registration and start-ups can facilitate the cheaper and faster start-up process OECD for ASEAN and East Asia, 2014: 41).

2.5.1.3 Taxation and financial matters

Taxation and financing represent the lifeblood of SMEs especially in the early stages of their operations (SME Policy Index, 2007:15). Careful consideration should be given to issues surrounding taxation and finances for SMEs as these are crucial to the survival of SMEs. According to the SME Policy Index (2007:15) an assessment of taxation should focus on total tax payable and tax administration, in both instances there is need for government to reduce administration tax especially compliance costs for SMEs. In financial matters consideration is given to the credit environment and range of financial products available to SMEs (SME Policy Index, 2007:15). The index in the Western Balkan economies such as Croatia, Serbia and Macedonia shows that there was restructuring of the banking industry which included the diversification of banking services and improvement of lending requirements, reduction in

collateral requirements, credit guarantee schemes and the further development of the legal and operational credit environment (SME Policy Index, 2002:15).

2.5.1.3.1 Taxation

The Government of Zimbabwe also undertook to minimise administration requirements such as taxation requirements will be undertaken by the government of Zimbabwe (National Policy and Strategy for SMEs, 2002:8). This was aimed at lessening the burden of compliance and administration on SMEs. Nyamwanza *et al.* (2014:2-3) point out that the compliance costs for SMEs in Zimbabwe are up to six times higher than those for large companies. This justifies Chipangura and Kaseke's (2012:46) view that SMEs are most vulnerable in terms of survival because of their newness and smallness. Minimising and simplifying procedures for registration will lessen compliance costs for small businesses. It is therefore imperative for the National Policy and Strategy for SMEs in Zimbabwe to lessen the burden of compliance for SMEs in Zimbabwe.

Most SME owners are unskilled (Nyoni, 2002:10) as such complicated tax systems make it difficult for the registration and operation of SMEs. The National Policy and Strategy for SMEs (2002:8) also has an initiative to use standardised formulae to calculate tax liability and tax forms that are user friendly for SMEs. These efforts acknowledge the lack of skills in most SME owners and managers thereby simplifying the tax system and enabling them to register and comply with requirements.

Ngwenya, Sibanda and Chitane (2014:1) concur that some of the factors that are ranked high as causes for non-tax compliance of SME are complexity of the tax systems and economic factors. By simplifying the tax system and making it user friendly to SMEs, the government is making compliance easier for SMEs. By adjusting the tax regime to make it accommodative to SMEs government stands to benefit from more revenue which it needs because of the increase in its responsibilities (Nyamwanza *et al.*, 2014:3).

Government made a commitment towards putting in place incentives that are aimed at lessening the burden of compliance as well as the registration process for SMEs. The incentives include tax

relief where small businesses will be exempted from the full rate of tax (National Policy and Strategy for SMEs, 2002:8). This strategy sought to encourage SMEs to formalise their businesses. However, Karedza *et al.* (2014:38) found that SMEs are still demotivated from formalising their businesses because of the taxes. Gombarume and Mavhundutse (2014:105) note that SMEs are weak because of very difficult business conditions which include unattractive tax regimes. Therefore by offering tax relief the government can provide an incentive for small businesses to register.

Small businesses are also given a 5-year grace period on taxation during their start-up phase (National Policy and Strategy for SMEs in Zimbabwe, 2002:9). This is in recognition of the high failure rate of small businesses in the first five years of their establishment. By giving SMEs a five-year grace period small businesses have room to develop and establish a strong financial base. Nyamwanza *et al.* (2014:4) found that 55 percent of the SMEs in their study cited taxes as having a high impact on their business operations. It is therefore important for government to address the tax regime in order to make it accommodative to SMEs.

However, a decade after the inception of the SME policy Mudarikiri (2012) reports that there is a need to reduce the tax band for SMEs as the current one is too high for the sector and is suffocating growth. Although lessening the tax burden is an official strategy to assist SMEs, this is yet to be implemented as the failure of small businesses is still being attributed to the high tax band.

Tax breaks for companies which subcontract to SMEs or which earmark funds for the small businesses sector such as business angels will be introduced as incentives for raising funding for SMEs (National Policy and Strategy for SMEs in Zimbabwe, 2002:8). Subcontracting increases the profitability of small businesses and tax breaks for large companies work as incentives considering the many taxes that they have to pay. However, in a study on managing SMEs as suppliers Musikanzwa (2014:35) found that SME suppliers were very unreliable, provide poor quality material and perform below standard. This repels subcontracting by large companies as they fear risking the quality of their products or services. The government would, therefore, have

to ensure quality goods and services provided by subcontracting SMEs as part of the tax break incentive.

2.5.1.3.2 Financial matters

The biggest financial constraints facing SMEs in Zimbabwe are limited access to finance, the high cost of finance, absence of security and the lack of a track record (National Policy and Strategy for SMEs, 2002:9). It is imperative to note that small businesses generally lack equity and are therefore dependent on financial institutions to start and expand their businesses (Gombarume and Mavhundutse, 2014:104). Towards this end, the government of Zimbabwe, through National Policy and Strategy for SMEs (2002:9), makes a commitment to establish institutions that will assist in the viability of SMEs in obtaining unsecured funding at concessionary interest rates. Beck and Dermiguc-Kunt (2006:2939) are of the view that credit availability to small enterprises depends on the infrastructure that supports financial transactions including the legal system and information environment. Government policy, therefore, has to focus on influencing institutions and systems that are central to accessing finances.

The Small Enterprise Development Corporation (SEDCO) was established as the disbursing arm of the MinSMECD (Portfolio Committee on Small and Medium Enterprises and Cooperative Development, 2010:2). The National Policy and Strategy on SMEs in Zimbabwe (2002:3) mentions SEDCO as a government support programme aimed at facilitating small businesses' access to finances. The SEDCO Amendment Bill (2010:5) places the responsibility of ensuring proper coordination and implementation of national policies, legislation and programmes that have direct impact on the development of SMEs on SEDCO. Thus SEDCO is central to the development of small business sector as it occupies a critical position. Chadamoyo and Dumbu (2012:29) highlight that the establishment of SEDCO by the government is a demonstration of the importance of the small business sector to the economy as well as government's commitment to their development.

However, the Portfolio Committee on Small and Medium Enterprises and Cooperatives Development (PCSMECD) (2010:3) found that SEDCO in 2010 was financially paralysed and incapable of carrying out its mandate. SEDCO has a lot of responsibilities but is underfunded

and as such meeting its objectives is a difficult task. Failure by SEDCO to meet its many objectives in relation to SMEs implies that challenges faced by small businesses become difficult to resolve. If an institution given the responsibility of financing SMEs and coordinating SME related programmes and policies is struggling financially then policy implementation and financing of small businesses becomes a mammoth task. Findings by the PCSMECD (2010:2) show that SEDCO has been under capitalised since its inception, a factor which has impaired its ability to raise capital and meet rising costs. Under such circumstances the institution is therefore unable to execute its duties of promoting and developing SMEs. As this is the organisation tasked with funding SMEs without collateral, its failure to secure funding for this task makes SME development envisaged in the National Policy and Strategy for SMEs difficult.

The government, in the Short Term Emergency Recovery Programme (STERP) (2009:60) makes a commitment to recapitalise SEDCO in order that it fully plays its role of financing, training and providing incubation to SMEs. Such an endeavour by the government shows that SEDCO has been underfunded. However, it is important to note that although the government makes a commitment to recapitalise SEDCO, Muzari and Jambwa (2012:1709) in their study on the constraints to SME development in Zimbabwe found out that SEDCO was among institutions that were inadequately funded. The problem of funding SMEs through SEDCO still persists. Munanga (2013:377) points out that Zimbabwe has a liquidity crisis which makes it even difficult for the government to fund SEDCO.

The government of Zimbabwe also sets to put in place incentives for existing financial institutions that are SME friendly so as to improve lending to SMEs (National Policy and Strategy for SMEs, 2002:9). Incentivising lending is a noble strategy that will ensure that access of funds for both starting up as well as developing. This strategy is in realisation of the fact that financial institutions are complacent to lend to SMEs because they lack a borrowing track record (Cull *et al.*, 2006:3038). Financial institutions require evidence of the borrowers' capability to pay back the loans as evidenced by their track record. Through incentives, the government of Zimbabwe ensures that SMEs are able to access funding. However, the SME policy fails to define the range of incentives that will be put in place. The incentives would have to be such that financial institutions will be willing to overlook their stringent requirements.

Credit guarantees also form part of the Zimbabwean government's intervention strategy which are aimed at addressing finance accessibility and collateral constraints (National Policy and Strategy for SMEs, 2002:9). According to Bukaliya and Hama (2012:61) a credit guarantee is a written obligation on the third party to repay a debt in case of default by the borrower. Garcia-Tabuenca and Crespo-Espert (2010:113) argue that public administrations use guarantee systems in order to facilitate credit access due to the existence of restrictions and imperfections in the markets. In this instance the government makes a commitment to providing a guarantee fund for SMEs in an effort to solve the problem of collateral. However, Chirisa, Dumba and Mukura (2012:117) point out that because financial institutions consider SMEs to be a high risk sector, very few SMEs have been successful in getting any loans disbursed by banks despite government's efforts to assist them. Muzari and Jambwa (2012:1708) assert that SMEs cannot rely on government guaranteed loans as the government will never have sufficient funds for the sector. Nyamwanza *et al.* (2014:2) concur with this view and argue that the government's responsibilities are on the increase while sources of revenue are narrowing. Although there are credit guarantee systems in place, government is incapacitated to guarantee loans by SMEs. Therefore, although there is a plan in place to facilitate easy access to loans for SMEs, the problem is its fruition because government is cash strapped.

The National Policy and Strategy for SMEs (2002:9) also has venture capital as one of its intervention strategies which is aimed at promoting private equity, business angels and corporate venturing. This corresponds with the need for funding in order to realise maximum benefits from SMEs as these have also been indicated in the SME Policy Index as possible areas that the government may seek to influence (SME Policy Index, 2007:15). Tax breaks have also been stated as some of the incentives for those investing their own equity into high growth sectors (National Policy and Strategy for SMEs, 2012:9). However, failure by the government to set clearly defined incentives and strategies to stimulate risk capital makes the provision of SME funding difficult.

Bukaliya and Hama (2012:6) point out that small businesses have a reputation of high financial indiscipline, whereby some SME operators, having been granted loans, divert the funds to other personal expenditures. Therefore, although government has allocated some funds to small

business development misplaced priorities increase the of risk failure to realise the set objectives. This necessitates the development of strategies to ensure that SMEs that are issued loans channel the funds towards the projects for which the funds were given.

2.5.1.4 Strengthening SMEs' technological capacity

Small businesses' technological capacity is important for them to stay competitive and innovative (SME Policy Index, 2007:16). Large businesses have enough technological capacity to gain a competitive edge over SMEs hence the need to focus on enhancing small businesses' technological capacity. Government should make headway in the establishment of research and technology centres that are focused developing knowledge (SME Policy Index, 2007:17).

Zimbabwe already has established institutions that can assist SMEs in becoming effective in technology and research. The Scientific, Industrial, Research and Development Centre (SIRDC) and the Centre for Innovation and Enterprise Development (CIED) have been assigned with the role of assisting SMEs through identifying appropriate technologies and providing information updates on technological advancements (National Policy and Strategy for SMEs, 2002:10). Coordinating with established institutions is important in accelerating the pace of development and ICT adoption among SMEs. Developing SMEs' technology capacity will enhance the quality and competitiveness of their products. Another intervention strategy opted for by the government of Zimbabwe are study tours that are aimed at exposing SMEs to new technologies (National Policy and Strategy for SMEs, 2002:10). Exposure to new technology will provide a platform for SME operators to gain knowledge and information on technological advances.

The Zimbabwe Agenda for Sustainable Social and Economic Transformation (Zim ASSET) policy document (2014: 39) shows that government made a commitment towards rehabilitating, upgrading and developing ICT related infrastructure. Such a commitment, if realised, can assist SMEs in expanding their market size as they connect with more potential customers. Increasing the ICT capacity of a country will also increase the connectivity of that country with the outside world and in so doing small businesses can develop. As indicated earlier an adoption of ICT

would leapfrog SMEs to levels beyond survival but lead to sustainable businesses (Mavimbela and Dube, 2016:1). In this light improving the connectivity of a country is important.

Electronic Commerce (e-commerce) is suggested as a platform on which SMEs can respond to the demand of the 21st Century and to enhance their competitiveness (National Policy and Strategy for SMEs, 2002:10). The acknowledgment of the significance of technology to the effective functioning of small businesses is important. As such, the government takes on the responsibility to improving the accessibility of technology to SMEs. SIRDC is the focal point for the provision of comprehensive information on new technology translating government's drive to make SME technologically savvy (National Policy and Strategy for SMEs, 2002:14). Figure 2.3 is an illustration of the assessment framework for strengthening SMEs' technological capacity.

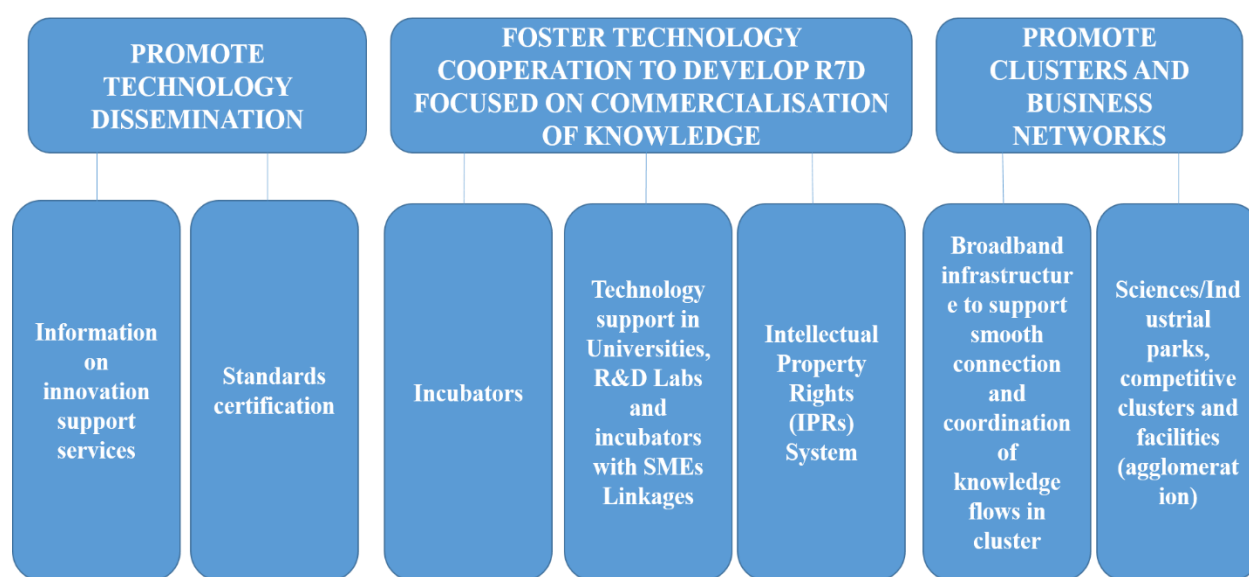


Figure 2. 3 Assessment Framework for Technology

Source: OECD (2014: 87)

The figure illustrates the framework for assessing technology and Research and Development. An SME policy should focus on the promotion of technology dissemination, foster technology cooperation and promote business networks.

2.5.1.5 Gender Dimension

The Zimbabwean government, through the National Policy and Strategy for SMEs (2002:2) views the SMEs sector as a viable source for the improvement of the situation of women. Deborah, Wilhemina, Oyelana and Ibrahim (2015:37) noted that entrepreneurship is dominated by men making it difficult for women to make headways in this sector. Taking this view into account SMEs can therefore serve as an avenue through which women can be emancipated from the grip of a patriarchal society.

The OECD's Eastern partner countries have a similar objective for women entrepreneurship in an effort to include women in the drive for economic excellence through SMEs (SME Policy Index: Eastern Partners countries, 2012:8). The SME Policy Index (2012:8) states that the Eastern partner countries support women entrepreneurship through the development of advocacy networks, training and mentoring services and improved access to finance. These strategies are aimed at empowering women with resources that make them competitive.

Enshrined in the policy and strategy framework for SMEs in Zimbabwe is targeted support that focuses on cluster based development (National Policy and Strategy for SMEs, 2002:12). The SME policy in Zimbabwe recognises that women entrepreneurs are disadvantaged and therefore there is need for tailor-made support designed to improve their position in relation to that of their male counterparts. Government has a commitment to removing barriers for cross-border traders (National Policy and Strategy for SMEs, 2002:12). However, it is important to note that this strategy improves the position of women in the informal sector or micro enterprises.

Improving married women's access to finances through an amendment of the Banking Act (National Policy and Strategy for SMEs, 2002:12) is one of the strategies designed by the government. Mboko and Smith-Hunter (2009,2) found that in Zimbabwe there are systemic prejudices and discriminatory laws as well as policies and financial constraints that have severely handicapped women in business in terms of technical skills and access to finance. The patriarchal system is shaped in such a way that women find it difficult to advance as there are many impediments against such advances.

In Zimbabwe, the Small Enterprises Development Corporation (SEDCO) (Amendment) Bill (2010:6) gives special preference to women for government procurement. Women who own small businesses will be given top priority in government's 25 percent procurement quota for SMEs (SEDCO Amendment Bill, 2010:6). Prioritising small businesses run by women is in line with the objectives determined in the policy and strategy framework for SME. Implementation of such a policy and law would increase the chances of success for female small business operators.

2.5.1.6 Institutional Support

The National Policy and Strategy for SMEs in Zimbabwe establishes institutions and organisations that have a mandate to help develop small businesses in different sectors. Institutional support is offered at different levels and for different areas pertaining to SMEs. Some of the institutions to be discussed in the section include the Standards Association of Zimbabwe and the Export Processing Zone Authority. These support structures are developed in recognition of the need for the division of labour in efforts to realise maximum benefits from SMEs.

The creation of an SME agency responsible for SME policy is important in the need to draw maximum benefits from SMEs. The mandate and financing of the established agency will determine its effectiveness (SME Policy Index, 2012:10). The Zimbabwean government reorganised cabinet and established the MinSMECD to take the leading role in SME policy implementation (Policy and Strategy Framework for SME, 2002:1). The Policy and Strategy Framework for SMEs (2002:3) also states SEDCO as one of the institutions established by the government with the mandate to support the SMEs sector. SEDCO (Amendment) Bill (2010:6-7) outlines the agency's function as providing financial, information, training and infrastructural development support for SMEs. The agency forms one of the pillars of strength for SMEs. SEDCO and the MinSMECD share the same mandate however the two work in consultation and with the leadership of the minister of the MinSMECD.

The Zimbabwean government created the MinSMECD with the mandate of implementing and drafting SME policies (National Policy and Strategy for SMEs, 2002:2). Egypt has five institutions that have a prominent role in shaping SME policy thereby making institutional setting complex (OECD, 2010:4). By establishing the MinSMECD with the sole responsibility of SME policy implementation the government in Zimbabwe is able to avoid the complexities and confusion that is associated with SME policy implementation in Egypt. The MinSMECD in Zimbabwe is empowered to coordinate and lead efforts in improving the state of SMEs in Zimbabwe. In this light though Egypt has a functional SME policy (OECD, 2010:5), the fact that different ministries also develop their own policies makes it difficult to identify the functional SME policy as well as coordinating efforts in policy implementation. In this case Zimbabwe has an advantage that can be tapped into to improve SME policy formulation as well as implementation.

The government suggests the establishment of several agencies mandated with assisting SMEs in different areas. The Small Business Advisory Council (SBAC) is meant to initiate and manage public-private partnerships and to be the eyes and ears of the SME sector (National Policy and Strategy for SMEs, 2002:14). Such partnerships are crucial to the development of SMEs as the government is incapacitated to take on this task on its own. There are so many expectations for government in relation to SMEs yet it has limited resources. In this light the SBAC would assist government in carrying out its objectives as the government has limited resources.

The Small Business Authority (SBA) was established as the lead agency for small business development. It was designed to coordinate SME support and designated as the entry point into the SME support network (National Policy and Strategy for SMEs, 2002:14). Below is an outline of the services the Small Business Authority is meant to offer:

- Information and guidance
- Legal advice
- Marketing support
- Counselling and training
- Financing

- Research and policy formulation

However, it is worth highlighting that the Small Business Authority takes on the same role of SEDCO. The duplication of duties is problematic in that resources are split between organisations that are essentially carrying out a similar mandate. The government was struggling to fund SEDCO as such the establishment of another organisation will increase the burden of funding on already overburdened state machinery.

There is also support in the form of the National Association of Small and Medium Enterprises (NASME) whose existence is aimed at representing the interests of small businesses (National Policy and Strategy for SMEs, 2002:14). The mainstay of this organisation is to ensure that the contributions of small businesses are acknowledged. The acknowledgement of such contributions will reaffirm the importance of small businesses in the economy. NASME's mandate can work towards securing donors for SMEs since the role of small businesses in economic development would be known. Below is an outline of how SMEs can benefit from the National Association of Small and Medium Enterprises (NASME). Through NASME small businesses can have:

- Advocacy strength
- Market power
- Unified voice to assure an enabling environment for small business is established.
- Pool resources together

Small business financing is as equally important as the mandate in ensuring the effectiveness of the created agencies. Maunganidze (2013:4) notes that the MinSMECD is perennially underfunded and SEDCO received a paltry USD 3.7million over a four-year period, USD 200 000 of which was received in 2012. The two institutions, however have a comprehensive mandate that covers most of the needs for small businesses, therefore their underfunding presents a challenge to their effectiveness. Executing their mandate has become a mammoth task due to limited financial resources. In as much as establishing agencies for SME policy implementation

is important, the allocation and equipment of resources proportional to the given mandate is imperative in ensuring that this mandate is carried out.

Government has been cited as the main culprit in failing to award supply contracts to SMEs as per the amended State Procurement Act (Musikanzwa, 2014:35; Loader, 2015:103). Having enacted the Procurement Act that favours small businesses government should be taking the initiative to contract small businesses. With the other large business then following government's lead. There is therefore an urgent need for government to implement legislation and actually provide contracts to small businesses. Nevertheless, small businesses can also be part of the problem as observed by Loader (2015:103) argues that there are challenges of public procurement such as SMEs' struggle to find the resources to engage with a bureaucratic process and they are disproportionately affected compared to larger suppliers. Therefore, although the government may put in place and implement the legislation, SMEs may have insufficient resources to supply the needed goods. Musikanzwa (2014:40) noted that companies and NGOs are willing to comply with government legislation but most SMEs are unreliable. The lack of initiative by SMEs can be a point of contention that substantiates businesses' refusal to deal with small business. Even though there is the Procurement Act there is also need for monitoring the quality of goods and services delivered by small businesses.

2.6 Summary

Chapter two was divided into three sections examining the definition of SMEs, determinants of entrepreneurship within the context of SME development and the measures taken by the Zimbabwean government to create a conducive environment for SMEs. The determinants for entrepreneurship for small businesses include the regulatory environment, access to finance and skills, entrepreneurial capabilities and market conditions. These policy determinants recommend areas that governments should focus on when formulating SME policies.

Among the areas to focus on for SME development are public-private-partnerships and credit guarantee schemes to ease access to finance constraints. Literature shows that education and training in entrepreneurship is important as deficiencies in this area is responsible for the failure

of most SMEs especially is the proprietors are unskilled (Amadi-Echendu., *et al*, 2016:24). Although Information Technology is important literature in Zimbabwe shows that most SMEs state the high process of internet connections as their reason for the failure to adopt ICT. Studies showed that the lack of collateralisable assets and high monitoring skills account for access to finance challenges among SMEs (Rostamkalaeia and Freel, 2015:256). Literature showed that the lessening of registration procedures in other countries is responsible for increases in registration, as such Zimbabwe should follow suit (Mouragane, 2012:11). The third section was an acknowledgement of the fact that government has the responsibility to address market failure through SME policy to resolve the challenges faced by SMEs. In this section the National Policy and Strategy for SMEs in Zimbabwe was discussed as a policy aimed at creating an enabling environment by addressing the challenges faced by small businesses in Zimbabwe.

CHAPTER 3

SME POLICY EVALUATION: THEORETICAL FRAMEWORK

3.1 Introduction

Chapter three is a discussion of the Theoretical Framework which is informing this study. As this study is an evaluation of SMEs Policy it is imperative that the study be informed by a theoretical framework that evaluates SME Policy. In achieving such an evaluation, reference will be given to the Organisation for Economic Cooperation and Development's (OECD) SME Policy evaluation framework. This framework is ideal for this study because it is custom made for SME Policies.

3.2 The Evaluation Framework

The main thrust of this research is to evaluating SME policy therefore, it is important to establish a framework that aids in the evaluation of SME policies. Little has been done to develop contextual conceptual frameworks that take into account the prevailing conditions in Africa as well as the unique conditions in policy making in general as well as in relation to SMEs (Masarira, 2014:6). In this light, therefore, reference will be made to frameworks developed by OECD and these will be analysed the Zimbabwean context in order to assess the National Policy and Strategy for SMEs. This will also set a precedent for future evaluative research.

Storey (2008:15) defines evaluation as a process that seeks to determine, as systematically and objectively as possible, the relevance, efficiency and effect of an activity in terms of its objectives. This process includes the analysis, implementation and administrative management of such an activity. In this study evaluation also includes determining if the objectives set in the SME policy resonate with the predicament that SMEs in Zimbabwe are in.

Buckley (2016:130) argues that despite the lack of empirical evidence on the effectiveness of policies, governments continue to pour significant amounts of tax payers' money into entrepreneurship and SME support. Evaluation is therefore necessitated by the need to determine whether or not policies that are in place are effective to avoid wasting tax payers' money. An

evaluation of SME policies would inform government on the changes that are needed as well as track the progress in policy implementation and relevancy. Thus an evaluative framework for small businesses was used to construe the National Policy and Strategy for SMEs in Zimbabwe as it is custom made for SMEs.

McCann and Ortega-Argiles (2016:546) argue that the evaluation of SME policies is extremely important in that it helps to identify whether the programme represents a cost-effective use of public funds as well as to foster policy learning and institutional capacity improvements regarding the better design of future of future programmes. Evaluation of policies acts as a source of information and knowledge on steps that can be taken to facilitate the development of SMEs and plan for the future. In this light an evaluative framework for SME policies is important as it generates the relevant information for small businesses.

The Organisation for Economic Cooperation and Development (2004) developed a theoretical framework to address challenges faced by SMEs and developed seven elements under which SME policies can be assessed. These elements are rationale, additionality, appropriateness, superiority, systemic efficiency, own efficiency and adaptive efficiency (OECD, 2004:11; Storey, 2008:16; Buckley, 2016:131). McCann and Ortega-Argiles, 2016:546-548) notes that the World Bank developed the MILES framework and the COTE framework while the European Commission developed the SME Test and the OECD framework of seven elements against which the specific performance of any particular set of SME policy actions or interventions can be assessed.

The MILES framework is an acronym for Macroeconomic and political stability; Investment climate, institutions and infrastructure; Labour market regulation and institutions; Education and skills; Social protection (McCann and Ortega-Argiles, 2016:546). Central to MILES framework is the creation of a conducive environment through sound policies (OECD, 2014:14). The COTE framework is an acronym which represents Clarity and coherence regarding the Objectives of the policy, its specified Targets and Evaluation processes (McCann and Ortega-Argiles, 2016:548). According to McCann and Ortega-Argiles, (2016:547), the SME Test is used in the assessment of forthcoming legislation and administrative initiatives on SMEs. In this study the researcher

used the seven elements recommended by the OECD to evaluate the National Policy and Strategy for SMEs and these seven elements are discussed in the following sections as they offered a holistic analysis of the SME policy in Zimbabwe that includes determining if the Policy and Strategy for SMEs is complimented by the national policy and if it effectively addresses identified market failure.

3.2.1 Rationale

Central to rationale is the issue of policy justification (OECD, 2004:11; Skerratt, 2006:70). SME policies are introduced with a specific goal and objective and to address a particular issue. Andersson (2000:3) argues that special SME policies should only be adopted to the extent that there is a particular rationale for doing so. In the evaluation of the Dutch SME and entrepreneurship policy programme Kuper (2011:6) asserts that policies are in place to address the reality and translate it into a norm that is desirable for that particular society. Therefore, it can be argued that in Zimbabwe the SME policy was meant to address the reality faced by SME to bring a change into an expected norm.

Determining the rationale of an SME policy is an important initial stage as this will show the results that are to be evaluated. Chiasson and Vega (2015:362) assert that the aim of an impact evaluation is to determine the extent to which particular policies generate the intended improvements in society. There is, therefore, a need to understand the intended improvements which will be the premise for evaluation. In this light therefore it is important to scrutinise the objectives of a policy prior to its evaluation.

Additionally, in showing the importance of the rationale, Andersson (2000:4) argues that government policies have failed to satisfactorily address market failure because it neglected to pay serious attention to the rationale. Market failure forms the basis for policy development as well as informing the rationale of the policy. It is therefore important for the policy to articulate as clear as possible the objective of the policy. One of the key components of such policies is that they permit the use of outcome indicators or results indicators (McCann and Ortega-Argiles, 2016:542). In this light, therefore, the objective should be measurable and there should be indicators that show that market failure has been addressed.

Andersson (2000:5) argues that the objectives of the SME policy should be compatible with the government's overall objectives and they should address market failures. Overall government objectives in most instances include economic growth, job creation and export promotion (Andersson, 2000:5). Andersson's observations resonate with the Zimbabwean government's overall objectives which are to ensure that there is sustainable growth and development of the economy (Zimbabwe Agenda for Sustainable Social and Economic Transformation (ZimASSET), 2013:12-13).

The OECD studies on SME and Entrepreneurship: Thailand (2011:114) divides SME objectives into overall objectives and specific objectives. The OECD (2011:114) notes that it is an enquiry of the government's overall objectives for SME policies or programmes which include job creation, innovation or enhancement of and through SMEs. There are also specific objectives which include determining the specific reasons why the policy was created and how these relate to the overall government objectives (OECD, 2011:114).

The overall objective of the policy and strategy framework for SMEs in Zimbabwe is creating an environment conducive enough to double the number of small business entities. The National Policy and Strategy for SMEs (2002:5) sets out to clearly define how the government, private sector and other stakeholders can encourage and create an enabling environment for SMEs to grow. Creating an enabling environment is highlighted showing that it is the guiding principle of the policy. Creating an enabling environment includes the simplification of complex regulations that include financial support, tax requirements and registration and lessening bureaucratic requirements (National Policy and Strategy Framework for SMEs in Zimbabwe, 2002:7).

Generating sustainable jobs, reducing poverty, stimulating growth and the generation of foreign currency earnings are other overall objectives of the policy and strategy for SMEs in Zimbabwe (National Policy and Strategy for SMEs in Zimbabwe, 2002:5). These broad objectives are set to be achieved by addressing the challenges faced by SMEs. The National Policy and Strategy for SMEs in Zimbabwe (2002:5) was also institutionalised with the aim to provide an appropriate institutional mechanism to facilitate SME development efforts.

The Government of Zimbabwe has, over the years, formulated different policies that are aimed at developing SMEs. However, these efforts were uncoordinated and where under different Ministries and therefore yielded little results (Zimbabwe Medium Term Plan, 2011). To this end Zindiye (2008:212) notes that SMEs have been included in policies for Ministries of Youth Development, Gender and Employment Creation, Finance and Economic Development and the Ministry of Industry and International Trade. It is in consideration of this that the National Policy and Strategy for SMEs in Zimbabwe (2002:5) was set up with an objective of ensuring coordination of different policies and programmes at a national level. This shows that all the programmes by different Ministries will be the responsibility of the MinSMECD.

Furthermore, the Government of Zimbabwe acknowledges that there have been various government support programmes such as the Small Enterprise Development Corporation (SEDCO), Zimbabwe Development Bank (ZDB) and Agricultural Development Bank (Agribank). However, these programmes have also been piecemeal and uncoordinated (National Policy and Strategy for SMEs in Zimbabwe, 2002:3). Therefore, the coordination of these efforts is a necessary policy objective that can lead to the growth of SMEs. Part of these efforts include the setting up of the MinSMECD with the responsibility of promoting the development and growth of SMEs and coordinating government programmes on SMEs (Chipangura and Kaseke, 2012:44).

This setting of priorities and determining the allocation of limited public resources forms part of the policy and strategy framework for SMEs in Zimbabwe's specific objectives (National Policy and Strategy for SMEs, 2002:5). To this end Nyamwanza *et al.* (2014:2) notes that the government's sources of revenue are narrowing while its responsibilities are on the increase. The fact that there are limited public resources shows the need for a cost effective policy. The National Policy and Strategy for SMEs in Zimbabwe (2002:5) also sets the delegation of tasks, responsibilities and accountability as another objective. There are many areas in which SMEs require assistance from the government but as highlighted above, there are limited public resources and also delegation has become important. Accountability is of great importance especially in Zimbabwe where cases of corrupt practices are on the increase.

Additionally, the delegation of tasks and responsibilities has seen institutions such as SEDCO and ZimTrade being involved in the development and growth of SMEs. Chirisa *et al.* (2012:126) notes that although the MinSMECD has the responsibility of ensuring the development of SMEs, SEDCO was delegated the task of financing SMEs. The Short Term Emergency Recovery Programme (2009:60) also shows that SEDCO has the mandate of financing, training and providing incubation to SMEs. ZimTrade has been delegated the task of providing marketing wisdom and facilitating trade between SMEs in Zimbabwe and other countries. There are relevant institutions in place which should be delegated other responsibilities so as to avoid overwhelming the MinSMECD.

Mwewa (2005:18) in a study of the tax incentives and the Small and Medium Enterprises sector on the Copperbelt in Zambia, states that, similar to the Zimbabwean case, institutions such as the Small Enterprise Development Board (SEDB) have been given responsibilities to ensure the development of SMEs. The assistance of small businesses can be overwhelming for a single institution therefore delegation of tasks is important. This fact is attested to by the cases of Zimbabwe and Zambia where among policy objectives is the delegation of responsibilities to ensure the growth of SMEs.

The Department of Trade and Industry in the Integrated Small Business Development Strategy in South Africa (2003:8) outlines similar policy objectives to those of the policy and strategy framework for SMEs in Zimbabwe which include creating an enabling environment and increasing the contribution of SMEs to the economy. The similarities in objectives are a reflection of the importance of SMEs as well as the fact that these are noble objectives that are well thought. Table 3.1 is a summary of the objectives of both the overall and the specific objectives of the National Policy and Strategy for SMEs in Zimbabwe showing the policy action designed to address the objective.

Table 3. 1 Objectives of the National Policy and Strategy for SMEs in Zimbabwe

Objectives	Description	Policy Action
Overall	Creating an enabling environment for the growth of SMEs in Zimbabwe	Deregulation of licensing procedures
	Generate sustainable jobs, reduce poverty and stimulate growth.	Investment promotion
Specific	Ensure coordination of different policies and programmes at national level.	Ministry of SMEs to oversee all National efforts for SME development
	Provide an appropriate institutional mechanism to facilitate SMEs development efforts.	Setting up the MinSMECD
	Set priorities and the appropriate allocation of limited public resources.	Enabling legal and regulatory environment.
	Delegate tasks, responsibilities and accountability.	SEDCO (Financing), ZimTrade (Trade Facilitation)

Adapted from the National Policy and Strategy for SMEs in Zimbabwe (2002)

Table 3.1 shows that objectives are divided into overall objectives and specific objectives. The table also shows the policy actions that will achieve the set objective. Policy actions are the measures that will be taken by the government to achieve the objectives of the policy. Among these is delegating responsibilities to other government departments like SEDCO. Rationale was also included in the Questionnaire by setting question items that ranked respondents' view of the different policy actions and objectives.

3.2.2 Appropriateness

Addressing market failure is important for the growth and development of SMEs. Appropriateness assesses the extent to which policies address clearly identified market failure (OECD, 2004:12; Skerratt, 2006:70). Chances for policies to be election gimmicks are high therefore it is important to determine the types of market failures that are addressed by the policy. Andersson (2000:5) is of the view that determining the appropriateness of policy involves

ascertaining if the programme addresses an objective that can be clearly related to policy rationale in terms of market, policy and government failure. This section will highlight the market failures identified by the Government of Zimbabwe and then determine if the identified market failures are addressed by any of the objectives thus determining appropriateness.

Market failure impedes the efficient allocation of productive resources, goods and services (Gonzalez, Rivera and Tijerino, 2010:3). An instance where market failure exists is when financial institutions make decisions to lend based on collateral and track record rather than the viability of a business (Blackburn, 2012:9). Gonzalez *et al.* (2010:3) argue that government intervention is necessary to address market failure in order to achieve a pareto optimum, that is, a situation in which no single economic agent or group can be better off without making somebody else worse off. SMEs are disadvantaged because in most cases they have to compete with large corporations that have enough resources. SME policy, therefore addresses such market failures.

Gonzalez *et al.* (2010:15) argue that policies should consider the specificities of the economy and address, with precision the origin of market failure and the case for microeconomic intervention. Storey (2008:4) shows that microeconomic policy interventions involve training, information, advice and cultural change programmes. The responsibility of the government therefore, is to identify the market failure that needs to be addressed and developing policy points that specifically correct that market failure.

The areas that necessitate government intervention through SME policy include hostile regulatory environment, limited access and cost of finance, inadequate management and entrepreneurial skills and lack of information (National Policy and Strategy for SMEs in Zimbabwe, 2002:3). All these concerns exist because SMEs are disadvantaged in these areas in comparison with large corporations with whom they compete. The OECD Framework for the evaluation of SME and Entrepreneurship policies and programmes (2007:17) asserts that SME policy evaluation is often thought of in terms of tackling market failures that reduce economic efficiency such as inadequate availability of finance, skills, advice and technologies. These are the areas that necessitate government intervention in Zimbabwe.

There are complexities of the regulatory environment and multiplicities of bureaucratic requirements which impede the efficient functioning of the SME sector (National Policy and Strategy for SMEs in Zimbabwe, 2002:7). The process of getting a license as well as the cost of compliance are a major deterrence to SMEs therefore in this sphere the market is skewed against SMEs. The policy and strategy framework for SMEs is thus in place to resolve this failure. The strategies focus on the simplification of complex regulations, improved access to information and centralising and streamlining procedures (National Policy and Strategy for SMEs in Zimbabwe, 2002:7).

Additionally, some practical measures that were identified and set to be initiated included deregulation which involves legal reforms which remove legal impediments of starting and growing a business (National Policy and Strategy for SMEs in Zimbabwe, 2002:8). This practical measure is in line with one of the objectives of the policy which is to provide an appropriate institutional mechanism to facilitate SME development efforts. In this light one can argue that the policy is appropriate as one of its objectives addresses an existing market failure.

Inadequate management and entrepreneurial skills have been identified as a barrier to SME development in Zimbabwe (National Policy and Strategy for SMEs in Zimbabwe, 2002:3). Muzari and Jambwa (2012:1708) note that one of the major constraints facing SMEs in Zimbabwe include the lack of managerial, marketing and technical skills. Without these skills SMEs are disadvantaged in an economy that has large corporates which are endowed with skilled personnel. Shaku (2011:51) argues that any SME owner or manager possessing some financial management skills will be better positioned to obtain a bank loan. Therefore, the inability of most SMEs to access loans could be a result of the lack of skills.

Entrepreneurial and management skills development programmes have been lined up in the process to assist SME owners in acquiring the prerequisite skills for the development of their enterprises (National Policy and Strategy for SMEs in Zimbabwe, 2002:11). Muzari and Jambwa (2012:1708) argue that to address skills shortage several key areas of focus in training and skills upgrading include basic book-keeping, project planning, accounting and finance. The National Policy and Strategy for SMEs in Zimbabwe (2002:11) shows that the government sought to

engage institutions of higher learning, technical colleges, vocational training centres and the private sector in efforts to provide skills to SMEs. This intervention strategy is in line with the policy objective of committing the growth of SMEs over the long term rather than dependence on quick fix solutions. Table 3.2 shows appropriateness.

Table 3. 2 Appropriateness of the National Policy and Strategy for SMEs in Zimbabwe

Market Failure	Policy Objective	Solution
Limited access and cost of finance	Delegate tasks, responsibilities and accountability.	<ul style="list-style-type: none"> • SEDCO • Government Credit Guarantees
Lack of access to Land	Co-ordinate resource mobilisation strategies.	
Inappropriate technology	Provide an appropriate institutional mechanism to facilitate SMEs development.	<ul style="list-style-type: none"> • SIRDC • Centre for Innovation and Enterprise Development
Lack of Information	Ensure coordination of different policies and programmes at a national level.	Publications by experts across different fields with information relevant to SMEs
Lack of marketing skills and market knowledge	Delegate tasks, responsibilities and accountability.	<ul style="list-style-type: none"> • ZimTrade • Business Linkages
Lack of Infrastructure	Set priorities and the appropriate allocation of limited public resources	

Adapted from the National Policy and Strategy for SMEs in Zimbabwe (2002)

Table 3.2 summarises the appropriateness of the National Policy and Strategy for SMEs in Zimbabwe, showing the market failures that have been identified by the Government of Zimbabwe and that are addressed by the policy. The table shows the identified challenges, the objectives that addresses the challenges and the solutions to the challenges. This is done to determine whether or not the policy addresses the challenges faced by SMEs. To measure

appropriateness, question items in the questionnaire included the challenges faced by small businesses and the solutions offered.

The table shows that solutions to the lack of access to land and the lack of infrastructure were left out in the National Policy and Strategy for SMEs in Zimbabwe. However, it is important to note that the government undertook the Land Reform Programme that created access to land. In this case a solution to the lack of access to land was offered although it was excluded in the policy. Chivasa (2014:4) notes that the MinSMECD is building selling shelters for small buildings as a solution to the lack of infrastructure.

3.2.3 Superiority

OECD (2004:12; Skerratt, 2006:70) highlights the need to determine whether or not a policy is more effective in addressing identified problems in comparison to other possible programmes which serve the same goal. Policies might be drafted that are aimed at addressing similar problems but the effectiveness of these policies might be different. It is therefore necessary to determine the superiority of a policy, over similar policies, in addressing the problem. Andersson (2000:5) asserts that superiority is an enquiry of whether or not the programme is more effective than other instruments that might achieve the same goal.

Previous discussions showed that SME policies in Zimbabwe have traditionally been add-on appendages and not central policy (Zimbabwe Institute, 2007:21). In other words, SME policies formed sections of national policies rather than being stand-alone policies that effectively address areas of critical concern for SMEs. The Zimbabwe Institute (2007:21) further highlights that Zimbabwe has never had a national policy, partial or comprehensive designed for the development of the SME sector. SMEs have traditionally been neglected as no policy was developed solely to address the market failures that retard the growth and development of this sector.

The National Policy and Strategy for SMEs in Zimbabwe (2012:4) shows that although policies such as the Framework for Economic Reform, Zimbabwe Programme for Economic and Social Transformation and various government support programmes have been in place to assist SMEs,

however these efforts have been piecemeal and uncoordinated. The various initiatives and policies to develop SMEs have been incomprehensive as they neglected some areas. There have been several institutions and government departments dealing with SMEs regardless of the nobility of these efforts they have been uncoordinated and as such yielded very little fruit.

With the institutionalising of the National Policy and Strategy for SMEs in Zimbabwe (2002:5) there now exists a policy that outlines the framework and sets out strategies for the implementation, coordination and monitoring of SMEs. This policy is, therefore, more effective as compared to other government initiatives seeing as it coordinates government and other institutions' efforts at developing SMEs. Through this policy there is concerted effort between and among different stakeholders. Additionally, unlike previous programmes, the Policy and Strategy Framework for SMEs in Zimbabwe identifies the areas in which market failures exist and has designs to solve these. Previous government efforts acknowledged the benefits and the problems faced by SMEs but were incomprehensive as they failed to systematically address each of the challenges.

In this study determining the effectiveness of the National Policy and Strategy for SMEs in Zimbabwe was done by designing questionnaire items that measure the view of respondents. These items measured the sentiments of the respondents with regards to the different measures taken to solve challenges.

3.2.4 Systemic Efficiency

Systemic efficiency is the extent to which the policy interacts positively or negatively with other government actions (OECD, 2004:12). Government has put in place a number of initiatives that are aimed at improving the state and operation of SMEs. However, there is a need for policies to compliment the initiatives even though this might not always be realised. Systemic efficiency is therefore there to assess the interaction of policies with other government actions. Andersson (2000:5) and Skerratt (2006:70) argue that systemic efficiency is an enquiry into how the policy interacts with other policies and ascertaining if there is efficiency.

ZimASSET (2013:30) is Zimbabwe's official national policy and in it the government shows that the key drivers for growth and employment creation include the enhanced support of the SMEs sector. The National Policy and Strategy for SMEs (2002:5) therefore dovetails with the national agenda as its overall objective is generating sustainable jobs. The SME policy in Zimbabwe interacts positively with the Government of Zimbabwe's main agenda, making the objectives of the SME policy achievable as there is a unity of purpose between the two policies.

Additionally, the national policy has a mission to provide an enabling environment for sustainable economic empowerment and ensuring sustainable growth and development of the economy (ZimASSET, 2013:9). The SME policy in Zimbabwe is also guided by a similar agenda which is to create an enabling environment for SMEs to enhance their contribution to national development (National Policy and Strategy for SMEs in Zimbabwe, 2002:5). An alignment between the National and a Ministry's objectives ensures a concerted effort to achieve the set objectives.

Nyamwanza and Mavhiki (2014:1-2) in a study of the strategy implementation framework used by SMEs in Zimbabwe, argue that ZimASSET was launched with a view to drive economic development anchored to a larger extent on the growth of SMEs. National dependence on SMEs for development and government inclusion of such in the national policy is a reflection of the positive interaction between the government's actions and the SME policy.

Most researchers in Zimbabwe are of the view that the creation of the MinSMECD to promote the development and growth of SMEs is a positive initiative that could bear the desired results (Chipangura and Kaseke, 2012:4; Dumbu and Chadamoyo, 2012:80). Government action towards SMEs is proactive as it desires to fulfil its mandate of creating employment through enhanced support of SMEs. By creating a Ministry to implement the policy government has shown its commitment to the development of SMEs as well as achieving broad national objectives. In this light there is a positive interaction between the government's actions and the policy.

The Zimbabwean government came up with various support measures to support SMEs. Among them were liberalisation policy, preferential purchasing policies of the Central Purchasing Agency and tax amnesties for SMEs (Nyamwanza, Paketh, Mhaka, Makaza and Moyo, 2015:35). These factors are the responsibilities of other Ministries but have been put in place to cater for the development of SMEs in Zimbabwe. Government commitment to the growth and development of SMEs is reflected in its approach of universal support for SMEs. There is, therefore, systemic efficiency as there is a positive interaction between the SME policy and government actions.

Nyamwanza *et al.* (2015:36) are of the view that the Industrial Development Plan (2012-2016) was crafted with specific provisions on SME growth as they are viewed as important engines for employment creation and growth. Maseko (2014:2) assert that the Mid Term Plan contained the ten National Priorities of which entrepreneurship development came fourth on the list indicating the thrust in government support of SMEs. The prominence of SMEs in government policies is a reflection of their importance to the national development agenda. In this light there is a positive interaction between government actions and the National Policy and Strategy for SMEs in Zimbabwe. Table 3.3 is a summary of the Government of Zimbabwe's policy actions that interact with the National Policy and Strategy for SMEs. It shows where the policy actions share common interests.

Table 3. 3 Systemic Efficiency of the National Policy and Strategy for SMEs in Zimbabwe

Government Action	SME Policy Point of Interaction	Description
ZimASSET	Enabling environment to ensure sustainable development of the economy.	Both policies aim at influencing the policy environment to make it conducive for business.
Mid Term Plan (2011-2015)	Provide training in business planning, management and financial training.	Recognition of the limited skills level of SME proprietors and employees.
	Restructure and commercialise SEDCO.	Enable SEDCO to fund SMEs as it is the disbursing arm of the MinSMECD.
	Enforce the implementation of the legal and regulatory framework for SMEs.	Framework in place as a remedy to SME woes implementation is therefore needed.
Industrial Development Plan (2012-2016)	Establishing a One Stop Shop	Set to reduce the time to register a business to 5 days
	Develop and strengthen parastatals like SEDCO.	If done enhances the accessibility of finance for SMEs
Short Term Emergency Recovery Programme (STERP)	Fostering relationships between SMEs and large businesses.	To ensure mentorship of SMEs by large businesses.
	Incentivise linkages through subcontracting and joint ventures.	Tax breaks and government tenders awarded to large businesses who form linkages with SMEs.
2015 Monetary Policy	SEDCO to be supervised by the Reserve Bank of Zimbabwe (RBZ)	In recognition of the high levels of financial mismanagement at the parastatal.

Adapted from the National Policy and Strategy for SMEs in Zimbabwe (2002), STERP (2009), MTP (2011), IDP (2012), ZimASSET (2013), Mangudya (2015)

Table 3.3 summarises the systemic efficiency of the National Policy and Strategy for SMEs in Zimbabwe by comparing the policy to the national agenda. The table compares the policy to different national policies and discusses the points at which the policies relate. The Policy and Strategy Framework for SMEs in Zimbabwe is supposed to be part of the broader national

agenda and this was done by comparing the policy to other national policies. The table therefore shows the areas where the SME policy is informed by the national agenda on different policies.

3.2.5 Own Efficiency

There is need to determine whether or not the policies in place are cost effective in achieving the set objectives (OECD, 2004:12). A determination of whether or not policies are cost effective will also shade light into the capability of the policy to achieve the underlined objectives. Some policies will unrealistic in terms of the costs of implementation and therefore are lip service to get re-election. Own efficiency will therefore bring out such issues.

Skerratt (2006:70) defines own efficiency is determining whether the programme is cost effective in achieving its objective. Therefore, for this study own efficiency includes determining if the objective of creating a conducive environment was done in a cost effective manner.

3.2.6 Adaptive Efficiency

Adaptive efficiency deals with the extent to which policy evaluation leads to the implementation of project change (OECD, 2004:12). This is in realisation of the fact that policies might fail to address the issues of concern and that they might be misinformed. As such, there is a need to ascertain if there are policy evaluations and if they lead to any policy changes to address some outstanding issues and concerns raised after policy evaluations.

Policy implementation is a major concern in Zimbabwe as the government has often been accused of failing to implement its policies. Such a concern can lead to the view that even if an evaluation of policies was done it adaptive efficiency will most likely fail as implementation remains a major problem for policies in Zimbabwe. Bhalla, Davies, Mabugu and Mabugu (2002:81) are of the view that the problem in Zimbabwe is not the lack of sensible policies but rather the failure to implement them. This fact was alluded to earlier and highlighted in the Medium Term Plan (2011:5) which shows that the Zimbabwe has been known for producing quality economic blueprints but some have fallen short on implementation. Therefore, implementation of change will most likely be difficult as the government has a reputation of failing to implement policies.

3.2.7 Additionality

Additionality has been defined as the true impact of the scheme or programme (OECD, 2004:11). The concept is used to evaluate policies by determining the activity that would have not taken place without the policy but is attributable to the firm participating in the policy (OECD, 2004:18). McCann and Ortega-Argiles (2016:548) assert that the additionality of a policy on a firm or firms reflects the participating firm's activities that would not have taken place without the programme. This is difficult to measure however there are some areas in which it can be reflected. These are additional output, employment levels and sales or export activity that can be attributed to the existence of the policy (OECD, 2004:18). This proves that while government might draft policies, the impact of those policies can only be determined through an assessment of firms that make use of the available policies. Mosselman (2004) introduces the concept of output additionality and defines it as the increase or decrease of SMEs output due to the existence of policies or support scheme. They also acknowledge the difficulties of measuring additionality though it is still possible to measure.

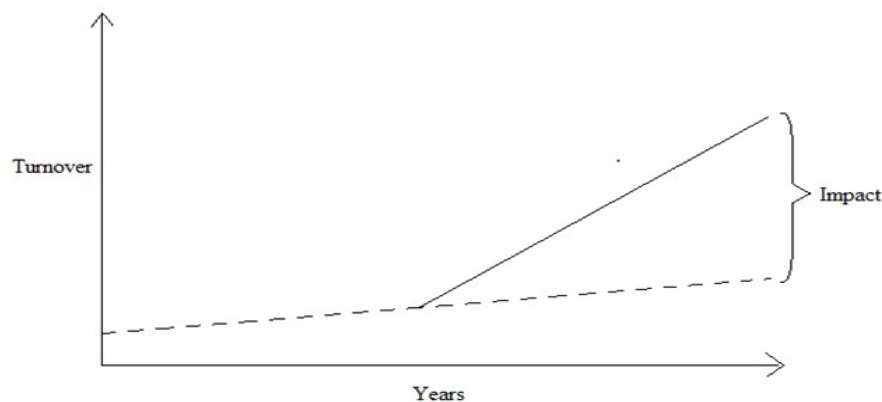


Figure 3. 1 Additionality

Source: Storey (2008)

Figure 3.1 is an illustration of the concept of additionality in policy evaluation. The broken lines show what would have happened without the policy over years and the solid line show the observed outcome with the intervention (Storey, 2008). Therefore, the difference between what would have happened without the intervention and the observed outcome with the intervention is the impact of the policy. However, Storey (2008) warns that the identification of programme impact as systematically and objectively as possible can be challenging.

For this research, attention was given to rationale, appropriateness, superiority, systemic efficiency and additionality as the data to determine these was readily available. An analysis of own efficiency was complicated by the inaccessibility of the relevant documents mainly because of confidentiality in government departments. Most of the records and documents that were concerned with determining if the policy was implemented in a cost effective way were inaccessible making it difficult to analyse whether the policy was implemented in a cost effective way. Adaptive efficiency can only be examined after this study as this is concerned with implementation of the results of the evaluation process. It therefore serves as a recommendation for the MinSMECD.

3.3 Summary

This study is mainly concerned with evaluating the National Policy and Strategy for SMEs in Zimbabwe therefore for the Theoretical framework it was imperative to reference to a theory that is evaluative. The OECD SME policy evaluation framework was used to gain an understanding into the SME policy in Zimbabwe. The Rationale allowed the researcher to carry out the fourth objective of this study which was to determine whether or not the objectives of the policy and strategy framework for SMEs had been met. The rationale establishes the objectives or goals of the SME policy and how they are related to the overall objectives of the government. Appropriateness was mainly concerned with establishing the market failures that necessitated government intervention through SME policy. Appropriateness was in line with the first objective of this study which is to establish the challenges faced by SMEs in Zimbabwe.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

The preceding chapter outlined the theoretical framework for SME policy evaluation in the Zimbabwean context. Chapter four provides a discussion of the methodology used to gather data for the study. In this chapter, methods, steps and approaches that were taken in gathering data for the evaluation of the policy and strategy framework for SMEs in Zimbabwe are discussed.

Creswell (2013:5) argues that in planning a study there is need to consider the philosophical worldview assumptions, the research design that is related to the worldview and the specific methods or procedures of research that translate the approaches into practice. As such, the point of departure for the methodology section is a discussion of the philosophical worldview assumption that form the basis of this study. The other methodological aspects that will be discussed in this chapter are the research design, the target population, sampling techniques and data collection. Data analysis and issues of validity, reliability and ethical considerations also constitute some of the sections discussed in this chapter.

4.2 Research Paradigm

Creswell (2013:6) and Mertens (2014) defines philosophical assumptions as a basic set of beliefs that guide action. Different researchers have different terms in reference to the philosophical assumptions such as paradigms, epistemologies or broadly conceived research methodologies (Creswell, 2013:6, Cohen, Manion and Morrison, 2013). The importance of discussing the philosophical assumptions held in this study is that they determined how the research was carried out and help in the identification of the most suitable approaches to addressing the research problem. According to Hamlin (2015) there are four paradigms that can inform research namely; post-positivism, transformative, constructivism and pragmatism and these are summarised in Table 4.1.

Table 4. 1 Research Paradigms

Post-positivism	Constructivism
<ul style="list-style-type: none">• Determination• Reductionism• Empirical Observation and measurement• Theory verification	<ul style="list-style-type: none">• Understanding• Multiple Participant meanings• Social and Historical Construction• Theory generation
Transformative	Pragmatism
<ul style="list-style-type: none">• Political• Power and Justice oriented• Collaborative• Change-oriented	<ul style="list-style-type: none">• Consequences of actions• Problem-centred• Pluralistic• Real-world practice oriented

Source: Creswell (2013:6)

Post-positivism: This paradigm takes on the approach of experiments where the phenomena under study reflects the need to identify and assess the causes that influence outcomes (Creswell, 2013:7). The design is such that there is an absolute truth where the outcomes can be explained by some cause. According to Hamlin (2015:16) post-positivism is based on an objectivist epistemology where the researcher and the investigated object are assumed to be independent entities and the researcher studies the object without influencing it or being influenced by it. The researcher has to be as objective as possible and avoid either affecting or being affected by the phenomena under study. Heppner, Wampold, Owen, Thompson and Wang (2015:6) argue that a key principle of post-positivism is that truth exists, and given time, brilliance and sophisticated methods, discoveries will be made that illuminate the truth. Research informed by this paradigm is in search of the truth therefore all efforts are devoted to finding this truth.

Constructivism: Constructivists are associated with qualitative research approaches and they are of the view that individuals seek understanding of the world in which they live and work (Creswell, 2013:8). Constructivism is an ontological position which asserts that social

phenomena and their meanings are continually being accomplished by social actors (Bryman and Bell, 2015:33). People are responsible for shaping and defining reality as they interact. Heppner *et al* (2015:7) assert that constructivism shows that there is no real reality or absolute truth but ideas about the world are constructed in the minds of individuals. The argument is that reality is shaped by individuals rather than set as argued by post-positivists.

One of the assumptions of constructivism is that human beings construct meanings as they engage with the world they are interpreting therefore researchers seek to understand the context or setting of the participant (Creswell, 2013:9; Bryman and Bell, 2015:33). The fact that human beings construct meaning also implies that the researcher can influence the interpretation of the results because construction of reality (Holloway and Wheeler, 2013:4). Since this research was carried out by an individual who has a different understanding of the world, there existed a possibility of this negatively impacting on the validity of the results. Triangulation was used in order to minimise this bias and the influence of the researcher's ideals.

Transformative: Creswell (2013:9) argues that research inquiry needs to be intertwined with politics and a political change agenda to confront social oppression at whatever levels it occurs. This paradigm is driven by a need to effect change rather than simply making enquiries on the way things are in the world. According to Mertens (2010:2) the transformative paradigm is a framework of belief systems that directly engages members of culturally diverse groups with a focus on increased social justice.

Pragmatism: The pragmatic worldview, instead of focusing on methods, emphasises on focusing on the research problem and utilising all approaches available to understand the problem, (Creswell, 2013:10). With the pragmatic paradigm a researcher can use all the methods available in an effort to better understand the research problem. For the purposes of this study pragmatism was opted for because it takes a pluralistic approach to address the problem. The paradigm is problem centred and uses all the necessary tools to address the research problem. In this study the research problem had to do with determining if the objectives of the National Policy and Strategy for SMEs in Zimbabwe had been achieved. There was therefore need to make use of all available approaches to determine this rather than being limited to one approach.

Creswell (2013:11) notes that pragmatism is important in that it focuses attention on the research problem and then uses pluralistic approaches to derive knowledge about the problem. With the pragmatic approach it is easier to address the research problem as there is more emphasis on addressing the research problem regardless of the approach used to achieve this. To this end Creswell (2013:11) asserts that under pragmatism researchers have a freedom of choice; researchers are free to choose which approach best addresses the research problem. Instead of relying on a fixed reality as is the case with realists, pragmatism gives room for flexibility (Cherryholmes, 1992:15). It is because of this flexibility that a pragmatist research paradigm was opted for in the evaluation of the policy and strategy framework for SMEs in Zimbabwe.

According to Cherryholmes (1992:15) pragmatists choose some explanations or theories or stories and dismiss others when the former produce results that they desire better than the latter. Pragmatism enables the researcher to make use of different methods of research and gives room to use the best possible method to draw conclusions.

4.2.1 Research approach for the Pragmatic paradigm

This section links the research paradigm adopted for this study with the recommended research approach. It also provides a justification for adopting that particular research approach. Morgan (2007:71) argues that rather than each camp (i.e. qualitative and quantitative researchers) dismissing the others' work as based on wholly incompatible assumptions, the goal is to search for useful points of connection. Such opportunities are offered by a pragmatic approach to research. Mixed methods approach to research is therefore facilitated by the pragmatism philosophy of research. This is enabled by the fact that pragmatism focuses on answering the research question and using the best approaches to achieve this (Creswell, 2013:10). In this light, therefore, both qualitative and quantitative research methods were best suited to answer the research question since they are part of the pragmatic approach.

Harrison (2013:2154) and Creswell (2013:10-11) show that paradigmatically, mixed method research is linked to pragmatism. The fact that this study was informed by pragmatism made mixed methods the ideal choice when it came to the selection of a research approach. The logic of pragmatic inquiry includes the use of induction (or discovery of patterns), deduction (testing

of theories and hypotheses) and abduction (uncovering and relying on the best of a set of explanations for understanding one's results) (Harrison, 2013:2154). Figure 4.1 is a framework for research which summarises the interconnection of worldviews or paradigms, design and research methods.

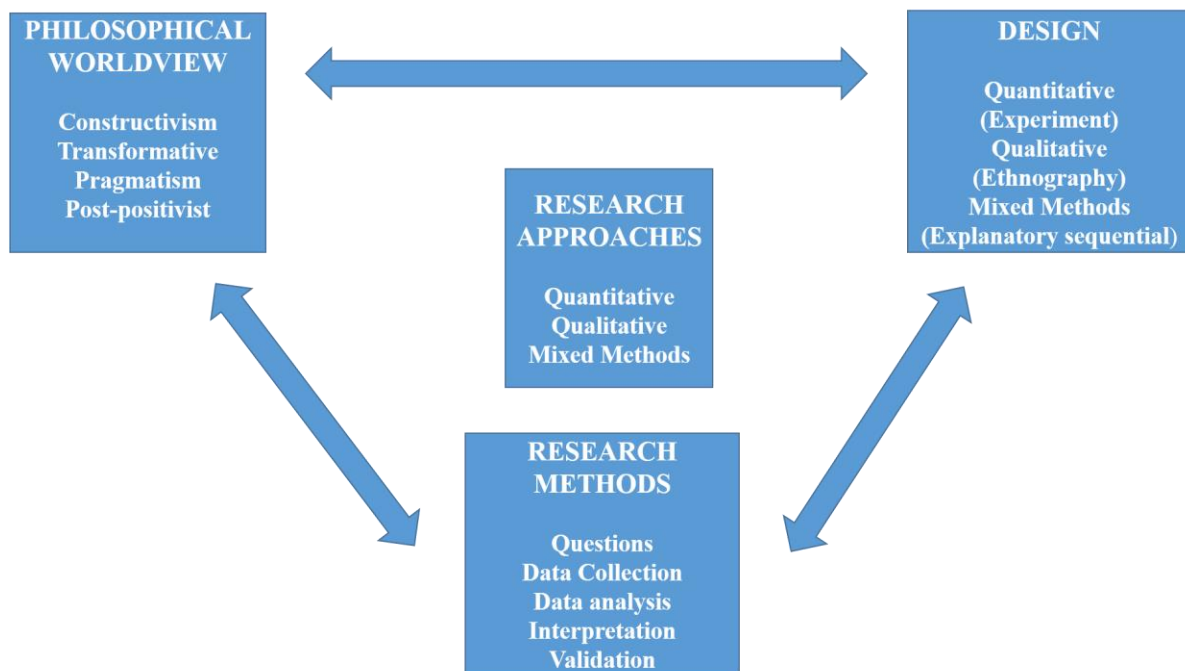


Figure 4. 1 Framework for research –Worldviews, Design and methods

Source: Creswell (2013:5)

Figure 4.1 illustrates the research process adopted for this study. In this case the point of departure was the research paradigm which then informed the research process including determining the research approach and design. As highlighted in the introduction the point of departure for the methodology was establishing the paradigm this study was to be aligned with. The research design methods cascade from this paradigm.

4.3 Research approach

The mixed methods approach is an approach to knowledge (theory and practice) that attempts to consider multiple viewpoints, perspectives, positions and standpoints (Johnson, Onwuegbuzie and Turner, 2007:45). Instead of being aligned to one or the other the mixed methods approach is a combination of qualitative and quantitative research methods and takes advantage of the tools offered by both approaches to research.

Quantitative and qualitative research are approaches to research which form either ends of a continuum instead of rigid, opposite and distinct categories (Creswell, 2013:3). This assertion shows that qualitative and quantitative approaches form extreme ends of a scale and are opposed to each other. However, Creswell (2013:3) notes that if quantitative and qualitative research approaches are understood to be a continuum, mixed method research resides in the middle of this continuum as it incorporates elements of both qualitative and quantitative approaches.

Harrison (2013:2153) highlights that there is a misconception between multidimensional research and mixed methods research. Multidimensional research involves the use of either multiple types of quantitative inquiry (e.g. surveys and experiments) or multiple types of qualitative surveys (e.g. interviews and observations). Put simply one study uses more than one approach of either qualitative or quantitative research methods. In carrying out this study, the researcher used both quantitative and qualitative research approaches. The choice was based on the assertion by Creswell (2013:4) that mixed methods involves collecting both qualitative and quantitative data based on the assumption that the combination of qualitative and quantitative approaches provides the researcher with a more complete understanding of a research problem than the use of either approach on its own.

De Silva (2012:102) in a study of academic entrepreneurship in resource constrained environments used a mixed methods approach as both qualitative and quantitative data enabled the achievement of research objectives. De Silva (2012:102) also noted that using both quantitative and qualitative research has the advantage of overcoming the weaknesses of either method and also improves the validity of the research through triangulation. Mixed research

methods were opted for in this research for similar reasons. Fetters, Curry and Creswell (2013:2135) notes that one of the advantages of the mixed methods approach is that the qualitative data can be used to assess the validity of quantitative findings. Similarly, for this study mixed methods approach was opted for as it enabled the researcher to validate quantitative findings using the qualitative data.

4.3.1 Mixed method approach designs

There are three mixed method designs from which a researcher can choose to integrate datasets. These are explanatory sequential, exploratory sequential and convergent design (Fetters, Curry and Creswell, 2013:2136; Creswell, 2014:6). Mixed method designs represent the different approaches that a researcher can take to carry out mixed method research. The three approaches are discussed in the following subsections.

4.3.1.1 Explanatory sequential design

In the explanatory sequential design, the researcher first collects and analyses quantitative data, then the findings inform subsequent data collection (Fetters, Curry and Creswell, 2013:2137). Creswell (2014:38) states that the process of the explanatory sequential design is to begin with a quantitative strand and then conduct a second qualitative strand to explain the quantitative results. He further asserts that quantitative results yield statistical significance, confidence intervals and effect sizes and provide general outcomes of a study therefore the qualitative phase is engaged to help explain the quantitative results (Creswell, 2014:38). In this light the qualitative strand is important in giving meaning to the numbers that are gathered through the quantitative method.

4.3.1.2 Exploratory sequential design

In exploratory sequential design the researcher first collects and analyses qualitative data, and then these findings inform subsequent quantitative data collection (Fetters, Curry and Creswell, 2013:2137). The process of the exploratory sequential design is to first explore a problem through qualitative data collection and analysis, develop an instrument or intervention, and follow through with a third quantitative phase (Creswell, 2014:39). Guetterman, Fetters and

Creswell (2015:555) concur with this view and state that exploratory design begins with a qualitative data collection and analysis phase which then builds to the subsequent quantitative phase. Through qualitative data the researcher is able to gain a lot of understanding about the research problem before carrying out a quantitative study.

4.3.1.3 Convergent design

The third design is a convergent design which is also referred to as concurrent design. According to Creswell (2014:6), a convergent design is one in which the process of the research is collecting both qualitative and quantitative data, analyse both datasets, and then merge the results of the two sets of data analyses with the purpose of comparing the results (some say validating one set of results with the other). One of the benefits associated with the convergent design is that it offsets the weaknesses of either approach to draw on the strengths of both approaches (Harrison, 2013:2154). In this case qualitative methods make up for the shortfalls of the quantitative approach and vice versa. It is for this reason that the researcher opted for the convergent design for this study.

Gomez and Ranft (2003) in a study on the influence of organisational variables on the transferability of management skills, used the concurrent/convergence design. In their study Gomez and Ranft (2003) conducted qualitative interviews with top managers and human resources managers, while the quantitative questionnaire was distributed to employees. A similar approach was taken in this study whereby responses from one group were sought qualitatively and from the other quantitatively. Harrison (2013:2159) asserts that convergent designs are most effectively utilised when the researchers have limited time for collecting the data and when they feel that there is equal value for collecting and analysing both quantitative and qualitative data to understand the problem. As such time constraints existed the researcher opted for the concurrent/convergent design as it the collection of both quantitative and qualitative data simultaneously.

4.3.1.3.1 Integrating Qualitative and Quantitative data

The integration process can take on either of two distinct approaches: interactive or parallel, (Fetters, Curry and Creswell, 2013: 2137). The most common and technically simpler approach is when qualitative and quantitative data collection occurs in parallel with the analysis for integration beginning well after the data collection process has proceeded or has been completed (Fetters *et al*, 2013:2137). In this case both qualitative and quantitative approaches are used simultaneously without obvious preference to either method. To this end Harrison (2013:2158) notes that in convergent designs, researchers collect both qualitative and quantitative data simultaneously, analyse both data strands separately and then mix the databases by merging the data. Figure 4.2 is an illustration of the convergent design.

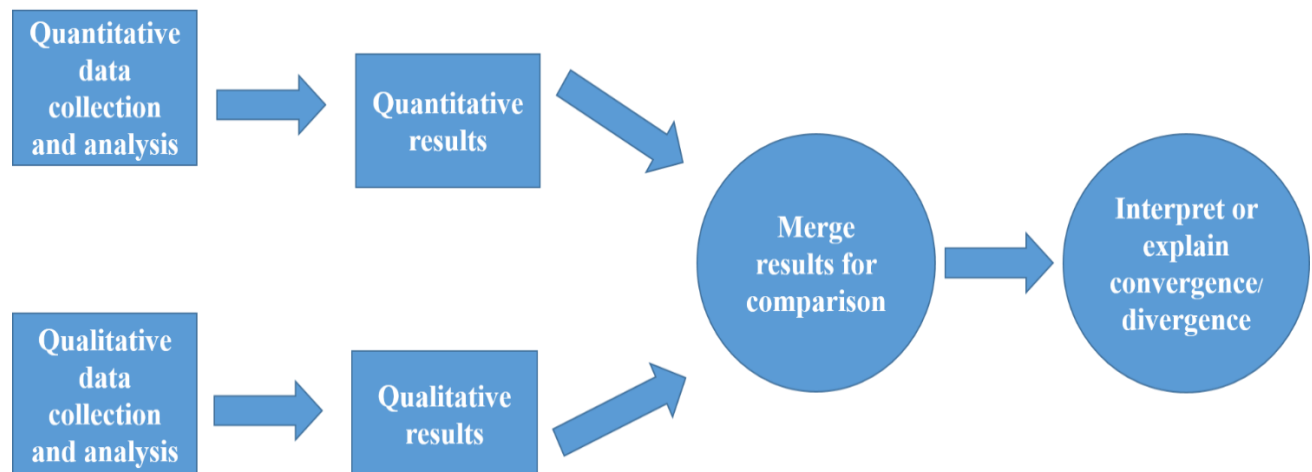


Figure 4. 2 Convergent design

Source: Creswell (2013:40)

Figure 4.2 illustrates the convergent design adopted in this study where quantitative and qualitative data are collected and analysed simultaneously. The results are then merged such that the quantitative results are validated by the qualitative findings. Both data sets are used to account for convergences or divergences in the findings. The diagram shows that quantitative and qualitative data collection are done parallel to each other and separate results for each are obtained.

4.4 Study site

The sample for this study was drawn from the Central Business District (CBD) of Harare, Zimbabwe. Harare is the business and administration hub wherein most public institutions are based. It is in Harare that the MinSMECD and other institutions which relate to SMEs are headquartered hence the decision to carry out this research in the CBD of Harare (Mudarikiri, 2012). Also most SMEs do business in Harare and as such it was deemed to be convenient to conduct this research there so as to have easier access to information.

4.5 Target population

Target population is a description of the characteristics of the individuals from which the sample will be drawn (Teddlie and Yu, 2007:14; Woodward, 2013:6; Guest, 2014:216). There were two target populations for this study: SME operators and experts on SMEs both of which were drawn from Harare's Central Business District. Two target populations were chosen to allow for a comparison of the responses and triangulation.

The first target population were SMEs in the Central Business District of Harare. According to the MinSMECD in Zimbabwe there are approximately 945 (nine hundred and forty-five) small businesses operating in the CBD of Harare (MinSMECD). Chisasa (2013:157) study on the survival strategies of SMEs in the CBD of Harare in hyperinflation Zimbabwe shows that there are nine hundred and forty-five (945) SMEs operating in Harare CBD. However, it is important to note that due to the survivalist nature of small businesses and the economic hardships in Zimbabwe this number could have changed since 2016 but nine hundred and forty-five (945) is the most up to date number. As such nine hundred and forty-five (945) was the target population for SMEs operating in Harare CBD.

The second target population were experts from organisations and institutions that work with SMEs. The criteria for determining experts included being an employee of a registered organisation or institution that is actively involved in the development of SMEs in Zimbabwe.

The experts also had to be experienced individuals working in a senior level post and have had extensive interaction with small businesses. The target population for the experts was fifteen (15). The researcher was given a list of experts from which to get information by the gatekeepers of the organisations. The target population constituted of ten (10) employees from the MinSMECD that have been delegated to SMEs in the CBD cluster and five (5) employees from SMEAZ. The MinSMECD is responsible for the implementation of the SME policy and therefore offered the government's position on the progress made in the implementation of the policy. The Small and Medium Enterprises Association of Zimbabwe (SMEAZ) is a non-governmental organisation representing the interests of small businesses and was therefore in a position to give an alternate view on the SMEs policy.

As expert opinion was used to validate data gathered from small business and carried out using in-depth interviews the sample size was determined by reaching saturation point. Saturation means that the researcher had reached a point in the collection of data that sampling more data will not lead to more information related to the research questions (O'Reilly and Parker, 2013:192). In this case data was sought from as many experts as possible until there were no differences in responses offered by the respondents.

4.6 Sampling

Sampling involves taking a representative selection of the population under study and using the data collected as research information (Latham, 2007:15; Guest, 2014:215; Bryman, 2015:171). Sapsford (1999:50) and Bryman and Bell (2015:181) argues that it is nearly impossible to study the whole population therefore researchers choose to study a part of the population in order to draw conclusions about the population. Ngcobo (2003:59) in a study on divesting and investing as strategic decisions in small business entrepreneurship noted that sampling is necessitated by the complexity of the data collection process as it depends on the availability of time, money and personnel. Due to these constraints sampling was ideal as it enabled the researcher to select a few members of the target population to represent the entire target population.

4.6.1 Sample Size

Having established the target population, it was important to determine the number of participants in the study. Determining the sample size for this study was done by making reference to the Sample Size Calculator by Krejcie and Morgan (1970). Having determined that there are 945 SMEs in the CBD of Harare the Sample Size calculator by Krejcie and Morgan (1970) was used to determine a sample size representative of 945 which is 272. In light of this 272 SMEs were representative of a population of 945 SMEs. According to Krejcie and Morgan's sample size calculator, the sample size for a target population of fifteen (15) experts is fifteen (15).

The sample size for this study therefore constituted of two hundred and seventy-two (272) small business operators for which questionnaires were used which collected both qualitative and quantitative data. There were fifteen (15) experts on small businesses from different institutions for which interviews were used.

4.6.2 Sampling strategies

According to Guest (2014:217) there are two categories of sampling techniques: probability and non-probability sampling. Probability sampling consists of any method of sampling that employs some form of random selection of sampling units, this allows the researcher to determine the odds of each sample unit (Guest, 2014:217). In this case individuals have an equal chance of being chosen since the selection is random. Non-probability sampling is concerned with non-random selection examples of which include convenience sampling and purposive sampling (Guest, 2014:217). For this research non-probability sampling techniques were used.

Purposive sampling: For the first stage of this research the purposive sampling method was used. Purposive sampling is a sampling technique that involves selecting certain units or cases based on a specific purpose rather than randomly (Teddlie and Yu, 2007:13; Guest, 2014:236). Babbie (1990:2) defined purposive sampling as selecting a sample based on one's knowledge of the population, its elements and the nature of the research aims. This sampling technique was used to locate the institutions' personnel from which to access information concerning SMEs as

well as to get reference to other SMEs. In this case the researcher approached institutions such as the Small and Medium Enterprise Association of Zimbabwe (SMEAZ) and the MinSMECD with the purposes of getting information on the Policy and Strategy Framework for SMEs as well as small businesses development. Purposive sampling was also used to access some SME operators.

Snowball sampling or referral sampling: This sampling technique yields a study sample through referrals made among people who share or know of others who possess some characteristics that are of research interest (Biernacki and Waldorf, 2006:5; Guest, 2014:236). The researcher approached institutions such as the MinSMECD and SMEAZ for reference to SME operators who have worked closely with these institutions. Institutions such as SMEAZ have a database for all the small businesses in their organisation therefore they made a good source for referral. SMEAZ has a database of four hundred (400) entrepreneurs operating in the CBD area of Harare (SMEAZ, 2011). However, all SMEs from the SMEAZ database are part of the overall database of 945 small businesses registered on the MinSMECD database.

SME operators also acted as referrals for the researcher as they were well aware of other small business operators. Therefore, snowballing was done by other entrepreneurs referring the researcher to other SME operators.

4.7 Data collection methods

Data collection deals with strategies that the researcher can use to gather information on the subject of interest. There were two sources of data for this study which are primary and secondary data.

4.7.1 Secondary Data

Data gathered through existing sources are called secondary data (Sekaran and Bougie, 2010:57). Existing sources of information included journal articles, policy documents and published and unpublished articles relevant to this study. According to Sekaran and Bougie (2010:57) secondary data can help to focus further interviews more meaningfully on relevant aspects found

in the literature. In this light secondary data was important as it helped with the information that can be included in the interviews and questionnaires.

4.7.2 Primary Data

Data gathered from the actual site of occurrence of events is termed primary data (Sekaran and Bougie, 2010:57). This involves the researcher getting into the field to carry out research and gather data from participants. For this research sources of primary data were experts on SMEs and SME operators in Harare's CBD. Tools for gathering primary data included interviews and questionnaires.

Having discussed the sources of data for this study subsections are a discussion of the primary sources of data.

4.7.2.1 Questionnaires

Questionnaires were used to solicit information from SME owners and managers. Woodley, (2004:12) notes that questionnaires are a tool for collecting and recording information made up of a list of questions but also has clear instructions and space for answers. Respondents are likely to commit to answer a questionnaire when they see it as interesting, of value, short, clearly thought through and well presented (Woodley, 2004:12). These are some important aspects taken into consideration in designing the questionnaire.

4.7.2.1.1 Questionnaire Design

Designing the questions in a questionnaire is one of the most important stages in this data collection method (Woodley, 2004:5). The design of the questionnaire for this study was informed by literature around SME policy evaluation and the research objectives. As this study was an evaluation of Zimbabwe's SME policy reference for items to include in the questionnaire was made to the National Policy and Strategy for SMEs in Zimbabwe. The questionnaire was designed in such a way that addresses all the study's objectives. The risk of designing a questionnaire that is unreliable and invalid necessitated the diligence of the researcher.

Additionally, in order to successfully meet the objectives of this study the questionnaire had to be designed in such a way that the respondents find it easy to navigate and respond to all the questions. The items in the design had to ask questions that are relevant to the study. Reja *et al.* (2003:160) warn that badly worded or poor visual design may deter respondents from carefully answering questions, therefore increasing item non-response. In this case, the researcher ensured that the questionnaire was properly worded, the words were spelt correctly and that the questionnaire had an appealing design.

Open-ended questions: These were used in this research as a means of probing the respondents to give in depth information pertaining to their views on SME policy and strategy framework in Zimbabwe. Respondents were given space to explain the responses that they had in the closed ended questions or discuss some concerns that they have pertaining an item on the questionnaire which they might have been omitted. Open-ended questions have the advantage of increasing the possibility of discovering the responses that individuals give spontaneously and thus avoiding the bias that may result from suggesting responses to individuals as is the case with closed-ended questions (Blanche *et al.*, 2006:13; Fellows and Liu, 2015:157).

Close ended questions: These are questions with pre-designed answers with a small or large set of potential choices, (Brace 2004:86; Fellows and Liu, 2015:157). In this case, the respondent has little room to fully express their views about something as their responses are limited to a provided set of answers. Closed ended questions are either dichotomous or rating scale questions. Dichotomous questions are those which allow the respondent to select between two responses (Brace, 2004:87; Cohen, Manion and Morrison, 2013:383). The questionnaire design for this study included dichotomous questions and rating scale questions.

In the questionnaire, in dichotomous questions, the respondents' choices are limited to either of two categories. Cohen *et al.* (2013:383) note that dichotomous compel the respondents to provide a clear and unequivocal response, the respondents' choices are limited to either of two categories. Sekeran and Bougie (2010:161) note that nominal scale questions are ones that allow the researcher to assign subjects to certain categories or groups. Cohen *et al.* (2013:386) are of the view that one way in which degrees of response, intensity of response and the move away

from dichotomous questions have been managed can be seen in the notion of rating scales. This shows that there are more degrees in a rating scale and the responses are more intense in comparison to dichotomous questions. The Likert scale is designed to examine how strongly subjects agree or disagree with statements (Sekaran and Bougie, 2010:172).

The respondents had to rate their sentiments or views concerning an item in the question. The Likert scale was ranked from 1 to 5 with 1 as the negative response showing extreme dissatisfaction or disagreement, 3 was the average or neutral response and 5 as the positive response to show extreme satisfaction or agreement. Respondents were requested to use an (X) or tick in a box provided where applicable to show the item that best suited their situation. Reja *et al.* (2003: 159) note that closed ended questions yield higher percentages for responses in contrast to open ended questions. It is for this reason that the questionnaire design contained more closed ended questions compared to open ended.

4.7.2.1.2 Structure of the Questionnaire

The questionnaire was divided into five sections (sections A to E) with each section deliberately designed to answer the objectives of this study. Below is an outline of the five section of the questionnaire. For the questionnaire refer to **Appendix A1**.

Section A: Demographic Information

Section A enquires on the participants' demographic information which has to do with their age and gender. This is necessitated by the fact that the National Policy and Strategy for SMEs in Zimbabwe has a targeted support section. Support was targeted at women and the youth. This enabled the researcher to also assess the achievements in targeted support. In so doing, Section A helped to address the first objective of this study which was to determine whether or not the objectives of the National Policy and Strategy on SMEs have been met. Part of the objectives of the Policy and Strategy Framework is increasing the participation of women and youth in the economy and the demographic section helps in determining this.

Section B: Organisational Profile

Section B was an enquiry on the profile of the respondent's organisation. This section addressed the definition of an SME in the policy. It is important to determine what constitutes an SME and to mark the boundaries of this sector. Assistance of SMEs involves the use of tax payers' money therefore there is need to define this sector as security against corrupt practices.

The National Policy and Strategy for SMEs in Zimbabwe (2002:5) in its definition of an SME specifies the following as important in the classification of SMEs in Zimbabwe:

- number of permanent and temporary employees
- Sector in which the business is based
- Annual Turnover
- Business registration status

From these classifications some items for section B were drawn to determine the number of small businesses that meet the prescribed criteria. Ranging of the annual turnover was based on the classification given by the Small and Medium Enterprises Association of Zimbabwe (2011) which showed that small enterprises are classified as those with annual turnover of less than USD 240 000 and medium enterprises are those with annual turnover of USD 1 million. Storey (2008:5) shows that there are owners of small businesses can be reluctant in taking some courses of action that might benefit their businesses. This assertion necessitated creating items that determine the role of the respondent in the business.

Data gathered in this section was also important in determining additionality in evaluating the policy. This was to be done by comparing the output of firms established before the policy against the output of firms established after the policy. Therefore, the organisational profile was important.

Section C: Challenges

This section enquired on the challenges and measures that have been designed by the government to address these challenges. The challenges were listed in the National Policy and

Strategy for SMEs in Zimbabwe, for more challenges reference was made to literature. The SME Policy in Zimbabwe lists some of the measures that are being taken by the government to address the challenges faced by SMEs and the questionnaire also made an enquiry on the measures that are being taken. Section C addressed the second objective of this study which is aimed at establishing the challenges faced by SMEs in Zimbabwe and how the SME policy addresses these challenges.

Some of the items in this section were adopted from Khoase (2011:148-150), the study was focused on the impact of the regulatory on SMEs in Lesotho. The National Policy and Strategy for SMEs in Zimbabwe (2002:3) highlights some of the typical problems that are faced by SMEs in Zimbabwe and it is from this list that some of the challenges included in this section were taken.

Munanga's (2013:383) study on the financial challenges faced by SMEs showed that some of the sources of finance for small businesses were personal savings, relatives, banks and friends. Chirisa *et al.* (2012:126) shows that SEDCO was established to finance SMEs. Therefore, section C also drew some items on small business financing from these researchers to determine the extent of financial challenges as well as determine the sources of financing for small businesses.

This section was important in determining Rationale and Appropriateness of the National policy and Strategy for SMEs in Zimbabwe. As highlighted in the Theoretical framework chapter questionnaire items were included to determine if the objectives of the policy had been met and if the policy measures taken to meet these objectives were implemented. Appropriateness deals with market failure and this section measures the challenges faced by small businesses in Zimbabwe.

Section D: Measures

The National Policy and Strategy for SMEs in Zimbabwe assigns responsibilities to different organisations and institutions to assist SMEs in addressing some of the challenges that are faced by SMEs. Section D is aimed at determining if the measures outlined in the SME policy are

actually being implemented. In so doing the section addresses the third objective of the study which was aimed at determining the extent to which the SME policy addresses the challenges faced by SMEs. Determining items to include in section D was done by reference to the National Policy and Strategy for SMEs in Zimbabwe (2002:7). There is a classification of different measures that have been taken by the Government of Zimbabwe to facilitate the development of small businesses. Dumbu and Chadamoyo (2012:83) recommend some of the measures that government can take in creating a conducive environment for the growth of SMEs. Blackburn (2012:9) outlines measures that are important in addressing market failure as a result of banks' decisions to restrict lending to SMEs. The measures section of the questionnaire addressed the Superiority of the National Policy and Strategy for SMEs by determining the effectiveness of the measures in the policy to address the challenges faced by SMEs.

Section E: Evaluation and Ministry effectiveness

An assessment of the effectiveness of the MinSMECD is the fourth objective of this study and it is addressed in Section E of the questionnaire. Respondents were asked to make an assessment of the effectiveness of the MinSMECD based on its core functions and its interaction with SME operators.

4.7.2.1.3 Distribution of Questionnaires

Two methods were used in the dispensing of questionnaires. Some were emailed to potential respondents through the Small and Medium Enterprises Association of Zimbabwe (SMEAZ) database and others were self-administered. According to Fellows and Liu (2015:157) questionnaires may be administered by post, hand or emailed to particular individuals. As mentioned in the sampling section of this chapter SMEAZ has a database of members of this organisation and this database was used to email questionnaires (SMEAZ, 2011).

Denscombe (2014:26) asserts that a survey sent on behalf of a club or association to its members using a membership list is likely to achieve a far higher response rate. Bearing this assertion in mind some of the questionnaires were sent to SMEAZ members as members of the association were most likely to respond to questionnaires sent through their emailing platform. Reja *et al.*

(2003:160) however warns that respondents may abandon the questionnaire if emailed as they may lack enough motivation to complete the whole questionnaire without interaction with another person. Therefore, to mitigate against such a possibility some questionnaires were self-administered.

Ndayizigamiye (2012) in a study on the adoption of e-commerce by SMEs used questionnaires to carry out the objectives of the study. Questionnaires were hand delivered to SME owners and managers at their business premises (Ndayizigamiye, 2012:89). A similar approach was adopted in this study where some of the questionnaires were hand delivered to owners or managers at their business premises. Ndayizigamiye (2012:90) makes requests for prompt answering and in cases where this is not possible then two weeks were given. In this current study respondents were given two weeks to respond to the questionnaires and the researcher would collect them when the given time lapsed.

Table 4. 2 Summary of the questionnaire and the objectives addressed by every section

Section	Objective	Description
Section A (Demography)	To determine whether or not the objectives of the SME policy have been met and to what extent.	The Policy's Targeted Support focuses on support measures for challenges faced by women and youth.
Section B (Organisation)	To determine whether or not the objectives of the SME policy have been met and to what extent.	Helps set perimeters of what constitutes an SME. Determines the ease of registration.
Section C (Challenges)	To establish the challenges faced by SMEs in Zimbabwe and how the SME policy addresses them.	Defines the challenges faced by SMEs as outlined in the Policy.
	To determine whether or not the objectives of the SME policy have been met to and to what extent.	Addressing the challenges faced by SMEs through measures ensures the success of the Policy's objectives

Section D (Measures)	To determine the extent to which the Policy and Strategy for SMEs addresses the challenges of SME	Measures put in place by government are assessed to assert if they have resolved the challenges faced by SMEs
Section E (Evaluation)	To assess the effectiveness of the MinSMECD in the implementation of SME policy	Asserts if the MinSMECD is addressing the challenges and implementing the measures outlined in the policy.

Table 4.2 is a summary of the questionnaire and the objectives of this study. It shows the different objectives and how each section of the questionnaire addressed the specific objectives.

4.8.2.2 In-depth Interviewing

In-depth interviewing is considered to be a conversation with a purpose (Marshall and Rossman, 2006:6). This definition highlights the fact that the researcher and the participant are engaged in a dialogue on a specific topic and the researcher is giving a direction to the conversation with the purpose of soliciting information relevant to their research. Interviewing involves the interviewer or researcher having a purposeful and guided conversation with the interviewee or the concerned group on which research is based.

Additionally, Marshal and Rossman (2006:7) notes that the researcher explores a few general topics to help uncover the participant's views but otherwise respects how the participant frames and structures the responses. The participant is guided by the researcher so as to uncover the relevant information. For the purposes of this research the researcher was concerned with getting information on SMEs from personnel from such institutions as the MinSMECD. In-depth interviews were conducted with institutions' personnel.

Structured interviews: Sekaran and Bougie (2010:206) distinguish between structured and unstructured interviews. Unstructured interviews are those in which the interviewer enters the interview setting without a planned sequence of questions to be asked of the respondent, (Sekaran and Bougie, 2010:206). Structured interviews are those conducted when it is known at the outset what information is needed and the interviewer has a list of predetermined questions to ask the respondent (Sekaran and Bougie, 2010:208). For the purposes of this study structured

interviews were used. This enabled the researcher to have focused interviews that would address the issues of concern in the SME policy. Structured interviews were also made possible by the fact that the policy being evaluated outlined several objectives therefore it was easy to get questions to enquire on.

In-depth interviewing enables the researcher to have follow up questions as well as probe some responses given to them by the participants. Marshal and Rossman (2006:7) and Sekaran and Bougie (2010:210) appreciate the advantages of personal interaction as well as being able to deduce information from non-verbal cues but however notes that the researcher has to have superb listening skills and be skilful at personal interaction, question framing and probing for elaboration. These are some of the skills that the researcher would have to possess as well as improve in order to protect the participant as well as get sufficient information.

4.8.2.2.1 Interview Guide

The interview guide was designed to help the researcher in carrying out the objectives of this study. Questions in the guide were informed by the literature around SME policy as well as the research objectives. The interview guide was divided into five sections both of which addressed the objectives of this study from experts' point of view. The aim of this was to validate the responses of SME operators using expert opinion. The interview guide had a similar structure and questions like the questionnaire because expert opinion was used to buttress SME operators' responses. The interviews were conducted by the researcher with each interview taking between 40-45 minutes. Respondents' consent was sought to record and jot down notes of the interview. Refer to **Appendix A2** for the interview guide.

4.9 Data Analysis

Data analysis involved interpreting the findings from the interviews and the questionnaires. Creswell (2013:15) is of the view that convergent parallel mixed methods approach integrates the information in the interpretation of the overall results. Therefore, although the data was collected at roughly the same time in analysis the information was integrated. In this light qualitative and quantitative data were integrated to bring meaning to the data. This process was

divided into two different sections. First, the coding of the responses from the questionnaires and then the interpretation of interviews.

Terrell (2012:208) notes that data are integrated during the interpretation phase. The integration notes either a lack of convergence or convergence that strengthens knowledge. In the interpretation stage, data from interviews and that from questionnaires are integrated to determine if there are any patterns that help in the understanding of the research problem. The integration of interviews and questionnaire data can also be done during the analysis phase (Terrell, 2012:208).

4.9.1 Quantitative Data Analysis

Data analysis for Questionnaires was done through the use of the Statistical Package for Social Sciences (SPSS) IBM SPSS Statistics 23.0. Gathered data was coded into the variables view of SPSS. After every questionnaire was coded different statistical tools were used to interpret the data. Statistical packages used for the analysis of data included descriptive statistics and inferential statistics.

Yin (2015:294) highlights that in using the mixed method approach a typical fear might be the domination of the quantitative data over the qualitative data. The researcher was therefore weary of such a possibility and caution was taken to balance the analysis. It was important to avoid doing an injustice to the qualitative data.

4.9.1.1 Descriptive Statistics

Descriptive analysis is restricted to statements about the data that have been collected (assumed to be a sample of a larger population), (Woodward, 2013:23). Descriptive analyses are the most basic form of analysis that is restricted to simple statistical analysis. Descriptive statistics such as frequencies were presented illustrate some trends.

4.9.1.1.1 Frequencies

Frequencies included percentages, mean, median and in some cases the use of the mode to rank and categorise responses given by respondents (Devore, 2015:13). These showed how frequently respondents related or found a questionnaire item applicable to them and their business. The mean and the median made the ranking of responses possible and as such the researcher was able to identify and rank challenges (Devore, 2015:14). In this light the most pervasive challenges for SMEs were determined as well as establishing the percentage of small businesses that found some challenges to be less pervasive in their business.

4.9.1.1.2 Graphs and Charts

The illustration of trends and patterns was made possible by the use of graphs and charts. Descriptive statistics allowed for the use such visual aids as pie charts and bar graphs (Devore, 2015:3). Pie charts were used to show percentages on trends such as the number of registered small businesses and the percentage of small businesses applying for bank loans. Bar graphs were used to show the number of participants in different categories. These tools were used for purely descriptive purposes.

4.9.1.2 Inferential Statistics

Inferential analysis goes further in that they use the observed data to make general statements about the parent population from which the sample were collected (Woodward, 2013:23). This involves more complex and sophisticated statistical procedures such as hypothesis testing and estimation. Inferences were also made from the data with non-parametric tests such as the Kruskal-Wallis and the Mann-Whitney test were performed on the data. The Shapiro-Wilk test was used to test whether or not the data was normally distributed as this would determine the kind of statistical analyses that can be performed on the data. This test is used to test for normal distribution of data if the sample size is less than 500 (Shapiro and Wilk, 1965; Kim, 2013:2).

4.9.1.2.1 Kruskal-Wallis Test

The Kruskal-Wallis is a nonparametric statistical test that assesses the differences among three or more independently sampled groups on a single, non-normally distributed continuous variable (McKight and Najab, 2010:24). Acar and Sun (2013:427) notes that the Kruskal-Wallis Test is a rank-based test that complements the parametric approaches such as the one-way analysis of variance (ANOVA). Since the data in this study was non-normally distributed instead of performing an ANOVA test the Kruskal-Wallis Test was the legitimate alternative. This test enabled the researcher to test if there were statistically significant relationships among variables.

Different hypotheses were tested using the Kruskal-Wallis Test such as determining if there are statistically significant differences in the experience of s hostile regulatory environment across factors such as age, turnover and the role that one occupies in a business.

4.9.1.2.2 Mann-Whitney Test

The Mann-Whitney U test is a non-parametric test that can be used in place of an unpaired t-test. It is used to test the null hypothesis that two samples come from the same population (have the same median) or alternatively, whether observations in one sample tend to be larger than observations in the other (Shier, 2004:1). To run the Mann-Whitney Test, hypotheses had to be formed to determine whether or not there were any statistically significant differences between medians of chosen groups. Pallant (2007:220) notes that the Mann-Whitney U Test is used to test for differences on a group of continuous variables. This was made possible for the research since the questionnaire had Likert scale questions.

Nachar (2008:15) notes the three assumptions of the Mann-Whitney test. Below is an outline of these assumptions:

- The two investigated groups must be randomly drawn from the target population.
- Each measurement or observation must correspond to a different participant.
- The data measurement scale is of ordinal or continuous type.

Pallant (2007:220) also noted that there has to be one categorical variable with two groups and one continuous variable in order to perform the Mann-Whitney Test. Data collected for this study met the requirements for the Mann-Whitney Test making it possible to run the test. In some cases, categorical variables such as those questions with yes or no responses were tested on Likert scale questions.

The Mann-Whitney U Test made it possible to test hypotheses such as determining if there is a statistically significant relationship between registration and bank loan application. The hypothesis which tests if there is a statistically significant relationship between turnover between registered and unregistered SMEs

4.9.1.2.3 Correlation

Correlation analysis explores the relationship between variables (Pallant, 2007:126). A correlation analysis was done on variables to determine if any statistically significant relationship existed between the variables. This test was important in determining if there would be any ripple effects in variables in the event that one variable was influenced or changed.

Pearson Correlation Coefficient (r) can only take on values from -1 to +1 and the sign at the front indicates whether there is a positive or a negative correlation (Pallant, 2007:126). In the case of a positive correlation an increase in one variable would lead to a resultant increase in the other. A negative correlation implied that an increase in one of the variables would lead to resultant decrease in one of the variables. The test for correlation was on determining if there is any statistically significant relationship between the limited access to finance and the cost of finance.

The two extremes are 1 and 0; wherein 1 represents a perfect relationship and 0 indicates no relationship between the variables (Pallant, 2007:126). Since the data in this study is not normally distributed reference will be made to the non-parametric alternative of the Pearson correlation coefficient, which is Spearman's Rank Order Correlation (ρ). This is in accordance to Pallant (2007:127) who recommends the use of either to the two depending on whether or not the data is normally distributed.

4.9.1.2.4 Chi-Square Test

Pallant (2007:214) argues that the Chi-square test for independence is used to explore the relationship between two categorical variables by observing the frequencies that occur in each of the categories. This test is limited to categorical variables such as those with yes or no responses. Questionnaires in this study had dichotomous items making it possible to run a Chi-Square Test.

Variables were tested to statistically significant level, therefore a relationship between variables was tested to see if it is statistically significant. According to Pallant (2007:214) to be significant, the sig value needs to be .05 or smaller. An example of Chi-Square Test done on the data was testing if there is a statistically significant difference between registered and unregistered SMEs in the application of bank loans. Testing whether or not there is a statistically significant relationship between pre-policy and post-policy SMEs led to the formulation of a hypothesis that was tested using a Chi-square test. Such a test was made possible by the fact that answers to this question had dichotomous responses

4.9.1.2.5 Regression

Multiple Regression can be used in practical prediction problems where the goal is to forecast an outcome based on the data that were collected earlier (Cohen, Cohen, West and Aiken, 2013:3). Regression models were done in this study to predict how certain measures by the Zimbabwean government in the SME policy will be able to predict desired outcomes. An example is testing how Credit Guarantee Schemes by the Government of Zimbabwe was able to predict whether or not SMEs cite limited access and cost of finance as challenges for their businesses. Pallant (2007:146) notes that Multiple Regression can tell how well a set of variables is able to predict a particular outcome.

Performing a Multiple Regression analysis requires one continuous dependent variable and two or more continuous independent variables (Pallant, 2007:146). Since the questionnaires for this study also constituted of Likert scale items it was possible to do a Multiple Regression analysis. Different variables were used to test how much they were able to predict a particular outcome as a group, however each variable had its own contribution to the model. Pallant (2007:146) notes

that a regression model also gives an indication of the relative contribution of each independent variable to the created model.

According to Cohan *et al.* (2013:3) in the absence of prior research or theory, Multiple Regression can be used in a purely exploratory fashion to identify a collection of variables that strongly predict an outcome variable. Such is the approach that was taken in this study, regression models were used in an exploratory fashion as the researcher was unaware of any studies in Zimbabwe that had tried to predict particular outcomes.

The dependent variable is to be studied as a function of, or in relationship to, any factors of interest, the independent variables (Cohen *et al.*, 2013:1). One continuous variable (Dependent Variable) is tested against numerous variables (Independent Variables).

Table 4.3 shows the data analysis techniques used to achieve different objectives of this study. The table is a summary of the data analysis process where different statistical tools were used to achieve different objectives. Table 4.3 also introduces the hypotheses that were tested in this study to unpack and understand the objectives set in this study. The table shows how SPSS was used to address each of the objectives of this study and the different hypotheses that were tested using the different data analysis techniques. It shows that different tests were performed on the data depending on how best they address an objective.

Table 4. 3 Quantitative data analysis techniques and objectives

Objectives and Hypotheses tested	Data Analysis Technique
<p>To examine the challenges faced by SMEs in Zimbabwe</p> <p>Hypothesis:</p> <p>H0: there no statistically significant relationship between financial challenges.</p> <p>H1: there is a statistically significant relation between financial challenges</p>	<ul style="list-style-type: none"> • Frequencies (Percentages, Mean & Median) • Descriptive (Pie Charts & Bar Graphs) • Correlation. • Regression

<p>To analyse the extent to which the Policy and Strategy Framework for SMEs addresses the challenges faced by small businesses.</p>	<ul style="list-style-type: none"> • Descriptive (Bar graphs & Pie Charts) • Frequencies (Mean & Median) • Mann-Whitney
<p>To assess the effectiveness of the Ministry of Small and Medium Enterprises and Cooperatives Development in the implementation of SME policy</p>	<ul style="list-style-type: none"> • Descriptive (Pie Charts)
<p>To investigate whether the objectives of the Policy and Strategy Framework on SMEs have been met.</p> <p>Hypotheses:</p> <p>H0: There is no statistically significant difference between role and a hostile regulatory environment H1: There is a statistically significant difference between role and a hostile regulatory environment</p> <p>H0: There is no statistically significant difference between age and a hostile regulatory environment. H1: There is a statistically significant difference between age and a hostile regulatory environment.</p> <p>H0: There is no statistically significant difference between turnover and a hostile regulatory environment. H1: There is a statistically significant difference between turnover and a hostile regulatory environment.</p> <p>H0: There is no statistically significant difference between registration and bank loan application H1: There is a statistically significant difference between registration and bank loan application.</p>	<ul style="list-style-type: none"> • Descriptive (Pie Charts & Bar graphs) • Kruskal-Wallis Test • Kruskal-Wallis Test • Kruskal-Wallis Test • Mann-Whitney U Test

<p>H0: There is no statistically significant difference between SME registration and financial challenges.</p> <p>H1: There is a statistically significant difference between SME registration and financial challenges.</p>	<ul style="list-style-type: none"> • Mann-Whitney U Test
<p>H0: There is no statistically significant difference in turnover between registered and unregistered SMEs</p> <p>H1: There is no statistically difference in turnover between registered and unregistered SMEs</p>	<ul style="list-style-type: none"> • Mann-Whitney U Test
<p>H0: There is no statistically significant difference in challenges between Pre and Post policy SMEs</p> <p>H1: There is a statistically significant difference in challenges between Pre and Post policy SMEs.</p>	<ul style="list-style-type: none"> • Mann-Whitney U Test • Chi-Square Test

4.9.2 Qualitative Data Analysis

Data was transcribed by the researcher and content analysis was used as the qualitative data analysis tool. Vaismoradi *et al.* (2013:400) note that content analysis is a systematic coding and categorising approach used for exploring large amounts of textual information unobtrusively to determine trends and patterns of words used, their frequency, their relationships and the structures and discourses of communication. Qualitative responses were quoted and analysed in relation to the quantitative data. This was done for validation purposes as well as giving qualitative insights into the statistics from quantitative data. An analysis of the responses of the respondents enabled the researcher to identify trends that helped in the understanding of the responses from the questionnaires.

4.10 Reliability and Validity

Reliability is the extent to which results are consistent over time and an accurate representation of the total population under study (Golafshani, 2003:3). Reliability encapsulates the idea that if this study is repeated in the future the two studies should make similar findings. Validity is concerned with whether the research truly measures that which it was intended to measure and how truthful the results are (Golafshani, 2003:3; Vaismoradi *et al.*, 2015:146). Ensuring the

validity of the questionnaires was done by carrying out a pilot study which was administered to small business operators.

4.10.1 Reliability

This is concerned with the question of whether the results of a study are repeatable (Bryman and Bell, 2015:49). Franzen (2013:7) notes that reliability involves obtaining test scores on two occasions under two conditions and correlating the two sets of scores. Reliability implies that under such conditions there should be a correlation between the two scores. Franzen (2013:10) argues that the reason an investigator estimates the reliability of a measure is to facilitate generalisation from the measure to some other set of conditions. Results in one test must be repeatable in another test under similar conditions.

Franzen (2013:15) notes although there is split-half reliability, test retest reliability they are all ways of indexing the amount of variance in a test that is the result of error in measurement. These reliability tests involve the computation of a measure of association, agreement or concordance (Franzen, 2013:15)

4.10.1.1 Measuring reliability.

Laerd Statistics (2013) recommends the use of Cronbach's alpha to measure internal consistency or reliability. Cronbach's Alpha is commonly used for questionnaires in determining the reliability of scales chosen (Laerd Statistics, 2013). Cronbach's Alpha is one of the reliability coefficients and it is based on the average correlation of variables with in a test if the variables are standardised (Laerd Statistics, 2013). As such Cronbach's Alpha was used for the purposes of this study. Cronbach's Alpha was tested using SPSS to determine the reliability of the scales chosen for questionnaire getting a value of 0.7 or more shows that the scale is reliable. Cronbach's Alpha ranges from 0 to 1, a value of 0.7 and higher is good value that can lead to the conclusion that the same results will be achieved if this survey was executed with a larger sample of respondents.

4.10.2 Validity

The concept refers to the appropriateness, meaningfulness and usefulness of the specific inferences made from test scores (Wainer and Braun, 2013). This has to do with the truthfulness of the test to determine whether the results are useable. According to Wainer and Braun (2013:87) it is the inferences that one draws from the test scores that need to be validated. In this light the test scores for this research must be truthful so that verifiable inferences can be made about SMEs in the CBD of Harare.

Yin (2015:78) shows that a valid study is one that has properly collected and interpreted its data so that the conclusions accurately reflect and represent the real world that was studied. This implies that the researcher had to be diligent in the data collection and interpretation phase. The researcher had to maintain neutrality to avoid the manipulation of the research process with personal opinions. According to Yin (2015:78) validity entails the correctness or credibility of a description, conclusion, explanation, interpretation or other sort of account. Data gathered therefore had to be handled with impartiality and interpreted accordingly. There are different types of validity that were taken into consideration in this study; these included content, face, external and argumentative validation (Bryman and Bell 2015: 48).

4.10.2.1 Content validity

Focuses on determining if the research covers all the possible aspects of the research topic (Sarantakos, 2012:79). An extensive literature review was conducted on SMEs from which aspects on SME policy were determined. The SME Policy Index by the OECD was also helpful as it outlines how to evaluate SME policies as well as show the concepts to focus on.

4.10.2.2 Face validity

This is concerned with whether the test seems to measure what it is expected to measure (Sarantakos, 2012:79). Standards of judgement are based on general theoretical standards and principles, and on the subjective judgement of the researcher.

4.10.2.3 External validity

Central to external validity is the generalisability of the findings of the study to the population (Sarantakos, 2012:79). Generalisability of the results of this study is made difficult by the fact that non-probability sampling techniques were used.

4.10.2.4 Argumentative validity

This is established through the presentation of the findings in such a way that conclusions can be followed and tested (Sarantakos, 2012:80). The presentation and discussion of results was done in a way that maintains the integrity of the results.

4.10.3 Triangulation

Data was also validated through triangulation. The principle of triangulation pertains to the goal of seeking at least three ways of verifying or corroborating a particular event, description, or fact being reported by a study; such corroboration serves as another way of strengthening the validity of a study (Yin, 2015:80). The findings were compared across three different methods to determine the validity of the data.

Johnson *et al.* (2007:114) note that triangulation is when more than one method is used as part of the validation process that ensures that the explained variance is the result of the underlying phenomenon or trait and not of the method (for example, quantitative or qualitative). In this case therefore triangulation ensures that the convergence of findings in a research stemming from two or more methods develops the belief that the results are valid. Asamoah (2012:58) used triangulation to check if the response of the students correlates with those of the professors. In the same light triangulation was used to check if the responds from the institutions' personnel correlates with those of entrepreneurs. This helped the researcher in determining if the Policy and Strategy Framework of SMEs is producing the desired outcomes.

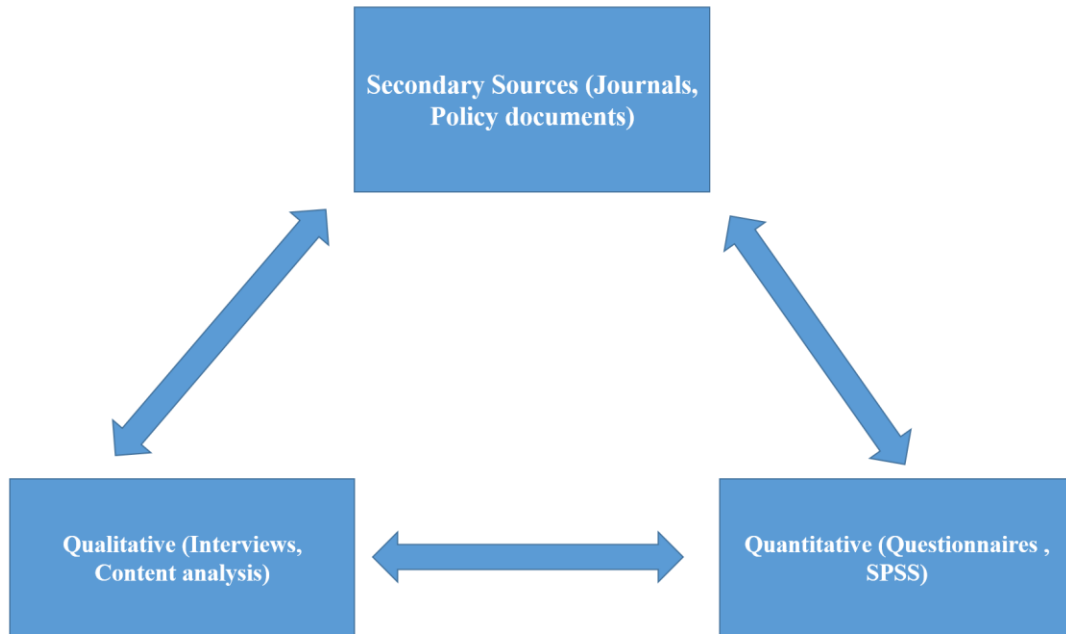


Figure 4. 3 Triangulation

Source: Own Compilation

Figure 4.3 illustrates the triangulation approach that was adopted in ensuring validity in this study. Validation was done by comparing data from secondary sources, quantitative data and qualitative data. Consistency in findings suggests that the data is valid.

4.11 Pilot Study

The pilot study was done to ensure that the questions being asked are relevant to the research and add value, it is also conducted to ensure that the questions can be answered (Woodley, 2004). Pilot testing is done to ensure relevance, effectiveness and clarity of the measuring instruments. No survey data can be trusted unless the researcher can ensure that the respondents understood the instruments and provided appropriate responses. A pilot study is done to establish if the survey population will understand the questions, scales and instructions, how easy or difficult they find the measuring instrument and ask for suggestions after attending to the questionnaire (Mouton, 1998:130).

Pre-testing helps in determining if the research measures what it has been designed to measure. Pre-testing helps in the fine tuning of the measuring instruments (Dane, 1990:127). It is in recognition of the possibilities of making mistakes in designing the measuring instruments therefore pre-testing helps in the identification of the possible mistakes.

Powell (1995:235) notes that pre-testing of the questionnaire is supposed to give the researcher an opportunity to identify items that tend to be misunderstood by the participants or fail to obtain the information that is needed. Carrying out a pilot test is important as it has a bearing on the response rate of the questionnaire. In this study the pilot study was done and the respondents were asked to give comments on clarity, language, length and the appropriateness of the questions. The identified problems were addressed prior to the distribution of the questionnaire.

Some of the concerns that were raised by the participants included the length of the questionnaire and lack of clarity on some of the language used as it was too technical. Because of these concerns some of the follow-up questions had to be removed as they were less likely to be answered. The language had to be clarified in such a way that the respondents understood what they were requested to but also ensuring that it retained its meaning so as to avoid the distortion of the study.

4.12 Ethical Considerations

Ethical clearance for the questionnaire and interview guide were sought from the Humanities and Social Sciences Research Ethics Committee of the University of KwaZulu Natal, see **Appendix A3**. Obtaining such clearance meant that the contents of the questionnaires and interview guide abided by ethical requirements. Ethical considerations taken into account in this research included assurance of anonymity and confidentiality of the respondents' participation in this study. As a requirement for these ethical considerations a covering letter was attached to each questionnaire explaining the purpose of the study as well as assuring the respondents that their participation in the study was confidential and based on anonymity. This assurance encourages the participants to freely express their views without fear of being prejudiced or being harmed and by so doing will most likely increase the response rate. Respondents for both questionnaires

and interviews were told that participation in this study was voluntary and they were free leave questions that made them uncomfortable unanswered. The purpose of this study was explained to the respondents so that they had an understanding of what they were consenting to. In the case of institutions consent gatekeepers' letters were sought. Interviewees' consent to recording and jotting of notes was sought and they were assured that the recorded and jotted data will be kept safe by the school and to be stored until a specified time.

4.13 Summary

Chapter four was a discussion of the methodology showing that this study was informed by the mixed method research approach. A convergent mixed method design meant collecting both quantitative data and qualitative data simultaneously. The Central Business District of Harare Zimbabwe was used as the study site and the target population was 945 small businesses in the CBD and a total of 15 experts. A sample size of 272 for SMEs was determined using Kjecir and Morgan's sample size calculator and for experts the sample size was 15 were experts. Questionnaires were emailed and administered to SME operators and interviews were conducted with experts. Responses from interviews were used to validate the responses of the SME operators. Triangulation was used to validate this study.

CHAPTER 5

DATA PRESENTATION AND ANALYSIS

5.1 Introduction

Chapter four was a discussion of the methodology showing the procedures taken to gather data and to ensure that valid and accurate data was collected. Chapter five is a presentation and analysis of the gathered data. Before the presentation of the findings the response rate and reliability of the questionnaire items are presented. Having presented Cronbach Alpha's test demographic and organisational profile data is presented, first that of SMEs and lastly that of experts. Qualitative insights were included to explain the quantitative findings. Determining the distribution of the data is done in the first section just before the presentation of findings according to the objectives of the study. The chapter constitutes of four subsections of which section 5.4 presents demographic and organisational data and section 5.5 is a presentation of the data according to objectives in their respective order. In presenting data quantitative data from questionnaires is presented first, followed by SME operators' qualitative responses from open ended sections of the questionnaire. Qualitative insights from interviews with experts are given after the questionnaire data for validation. Demographic and Organisational profile data will be analysed and discussed in this chapter.

5.2 Response rate

The sample size for this research was 272 SME operators for quantitative methods and 15 experts for qualitative methods. Questionnaires were set to be distributed to 272 SMEs operators but of these 110 responded and one participant failed to complete the questionnaire answering only Section A. This implies that the response rate for questionnaires was set at 40.44 percent. Interviews were meant to be conducted with 15 participants drawn from institutions that work and represent Small and Medium Enterprises in Zimbabwe. Interviews were conducted with six

experts therefore the response rate for interviews was 40 percent. Saturation was reached in the case of the MinSMECD because the interviewed individuals had similar responsibilities and as such the subsequent interviewees failed to give a different perspective.

5.3 Reliability

This section is a presentation of the results of the reliability test of the scale items in the questionnaire. Reliability analysis was done using Cronbach's Alpha test and the results are shown in table 5.1 below.

Table 5. 1 Cronbach's Alpha Test for Reliability

Question	Cronbach's Alpha	Question	Cronbach's Alpha
C1.1 – C1.11	0.722	C13.1 - 13.7	0.737
C2.1 – C2.5	0.732	D6.1 – D6.5	0.742
C3.1 – C3.5	0.738	D9.1 – D9.10	0.718
C8.1 – C8.5	0.716	D13.1 – D13.5	0.752
C9.1 – C9.5	0.736	E4.1 - E4.7	0.688
C10.1 – C10.5	0.769		

The question items for this study passed the reliability test with Cronbach's alpha values ranging from 0.7 to 0.8 is generally acceptable as an indicator for reliability (Baruch, 1999; Field, 2009). Only one value was lower than 0.7: (0.688) though this was still deemed to suffice in line with Field (2009) who argues that a Cronbach alpha value of 0.5 in the early stages of research is acceptable.

5.4 Demographic and Organisational information

Demographic and Organisational information were the first two sections of the questionnaire aimed to identify the distribution of SMEs across gender, age, year of establishment and annual turnover. This information was also critical to the evaluation process in that it allowed for an understanding of the structure of the small business sector. First to be presented will be the demographic information from SME operators followed by that of experts which will be presented in section 5.4.2.

5.4.1 Demographic and Organisational Profile for SME operators

This section presents demographic and organisational profiles for SME profiles. This presentation is aided by pie charts and tables.

5.4.1.1 Sector and number of employees

The findings of the study reveal that SMEs operate across all sectors of the Zimbabwean economy. However, the majority of SMEs are in the retail sector where 48.39 percent of the respondents are based. The services sector constitutes of 32.26 percent, 12.90 percent are in the farming sector and 6.45 percent of SMEs are based in the manufacturing sector. The pie chart in Figure 5.1 is a presentation of the sectors and the percentages of small businesses in each.

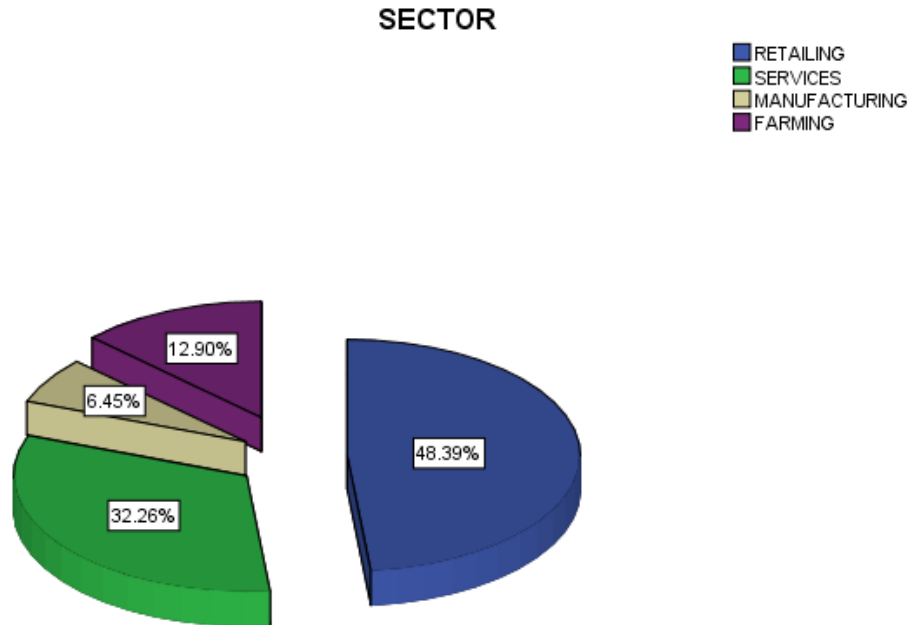


Figure 5. 1 Percentage of SMEs across Sectors

Figure 5.1 shows that most SMEs in Zimbabwe are involved in retailing which is mostly focused on buying and selling of goods. The manufacturing sector has fewer SMEs which can be a reflection of the fact that most businesses in the manufacturing sector are closing down due to economic challenges (Chimucheka, 2012:12). Most people are employed in the retailing sector, which employs a total of 158 people in the survey. The manufacturing sector employs fewer people in this sector with 13 people. The services sector employs 106 people and the farming sector employs 43 people. The farming sector is the only sector that employs the highest number of workers at one go, employing a total of people. The cross tabulation table shows the number of employees across sectors.

Table 5. 2 Sector number of employees

		SECTOR				Total
		RETAILING	SERVICES	MANUFACTURING	FARMING	
NO. OF EMPLOYEES	1.00	5	1	1	1	8
	2.00	8	11	3	3	25
	3.00	7	6	2	0	15
	4.00	5	4	0	0	9
	5.00	8	5	0	1	14
	6.00	4	0	0	1	5
	7.00	2	0	0	0	2
	8.00	1	0	0	0	1
	10.00	1	2	0	1	4
	15.00	0	0	0	1	1
Total		41	29	6	8	84

Table 5.2 shows the number of employs across different sector. The table shows that most of the people in this survey are based in the retailing sector, followed by the services sector and lastly the manufacturing sector employs fewer people.

5.4.1.2 Age Group

The National Policy and Strategy for SMEs in Zimbabwe (2002:7) prioritised empowering women and the youth. Therefore, an enquiry on the respondents' age was important in the evaluation of the policy to assess whether the objective had been achieved. Figure 5.1 is a pie chart representing the respondents' age groups.

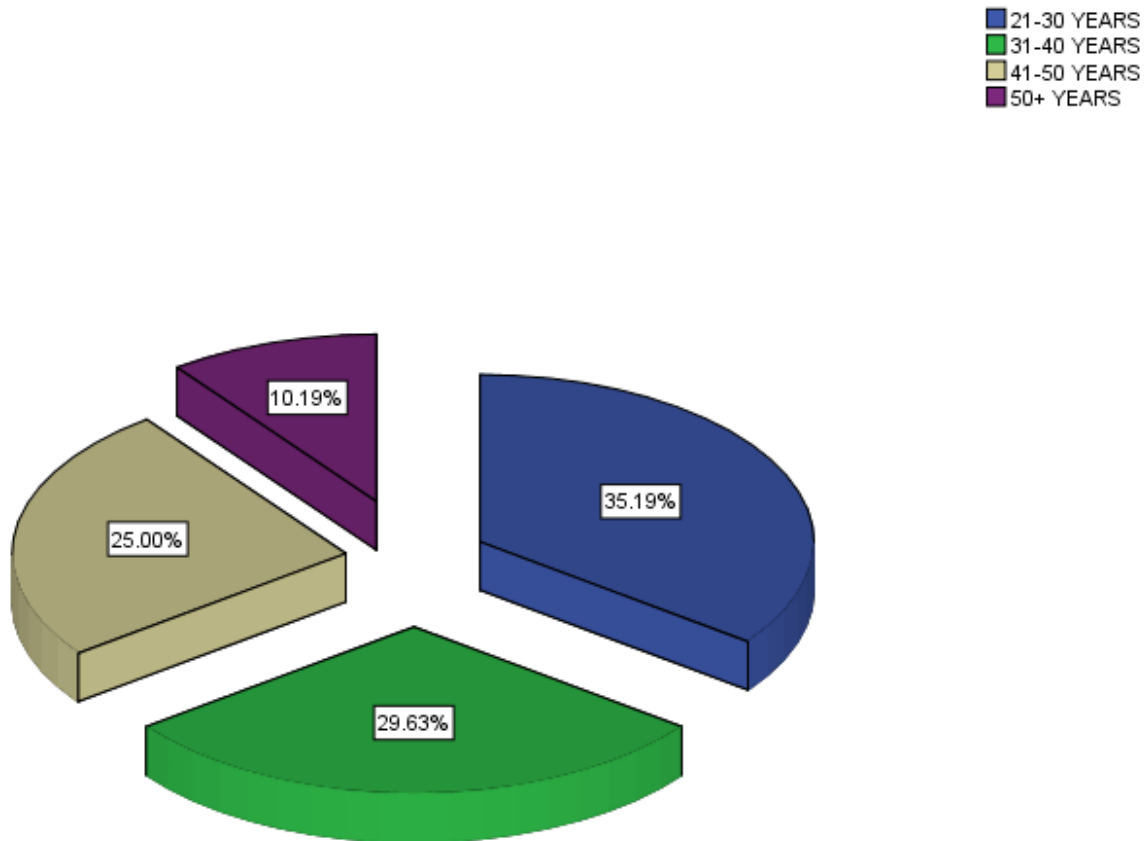


Figure 5. 2 Age group percentages

The figure shows that 35.19 percent ($n = 39$) of the respondents are between the ages of 21-30; 29.63 percent ($n = 32$) of the respondents were from the 31-40 age group; 25 percent ($n = 28$) represented the 41-50 age group and 10.19 percent ($n = 11$) were aged 50 years and above. The results show that the majority of respondents were in the 21-30 age group and few operators were more than 50 years.

The results of the survey showed that there were more youthful small business operators compared to other age groups. There are two different factors that can help account for such a trend. It is possible that more youth are starting small businesses as a survival strategy. This is because of the high unemployment rate in Zimbabwe. As shown in the literature review the unemployment rate in Zimbabwe is at 80 percent yet there is an annual release of graduates who are in need of formal employment (Matarirano and Olawale, 2010:1709). In this light the large

number of youths operating SMEs can be explained by the fact that there are few job opportunities therefore starting a small business is a strategy for survival.

There is also a possibility that government's efforts at increasing youth participation in the economy through SMEs is paying off hence the fact that most of the small businesses in this survey were operated by the youth. However, Chimucheka (2012:10393) in a study on the impediments to youth entrepreneurship found out that over 50 percent of respondents indicated that the government is complacent to support entrepreneurship as a career path for youths. This could imply that in spite the lack of support from government the youths are starting businesses

5.4.1.3 Gender

The bar graph in Figure 5.3 shows the gender dynamics in this study. This research was carried out bearing in mind that the National Policy and Strategy for SME in Zimbabwe (2002:7) sets out to empower women. Therefore, categorising respondents according to their gender helps in determining if this goal has been achieved.

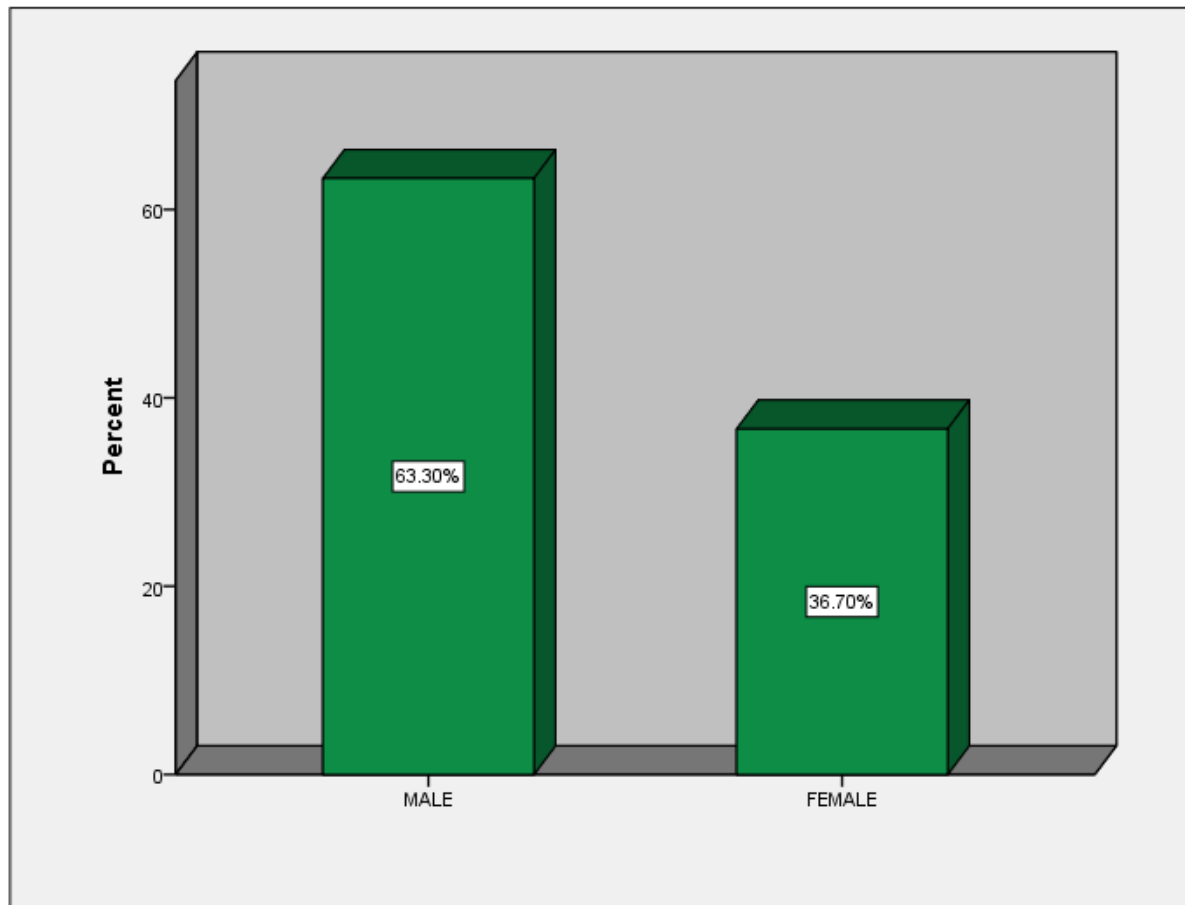


Figure 5. 3 Percentage of Gender

As shown in the figure, 63.30 (n = 70) of the respondents were male and 36.70 (n = 40) were female. This implies that there were more male small business operators in the Central Business District (CBD of Harare, Zimbabwe compared to female operators. The National Policy and Strategy for SMEs in Zimbabwe has targeted support initiatives meant for the benefit of the disadvantaged social groups, mainly women. The bar graph also shows that in the Central Business District (CBD) of Harare smallest businesses are either managed or owned by males. Up to 63.30 percent of small businesses that participated in the study have a male owner or manager and the remaining 36.70 percent are female.

Government's targeted support initiative is yet to bear the desired results of bringing a state of equilibrium in the demographics on small business management and ownership. The gender

dimension in the National Policy and Strategy for SMEs (2002:2) shows government's desire to improve the circumstances of women through the SME sector. Small businesses are seen as an avenue through which the historical imbalances between men and women can be addressed. However, the results of the data gathered from the CBD of Harare show that women's circumstances are yet to be improved as there is a 26.6 percent difference in the number of male and female owned or managed SMEs.

5.4.1.4 Role in business

Literature seems to suggest that the different roles that people have in a small business has an impact on the development of that business (Storey and Greene, 2010:115). Therefore, it became important to determine the roles that the respondents in this study have in the different businesses. Figure 5.4 shows the distribution of respondents across the different positions identified in the questionnaire.

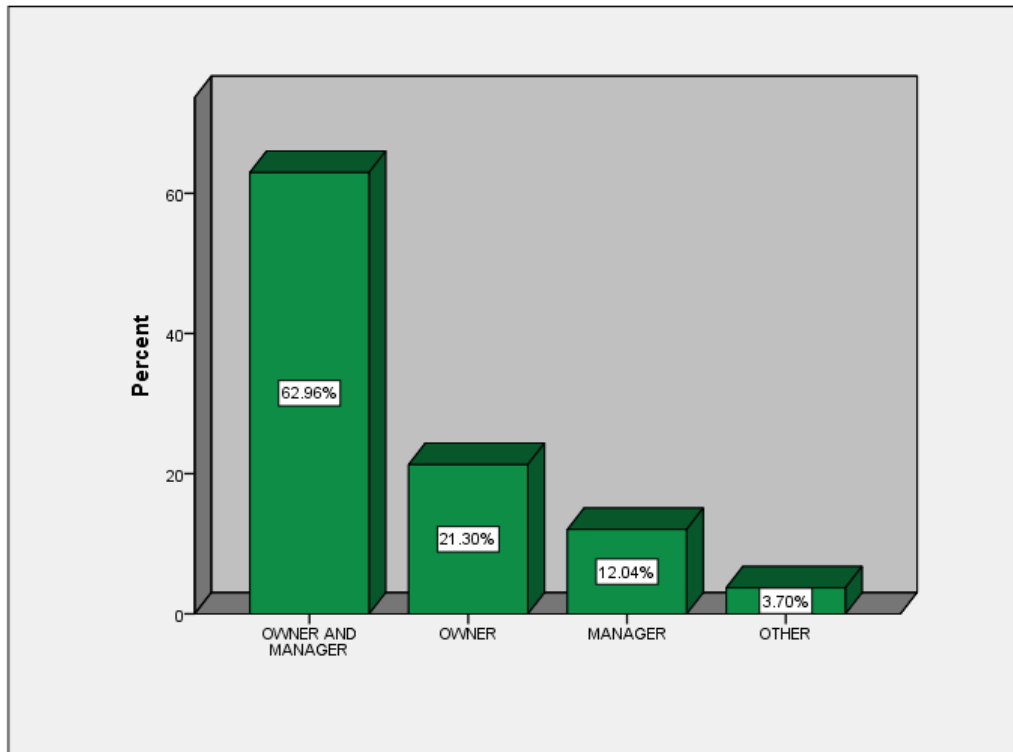


Figure 5. 4 Position in Business

There is one missing entry as a respondent omitted this question. The findings of this study show that 62.96 percent (n = 69) were both owners and managers of the small business; 21.30 percent (n = 23) were owners of SMEs; 12.04 percent (n = 13) managers and 3.70 percent (n = 4) occupied other positions. Respondents that occupied other positions in SMEs were asked to specify their positions and their responses showed that there were supervisors and coordinators in some small businesses. This shows that there are SMEs big enough to employ people to occupy other positions in the organisation besides being a manager although such businesses are few. The findings of this study imply that most of the respondents owned and managed their enterprise.

The data gathered showed that 62.96 percent of the SMEs in the CBD of Harare are operated by individuals who are both managers and owners of the business. In such instances the knowledge and skills of the owner are critical to the development of the business. As highlighted previously in cases where the owner is also the manager of the business it is important that the owner of the business is endowed with skills that are critical to the development of the business (Bukaliya and Hama, 2012:63; Mashanda, 2012:13). Therefore, the success of 62.96 percent of SMEs in Harare CBD is dependent on the skills level of the owner as they are also the managers of the business. A lack of skills can significantly impair the development of the business.

The finding that 62.96 percent of the respondents are both owners and managers is in line with Storey and Greene (2010:115) who observes that most SMEs are operated by individuals who are both owners and managers of the business. Storey (2008:5) points out that owners of small firms fail to fully appreciate the private benefits of taking certain courses of action. This implies that a small business that is owner managed is less likely to take risks or other actions that might benefit the business as such most of the businesses in this survey are confronted with the same disadvantage.

The performance of an SME is closely linked to the entrepreneurial skills of the proprietor (Horan, O'Dwyer and Tiernan, 2011:115; Gombarume and Mavhundutse, 2014:104). The fact that 62.96 percent of the respondents in this study were owners and managers of small businesses implies that the lack of entrepreneurial skills will affect most SMEs. Since most of the SMEs are

owner managed it is important that the owners have entrepreneurial skills as the performance of their businesses is dependent on their skills level.

Du Plessis, Indavog and Marriott (2015:2) argue that the owners or the managers of SMEs play a vital role in determining and administrating the internal structure of their organisation. The finding that most of the small businesses are owner managed implies a need to have business owners that are equipped with the necessary business management skills. Du Plessis *et al.* (2015:2) highlight that most of the owner managers' management styles usually concentrate on short-term objectives as profit- based due to a lack of business skills, financial support and human resources. This argument shows the importance of skills in instances where the owner is also the manager.

5.4.1.5 Year in which the business was established

This section was important in determining whether the policy had made any changes to the circumstances of small businesses. Determining the year in which an SME was established allowed for a comparison between small businesses established before the policy and those established after the policy. An enquiry into the year a business was established also helped in identifying if there are increases in the number of SMEs and determining their survival rate.

Table 5. 3 Distribution of SMEs across the year of establishment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1994 - 1999	5	4.5	4.6	4.6
	2000 - 2004	18	16.4	16.5	21.1
	2005 - 2009	27	24.5	24.8	45.9
	2010 - 2014	59	53.6	54.1	100.0
	Total	109	99.1	100.0	
Missing	0	1	.9		
Total		110	100.0		

The table shows that 59 small businesses in this survey were established between 2010 and 2014; 27 businesses in the years 2005-2009; 18 SMEs were established between 2000 and 2004 and 5 businesses were established in the years 1994-1999. Most businesses in this survey therefore were recently established with fewer businesses being operational for at least 15 years. This information is important in determining if there were any changes in the number of SMEs over the years. 1994 to 2004 represent the years before the policy was in place and from 2005 to 2014 the years when the policy was established.

More than half of the businesses represented in this study were established between 2010 and 2014 and only four businesses were established from 1994-1995. This trend can be accounted for by the fact that small businesses have a low survival rate as noted in the preceding chapters (Mudavanhu *et al.*, 2011:82). This disparity in the number of businesses can therefore be explained by the fact that few businesses survive past the five-year mark from establishment (Lobel, 2014). Therefore, the researcher expected to find fewer businesses established in the 90s still operating at the time this study was conducted.

The cumulative increase in the number of businesses established over the years can be accounted for by the shrinkage in the sources of formal employment. As highlighted in the literature review SMEs in Zimbabwe are responsible for the livelihood of 80 percent of Zimbabweans as over 80 percent are unemployed therefore relying on SMEs for substance (Matarirano and Olawale, 2010:1709). Over 53.6 percent of the small businesses in this study were established between 2010 and 2014 and this can also be due to the job losses resulting from companies closing down operations.

Furthermore, the government in the National Policy and Strategy for SMEs (2002:4) points out that the decline in the sources of formal employment necessitates focus on the SME sector as a remedy to the declining employment opportunities. The increasing in the numbers of the small businesses could be an indication of the government's assistance of the SME sector as a source for employment. Karedza *et al.* (2014:38) assert that people start businesses because they have failed to secure employment or are looking for the simplest method for the upkeep of their family. The surge in the number of SMEs established over the years can be accounted for by the

low incomes and sources of employment with people resorting to make ends meet through entrepreneurial ventures.

The reported increase in the number of small businesses operating within the last five years shows that it is critical for government to formally enact into law the Small and Medium Enterprises Act which has been held up since 2011 (Medium Term Plan, 2011:157). Enacting the Act will boost the number of small businesses as well as assist in the development of those that are already established. Since more people are relying on and starting small businesses government assistance is critical.

The National Policy and Strategy for SMEs in Zimbabwe was drafted for implementation in 2002 and since its establishment data shows an increase in the number of SMEs established. The SME policy can also help to explain the increase in the number of small businesses established. One of the objectives of the policy is creating an environment so as to double the number of small business entities (National Policy and Strategy for SMEs in Zimbabwe, 2002:4). However, without a database for SMEs it is difficult to determine whether or not the growth in the number of SMEs was exponential. Nevertheless, data gathered in this survey shows that since 2002 there has been a growth in the number of SMEs established. In this light one can argue that the SME policy has achieved one of its objective of increasing the number of SMEs. Although such an increase can be the result of different factors, chief among these being the shrinking of formal employment opportunities and retrenchments.

Zimbabwe's economy is currently dependant on the informal sector as the mainstream economy is struggling to cope with the lack of liquidity. The fact that 53.6 percent of the businesses in this study were established in the last five years supports the observation that Zimbabwe is currently being sustained by small businesses. In this light there is need for a paradigm shift in government's view and interactions with the informal sector. Instead of stifling the sector's operations, government should develop strategies to assist in the development of the sector.

5.4.1.6 Annual turnover

Crucial to the definition of an SME is the issue of annual turnover. The definition of an SME given in the National Policy and Strategy for SMEs in Zimbabwe (2002:6) in terms of turnover was in Zimbabwean dollars which have since been abandoned for the multi-currency system. Zimbabwe now uses different currencies such as US dollars and South African rands therefore using Zimbabwean dollars in annual turnover has become impractical (Nyangara, 2013:220). Different researchers and organisations suggested different thresholds for classification into either a small or medium enterprise (Gibson and Van der Vaart, 2008:3; Sannajust, 2014:8; Kapaj, 2015:73). Ascertaining the annual turnover was therefore important in determining if the businesses in Zimbabwe actually meet the set criterion.

Figure 5.5 is a presentation of the SMEs' annual turnover. The results show that 84.55 percent (n = 93) of the companies had an annual turnover of less than USD 100,000; 14.55 percent (n = 16) had annual turnover of USD 100,001 to USD 300,000; 0.91 percent (n = 1) had an annual turnover of more than USD 300,000. Almost all the businesses in the survey have an annual turnover that is less than USD 100 000 which could be as a result of the competition that exists between the firms, as there are more people starting small businesses.

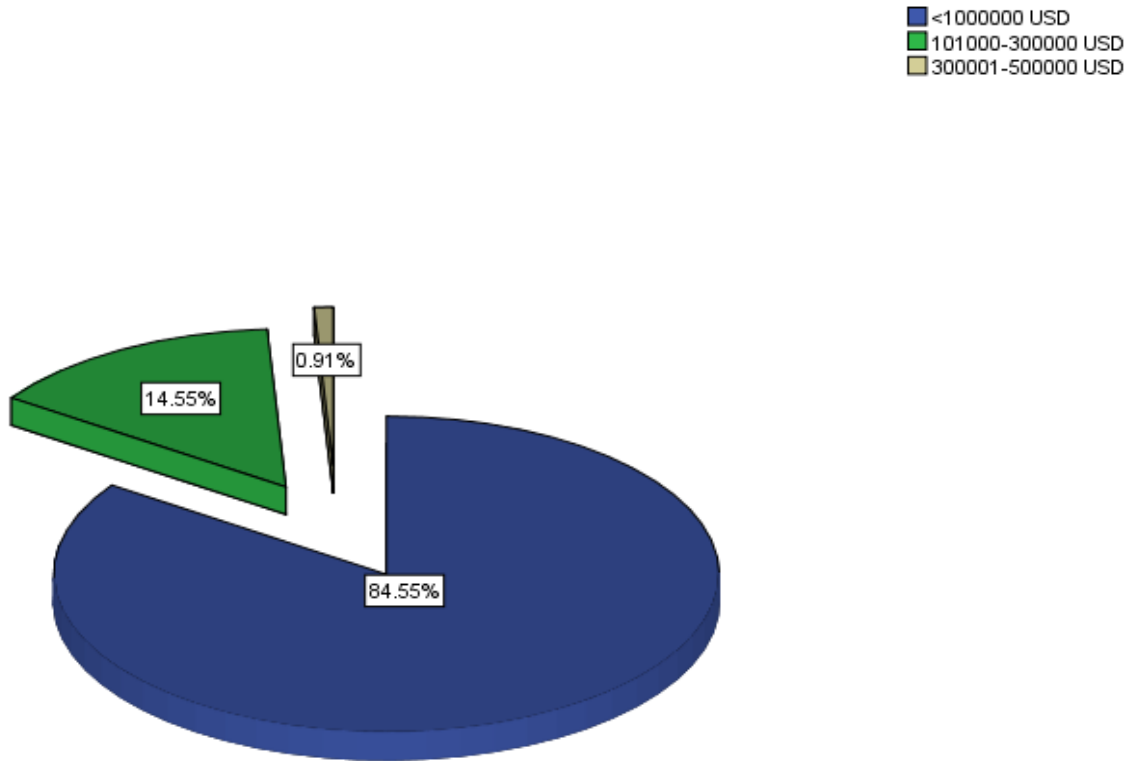


Figure 5. 5 Turnover

The results of this survey show that up to 84.55 percent of the businesses have a very low annual turnover to be classified as small businesses. The threshold set by the SMEAZ is therefore too high as most of the SMEs are in a threshold of less than USD100 000. This low annual turnover can be as a result of the financial challenges that Zimbabwe is currently faced with. The fact that most businesses have a low annual turnover necessitates lowering of the threshold to less than USD 100 000 in order for a business to be classified as small.

The SMEAZ (2011) classifies businesses that have an annual turnover of USD1 million as medium enterprises. By this classification no medium enterprise participated in this study. However, it is important to note that such a classification is too high bearing in mind the economic circumstances of Zimbabwe. With the results of this study it would be reasonable to classify medium enterprises as those that have an annual turnover of less than USD 300 000.

5.4.2 Demographic and Organisational Profile for Experts

Table 5.4 shows the demographic organisational profile of the experts that were interviewed in this study.

Table 5. 4 Experts demographic and organisational profile

Participant	Experience (Years)	Management Level	Organisation	Gender
1	3	Junior	Ministry	Female
2	4	Junior	Ministry	Female
3	7	Senior	Ministry	Male
4	10	Senior	Ministry	Male
5	6	Senior	Ministry	Male
5	5	Senior	SMEAZ	Male

This information was used to determine whether an interviewee could offer expert opinion. There were two female respondents and although they occupied junior positions and had limited experience, it was important to have their opinion in order to have a gender balanced contribution. Three male respondents from the MinSMECD that had more than five years of experience at senior level management levels were interviewed. There was one interviewee from SMEAZ who occupied a senior management position in the organisation.

5.5 Presentation and analysis of results according to the Objectives of this study

This section is a presentation and analysis of the results according to the objectives of the study. Different statistical packages were used to analyse the results of this study. This section will rely on both descriptive and inferential statistics therefore the important point of departure is determining what kind of tests can be performed with the available data. This is done by testing whether or not the data is normally distributed. For each of the objectives the point of departure are descriptive statistics which measure the frequencies and lastly inferences will be made from the data.

5.5.1 Shapiro-Wilk Test

The Shapiro-Wilk Test of Normality determines whether or not the data set is normally distributed (Shapiro and Wilk, 1965:591; Ghasemi and Zahediasl, 2012:487). This determination is important in identifying the statistical tests that can be performed on the data. The Shapiro-Wilk Test and the Kolmogorov Smirnov Test both measure normality of data, however the Shapiro-Wilk test is recommended as the best choice for testing the normality of data as it provides better power than the Kolmogorov-Smirnov (Ghasemi and Zahediasl, 2012:487). The results for normality are presented in table 5.5

Table 5. 5 Shapiro-Wilk test for Normality

Question	Statistic	Sig.	Question	Statistic	Sig.	Question	Statistic	Sig.
C1.1	0.306	.000	C2.4	0.755	.022	C13.3	0.855	.000
C1.2	0.291	.000	C2.5	0.640	.001	C13.4	0.870	.000
C1.3	0.233	.000	C3.1	0.843	.018	C13.5	0.886	.000
C1.4	0.213	.000	C3.2	0.616	.000	C13.6	0.758	.000
C1.5	0.247	.000	C3.3	0.641	.000	C13.7	0.871	.000
C1.6	0.176	.000	C3.4	0.792	.004	E4.1	0.881	.000
C1.7	0.213	.000	C3.5	0.576	.000	E4.2	0.860	.000
C1.8	0.162	.000	C10.1	0.761	.000	E4.3	0.876	.000
C1.9	0.256	.000	C10.2	0.811	.000	E4.4	0.820	.000
C1.10	0.227	.000	C10.3	0.704	.000	E4.5	0.893	.000
C1.11	0.184	.000	C10.4	0.679	.000	E4.6	0.888	.000
C2.1	0.640	.001	C10.5	0.823	.000	E4.7	0.825	.000
C2.2	0.496	.000	C13.1	0.878	.000			
C2.3	0.640	.001	C13.2	0.794	.000			

Table 5.5 shows the results of the Shapiro-Wilk test for normality together. The null hypothesis for this test was that the population is normally distributed. This hypothesis is accepted if the p-value (sig.) is less than the chosen alpha level (.05). In this case the null hypothesis was rejected

and the alternate hypothesis was accepted showing that the data are not normally distributed. This therefore implies that nonparametric tests should be used. According to Hollander, Wolfe and Chicken (2013:1) nonparametric methods require some underlying assumptions, one of which is the fact that they forgo the traditional assumption that the underlying populations are normal. According to Corder and Foreman (2014:5) suitable nonparametric tests include the Mann-Whitney U Test and the Kruskal-Wallis Test instead of T-tests as one of their assumptions is that the data is normally distributed.

5.5.2 Objective 1: To examine the challenges faced by SMEs in Zimbabwe

The National Policy and Strategy for SMEs in Zimbabwe (2002:3) identified the most common challenges faced by SMEs in Zimbabwe. Among these challenges are limited access to finance, the cost of finance, the lack of marketing skills, market knowledge, infrastructure and information and a hostile regulatory environment. This objective represents a measure of Appropriateness which is one of the evaluative tools for this study. Appropriateness deals with the market failures that necessitate policy formulation (OECD, 2004:12; Skerratt, 2006:70). In this light Appropriateness represents the challenges that are addressed in the policy and these are presented in this section. As highlighted in table 4.3 a hypothesis was introduced in this section to explore different aspects of the challenges faced by SMEs in Zimbabwe.

Sub-sections 5.5.2.1 and 5.5.2.7 are a presentation and analysis of the challenges faced by SMEs in Zimbabwe. Having noted the challenges faced by SMEs this section explores other statistical dimensions of the challenges faced by SMEs in Zimbabwe including determining if there are any statistically significant relationships between challenges and determining which variables are best able to predict if an SME will face a particular challenge in Zimbabwe.

5.5.2.1 Descriptive of challenges faced by SMEs in Zimbabwe

There are 11 challenges singled out in the National Policy and Strategy for SMEs as the major constraints to the growth of SMEs in Zimbabwe (National Policy and Strategy for SMEs in Zimbabwe, 2002:3). These challenges as well as the extent to which respondents agreed that these are challenges in their business are presented in table 5.6. This is in line with addressing the second objective of this study which sets out to identify the challenges faced by SMEs in Zimbabwe.

Table 5. 6 Challenges faced by businesses

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Limited access to finance	3.7%	-	5.5%	34.8%	56%
Cost of finance	1.9%	-	14.8%	33.3%	50%
Lack of marketing skills	4.6%	20.2%	28.4%	37.6%	9.2%
Lack of market knowledge	9.3%	20.4%	23.1%	32.4%	14.8%
Lack of access to infrastructure	7.3%	13.8%	18.3%	36.7%	23.9%
Lack of access to land	11%	15.6%	33.9%	22.9%	16.5%
Inappropriate technology	11.9%	14.7%	20.2%	29.4%	23.9%
Lack of information	11%	22%	26.6%	23.9%	16.5%
A hostile regulatory environment	2.8%	7.3%	15.6%	38.5%	35.8%
Inadequate management skills	15.7%	34.3%	19.4%	24.1%	6.5%
Inadequate Entrepreneurial skills	13.8%	28.4%	27.5%	24.8%	5.5%

Most of the respondents in this study strongly agreed that limited access to finance has been a challenge to their business. 56 percent of the participants strongly agreed that the limited access to finance has been a challenge for the operations of their business. 34.8 percent of the respondents in this study agreed that limited access to finance was a challenge. Most of the respondents in this study show that they have adequate entrepreneurial skills as only 5.5 percent strongly agreed that they had inadequate entrepreneurial skills as a challenge. In the case the

Policy and Strategy Framework is appropriate to address limited access to finance as a market failure

There is an anomaly on the respondents' views of the challenges presented to their businesses by limited access to finance and the cost of finance. None of the respondents disagreed that limited access to finance and the cost of finance were challenges. Equally interesting is the observation that while none of the participants disagreed that limited access to finance was a challenge 3.7 percent (n = 109) strongly disagreed that the same factor was a challenge for their business.

Experts were asked to weigh in on the challenges faced by small business and they offered the following qualitative insights:

“I think the most prevalent challenge faced by small business is the access to finance mostly because the sources of finance are limited due to this liquidity crisis we currently have in Zimbabwe. If there was enough capital I'm sure SMEs would thrive. I can say that finance is the biggest challenge. We also don't have enough programmes to support this sector because of our limited capacity as organisations...”

“Government support is lacking even when they are aware that this is the only viable sector of the economy with industries closing. We've been asking government to create a legal framework as this would really assist the small business but we are yet to see this being passed. There are a lot of challenges that such a framework can resolve such as the lack of capital, this one is a serious concern...we are either denied loans or they are too expensive to pay them back.”

Two experts gave different views of the challenges faced by small business however there seems to be an agreement that small businesses in Zimbabwe are facing the challenges of limited access to finance and the cost of finance. The second expert revealed that there is need for legal framework to resolve the challenges that are faced by small businesses. In this case, one can argue that small businesses face financial challenges and a hostile regulatory environment.

Table 5.7 will be used to buttress the discussion on the challenges faced by SMEs in Zimbabwe by comparing the means of the challenges. The higher the mean the more the item is identified as a challenge for SMEs. The higher the median the more the respondents that strongly agree with the item being a challenge for SME

Finance is the most common challenge faced by SMEs in Zimbabwe with most respondents identifying limited access to finance as a huge challenge, shown by a mean of 4.39 and a median of 5.00 showing that the majority of the respondents strongly agreed that the limited access to finance was a challenge for their business. This is followed by the cost of finance at 4.30 and a median of 4.50. Skills presented the least of challenges for most of the respondents in this study as shown by the fact that inadequate management present the least challenge with a mean of 2.69, followed by inadequate entrepreneurial skills which has a mean of 2.80.

Table 5. 7 Descriptive of the challenges faced by SMEs in Zimbabwe

Challenges	Mean	Median	Missing	Valid N
Limited access to finance	4.39	5.00	1	109
Cost of finance	4.30	4.50	2	108
Lack of marketing skills	3.27	3.00	1	109
Lack of market knowledge	3.20	3.00	1	109
Lack of infrastructure	3.56	4.00	1	109
Lack of access to land	3.18	3.00	1	109
Inappropriate technology	3.39	4.00	1	109
Lack of information	3.13	3.00	1	109
Hostile regulatory environment	3.97	4.00	1	109
Inadequate management skills	2.69	2.00	1	109
Inadequate entrepreneurial skills	2.80	3.00	1	109

Factors such as the lack of information, lack of land and inappropriate technology present the least of challenges to most of the respondents in this study. Most of the respondents strongly

disagreed that these factors were challenges faced in their businesses. An interesting trend is that 50.1 percent of the respondents in this study either strongly disagreed or disagreed with the assertion that the lack of managerial skills was a challenge for their enterprise. Figure 5.6 is a presentation of the frequencies of responses to inadequate management being a challenge.

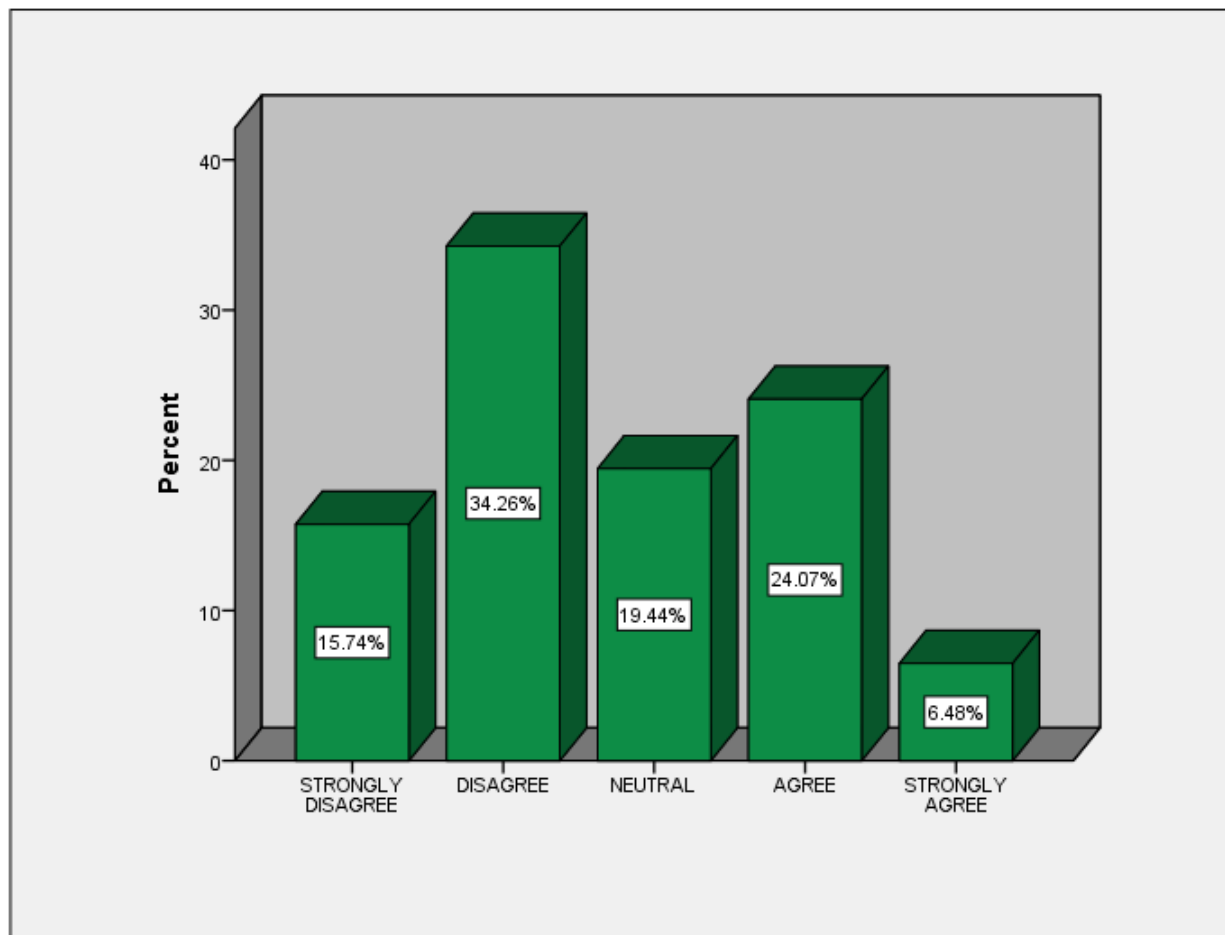


Figure 5. 6 Frequencies of responses to inadequate management skills as a challenge

Combining the percentage of respondents who strongly disagreed and who disagreed that inadequate management skills was a challenge shows the percentage of SMEs that have adequate management skills. The bar graph shows that 19.44 percent were neutral about the challenges posed by inadequate management skills; 24.07 percent of the respondents agree that inadequate management skills presents a challenge for their business and 6.48 strongly agreed that

inadequate management skills are a challenge. Therefore, the Policy and Strategy framework is necessary to address inadequate management skills as a market failure and challenge. The Appropriateness of the policy is shown by the fact that business linkages were put in place as solutions to this challenge

5.5.2.2 Challenges to start-up a business.

Starting up a business presents a number of challenges for small businesses (Manyani *et al.*, 2014:11). The National Policy and Strategy for SMEs (2002:5) notes some of the challenges that are faced by SMEs in Zimbabwe when starting up a business and these include, start-up capital and registration. Table 5.8 shows the distribution of responses on each of the factors that are considered as challenges when starting up a small business.

Table 5. 8 Start-up Challenges

Start-up Challenges	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Start-up Capital	-	1.8%	4.6%	44%	49.5%
Infrastructure	2.8%	11.9%	20.2%	36.7%	28.4%
Skills	13.8%	36.7%	22.9%	15.6%	11%
Registration	-	16.5%	22.9%	31.2%	29.4%

The table shows that 93.5 percent of the respondents strongly agreed or agreed that start-up capital was a challenge when starting a business; 49.5 percent of which strongly agreed. 4.6 percent of the respondents were neutral about the challenges presented by start-up capital in starting a business and 1.8 percent disagreed that start-up capital was a challenge. Such a small percentage might suggest that few people have start-up capital challenges. There seems to be a correlation between the result that 93.5 percent of the respondents found start-up capital to be a challenge and the finding that most respondents show that limited access to finance and the cost of finance are challenges for their businesses.

Infrastructure presented a challenge to 65.1 percent of SMEs at start-up 36.7 percent of which agree that it was a challenge. 20.2 percent of the respondents were neutral about the challenges presented by infrastructure and 14.7 percent of SMEs had no infrastructure challenges at the start-up phase of their business. 50.5 percent of the SMEs show that they had the requisite skills at the start-up phase of the business while 22.9 percent were neutral about the challenges presented by skills during the start-up phase. 26.6 percent of the respondents either strongly agreed or agreed that skills were a challenge in the start-up phase of their business.

Table 5.9 shows the mean and the median of the challenges faced by SMEs when starting up a business.

Table 5. 9 Frequencies of challenges to start-up

	Start-up Capital	Infrastructure	Skills	Registration
N Valid	109	109	109	109
Missing	1	1	1	1
Mean	4.4128	3.7615	2.7339	3.7339
Median	4.0000	4.0000	2.0000	4.0000

The table shows that start-up capital (mean of 4.41) is the most challenging factor when starting up a business in Zimbabwe and followed by infrastructure (mean of 3.76) and registration (mean of 3.73). Most of the respondents show that when starting up they have the relevant skills needed thus skills present the least challenge when starting up.

Experts show that the start-up phase presents the most challenge for small businesses as shown by the following qualitative insight:

“Small businesses have challenges especially with capital to start a business. There are limited sources of finance as a result these businesses struggle in the initial phases. This problem is exacerbated by the fact that few lending institutions trust small business worse because only a few of these are registered and have permanent premises from which they

operate. So I'd say when starting a business, the most common problem is capital, other factors like premises and registration of a business are also common but not as much as capital to start a business..."

Opinions by experts show that the start-up capital is the common challenge faced by new ventures resulting mainly from the fact that few businesses are registered and have permanent infrastructure or premises from which they operate. Experts' opinion concurs with the finding that start-up capital is the most prevalent challenge for new ventures.

5.5.2.3 Sources of start-up capital

Table 5.10 shows the sources of finance for starting up a business for the respondents in this study. This is important to determine the sources of finance to start-up a business as most of the respondents identified finance as major setback when starting a business. The government identified venture capital as a challenge and improving the accessibility of capital when starting up was set as an objective of the policy and strategy framework. (National Policy and Strategy for SMEs in Zimbabwe, 2002: 9)

Table 5. 10 Start-up capital sources

	Family	SEDCO	Bank Loans	Friends
N Valid	109	100	103	105
Missing	1	10	7	5
Mean	4.0917	1.5000	2.2136	2.9333
Median	4.0000	1.0000	2.0000	3.0000
Mode	5.00	1.00	1.00	1.00

Table 5.10 shows that the most common source of start-up capital is the family with a mean of 4.0917; friends are the second most common source of start-up capital with a mean of 2.9333. The results show that more SME operators apply for bank loans than get funding from SEDCO.

This is shown by the result that bank loans have a mean of 2.2136 and SEDCO has a mean of 1.5000.

Start-up capital has been noted to be the greatest challenge faced by SMEs in starting business. Having established this, it is important to determine the sources of finance the respondents had available to them in starting a business. The sources of finance provided in the questionnaire were informed by the literature. Most of the respondents showed that SEDCO is the least source of finance with a mean of 1.5 and mode of 1 showing that most of the respondents strongly disagreed that SEDCO was a source of finance when starting up their business.

Qualitative insights given by an expert interviewed in this study showed that small businesses are in a difficult predicament as the most viable source of finance are banks for which small businesses have inadequate requirements. The following is a typical response given by an expert:

“Banks would be ideal sources of finance for small businesses however because most of these business have inadequate requirements and they don’t get any assistance from these institutions. SEDCO we are told is there to give funds to SMEs but I’m yet to talk to someone who has received these funds. In my experience most of these business people pay for everything with their own money and here and there they get money from people close to them.”

According to this response sources of finance have proven to be a problem for small businesses as a result they fund their own ventures. The results of this study are in agreement with the observations of the experts. In an ideal world small businesses should be funded by banks, however, they rely mostly on personal savings or friends. Even though SEDCO was established to assist small businesses with funding they are incapacitated to provide funding.

5.5.2.4 Bank Loan application

Having established that most of the SMEs have a limited access to finance and that the cost of finance is high it became important to determine the percentage of SMEs which had applied for a bank loan. This was important because it would enable SMEs to explain reasons either for their

failure or ability to apply for a bank loan especially considering that most of them had limited access to finance. This explanation will serve as a recommendation as well as better determine if the objectives of the policy have been achieved. Figure 5.7 shows a pie chart of the different percentage of bank loan applicants and those that are yet to apply for bank loans.

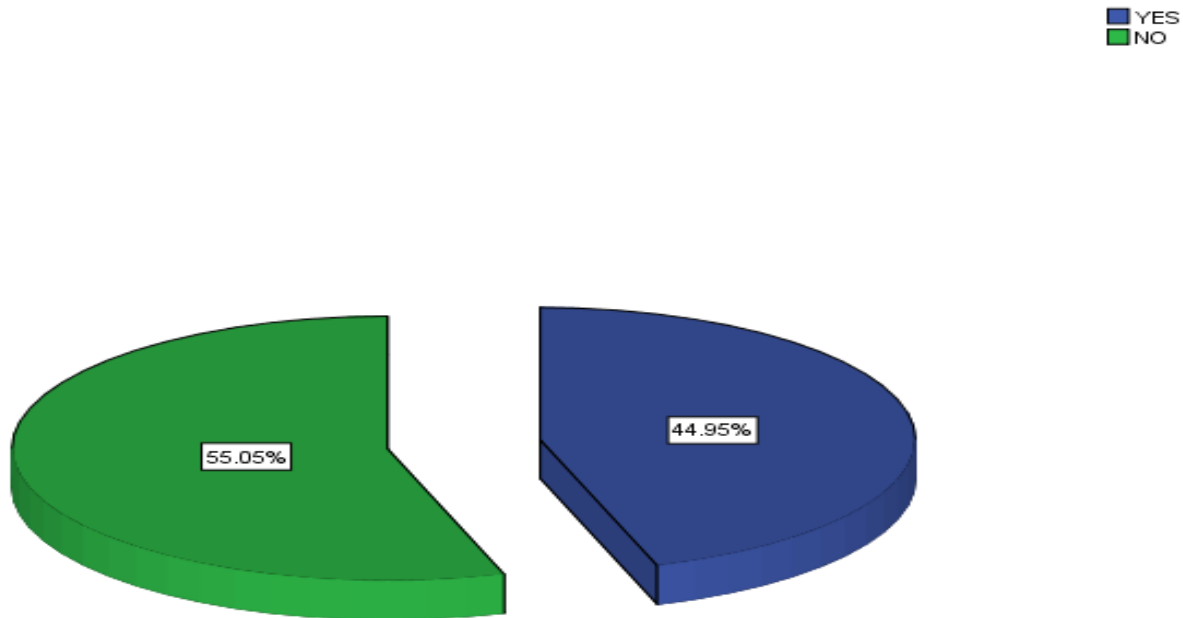


Figure 5. 7 Percentage of bank loan application

Figure 5.7 shows that 55.05 percent ($n = 60$) of the respondents in this study were yet to apply for a bank loan and the remaining 44.95 percent ($n = 49$) have applied for bank loans. Open ended questions were put in place to allow respondents to express themselves with regards to bank loan application. The following are qualitative insights some of the participants gave explaining their failure to apply for a bank loan:

“I had no collateral and therefore was aware that I will not get the loan.”

“It’s difficult getting loans especially if one has no collateral.”

“The Bank wanted collateral security and I had none.”

The above responses show that the main deterrence to applying for a bank loan among SMEs are collateral requirements. Most of the respondents showed a willingness to apply for bank loans however they were discouraged by the collateral requirements. Therefore, most of the small businesses have limited access to finance even though there are banks to lend them money mainly because of collateral requirements. To better appreciate the challenge presented by collateral requirements in bank loan application participants were asked to rate the difficulties presented by collateral requirements from extremely negative, which is highly undesirable, to extremely positive which shows that it presents no challenge. Figure 5.8 is an illustration of the responses.

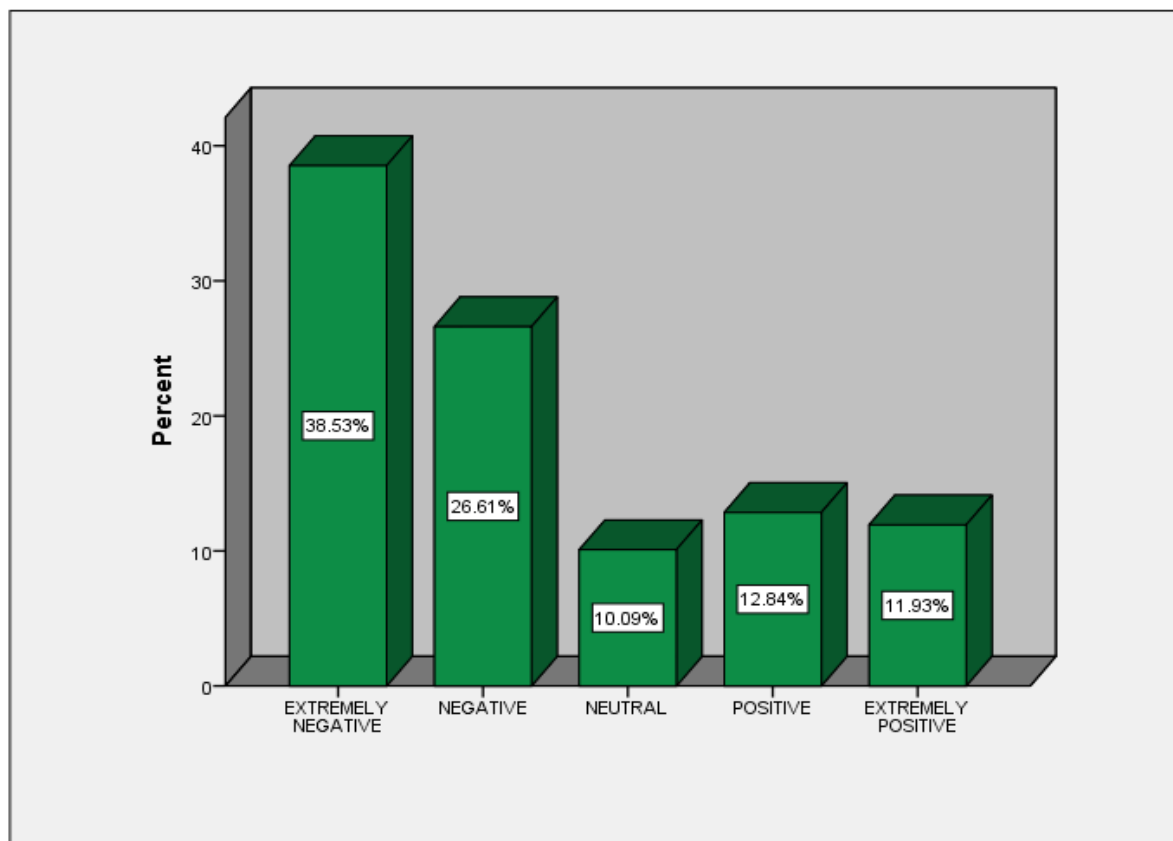


Figure 5. 8 Collateral requirements as challenges to bank loan application

Figure 5.8 shows that most of the respondents are of the view that collateral requirements present a huge challenge and negatively affect their desire to apply for bank loan, as shown by the fact

that 38.53 percent of the respondents ranked it as extremely negative. About 26.61 percent of the respondent agree that collateral requirements are a challenge in their desire to apply for bank loans. This shows that 65.14 percent of the respondents' view collateral requirements as a deterrent to applying for a bank loan. In this regard, finding an alternative to collateral requirements is important to encourage small businesses to apply for bank loans in order to rid themselves of the problems associated with the limited access to finance. 10.09 percent of the respondents were neutral about the challenge presented by collateral requirements, while to 24.77 percent of the respondents in this study collateral requirements presented the least challenge.

However, the following argument by experts relays a different perspective into bank loan application:

” Most of the small businesses can't apply for loans from banks because they don't have permanent premises. They don't have formalised cash flow statements and can't prove their ability to repay the loan. Yes, collateral is a problem but there are some other documents that they can produce to prove their ability to repay the loans...SMEs are reluctant to register yet with registration they will be in a better place to get loans from banks...”

Even though collateral requirements can be viewed as challenges to bank loan application, expert opinion shows that the unwillingness to formalise businesses is a challenge for SMEs. In this light therefore, business registration would be a necessary step to lessen the challenges that are associated with accessing bank loans.

Section 5.5.2.1 showed that most of the respondents identified the limited access to finance as a huge challenge and this can be explained by the results to question C5, which was an enquiry into whether or not the respondents have applied for a bank loan. The findings showed that 55.05 percent of the respondents have never applied for bank loans whilst 44.95 percent have applied. Most respondents, therefore would find limited access to finance as a challenge as few SMEs are applying for bank loans.

Furthermore, the respondents were given an option to explain their answers to question C5 in order to understand their reasons for either applying or failure to apply. Most of the cited challenges by those who applied for bank loans are collateral requirements, high costs and bureaucracy, that is, the fact that the application process is lengthy and has too many requirements. The following are some of the qualitative insights given by SMEs on open ended questions:

“Bank loans are too expensive to the extent that they can leave me in serious debt.”

“I’m an individual who relies on the informal sector therefore it was hard to apply and a get a loan without the necessary requirements like payslips and others. And also due to the economic meltdown in my country it was difficult as there was no cash in the banks.”

“I do not have the assets that can be used as a guarantee (collateral requirements).”

The responses given for the failure to apply for bank loans show that the limited access to finance is as a result of the cost of finance mainly in the form of requirements. Most of the businesses which have never applied for a bank loans cited collateral requirements as the major reason for their failure to apply for bank loans. Both registered and unregistered businesses have applied for bank loans and for the unregistered businesses the only challenge mentioned is the lack of collateral. In this light, therefore one can hypothesise that the cost of finance influences the access to finance.

5.5.2.5 Skills

Most of the literature reviewed in this study identified the lack of skills as one of the biggest challenges faced by SMEs (Mudavanhu *et al.*, 2011:83; Bukaliya and Hama, 2013:63; Mazhindu and Mafuba, 2013:2315). The National Strategy and Policy for SMEs in Zimbabwe (2002:11) has also identified the lack of skills as a challenge. The table below shows some of the important skills that have been identified as important for the development of SMEs in Zimbabwe. Table 5.11 is a presentation of the findings on whether or not businesses are equipped with the skills.

Table 5. 11 Descriptive of SME skills

	Entrepreneurship	Management	Marketing	Financial Management	HRM	Exporting Capabilities	IT
Valid	109	109	109	109	108	109	108
Missing	1	1	1	1	2	1	2
Mean	3.6422	4.1284	3.7523	3.4862	3.574 1	1.9541	3.185 2
Mode	4.00	4.00	4.00	4.00	4.00	2.00	4.00

Most respondents agree that their businesses are equipped with the following skills; Entrepreneurial, management, marketing, financial management and human resources management skills. Management skills are the most common skills among entrepreneurs (mean of 4.1284) and most SME operators need exporting capabilities (mean of 1.9541). The fact that most of the respondents in this study have management skills corresponds with the finding that inadequate management skills was the least challenge implying therefore that they are skilled in management.

5.5.2.6 Correlation between limited access to finance and cost of finance

The findings in section 5.5.2 as well as the discussion of the findings seemed to suggest that there is a correlation between the inaccessibility of finance and the cost of finance. In the descriptive statistics sub-section (5.5.2.1) limited access to finance was cited as the most common challenge and the findings also showed that 44.95 percent of the respondents applied for a bank loan. Most SMEs have the challenge of limited access to finance even with the availability of bank loans. Most of the respondents attributed their unwillingness to apply for bank loans to collateral requirements, high interest rates and stringent requirements. Since the data in this study is not normally distributed reference will be made to the non-parametric alternative of the Pearson correlation coefficient, which is Spearman's Rank Order Correlation (rho). This is in accordance with Pallant (2007:127) who recommends the use of either of the two depending on whether or not the data is normally distributed. The implication that the cost of

finance contributes to the limited access to finance, led to the following hypothesis being developed:

H₀: There is no statistically significant relationship between Limited access to finance and Cost of finance

H₁: There is a statistically significant relationship between Limited access to finance and Cost of finance

Table 5.12 shows the results of the tests carried out to ascertain whether or not limited access to finance and the cost of finance are related as well as determine the nature of the relationship.

Table 5. 12 Correlation between Limited access to finance and the cost of finance

			LIMITED ACCESS TO FINANCE	COST OF FINANCE
Spearman's rho	Limited access to finance	Correlation Coefficient	1.000	0.217*
		Sig. (2-tailed)	.	0.024
		N	109	108
	Cost of finance	Correlation Coefficient	0.217*	1.000
		Sig. (2-tailed)	0.024	.
		N	108	108

*. Correlation is significant at the 0.05 level (2-tailed).

The relationship between limited access to finance and the cost of finance was investigated using the non-parametric alternative of the Pearson test, the Spearman Rank Order Correlation (rho). Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. The results show that there is a statistically significant positive correlation between the two variables, $\rho = 0.217$, $n = 108$, $p < .05$. Since the p value is smaller than Sig. (.05) the null hypothesis that there is no statistically significant relationship between the challenges of limited access to finance and cost of finance was therefore rejected. The table

above shows there is a statistically significant relationship between the cost of finance and limited access to finance thus the acceptance of the alternative hypothesis.

These results show that an increase in the cost of finance leads to a statistically significant increase in the inaccessibility of finance. Therefore, in order for the Government of Zimbabwe to address the limited access to finance there needs to be a decrease in the cost of finance seeing as interest rates, collateral requirements and a track record are some of the factors that contribute to the inaccessibility of finance.

5.5.2.7 Regression Model on the predictability of limited access to finance

This section shows a regression model for the predictability of limited access to finance by making reference to a set of finance related variables that were set up in the study. A standard multiple regression was done in which each independent variable was evaluated in terms of its predictive power, over and above that offered by all the other independent variables (Pallant, 2007: 147). On the model summary footnote (a) shows the predictors or the independent variables that were used on the model and footnote (b) shows that the dependent variable is limited access to finance. Shown in Table 5.13 and Table 5.14 are the model summary and the Analysis of Variance (ANOVA) respectively:

Table 5. 13 Regression Model for limited access to finance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.634 ^a	0.402	0.302	0.74567

- a. Predictors: (Constant), USE OF SEDCO SERVICES, BANK LOANS, START-UP CAPITAL, BOOK-KEEPING SKILLS, LACK OF A TRACK RECORD, DEBIT AND CREDIT CONTROL, TAX CALCULATIONS, SEDCO, FINANCIAL STATEMENT PREPARATION, ECONOMIC UNCERTAINTIES, BUSINESS LOSSES, BUDGETING SKILLS, COLLATERAL REQUIREMENTS
- b. Dependent Variable: LIMITED ACCESS TO FINANCE

Table 5. 14 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.124	13	2.240	4.029	.000 ^b
	Residual	43.370	78	0.556		
	Total	72.494	91			

The Regression results in Table 5.13 show a statistically significant model of the predictability of limited access to finance based on financial skills and application for financial assistance, ($F = 4.029$, $p < .05$, and R Square is .402. Since Sig. (.000) is less than .05 the model is statistically significant. This implies that the independent variables in the model can predict the limited accessibility of finance for SMEs. Multiplying the R Square value (0.402) by 100 shows that the model explains 40.2 percent of the variance in limited access to finance. The Tolerance and Variance Inflation Factor (VIF) show whether or not the variables in the model have violated assumptions for a regression model. A Tolerance level of more than 1 and a VIF value of 10 indicates multicollinearity which is a violation of the regression assumption (Pallant, 2007:156). The table shows that Tolerance for every predictor is less than 1 and the VIF level is less than 10, therefore there are no violations of the assumptions.

Table 5. 15 Predictors of the Regression model

Model	Beta	Sig.	Tolerance	VIF
Start-up	-0.075	.420	0.889	1.125
SEDCO	-0.001	.990	0.767	1.303
Bank Loans	-0.222	.016	0.938	1.066
Lack of Track Record	0.233	.044	0.593	1.685
Collateral	-0.075	.577	0.430	2.327
Business Losses	-0.081	.468	0.618	1.618
Economic Uncertainties	-0.170	.112	0.684	1.462
Debit and Credit Control	0.248	.022	0.683	1.463

Financial Statement Preparation	0.304	.004	0.721	1.387
Budgeting Skills	0.090	.444	0.566	1.768
Book-keeping Skills	-0.067	.579	0.529	1.890
Tax Calculations	-0.122	.191	0.899	1.112
Use of SEDCO services	0.115	.237	0.831	1.204

The statistically significant predictors of limited access to finance for this model include SMEs which consider financial statement preparation to be an important financial management skill, ($\beta = 0.304$, $p = .004$). Financial statement preparation makes the strongest unique contribution to explaining the dependant variable ($\beta = 0.304$), when the variance explained by all other variables in the model is explained for. This shows that SMEs financial statement preparation is able to statistically predict limited access to finance. In this regard, it is important for small businesses to be endowed with financial statement preparation skills as this will ensure that the business is less likely to face the challenge of limited access to finance. An increase in a small business' financial statement preparation skills will increase their likelihood of accessing finance.

Debit and Credit control is the second highest statistically significant predictor, ($\beta = 0.248$, $p = .004$) of limited access to finance. Debit and credit control skills, in this model, are able to predict the limited access to finance. In this light it is important for SMEs to be skilled in debit and credit control as this will influence whether or not they have a challenge of the inaccessibility of finance. Small businesses with debit and credit control skills are less likely to have limited access to finance as a challenge. Thus an increase in debit and credit control skills will increase an SME's likelihood of gaining access to finance.

The lack of a track record is a statistically significant predictor, ($\beta = 0.233$, $p = .044$) of the limited access to finance for SMEs. This shows that an SME's decision to apply for a bank loan based on proving its track record has a statistically significant influence on whether or not it views limited access to finance as a challenge. This finding dovetails with that of the National Policy and Strategy for SMEs in Zimbabwe (2002:9) which noted the lack of a track record to be

one of the biggest challenges contributing to the limited access of finance among SMEs. In this light therefore, an SME with a proven and credible track record is more likely to have access to finance

Bank loan applications are also statistically significant predictors ($\beta = -0.222$, $p = .016$) of the limited access to finance. This implies that an SME's decision whether to apply for a bank loan or not statistically predicts that SME's access to finance. The results of this study in section 5.5.2.6 showed that there is a statistically significant correlation between the cost of finance and the limited access to finance. Bank loan applications have requirements such as providing a track record and collateral requirements which constitute the cost of finance. The predictability of limited access to finance by bank loan application shows that the easing up of loan application processes will improve the accessibility of finance to small businesses. This is so because an increase in bank loan application will lead to a resultant decrease in the limited access to finance

The regression model also shows that financial management skills (financial statement preparation skills, debit and credit control), requirements for loan application and bank loan application are important predictors of limited access to finance. Small businesses with adequate financial management skills will be better positioned to overcome the challenge of limited access to finance. Similarly, it is important for small businesses to have the requirements for bank loan application as this will have an impact on the ease of access to finance. SMEs with requirements for bank loan application are less likely to have problems with accessing finance. Small businesses that apply for bank loans are less likely to report the limited access to finance as a challenge. In this light it is important for SMEs to apply for bank loans as this mitigates the inaccessibility of finance.

5.5.3 Objective 2: To analyse the extent to which the Policy and Strategy Framework for SMEs addresses the challenges faced by small businesses.

Several measures have been put in place by the Government of Zimbabwe to resolve challenges such as the cost of finance, limited access to finance and skills shortages among SMEs. This

objective aims at determining if the measures identified as suitable to address the challenges have actually been effective in resolving the challenges faced by SMEs. Appropriateness as an evaluative tool is also reflected in this objective as this section shows if the strategies to address market failures were the most suited and effective strategies.

5.5.3.1 Government measures for SMEs

The National Policy and Strategy for SMEs in Zimbabwe (2002:11) identified, among others, simplification of licensing procedures, deregulation, trade facilitation and quality assurance as some of the measures that are to be taken in assisting SMEs. Table 5.16 shows descriptive statistics for the measures that have been taken in the policy to assist SMEs in Zimbabwe.

Table 5. 16 Descriptive of government initiatives that are important to SMEs

Government Support Initiatives	N	Minimum	Maximum	Mean	Std. Deviation
Simplification of licensing	108	1.00	5.00	4.4630	0.74163
Information and advice	108	2.00	5.00	4.3056	0.70324
Quality assurance	108	2.00	5.00	4.2778	0.62403
Trade facilitation	108	1.00	5.00	4.1574	0.89820
Rebates and Discounts	108	1.00	5.00	4.1111	0.91031
Provision of workspace	108	1.00	5.00	4.0463	0.97044
Deregulation	104	1.00	5.00	4.0385	1.06053
Business incubators	106	1.00	5.00	4.0189	0.94598
Tax relief	108	1.00	5.00	4.0000	0.91713
valid n (listwise)	103				

The respondents' views concerning the measures offered by government that small businesses require. The table shows the extent to which SMEs require support initiatives that have been put in place by the government. Small and Medium Enterprises prioritise the simplification of licensing procedures (mean = 4.4630). The fact that 45.37 percent of the SMEs in this survey are registered yet a higher number of SMEs requires the simplification of licensing procedures shows that SMEs are willing to be formally registered but are deterred by the stringent registration process. In this sense the National Policy and Strategy for SMEs has failed to achieve its objective of deregulating the licensing process and creating an enabling environment

for SMEs. Small businesses in this survey showed a willingness to register however the licensing procedures are stringent thereby making it difficult for the businesses to register.

The regulatory environment was identified as uncondusive thereby necessitating the formulation of a policy, among the concerns is deregulation of the licensing process. In terms of Appropriateness putting in place strategies for the simplification of the licensing process was an important initiative as it addressed a challenge faced by SMEs. However, this was not achieved as the licensing procedures are still stringent

The second most important support initiative that small businesses in this survey needed was information and advice (mean = 4.3056). The commonly cited reason for SMEs' failure to utilise the services provided by SEDCO was the fact that they were unaware of the services it offered, its location or the procedures they should follow. The least support initiative needed by SMEs in Zimbabwe is tax relief. Since most of the small businesses are unregistered (55.05 percent) the researcher expected tax relief to be the least initiative needed.

Experts interviewed to give their opinion on the measures that they feel government should prioritise gave the following responses:

“The government is working hard to create an enabling environment however our problem is that there are just too many laws that have to be aligned to the new constitution. As it stands creating a regulatory framework for small businesses is an urgent matter but difficult to achieve because of the many responsibilities. We feel that the best measure to address the challenges faced by small businesses is a legal framework...”

“Most businesses need funding so any measure that will improve the accessibility of funds will be a good one. Improving on licensing procedures might help resolve most of the problem of funding...There might be programmes by the government to assist SMEs but they (SMEs) are not aware of these programmes so an improvement in access to information would be helpful...”

There are contrasting expert opinions on what the best support initiatives are. Some experts are of the view that a regulatory framework would be the best tool to address the challenges faced by small businesses. Access to information and improving on the licensing procedures seems to be of a major concern the other experts who suggest that there has to be an improvement in licensing procedures and information on support initiatives by government.

The inaccessibility of information and advice can be identified as an information asymmetry challenge among SMEs and thus a market failure. For Appropriateness availing publications by experts with information relevant to SMEs was a strategy by government to address information and advice asymmetries. However, the fact that most SMEs still require information and advice shows the ineffectiveness of this strategy.

5.5.3.2 Government support strategies

The National Policy and Strategy for SMEs in Zimbabwe outlines subcontracting, Government tenders, Joint-ventures and Business angels as some of the measures in place to help the growth of SMEs. Figure 5.9 shows the percentage of SMEs' yes or no responses to being beneficiaries of these support strategies.

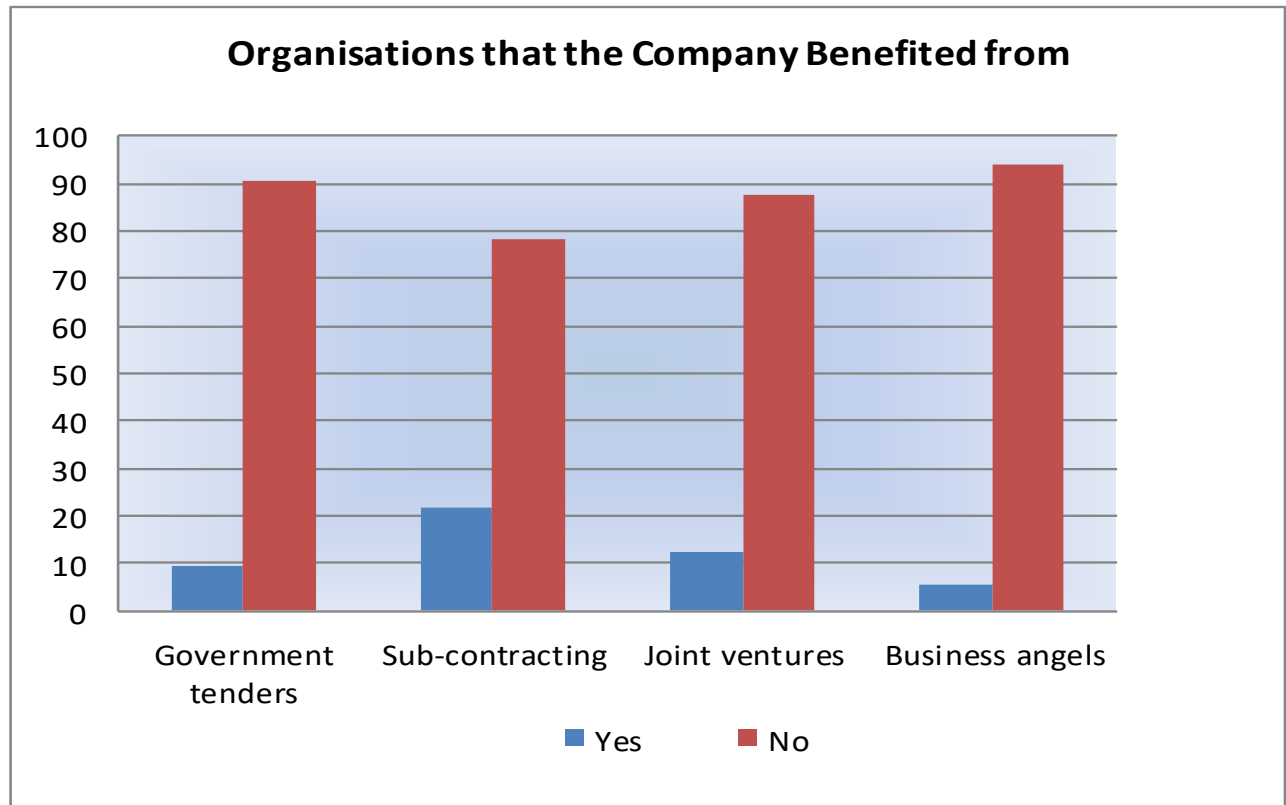


Figure 5. 9 Support initiatives

The government initiatives shown in the graph above were created as initiatives to nurture small businesses and ensure their development. However, of the four initiatives, subcontracting has had better outcomes with 21 percent of the businesses acknowledging that they are beneficiaries of subcontracting. Government tenders have failed to reach most of the small businesses, as attested to by the fact that 90 percent of the small businesses show that they are yet to receive government tenders. Equally unsuccessful are business angels and joint ventures since they are yet to reach out to most of the small businesses.

Appropriateness, as an evaluative tool implies the importance of having government strategies that address market failures. In this case government tenders, subcontracting, joint ventures and business angels were put in place by government as strategies to address challenges faced by small businesses. However, the results show that the strategies are ineffective as few businesses have been benefactors of these initiatives. Therefore, SMEs still grapple with challenges.

5.5.3.3. Use of SEDCO services

Previous sections of this study showed that the Small Enterprises Development Corporation (SEDCO) was put in place with a mandate to finance SMEs (Chirisa *et al.*, 2012:126) as well as training and providing incubation for SMEs (STERP, 2009:60). Dichotomous questions were put in the questionnaire to enquire whether or not respondents had ever made use of the services provided by SEDCO as a measure to mitigate the challenges faced by SMEs. The following pie chart (Figure 5.10) shows the responses given in relation to the use of services offered by SEDCO.

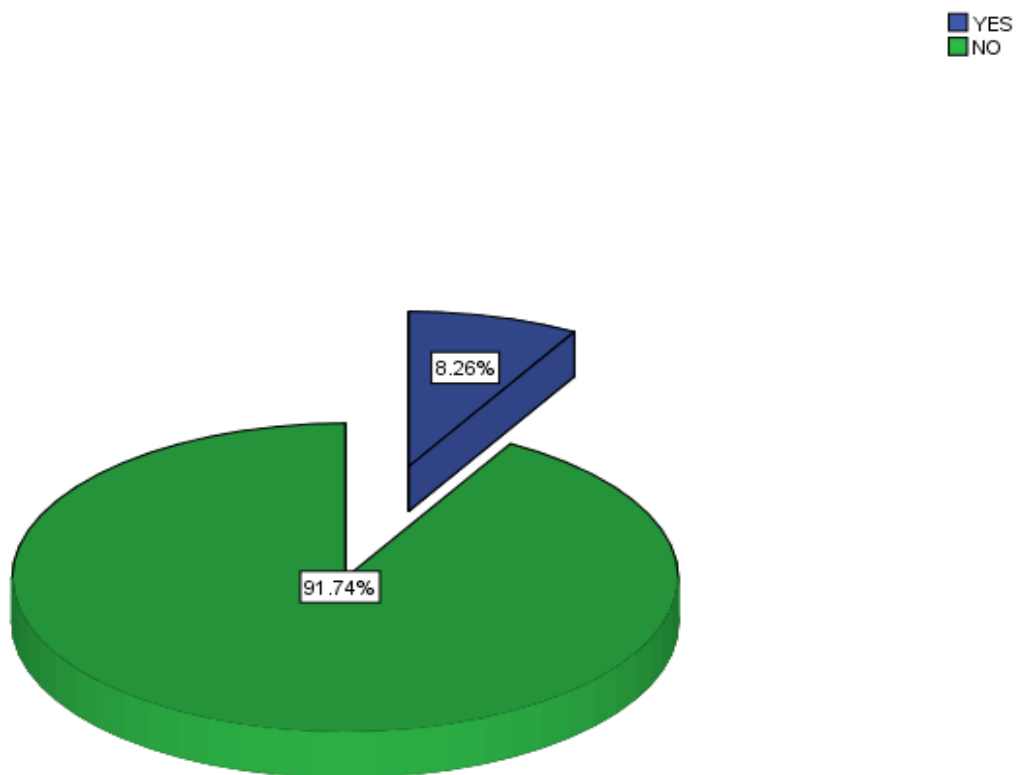


Figure 5. 10 Use of SEDCO services

The pie chart shows that 91.74 percent of the respondents in this study are yet to make use of the services offered by SEDCO. Bearing in mind the challenges faced by SMEs in this survey it was expected that most of the respondents would have made use of the services offered. The

remaining 8.26 percent show that they have made use of the services offered. SME operators gave the following qualitative insights:

“No motive to apply as the majority of those who applied have failed to get loans.”

“I do not know much about SEDCO.”

“SEDCO is financially bankrupt. No assistance is obtained from them.”

The responses presented are the typical responses which help account for why 91.74 percent of the respondents in this study have failed to use the services offered by SEDCO. The three concerns raised by respondents are lack of information, inadequate financing and lack of motivation. The most recurring explanation was the lack of information either on how to contact SEDCO or the procedure to be followed. As discussed in preceding chapters SEDCO is underfunded and as such some of the SMEs see this as a deterrence to applying for either a loan or services since they are more likely to be turned down. Other respondents are discouraged from making use of SEDCO services because they perceive that the likelihood of not getting loans is high based on the fact that no one in their circles has received assistance.

Expert opinion on SEDCO varied depending on the institution that the individual represented. Below are some of the typical, contrasting responses given by experts:

“SEDCO is a government institution tasked mainly with financing small businesses and it has succeeded in doing so however with challenges. More small businesses are requiring funding from SEDCO and it's become difficult for it to cope with these demands. Government has also had to take on other responsibilities making it difficult for it to finance SEDCO and keep up with the increase in the number of small businesses requiring assistance.”

“On paper SEDCO is supposed to fund SMEs but some businesses don't even know where to find the offices...the selection criteria and determining who gets funding is very discouraging because you are not sure if it is won on merit or affiliation...”

SEDCO's mandate is that of financing SMEs as shown by the first expert, however the institution has a number of challenges that include the lack of funding. The concerns raised by the second expert on transparency and criteria used to determine which applicant get assistance is an important area for government intervention.

5.5.3.4 Mann-Whitney Test for measures to address challenges

The most prevalent challenge faced by SMEs in Zimbabwe is limited access to finance as identified in this study. The government has put in place several measures to assist SMEs financially which include Zimbabwe Development Bank, Credit Guarantee Company of Zimbabwe, AgriBank and Venture Capital Company of Zimbabwe. The Mann-Whitney U Test was done to test if these financial institutions have made any difference to the accessibility of finance. To determine this SMEs facing a challenge of limited access to finance were divided into two groups: challenges and no challenges. SMEs which either strongly disagree (1) or disagree (2) that limited to access to finance is a challenge were classified as facing no challenge. SMEs which either strongly agreed (5) or agreed (4) that limited access to finance was a challenge were classified as challenges. Table 5.17 shows the results of the Mann-Whitney U Test: The important output values for the Mann-Whitney U Test are the Z value, and the significance level which is given as Exact sig [2*(1-tailed Sig.)] instead of the Asymp. Sig (2-tailed), (Pallant, 2007:222).

Table 5. 17 Mann-Whitney U Test for financial measures

	Zimbabwe Development Bank	Credit Guarantee Company of Zimbabwe	AgriBank	Venture Capital Company of Zimbabwe
Mann-Whitney U	115.000	120.000	120.000	125.000
Wilcoxon W	170.000	175.000	175.000	180.000
Z	-2.287	-2.180	-2.180	-2.065
Asymp. Sig. (2-tailed)	.022	.029	.029	.039
Exact Sig. [2*(1-tailed Sig.)]	.070 ^b	.094 ^b	.094 ^b	.123 ^b

The results of the Mann-Whitney U Test show that there is no statistically significant difference in the use of services offered by the Zimbabwe Development Bank ($U = 115$, $z = -0.2287$, $p = 0.070$) between SMEs who viewed the inaccessibility of finance as a challenge and those who had no financial challenge. Although the Zimbabwe Development Bank was tasked with the responsibility of providing financial assistance to SMEs, this study showed that both groups (who view limited access to finance as a challenge and those who view it as not being a challenge) have difficulties accessing the services offered by this Bank.

The results also show that there is no statistically significant difference in the use of services offered by the Credit Guarantee Company of Zimbabwe ($U = 12$, $z = -2.18$, $p = 0.094$) between respondents who viewed limited access to finance as a challenge and those who viewed it as not being a challenge. Table 3.2 in the Theoretical framework (Chapter three) showed that as part of implementing the delegation of tasks and responsibilities objective, the Government of Zimbabwe aimed at addressing the limited access and the cost of finance through credit guarantees. The results of this survey, however, show that there is no statistically significant difference in the use of the Credit Guarantee Company of Zimbabwe between the challenges and no challenges to limited access to finance groups.

Similarly, there is no statistically significant difference in the use of AgriBank ($U = 120$, $z = -2.18$, $p = .094$) and the Venture Capital Company of Zimbabwe ($U = 125$, $z = -2.07$, $p = 0.123$) between SMEs who view the limited access to finance as a challenge and to those whom it presents no challenge. In light of these findings, the conclusion is that the measures that have been put in place by government are yet produce the desired results.

5.5.4 Objective 3: To assess the effectiveness of the Ministry of Small and Medium Enterprises and Cooperatives Development in the implementation of SME policy.

The MinSMECD was established to focus on the development of SMEs in recognition of their importance and contribution to the economy. This section sought to determine the effectiveness of the MinSMECD in carrying out its mandate.

5.5.4.1 Descriptive statistics on the effectiveness of the MinSMECD.

The third objective of this study was assessing the effectiveness of the MinSMECD. This section is therefore a presentation of the results on SMEs' perception of the effectiveness of the MinSMECD. The pie chart in Figure 5.11 is a presentation of the responses to whether respondents have ever consulted the MinSMECD it shows that most SMEs in this survey are yet to consult the MinSMECD on any issue shown by the finding that 83.18 percent of the respondents have yet to consult the MinSMECD. This can help account for the high percentage in small businesses who require information and advice.

The results also show that 16.82 percent of the SMEs in this survey have consulted the MinSMECD. Consultation with the MinSMECD is important as they represent SMEs in Zimbabwe, therefore small businesses can acquire information on services provided by the MinSMECD. The commonly cited reason for the failure to use services offered by such organisations as SEDCO is that there is little information concerning such organisations.

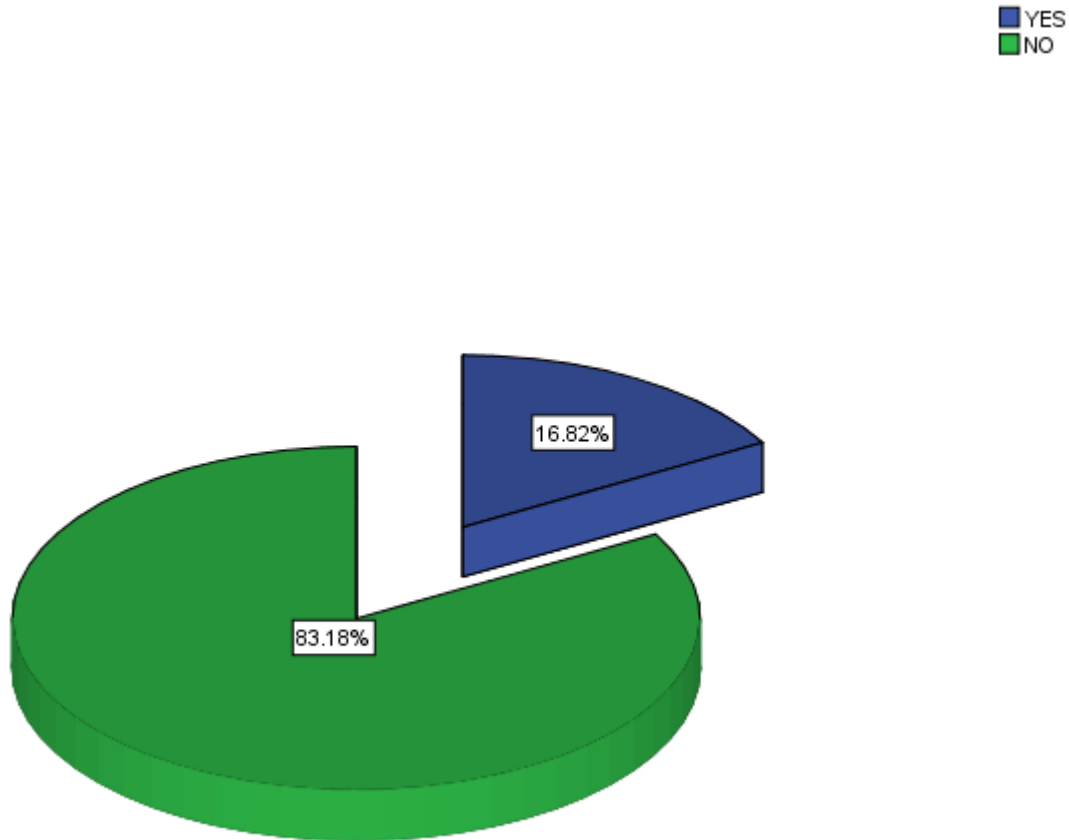


Figure 5. 11 SMEs consultation of the MinSMECD

With few SMEs getting information on the services available to them there is a likelihood that the challenges faced by SMEs will go unaddressed. Therefore, an open ended question was given for respondents to account for their failure to make use of the services offered by the MinSMECD. The following was the response given by one of the participants:

“A stranger finds it hard to get assistance. You must know or be recommended by someone known in the corridors to get attention.”

The view that the MinSMECD is inaccessible to SMEs unless one has a contact is a deterrent to SMEs who need assistance. In this case some small business operators feel that they are excluded yet the services offered by the MinSMECD are aimed to benefit all SMEs. As highlighted in

previous sections the MinSMECD is seen as a representative of SMEs meant to uphold the sector's interests (Chirisa *et al.*, 2012:126; Dumbu and Chadamoyo, 2012:80).

The pie chart shows that about 16.82 percent of the respondents have consulted the MinSMECD. It was also important to get these respondents' experience therefore an open ended question was given. To those who consulted a follow up question was put in place to ascertain the quality of assistance they received. The following two responses are the typical experiences of SMEs when consulting the MinSMECD:

"I consulted on how to market my products but did not get any assistance."

"The MinSMECD has no resources, the Treasury must avail some funds for the MinSMECD for the smooth running of programmes."

Therefore, although 16.82 percent of the respondents consulted the MinSMECD the quality of the services failed to meet their expectations as they failed to get the assistance they needed. Some of the respondents cited that the MinSMECD was underfunded and has limited resources therefore unable to provide services to SMEs. There are also exceptional cases where some respondents consulted the MinSMECD on such issues as registration and they got the assistance that they needed.

Interviews with experts probed on the manner in which consultation is done with SMEs. The following were the responses that were given by the experts:

"SMEs are aware of the existence of the MinSMECD as well as where our offices are. It's not possible for the MinSMECD to tell every SME where we are located. Our doors are open to all SMEs and we are ready to address their concerns...They don't come regularly but they're our responsibility and we are ready and willing to assist."

"Although the minSMECD is there the problem is that they are not representative of the problems faced by SMEs in Zimbabwe. You get the sense that they represent the interests of the government instead of their mandated sector. When they are active they assist the

informal sector by building markets for them but if we consult them on pressing issues such as the legal framework for the sector or funding you hardly get assistance...”

Responses by experts seemed to vary depending on which organisation the expert was affiliated to. The first expert suggested that the MinSMECD is available to assist and address issues raised by small business operators. In this regard it seems that small businesses are failing to make use of the programmes available. The second respondent however offered a different perspective by suggesting that the MinSMECD is failing to represent small businesses. Assistance seems to be limited to building structures for the informal sector instead of more far reaching contributions such as creating a legal framework that will make it easier for the small businesses to function effectively. The response also seems to suggest that most small businesses consult the MinSMECD to enquire on funding.

The bar graph in Figure 5.12 shows the responses to an inquiry on whether or not any programmes offered by the MinSMECD have been explained to SMEs. The aim is to determine if there are any awareness campaigns designed to inform small businesses of the services available to them. The results show that 89.72 percent of the respondents in this study are yet to get information on the programmes offered by the MinSMECD. Part of the mandate of the MinSMECD is the implementation of the National Policy and Strategy for SMEs in Zimbabwe in which there is an outline of programmes that are meant to benefit small businesses.

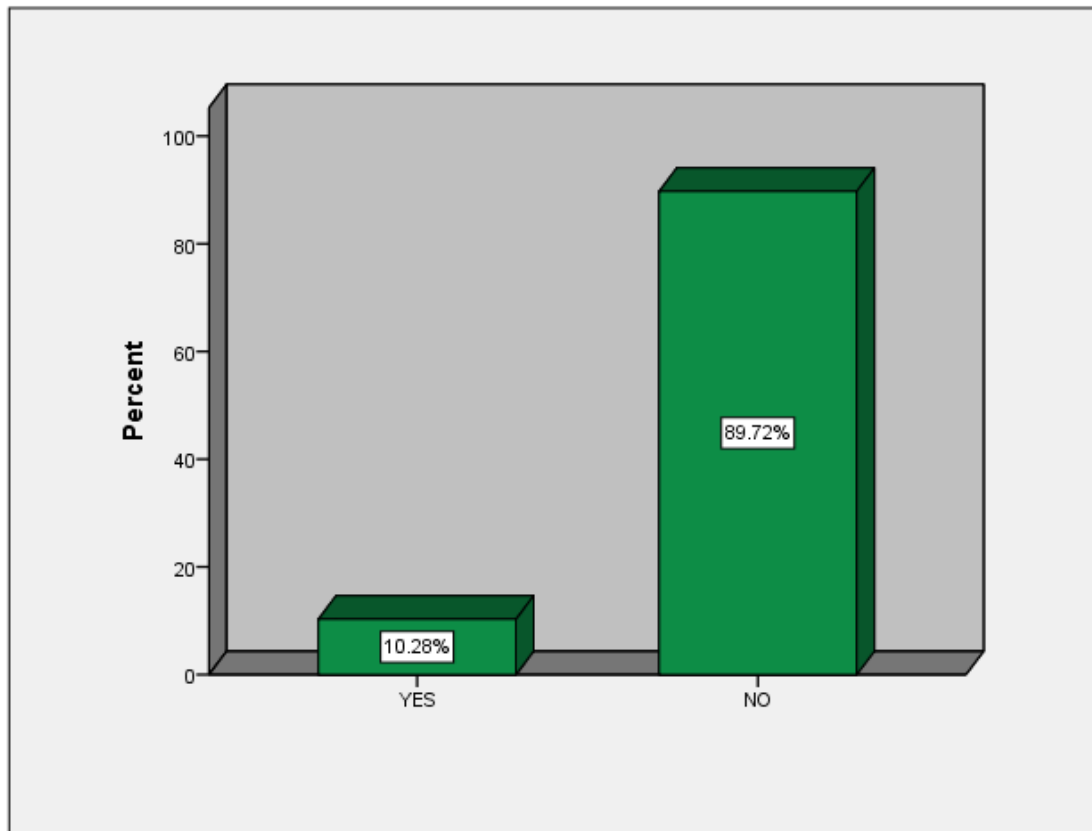


Figure 5. 12 Programmes explained by the MinSMECD

The bar graph also shows that 10.28 percent of the respondents in this study have made use of the services offered by the MinSMECD. Probing questions were included to get an understanding of the participants' respondents, below is an outline of two responses from participants in this study:

"They (the MinSMECD) should carry out forums regularly inviting SMEs and deliberate on issues to do with challenges the SMEs are facing."

"Very encouraging but without funding it does not bear fruit."

The responses show differences in the experiences that SMEs which make use of the MinSMECD's services have had. While some have been encouraged, the lack of funding still remains a major issue for small businesses. Small businesses recognise the importance of the MinSMECD as shown by the call for forums in which SMEs can consult with the MinSMECD.

Below is an outline of an expert's opinion concerning the MinSMECD's programmes meant for the benefit of small businesses:

“We hold seminars with SMEs teaching them how to manage their businesses...there are areas that have been designated for SME activities where we can build markets for them to operate in an effort to address issues of business premises...”

The response show that Ministry has some initiatives that are meant to benefit small businesses that include hosting seminars on improving their businesses and designating areas from which they can do business.

5.5.4.2 Small businesses perception of the MinSMECD

Table 5. 18 Ministry effectiveness

Measures of Effectiveness	N		Mean	Mode
	Valid	Missing		
Represents the needs of SMEs	106	4	2.2925	3.00
Upholds the interests of SMEs	106	4	2.1792	1.00
Is approachable	104	6	2.4615	2.00
Is important for SME development	106	4	3.5943	4.00
Evaluates its policies	105	5	2.6571	3.00
Makes decisions after consulting SMEs	104	6	2.3846	2.00
Has sufficient resources	106	4	1.9811	1.00

Table 5.18 shows the results of an enquiry on the respondents' perspective on number of issues concerning the MinSMECD. This information is important in the evaluation of the MinSMECD's effectiveness in representing SMEs and championing the cause of small

businesses which is the fourth objective of this study. Most of the respondents are of the view that the MinSMECD is important for SME development (mean of 3.59) with most of the participants agreeing (mode of 4.00). The view held by most of the respondents is that the MinSMECD has insufficient resources (mean of 1.98). There is generally low confidence in the MinSMECD's capabilities although SME operators agree that the MinSMECD is central to the development of SMEs in Zimbabwe. Most SME operators view the MinSMECD as unapproachable (2.46). This can help account for why 83.18 percent of the respondents have never consulted the MinSMECD, as they perceive it to be unapproachable. However, as an institution representing SMEs more should be done in terms of accessibility.

5.5.5 Objective 4: To investigate whether the objectives of the Policy and Strategy Framework for SMEs in Zimbabwe have been met.

The objectives of the policy included creating an enabling environment for the development and growth of the SMEs sector (National Policy and Strategy for SMEs in Zimbabwe, 2002:2). Section 3.2.1 (Chapter 3: Theoretical framework) on Rationale showed that there are overall and specific objectives. This section will present and analyse specific objectives including determining if the policy created an enabling environment. The National Policy and Strategy for SMEs in Zimbabwe (2002:7) outlines the following areas as its specific objectives; creating an enabling environment which will mainly focused on simplifying the registration process, provision of information, financial assistance, technology and infrastructure support and entrepreneurship and management skills development. As shown in table 4.3 (Chapter 4) different hypotheses were developed to unpack and explore aspects of the objectives of the policy. Hypotheses in this section enhanced an understanding of this objective

Furthermore, the policy also aimed at targeted support which focused on assisting women having assessed that the percentage of women in Zimbabwe who start small and medium enterprises is much smaller than that of the average developed country (National Policy and Strategy for SMEs in Zimbabwe, 2002:12). Another challenge faced by women is accessing bank loans. The National Policy and Strategy for SMEs in Zimbabwe (2002:12) pointed out that there were due to make amendments to the Bank Act to include women especially married women.

The government aimed at creating an enabling environment for SMEs that is conducive for their growth and development. This was to be achieved through the provision of appropriate institutional mechanisms, the setting of priorities and the appropriate allocation of limited public resources (National Policy and Strategy for SMEs in Zimbabwe, 2002:2). The findings of this study show that most respondents preferred government's active involvement in the development of SMEs. Those against government funding rather opted for the creation of an enabling environment in which small businesses can thrive.

5.5.5.1 Creating an enabling environment

Creating an enabling environment where SMEs can grow was the main objective of the National Policy and Strategy for SMEs in Zimbabwe (2002:5). Figure 5.13 below shows participants' rating of a hostile regulatory environment with strongly disagree being extremely undesirable and strongly agree showing that a hostile regulatory environment presents little challenge.

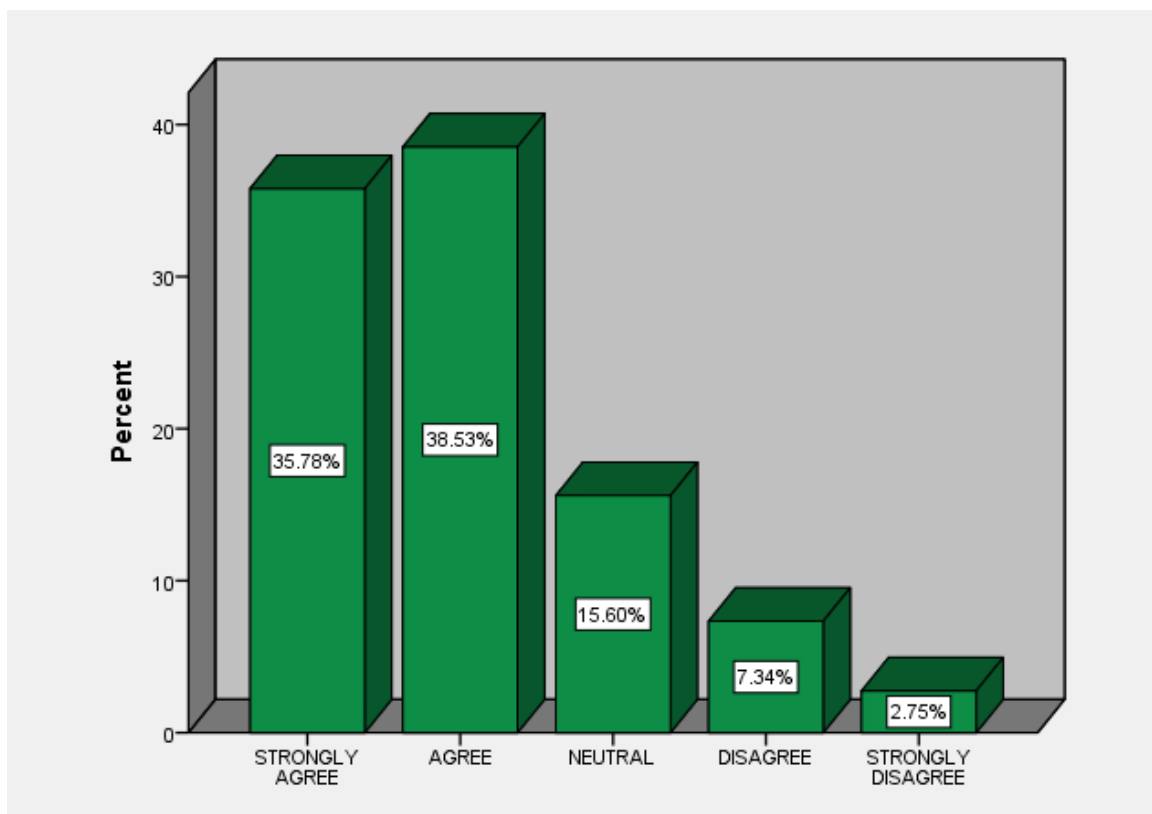


Figure 5. 13 Challenges of a hostile regulatory environment

The bar graph shows that over 74.31 percent of the respondents viewed the regulatory environment as a challenge, of which 35.78 percent strongly agree. Of the respondents, 15.60 percent were neutral, 7.34 percent disagreed and 2.75 percent strongly disagreed that the regulatory environment is hostile. Therefore, through the National Policy and Strategy for SMEs in Zimbabwe, the Government of Zimbabwe is yet to achieve the objective of creating an enabling environment since most of the businesses in this survey find it difficult to operate in the current regulatory environment. In terms of Rationale the findings show that the specific objective of creating an enabling legal and regulatory environment is yet to be achieved.

However, there could be differences across groups in this survey in relation to a hostile regulatory environment. A hostile regulatory environment could be a challenge to respondents in the age group 21-30 and yet those in the 41-50 age group might have a different experience. To ascertain if there are any variations in groups' experiences with the regulatory environment the Kruskal-Wallis Test was done. The respondents can be grouped into three categories, all of which might have statistically significant different experiences with the regulatory environment. These groups are role in SME, age and turnover.

5.5.5.1.1 Kruskal-Wallis Test

This test was done to determine if there are any variances between groups in challenges presented by the regulatory environment across role, age groups and turnover. For the test variables there are more than two categories therefore the Kruskal-Wallis test is a suitable test. Role was divided in Owner, Owner and Manager as well as Manager. Age groups were divided into five categories that ranged from below 20 years to 50 years and older and turnover was divided into five categories. Therefore, these variables can be tested using the Kruskal-Wallis test as they have more than two categories. The following hypotheses was developed to test if there is any statistically significant difference across role in how SMEs experience the regulatory environment:

H₀: There is no statistically significant difference across role in the challenge of a hostile regulatory environment

H₁: There is a statistically significant difference across role in the challenge of a hostile regulatory environment

Table 5.19 shows the results of the Kruskal-Wallis test between-groups variance on how respondents occupying different roles in SMEs experience the regulatory environment.

Table 5. 19 Kruskal-Wallis results for role and a hostile regulatory environment

	Chi-Square	df	Asymp. Sig.
Hostile Regulatory Environment	0.904	2	.636

The Kruskal-Wallis Test shows that there is no statistically significant difference in the challenge of a hostile regulatory environment across three different roles (Gp1, n = 68: Owner and Manager, Gp2, n = 22: Owner, Gp3, n = 13: Manager, Chi-square = 904, p = .636.) Therefore, the null hypothesis is accepted while the alternate hypothesis that there is a statistically significant difference in the challenge of a hostile regulatory environment across different roles is rejected. The category of Owner and Manager has a higher median rank (Md = 44) in comparison to the other two groups. This shows that if an SME operator is both the owner and manager they are less likely to experience the challenge of a hostile regulatory environment. Regardless of the role one has in a small business the sentiments concerning the regulatory environment are the same. As such efforts to create a conducive environment are yet to yield the desired results.

5.5.5.1.2 Test for variations in the challenge of a hostile regulatory environment across different ages

With the government's targeted support initiative aimed at improving the participation of the youth in the SME sector there is a possibility that there are differences in how the age groups experience the regulatory environment. The youth development initiative aimed at lessening the burden of entry for the youth and enable their participation in the SMEs sector (National Policy and Strategy for SMEs in Zimbabwe, 2002:12). The following hypothesis was developed to test whether or not there are variances in how different age groups experience the regulatory environment:

H₀: There is no statistically significant difference across age in the experience of a hostile regulatory environment

H₁:There is a statistically significant difference across age in the experience of a hostile regulatory environment

Table 5.20 shows the results of the Kruskal-Wallis Test for variance in the experience of a hostile regulatory environment across age. This tests if there are any significant difference in how the five age groups view the challenge of a hostile regulatory environment.

Table 5. 20 Kruskal-Wallis results for age and a hostile regulatory environment

	Chi-Square	df	Asymp. Sig.
Hostile Regulatory Environment	5.543	3	.136

The results of the Kruskal-Wallis Test revealed that there is no statistically significant difference in the challenge of a hostile regulatory environment across four age groups (Gp1, n = 38: 21-30years, Gp2, n = 32: 31-40years, Gp3, n = 27: 41-50years, Gp4, n = 10: 50+years Chi-Square = 5.543, p = .136). Therefore, the null hypothesis is accepted and the researcher concludes that there is no statistically significant difference across age in the challenge of a hostile regulatory environment. The lack of a conducive environment affects all age groups therefore the government's targeted support initiative aimed at improving the regulatory environment for the youth is yet to bear the desired outcomes.

5.5.5.1.3 Test for variations in a hostile regulatory environment across turnover

The last test between-groups variance was tested on turnover, to determine if there are any statistically significant differences in how SMEs with different turnovers experienced the challenge of a hostile regulatory environment. The following hypothesis was developed to test whether or not there are statistically significant differences in how SMEs with different turnovers experienced the challenge of a hostile regulatory environment:

H₀:There is no statistically significant difference across turnover in the experience of a hostile regulatory environment

H₁:There is a statistically significant difference across turnover in the experience of a hostile regulatory environment

Table 5.21 is a presentation of the results of the Kruskal-Wallis Test to determine if there is any statistically significant difference in the experience of a hostile regulatory environment across turnover.

Table 5. 21 Kruskal-Wallis Test for Turnover and a hostile regulatory environment

	N	Median	Chi-Square	df	Asymp. Sig.
Hostile Regulatory Environment	109	4.0000	5.439	2	.066

The results of the Kruskal-Wallis Test show that there is no statistically significant difference in the challenge of a hostile regulatory environment based on an SME's turnover (Gp1, n = 92: less than 100 000, Gp2, n = 16: 100 001-300 000, Gp3, n = 1: 300 001-500 000 chi-square = 5.44, p = 0.066). Therefore, the alternate hypothesis is rejected and the researcher accepts the null hypothesis that there is no statistically significant difference in the challenge of a hostile regulatory environment across SMEs with different turnovers. SMEs with a Turnover of less than 100 000 have a higher median rank (Md = 63) showing that SMEs with a low turnover have the most challenges with a hostile regulatory environment.

5.5.5.2 Registration

Formal registration is at the centre of the Policy and Strategy Framework for SMEs in Zimbabwe. The categorisation into either micro, small or medium enterprise is determined by registration. If an enterprise is unregistered, it will be classified as a micro enterprise while registered enterprises are classified into either small or medium (National Policy and Strategy for SMEs in Zimbabwe, 2002:6). As highlighted in the literature review, there are several procedures that hinder the registration process (Chipangura and Kaseke, 2012:54-55; Zindiye *et al.*, 2012:658). The first sub-section will be a presentation and analysis of results using descriptive statistics which will include the determination of how many businesses were registered and unregistered. The second sub-section is a presentation and analysis of the

responses to how many days it took those enterprises that are registered to complete this process. This is to determine if there are any incentives for registration as it is an important feature in the National Policy and Strategy for SMEs in Zimbabwe. This section will therefore determine if there are any differences between registered and unregistered companies that might serve as incentives for companies to register. This section will include statistical tests that assess whether or not registering an SME in Zimbabwe has any advantage.

5.5.5.2.1 Descriptive: Formal registration

This section was an enquiry into whether or not a business is formally registered, seeing as one of the objectives of the policy and strategy framework is to improve the ease of business registration. Figure 5.14, below, shows the percentage of registered and unregistered SMEs in this survey.

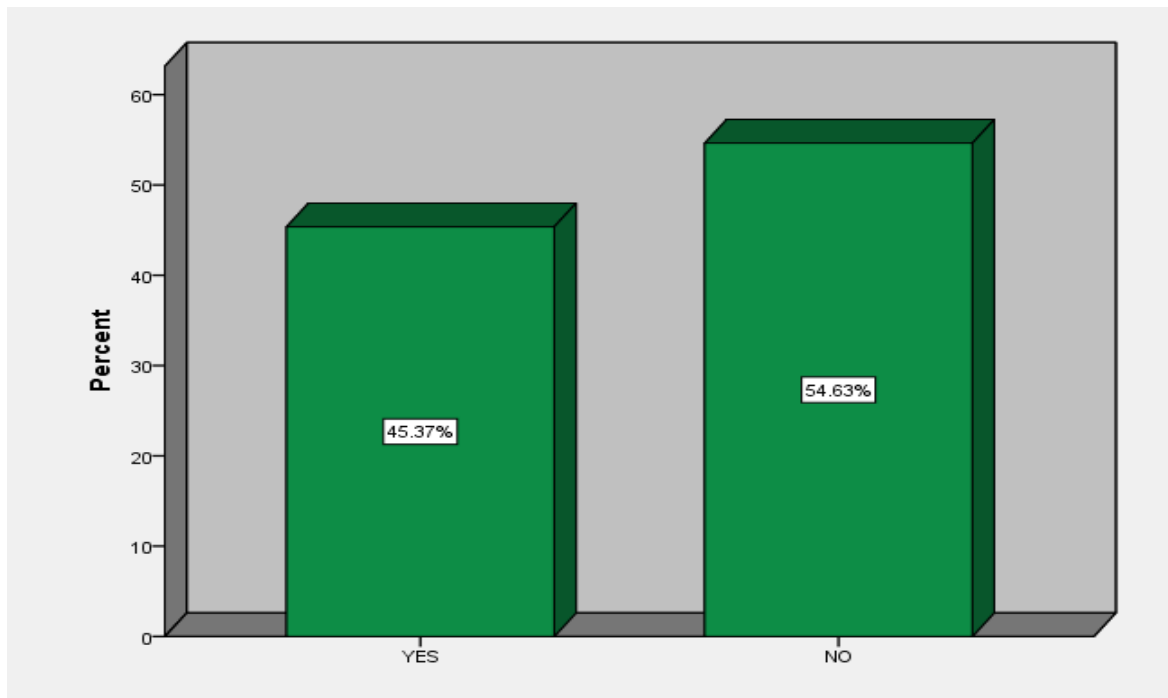


Figure 5. 14 SME registration

The survey found out that 54.63 percent of the companies were unregistered and 45.37 percent are formally registered. The National Policy and Strategy for SMEs (2002:5) specifies a legal

structure that is included in the definition of SMEs. Businesses have to be formally registered for them to be classified as either small or medium (National Policy and Strategy for SMEs, 2002:5). Using the government's definition of an SME only 45.37 percent of the businesses participating in this study can be classified as SMEs. The National Policy and Strategy for SMEs (2002:5-6) specifies that businesses that are not registered are categorised as micro enterprises. In this instance more than half of the businesses participating in this survey would be classified as micro enterprises.

The National Policy and Strategy for SMEs (2002:8) under business formation and licensing procedures specifies one of its objectives as simplifying the complex registration regulations as well as improving access to information. With regards to business registration, the policy shows government's commitment to establishing simple procedures requiring minimum time and effort for the issuing of the relevant license and permits (National Policy and Strategy for SMEs, 2002:8). Nevertheless 54.63 percent of the small businesses in this survey stated that they were yet to register which can be a reflection of the fact that the business registration process is yet to be simplified.

Investigation with regards to the explanation for the failure of SMEs to register businesses was facilitated by the open ended questions which allowed respondents to express their views. The commonly cited reasons for the failure to register was the fact that business registration was a tedious process that required a lot of paperwork and resources. Below is an outline of some of the explanations offered by the respondents:

“ZIMRA (Zimbabwe Revenue Authority) should have a reasonable percentage right now it's too high. The registration process is bothersome, ZIMRA tax is too much.”

“Speed up the process and centralise the registration process under one roof.”

“Companies (those registered) should be given incentives.”

“Information on the registration process should be readily available.”

These responses help in accounting for the reasons why most small business operators have yet to register their businesses. Experts interviewed to weigh in on the issue of business registration yielded the following response:

“The government has established a One Stop Shop opposite the ZANU PF Headquarters where businesses can register and you won’t need to go to Harare City Council because they will do everything for you there. The problems with most of these SMEs is that they don’t want to register their businesses so no matter how easy we make it to register they are unwilling.”

The MinSMECD shows that they have taken serious steps in improving the registration of small businesses however the onus for registration is now on small businesses. A probe into why small businesses were unwilling to register even though the process had been easier showed that:

“The tax threshold is high in some cases and there are also many procedures that have to be met in order to complete the registration process. The concern now is that once registered your business has to pay taxes, you are also required to abide by laws relating to the treatment of employees and so on but surely the benefits are more than the inconveniences.”

Arguments presented by the experts can account for the low number of SMEs that are registering. The fact that small businesses, upon registration, will be required to pay taxes as well as having legal obligation proves to be disincentive to business registration.

Experts interviewed were asked to explain the importance of business registration in an effort to find out if there are any incentives for business registration. Below is an outline of one of the responses concerning small business registration in Zimbabwe:

“Yes there are advantages to registering your business. It’s just that most of the small businesses have little knowledge on the advantages. The most important one is that they are able to access bank loans as well as government support programmes easily. Banks

here are reluctant to offer loans to businesses in the informal sector. Small businesses that are registered can also have access to markets and are able to do business with the corporate world.”

However, even with these advantages small businesses are reluctant to register. One of the problems cited by experts is the fact that some of the businesses are unregistered because they have little information concerning the advantages that are associated with formalising their businesses.

5.5.5.2.2 Days it took to formally register a business

Having analysed formal registration, it was important to determine how many days it took registered businesses to complete the registration process. The results presented in this subsection are based on the 45.37 percent of registered SMEs. This is in line with the objectives of the National Policy and Strategy for SMEs in Zimbabwe which aimed at reducing the number of days it takes to formally register a small business in Zimbabwe.

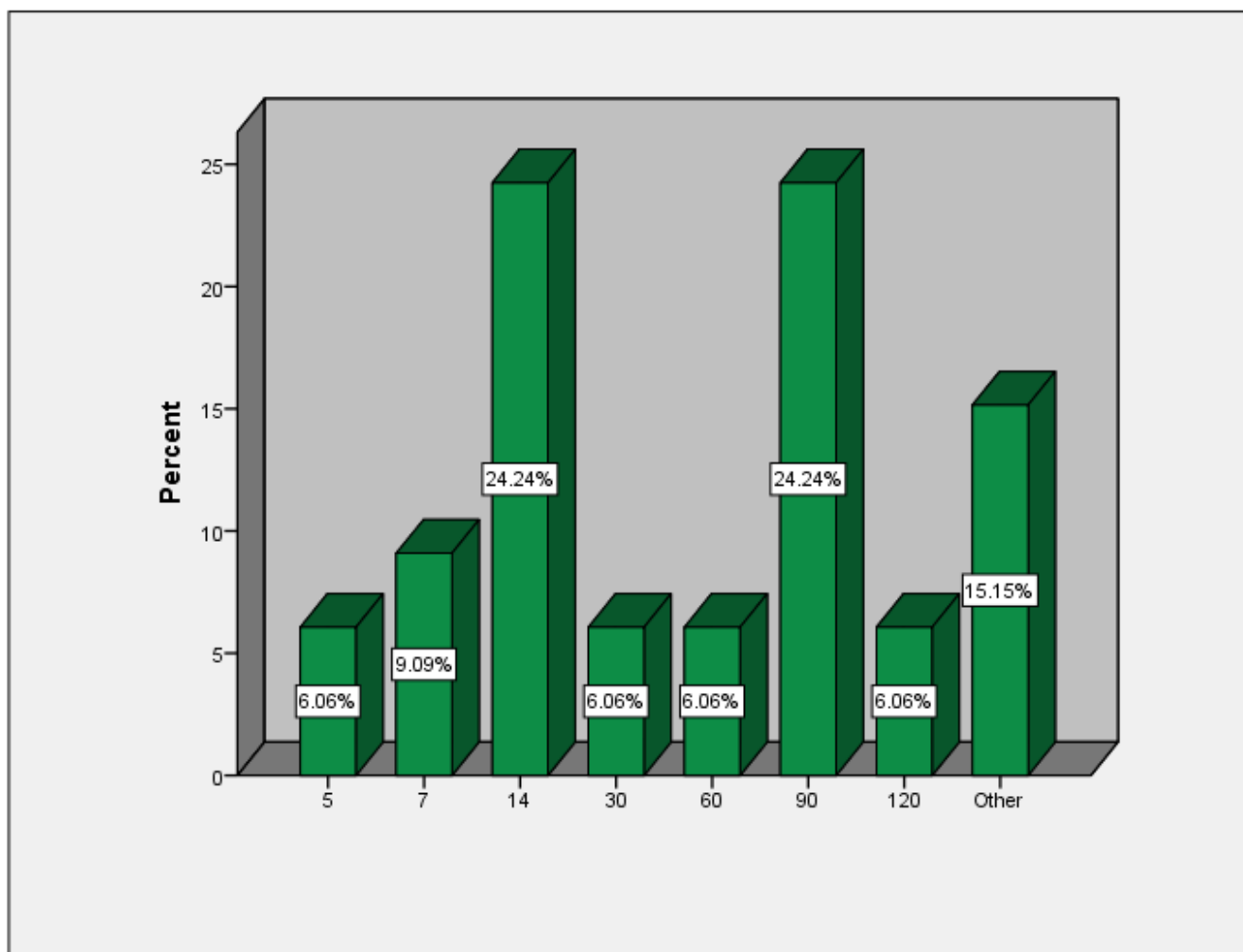


Figure 5. 15 Number of days to register company

Figure 5.15 is a presentation of the frequency with which respondents identified a specific number of days it took them to register their business. The results show that 6.06 percent of the SMEs in this survey respectively took five, 30, 60 and 120 days to be formally registered. Number of days for which less than 5 percent of the respondents took to register were classified as other. This category included business which took 150 days to register.

5.5.5.2.3 Chi-Square Test for the relationship between registration and loan application

This test was done to assess if there is a statistically significant relationship between registered respondents and bank loan application. Literature discussed in this study showed that registered enterprises have the advantage of applying for bank loans, therefore Chi-square test for independence was done to determine if this is the case with SMEs in the CBD of Harare Zimbabwe. Experts highlighted that one of the advantages of formalising a small business is an improved access to loan facilities therefore the Chi-Square test was performed to test if there are any differences in loan application between registered and unregistered small businesses. To do this test two hypotheses were formulated:

H₀: There is no statistically significant relationship between registration and bank loan application

H₁: There is a statistically significant relationship between registration and bank loan application

Table 5.22 shows the results of the chi-square test between registration and bank loan application.

Table 5. 22 Chi-Square Test results: Registration and bank loan application

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.458 ^a	1	0.117	.125	.085
Continuity Correction	1.885	1	0.170		
Likelihood Ratio	2.464	1	0.116		
Fisher's Exact Test					
Linear-by-Linear Association	2.435	1	0.119		
N of Valid Cases	107				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 21.98.

The Chi-square test results for independence (with Yates continuity Correction) indicates that there is no statistically significant relationship between registration and loan application ($n = 107$, $p = 0.117$). Therefore, the alternate hypothesis is rejected and accept the null hypothesis that

there is no statistically significant relationship between registration and bank loan application is accepted.

According to the respondents 44.1 percent of the registered businesses applied for bank loans and the remaining 55.1 percent have yet to apply. The results of the Chi-square tests show that there is no statistically significant association between registering an SME and applying for a bank loan. However, this could be because the majority of registered business have little problems with finances. Therefore, to determine if registered SMEs have little financial problems and therefore have no reason to apply for bank loans the Mann-Whitney U test was done.

5.5.5.2.4 Mann-Whitney U test

This test determined whether or not the low number of bank loan application and the lack of a statistically significant relationship between registering a business and applying for a bank loan results from the fact that registered businesses are financially secure. The Mann-Whitney U test was also done to show whether or not there is a statistically significant relationship between challenges faced by registered SMEs against unregistered SMEs. If there is a difference between the two groups, it will provide a case for or against registration as it will show either an incentive or disincentive for registering an SME in Zimbabwe. The following hypotheses were formed to test for an association between financial challenges and SME registration in Zimbabwe:

H₀: There is no statistically significant difference between SME registration and financial challenges

H₁: There is a statistically significant difference between SME registration and financial challenges

Table 5.23 shows the results of the Mann-Whitney U test for any statistically significant association between SME registration and financial challenges.

Table 5. 23 Mann-Whitney U test

	Limited access to finance	Cost of finance
Mann-Whitney U	1363.000	1250.000
Wilcoxon W	3074.000	2475.000
Z	-.411	-1.016
Asymp. Sig. (2-tailed)	.681	.310

Financial challenges are represented by limited access to finance and the cost of finance, both of which were identified as financial challenges faced by SMEs in Zimbabwe (National Policy and Strategy for SMEs in Zimbabwe, 2002:3). The Mann-Whitney U test revealed no statistically significant difference in limited access to finance between registered SMEs and unregistered SMEs ($U = 1363$, $z = -.411$, $p = 0.68$). The p value (0.68) is greater than .05, therefore the researcher rejects the alternate hypothesis and accepts the null hypothesis that there is no statistically significant difference between registered and unregistered SMEs in the challenge of limited access to finance. This means that both registered and unregistered SMEs have limited access to finance. In this case there is therefore little incentive to register a business as both groups are in the same financial predicament.

Results of the Mann-Whitney U test also revealed that there is no statistically significant difference between registered and unregistered SMEs in the cost of finance, $U = 1250$, $z = -1.02$, $p = 0.31$. The p value (0.31) is greater than .05, therefore the researcher accepts the null hypothesis that there are no statistically significant differences in the cost of finance between registered and unregistered SMEs. Registered and unregistered SMEs in the Central Business District of Harare experience similar challenges with regard to finance. Limited access to finance and the cost of finance is a challenge for both groups. However, the results of this study suggest that there is deterrence to applying for bank loans among registered SMEs. This is deduced from the fact that few registered SMEs apply for bank loans yet they have a limited access to finance. Such a phenomenon can be accounted for by the fact that the cost of finance remains a problem as highlighted in the descriptive statistics section that the cost of finance was one of the most prevalent challenges faced by SMEs. There is therefore little incentive for business registration

since both registered and unregistered face the same financial challenges. In this light one can argue that the National Policy and Strategy for SMEs is yet to achieve its objectives in terms of creating a conducive environment.

Furthermore, some of the respondents expressed the view that there should be incentives for registration. Below is an outline of some of the respondents' suggestions of what can be done to improve the registration of businesses:

“There should be a legal framework to deter those not registered.”

“Government should introduce lucrative incentives.”

The above responses show that most SME operators can see that there is little incentive for registration and the predicament of registered businesses is similar to that of unregistered businesses making it unattractive for more businesses to register. Responses from experts show that there are limited sources of funding for small businesses and those available require that businesses be registered. Below are typical responses by experts concerning access to bank loans:

“Most small businesses approach us to ask about funding either when starting their business or because they want to expand their operation. As you might be aware of government cannot fund all the businesses, there's just not enough money even though we might want to. With this in mind we have engaged Banks so that they can provide funding but the issue of collateral is a problem and most of these entities only want to deal with formalised businesses.”

From this response three issues can be noted. The first is that there is need for formalising a business as this will mitigate against limited access to finance. The second factor is that government has very limited resources to fund small businesses. The third factor is that the cost

of finance are major deterrents to applying for bank loans as well as collateral requirements. All These factors exacerbate the inaccessibility of finance by small businesses.

However, one of the main findings of this study is that there is no statistically significant difference in financial challenges between registered and unregistered businesses. This shows that there is little incentive to register as both registered and unregistered businesses face similar challenges. Experts are of the view that once a small business is registered financial challenges should be limited yet the findings seem to suggest otherwise.

5.5.5.2.5 Independent-Samples Test: Differences between Registration and Turnover

The Independent-samples Mann-Whitney U test was done to test whether or not there are any variations in turnover between registered and unregistered SMEs. This was done to assess if there is any incentive for SMEs to register. An increase in turnover when registered might be a good incentive for SMEs to register. SME registration is central to the government's objective of creating a conducive environment in which SMEs can thrive and registration is the gateway to ensuring this. To determine if there are any differences in turnover between registered and unregistered SMEs the following hypotheses were developed:

H₀: There is no statistically significant difference in turnover between registered and unregistered SMEs

H₁: There is a statistically significant difference in turnover between registered and unregistered SMEs

Table 5.24 shows the results of the Mann-Whitney test done to test if there a statistically significant difference in turnover between registered and unregistered SMEs in the Central Business District of Harare.

Table 5. 24 Mann-Whitney U test results

	Null Hypothesis	Test	Sig.	Decision
	The distribution of Turnover is the same across categories of Registration.	Independent-Samples Mann-Whitney U Test	.000	Reject the null hypothesis.
Asymptotic significances are displayed. The significance level is .05.				

The results show that $p < .05$, therefore reject the null hypothesis and accept the alternate hypothesis and conclude that there are statistically significant differences in turnover between registered and unregistered SMEs. These results show that registered SMEs report higher turnover in comparison to unregistered SMEs. The fact that turnover is high for registered SMEs can provide incentives for SMEs to register their businesses. The differences in turnover between registered and unregistered SMEs can be as a result of the outlier in the form of one (1) SME that had turnover of 300 000-500 000 and was registered whereas the majority of SMEs had a turnover of less than 100 000.

5.5.5.3 Test for differences in SMEs before and after the National Policy and Strategy for SMEs in Zimbabwe.

The National Policy and Strategy for SMEs in Zimbabwe was institutionalised in 2002 with the aim of creating a conducive environment in which SMEs can develop and grow. Among the reasons cited for institutionalising the policy was putting in place measures to address the challenges faced by SMEs. Since the policy was established in 2002, testing whether or not the objectives of the policy have been achieved requires testing if there is a statistically significant difference in the challenges faced by SMEs before the policy and after. To determine this the Questionnaires required SME operators to state the year in which their business was established. The recorded earliest SME to be established in this study was in 1994 and the latest was in 2014. The years of establishment were therefore divided into two groups, from 1994 – 2004, (these businesses were recognised as pre policy SMEs) and from 2005-2014, (these SMEs were recognised as post policy SMEs.)

Furthermore, grouping SMEs into pre and post the National Policy and Strategy for SMEs in Zimbabwe policy enabled the testing of whether or not the objectives of the policy have been achieved. This would be done by testing differences across the years between SMEs across a number of determinants, among them determining whether or not there is a difference in challenges faced by Pre SME policy SMEs (1994-2004) and Post SME policy SMEs (2005-2014).

5.5.5.3.1 Mann Whitney and Chi-square tests for differences in challenges between Pre-policy and Post-policy SMEs

Determining if there are any statistically significant differences in the challenges faced by Pre-policy (1994-2004) and Post-policy (2005-2014) SMEs will help ascertain if the Government of Zimbabwe has achieved the objectives set in the National Policy and Strategy for SMEs in Zimbabwe. To determine this the following hypothesis were developed:

H₀: There is no statistically significant difference in challenges between Pre and Post policy SMEs

H₁: There is a statistically significant difference in challenges between Pre and Post policy SMEs

Table 5.25 shows the results of the Mann Whitney and Chi-square tests done to determine if there is any statistically significant difference in the challenges faced by SMEs pre and post National Policy and Strategy for SMEs in Zimbabwe. If there is a statistically significant difference in challenges between pre and post SME National Policy and Strategy for SMEs in Zimbabwe SMEs we can conclude that the policy has achieved its objectives.

Table 5. 25 Mann-Whitney U Test and Chi-Square test results on challenge

Challenges	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Limited access to finance	925.000	1225.000	-0.692	.489
Cost of finance	982.500	4468.500	-0.111	.912
Lack of marketing skills	999.000	1299.000	-0.070	.945
Lack of market knowledge	872.000	1172.000	-0.955	.340
Lack of infrastructure	940.000	1240.000	-0.522	.602
Lack of access to land	849.000	1149.000	-1.213	.225
Inappropriate Technology	917.000	1217.000	-0.691	.490
Lack of information	977.000	1277.000	-0.235	.814
Hostile Regulatory Environment	975.000	4545.000	-0.258	.796
Inadequate Management skills	886.000	1162.000	-0.627	.531
Inadequate Entrepreneurial skills	859.000	1159.000	-1.137	.256
Start-up capital	867.500	1167.500	-1.166	.244
Infrastructure	966.000	4536.000	-0.324	.746
Skills	838.000	1138.000	-1.301	.193
Registration	836.500	1136.500	-1.315	.188

The policy identified some challenges and its main objective was creating an enabling environment, an objective that entails addressing the challenges faced by SMEs in Zimbabwe. Therefore, Table 5.25 helps determine if the objectives of the National Policy and Strategy for SMEs in Zimbabwe have been achieved. The Chi-square test results show that $p > .05$ for all the determinants. Therefore, the researcher accepts the null hypothesis that there is no statistically

significant difference in challenges between Pre and Post Policy SMEs. The challenges that were faced by SMEs before the institutionalisation of the National Policy and Strategy for SMEs in Zimbabwe are the same as those that are being faced by SMEs after its institutionalisation. In this light, the objectives of the policy with regards to creating a conducive environment for SMEs are yet to be achieved.

5.6 Summary

The findings of this study revealed that there is still a lot of work to be done to improve the state of SMEs in Zimbabwe. The challenges faced by SMEs before the policy are still challenges after the institutionalisation of the policy. The policy aimed at creating a conducive environment for the growth and development of SMEs however the findings of this study reveal that a hostile environment is the third most persistent challenge faced by small businesses. Although business registration is at the centre of the National Policy and Strategy for SMEs in Zimbabwe this study revealed that most businesses require the lessening of licensing procedures. This is also supported by the fact that most of the respondents had unregistered businesses. The commonly cited reason for failure to register is that the process is rigorous and ZIMRA's tax system is a major deterrence.

Registered small businesses in this study had high turnover in comparison to unregistered businesses however they still grapple with financial challenges as well as the challenges of a hostile regulatory environment. SMEs in Zimbabwe are mostly challenged by financial limitations; among them limited access to finance and the cost of finance. These were notably the most common challenges faced by small businesses. There is little incentive for businesses to register, as shown by the fact that whether or not a business is registered it will still face problems in applying for a bank loan. The main reasons for this are collateral requirements and the unwillingness of banks to provide funding for these businesses.

Measures put in place by the government through the policy have yet to yield results more than a decade into the implementation of the policy. Few small businesses in this study had made use of SEDCO; an institution meant to provide funding and training to SMEs. Most respondents

showed that they were uninformed with regards to the services offered and the procedures to follow in order to acquire such services. The MinSMECD was meant to champion the cause of SMEs however the findings of this study reveal that most of the small businesses are yet to receive assistance from the institution. Although SMEs showed that the MinSMECD is important for the growth and development of small businesses the results show that most of the business have yet to receive assistance from the MinSMECD. Some respondents noted that the MinSMECD is offering some support however business funding is a challenge that makes interventions ineffective.

SPSS was used to run different tests on the gathered data and having determined that the data was not normally distributed, non-parametric statistics were used among which the Mann-Whitney U Test, Kruskal-Wallis Test and Spearman's Rank Order Correlation (ρ). Regression models were also developed for such challenges as limited access to finance and skills to determine which variables are better able to predict a particular outcome. This was important for determining what variables SMEs can focus on to better overcome the challenges presented by the environment in which they operate.

Spearman's Rank Order Correlation (ρ) showed that there is a statistically significant correlation between limited access to finance and the cost of finance. This led to the conclusion that when the cost of finances increases there is also a statistically significant increase in the limited access to finance. This finding showed that there the Government of Zimbabwe still needs to do more to create an enabling environment for the growth of SMEs in Zimbabwe.

Pie charts and bar graphs were also used in this section to buttress the analysis and discussion of the data. These formed part of the descriptive statistics that facilitated addressing the objectives of this study. Means, percentages and medians are among some of the statistical tools used to establish challenges as well as determine the effectiveness of the MinSMECD.

CHAPTER 6

DISCUSSION OF RESULTS

6.1 Introduction

Chapter Six was a presentation and analysis of the findings of this study. The findings were discussed according to the objectives. This chapter is a discussion of the results which is done by linking the findings to the literature presented in this study. Results will be discussed according to the objectives briefly outlining the findings on each section before the results are discussed.

6.2 Objective 1: To examine the challenges faced by SMEs in Zimbabwe

This section is a discussion of the challenges faced by small businesses by so doing it addresses the second objective of this study. The challenges have been presented in section 5.5.2 of chapter Five. The results of this study found that financial challenges were more common among small businesses. Limited access to finance and the cost of finance were identified by most SMEs as the most pervasive challenges. In the start-up phase, capital also proved to be a challenge for small business. Even with the availability of bank loans few businesses apply for these loans opting rather to get capital from family and friends. Finance related challenges will be discussed first. Other challenges that were identified in this study including the regulatory framework and skills will also be discussed.

6.2.1 Finance related challenges

Most SMEs face financial challenges, the commonly cited challenges were limited access to finance and the cost of finance. The findings of the study show that 90.8 percent of SMEs are faced by limited access to finance as a challenge and 83.3 percent cited the cost of finance as a challenge. In this light, financial challenges presented the most challenge. The sources of venture capital also proved to be a challenge for most, SMEs in this survey. Most respondents sourced their start-up capital from family (median = 4.09) and the least used source was SEDCO (median = 1.5). This section will discuss finance related challenges faced by small businesses in Zimbabwe.

6.2.1.1 Sources of start-up capital

Findings in this study showed that informal sources of finance, in the form of family and friends are the most common source of start-up capital whereas the formal sources such as SEDCO and banks are least used sources. The fact that SEDCO, although mandated to finance SMEs, is seen as an unviable source of start-up capital can be explained by the findings in the Maunganidze study (2013:22) which found out that SEDCO is perennially underfunded. In this case even though SMEs seek assistance from SEDCO the fact that the organisation is underfunded makes it incapacitated to assist.

SEDCO has the responsibility of financing, training and providing incubation for SMEs (STERP, 2009:60). This role is critical to the development of small businesses in Zimbabwe. With such an important role it would be expected that SEDCO has interacted with many SMEs. However, the findings of this study show that as many as 91.74 percent of SMEs are yet to make use of the services offered by the institution with only 8 percent of the respondents having cited SEDCO as a source of finance for the businesses.

The data showed that start-up capital is sourced mainly from family, friends and banks. There was an option for other and most respondents stated that they funded the start-up of their businesses. Most of the respondents sourced their start-up capital from families (mean of 4.09) and friends (mean of 2.93). This finding is constant with the finding by Thiam (2007:16) and Arregle, Batjara, Hitt, Webb, Miller and Tsui (2015:318) who assert that entrepreneurs use the family network to launch and build their business and family serves as a source of finance. Most of the SMEs are dependent on their families for the growth of their businesses.

More recently Etuk *et al.* (2014:658) note that in Nigeria informal sources of finance still remain the major source of funding for SMEs and these include borrowing from family and friends. Similarly, in this study, the researcher found that government institutions meant to fund start-up like the Venture Capital Company of Zimbabwe (VCCZ) are unreliable sources of venture capital therefore small businesses rely primarily on their families and friends for capital.

In a study of the impact of the regulatory framework on SMEs in Lesotho, Khoase (2011:88) found out that most of the SMEs were financed through family contributions or relied on their own savings. The case of Lesotho is similar to that found in this study with most respondents' businesses being financed by their families, personal saving and equity.

Findings of the study revealed that few respondents sourced their start-up capital from bank loans. This is in line, Manyani (2014:10) who pointed out that SMEs are typically faced with problems in getting the finances needed from commercial banks and government agencies. The fact that few respondents used bank loans as sources of finance when they were starting their businesses points to the difficulties faced by SMEs in getting venture capital from banks. Manyani's (2014) assertion can also be supported by the fact that very few respondents used SEDCO as a source of finance for the starting of their business.

Bukaliya and Hama (2012:57), in their study on the challenges affecting informal businesses found that the main source of business funds for informal businesses was personal equity. Most of the respondents in this study, when given an option to include other sources of finance, pointed out that personal equity was an important source of finance when starting a business. Although family, friends and bank loans are important sources of start-up capital, personal equity is equally important for some SME operators.

The findings of this study are consistent with those made by Munanga (2013:383) in a study on the financial challenges faced by retail SMEs operating in a multi-currency environment some of the findings were that 47 percent of the SMEs finance their businesses from personal savings, 13 percent from relatives and 3 percent from bank loans. Few SMEs depend on bank loans to finance their businesses and more business operations are funded through personal savings and by family and friends. Wonglimpiyarat (2015:298) notes that the source of capital to support early stage venture is mainly from seed funds, business angels, venture capital financing whereas commercial banks play a significant role in providing finance in the growth and mature stages. Banks are more willing to lend to small businesses in the mature stages as the risk of them defaulting is much lower than in the early stages. Such an assertion can help account for the low number of bank loan applicants in the start-up stage of small business.

6.2.1.2 Bank loan application

Bank security requirements for loan applications have been identified as a stumbling block to access to finance for SMEs. The findings suggested that there are few SMEs applying for bank loans and that over 65.14 percent find collateral requirements to be a deterrent in applying for a bank loan. Similarly, Chipangura and Kaseke (2012:49) found that most SMEs fail to access finance due to the lack of surety. Similarly, this study's findings show that most small businesses have failed to apply for bank loans and have cited collateral requirements as a major deterrence.

Blackburn (2012:39) notes that market failure exists because of a financial institution's decision to lend being based on collateral and track record rather than economic viability. According to the findings of this study, market failure still exists since small businesses still have challenges accessing finance because of bank loan application requirements. The policy and strategy framework for SMEs has failed to address this market failure. This study also showed that registered and unregistered SMEs have similar problems in applying for bank loans. This shows that there is little incentive for businesses to register since all SMEs experience similar financial challenges.

Wonglimpiyarat (2015:297) points out that banks and financial institutions are reluctant to provide credit lending to SME sector due to the riskiness of early stage ventures in terms of insufficient assets, having no proven track record and low capitalisation. The findings of this study are in line with Wonglimpiyarat's assertion with only a few small businesses having actually applied for bank loans. Most SMEs fail to apply because of the stringent requirements.

Etuk *et al.* (2014:658) note that formal commercial institutions like banks are unwilling to grant credits to SMEs on the other hand micro finance schemes and institutions are still in developing stages so can only do little. This assertion is true to the findings of this study which show that few SMEs apply for bank loans since these institutions are reluctant to grant them loans. The situation is worsened by the fact that although there are alternatives to banks such as micro finance schemes they are ineffective as they are still developing and incapacitated.

Khoase (2011:89) found that most SMEs in Lesotho cited the inaccessibility of bank loans due to the lack of collateral or perceived high interest rates. This is also the case with SMEs in this study where both respondents who applied for bank loans and those that were yet to apply cited collateral as the challenge that they faced. Bukaliya and Hama (2012:57) in trying to ascertain the challenges that confront SMEs in Zimbabwe, found out that the complex and often corrupt administration systems and lack of collateral security were deterrents to business operations getting loans. Similarly, the reasons cited by most respondents in this study were bureaucracy and lack of collateral.

Most of the previous studies (Chipangura and Kaseke, 2012:49; Gangata and Matavire, 2013:3) show that limited access to and the cost of finance are among the most pervasive challenges faced by small businesses in Zimbabwe. The findings in this study are consistent with the findings that limited access to finance is as a result of factors such as the requirements needed to access loans. Blackburn (2012:9) attributes the existence of market failure to the collateral and track record requirements which complicate SMEs' access to finance.

Abe, Masato and Kumar (2014:32) highlight that there is a need to develop a lending system, free of collateral and third-party guarantee requirements, that is suitably backed by the government. This can be done through government setting up credit guarantee schemes to encourage banks to assist SMEs. The results showed that smallest businesses state the collateral requirements as a major deterrent to applying for bank loans and limiting their access to finance. A government backed lending system for small business will most likely encourage business to apply for bank loans and lessen the challenge of the cost of finance.

6.2.1.3 Correlation between the cost of finance and the limited access to finance

This study showed that there is a positive correlation between the inaccessibility of finance and the cost of finance. As the cost of finance increases there is a statistically significant increase in the inaccessibility of finance. In this vein, therefore limited access to finance and the cost of finance present more challenges to small businesses. Etuk *et al.* (2014:658) pointed out that unfavourable conditions for small businesses include fiscal and monetary measures, multiple

taxation and high interest rates. These factors can be noted as factors that contribute to the limited access to finance as they increase the cost of finance.

Findings of this study are in line with those made by Mashanda (2012:20) who in his study concluded that SMEs in Zimbabwe have remained grossly underfunded and unsupported. The lack of funds is a result of the cost of finance shown by the fact that most of the small businesses fail to apply for bank loans due to the requirements. Similarly, Karedza *et al.* (2014:39) found out that the cost of finance was one of the major constraints faced by SMEs in Zimbabwe, therefore the cost of finance acts as a deterrence to the accessibility of finance.

Matarirano and Olawale (2010:1715) in their study to determine whether debt really matters on the profitability of small firms found out that one of the reasons for the limited access to finance for SMEs is the fact that they are offered small term loans by banks because they are perceived as high risk borrowers. This helps to buttress the finding that limited access to finance is mainly due to the high cost of finance. A decrease in the cost of finance is important to SMEs in that it will improve the accessibility of finance.

Wonglimpiyarat (2015:298) is of the view that the main problem with regards to SMEs accessing finances is due to the requirements that are attached to bank loan application. Therefore, the establishment of a specialised development banks is an important initiative that can mitigate against inaccessibility of finance.

6.2.2 The Lack of skills

The fact that managerial skills were seen as presenting the least of challenges in most participants' business deviates from the expectation of the researcher in that most literature suggested that the lack of managerial skills was one of the biggest challenges faced by SMEs. This study found that 50 percent of the respondents view the lack of managerial skills as the least challenge and 30.55 percent viewed the lack of managerial skills as a challenge. Studies on SMEs in Zimbabwe by Biggs and Shah (2006:3046) and Chadamoyo and Dumbu (2012:32) show the lack of managerial skills as a challenge and factor contributing to the failure of SMEs.

However, this study shows that 50 percent of respondents either strongly disagreed or disagreed that the lack of managerial skills was a challenge for their business.

In a study on the influence of human investment on the performance of SMEs in the manufacturing sector of Harare (Zimbabwe) Zindiye (2008:209) and Siwadi and Pelser (2015:12) found out that about 70 percent of the respondents agreed that Empretec was helpful in the development of SMEs. Empretec is responsible for the training of SMEs and has trained various SME owners and managers in managerial aspects (Zindiye, 2008:209). The findings in Zindiye's study can help to explain the reason why most of the respondents in this study viewed the lack of managerial skills as presenting the least challenge in their business.

Gombarume and Mavhundutse (2014:104) show that management mistakes accounted for the failure of 88.7 percent of the SMEs. In this light therefore equipping management with skills is a priority and necessary for the development of small businesses. The finding that most of the respondents have adequate management skills shows that the failure of SMEs is likely to be averted. This study showed that the majority of small business were both owners and managers of businesses 62.96 percent ($n = 69$). Such a factor necessitates skills training among SME owners in order to avert high failure rates.

Du Plessis *et al.* (2015:2) assert that management abilities are one of the key drivers to enhance the performance of SMEs. The finding in this study that SMEs have the managerial skills is a positive step towards enhancing the performance of SMEs. Since most of the businesses are of the view that they are endowed with the necessary management skills to enhance the performance of their business it is expected that they will be able to develop.

Most of the small businesses in this survey have the necessary skills for their businesses, this finding digresses from the findings in previous studies which noted that skills were a problem for SMEs. An example is a study by Mudavanhu *et al.* (2011:83) which showed that the lack of managerial skills accounted for the high SMEs failure rate. However, the findings of this study show that 84 percent of the SMEs are equipped with management skills.

6.2.3 Challenges to starting a business

This study found out that when starting a business, capital (93.5 percent) is the most prevalent problem followed by infrastructure (65.1 percent) and registration (60.6 percent). Such a finding was expected since most of the studies on SMEs revealed that financial issues are the biggest challenge that small businesses face in the developing world (Storey and Greene, 2010:376; Dube *et al.*, 2010:15; Manyani, 2014:11). In an investigation into venture financing of Small and Medium Enterprises, Manyani (2014:11) revealed that SMEs in Zimbabwe have difficulties in accessing financing that they hardly grow beyond the start-up stage. The fact that 93.5 percent of the respondents in this study either strongly agree or agree that start-up capital was a challenge when starting their business is consistent with the assertion made by Manyani (2014).

The finding that venture capital is a challenge dovetails with earlier discussions of the finding by Mudavanhu *et al.* (2011:83) who pointed that the cost and availability of credit is a major factor affecting SME development. The fact that credit for business purposes is hard to access can help account for why most of the respondents found start-up capital to be a challenge for their business. This is also in agreement with Manyani (2014:11) who highlighted that one of the pertinent issues faced by SMEs is the lack of access to capital and credit facilities for the purposes of start-up. Furthermore, most of the interviewed in this study indicated that accessing start-up capital was a problem especially because of the liquidity crises that has gripped Zimbabwe. They agreed that the issue of finance is problematic to small businesses and there is still more that the government needs to do in order to improve the situation of SMEs (Manyani, 2014:11; Mudavanhu *et al.*, 2011:83).

Registration is one of the major challenges that SMEs in the CBD of Harare are faced with when starting a business. This is shown by the fact that 60.6 percent of the respondents either strongly agreed or agreed that registration was a challenge. The fact that over half of the respondents see registration as a challenge when starting a business can help account for the low percentage in the number of small businesses registered (45.37 percent). As already pointed out in previous sections of this chapter small businesses are unwilling to register because of the many and expensive procedures.

Furthermore, Thiam (2007:16) in a study on strategies to unlock the potential of SMEs in Africa suggests that the informality of SMEs in Africa is an efficient way for a vulnerable group to navigate a highly uncertain environment. Having noted that 74.31 percent of respondents either strongly agreed or agreed that a hostile regulatory environment was a challenge for their business Thiam's suggestion seems applicable to the case of SMEs in the CBD of Harare. Since most of the businesses in this study were informal and the environment is seen as a challenge one can conclude that failure to register is a protective strategy against an unpredictable environment.

Skills, however present the least challenge to most of the respondents as only 26.6 percent showed that skills were a challenge in starting their enterprise. In this case one can argue that most businesses operating in the Central Business District of Harare are equipped with the skills needed to start and manage an SME. Gangata and Matavire (2013:7) in a study on the challenges facing SMEs in accessing finance from financial institutions in Bulawayo Zimbabwe found out that 8 percent of the respondents cited lack of skills as a challenge. The low percentage of respondents citing lack of skills as a challenge can be an implication of the success of government initiatives to impart skills to SME owners as shown in the Zindiye study.

However, for this study the fact that few SMEs had skills challenges at the start-up phase can be explained by the fact that most of the respondents were owners and managers. About 63 percent of the respondents in this survey showed that they were both owner and manager, hence they were entrepreneurs with the skills needed at start-up.

6.3 Objective 2: To analyse the extent to which the Policy and Strategy Framework for SMEs addresses the challenges faced by small businesses

Having identified the challenges that are faced by businesses in Zimbabwe the National Policy and Strategy for SMEs in Zimbabwe also outlines the several measures that are in place which are meant to address these challenges. Some of the measures include improving the procurement and tender process to accommodate SMEs. SEDCO was also established to address the challenge of finance. The findings of this study show that the Government is yet to satisfactorily implement

these measures as most businesses pointed out that they are yet to benefit from services offered by SEDCO. Tenders, subcontracting and procurement are yet to reach SMEs. Such factors show the ineffectiveness of the measures. Below is a discussion of some of the findings with regards to the measures to address challenges.

6.3.1 The effectiveness of support programmes by the Government

The National Policy and Strategy for SMEs in Zimbabwe outlines tenders and subcontracting as some of the measures in place to support SMEs (2002). This study found out that most SMEs are yet to benefit from government tenders and subcontracting can be attributed to the fact that most of the businesses are unregistered and as such fail to meet the criteria for government tenders. The fact that most SMEs require assistance with quality assurance points to the high likelihood of the production of substandard products. This view is held by Musikanzwa (2014:35) who observed the provision of poor materials as one of the major reasons cited against SMEs' suitability in government tenders.

The Procurement Act (2010:8) stipulates that 25 percent of all government tendering and contract to supply goods and services should be awarded to SMEs. Although this law is in place to ensure that small businesses get government tenders most of the SMEs are yet to be awarded any tenders. This is also the similar case with regards to subcontracting where tax breaks have been offered as incentives for companies subcontracting to SMEs (National Policy and Strategy for SMEs in Zimbabwe, 2002:8).

Qualitative insights were provided by the respondents to explain their answers with regards to support initiatives as well as state the role played by the government and the following comments were made by two respondents:

“Subcontracting helped us achieve what we were not experienced in. Joint-ventures also helped us because we joined forces with companies that already had contracts and we benefited.”

“Tender selection has been made corruption free. We have managed to get at least two tenders on big projects per year.”

These comments show that support initiatives, if followed through, can make a substantial contribution to a small business. However, most small businesses in the survey who have taken part in these initiatives showed that government played no part in them benefiting. Most respondents showed that they sourced collaborative ventures without government assistance. Bearing in mind the difference that the subcontracting and partnership ventures makes in SMEs it is important for the government to play a facilitative role which ensures that small businesses have access to these initiatives as stipulated in the National Policy and Strategy for SMEs in Zimbabwe. The second respondent had a registered business showing that registered SMEs stand a better chance to benefitting from such important initiatives such as government tenders.

Abe *et al.* (2014:30) highlights the need for drafting and publishing a contract policy for public procurement with SMEs in order to set up transparent procedures and expand opportunities for SMEs in public procurement. Transparency is important in relation to tender process because of the high corruption levels in Zimbabwe (Mashanda, 2012:20-21). Extending procurement to small businesses is an important initiative that will help in their growth.

Abe *et al.* (2014:30) assert that simplifying import-export procedures is needed by implementing trade facilitation measures and addressing legal and regulatory obstacles in cooperation with ministries concerned. Section 5.5.3.1 of the data presentation chapter showed that SMEs prioritised the simplification of the licensing procedures and trade facilitation. The argument presented by Abe *et al.* (2014) is thus in line with the findings of this study.

6.3.2 SEDCO as an initiative to mitigate financial challenges

According to Chirisa *et al.* (2012:126) SEDCO was established to finance SMEs. This was a measure to address the limited and cost of finance that had been highlighted as the most prevalent challenge. However, the findings of this study show that 91.74 percent of the respondent have not made use of the services offered by SEDCO. Most of the respondents have limited information on the operations of this institution. Most of the respondents attributed their failure to use SEDCO services to the fact that they were uninformed of the services offered. The experts interviewed in this study showed that SEDCO was unable to function fully because it

was underfunded and therefore incapacitated to carry out its mandate. This argument by experts is in line with the assertion made in most of the literature covered in this study. Most studies (Muzari and Jambwa, 2012:1709; Mananga, 2013:377) in Zimbabwe note that SEDCO is perennially underfunded as such fails to offer assistance to many SMEs in Zimbabwe.

6.4 Objective 3: To assess the effectiveness of the Ministry of Small and Medium Enterprises and Cooperatives Development in the implementation of the SME policy

The creation of the MinSMECD was an initiative meant to develop the SME sector (Chivasa, 2014:2). This view is consistent with the finding that most small businesses agree that the MinSMECD is important for the development of SMEs. Findings on the effectiveness of the MinSMECD show that most SMEs are of the view that the MinSMECD is inaccessible and therefore few have made use of the services offered. 89.72 percent of the respondents showed that programmes offered by the MinSMECD were not explained to them. The creation of the MinSMECD therefore was meant to meet the needs that had been identified by small businesses.

According to Abe and Dutta (2014:16) government ministries in developing countries are often slow and complacent to carry out their mandate. Even though there is the MinSMECD, there are problems of the MinSMECD fulfilling its mandate.

This study found that 89.72 percent of the small business are unaware of the programme. Hussain, Farooq and Akhtar (2012:1581) concur with this view and argue that evidence from developing countries of the effectiveness of government to support SME development is mixed and discouraging. Although there is commitment from government through the creation of the MinSMECD it has been ineffective in carrying out its mandate. Most of the respondents showed that the MinSMECD is inaccessible and the programmes offered are yet to be explained. According to Brunetto *et al* (2015:16) policy implementation depends on the interpretation of the original message, resources availability, and the existing organisational culture. Most respondents are of the view that there are limited resources and that there is preferential treatment of those that can get access to the MinSMECD.

6.5 Objective 4: To investigate the extent to which the objectives of the Policy and Strategy Framework for SMEs in Zimbabwe have been met.

The main objective of the National Policy and Strategy for SMEs in Zimbabwe (2002:5) was identified to create an enabling environment for SMEs. In order to create such an environment there are factors that the government had to address through the policy and strategy framework for small businesses. Among these was improving the business registration process which entailed reducing the number of days it takes to register a small business and lessening the number of procedures. Creating an enabling environment also involved addressing the challenges that have been identified in the second objective. Therefore, determining if the objective of the policy was met was a continuous process.

6.5.1 Creating an enabling environment

The findings of this study show that the majority of small businesses still find the environment in which they operate to be uncondusive. Over 74.31 percent of SMEs found the regulatory environment to be hostile. The hostility of the regulatory environment is a testimony to the fact that the policy failed to meet its objective of creating an enabling environment in which SMEs can grow. The failure of the government to meet the objective could be a result of the failure to implement the policy. As highlighted earlier although the Zimbabwean government drafts good policies the problem is that there is a poor implementation of such policies (Chirisa *et al.*, 2012:120). Having identified relevant objective, the government failed in implementing the set actions of achieving these objectives. With a track record of failing to implement sound policies the government also failed to implement the policy under evaluation.

Etuk *et al.* (2014:656) is of the view that the performance of SMEs falls below expectation in many developing countries because the sector faces unfavourable and very harsh economic conditions resulting from unstable government policies. The assertion by Etuk *et al.* (2014) is validated by the findings of this study wherein over 74.31 percent of the respondents attested to the fact that the regulatory environment presented a huge challenge for their businesses. Stabilising government policy or the regulatory environment is therefore a prerequisite for the development of SMEs and for them to perform as expected.

In addition, the fact that about 74.31 percent of the respondents viewed the regulatory environment as presenting a challenge to their enterprise is closely related to the low number (45.37 percent) of SMEs registered. This is so because the most cited reason for the failure to register is that the procedures and requirements are very rigid. There is still more work to be done by the government to improve the regulatory environment. Maseko and Manyani (2011:54) argues that a hostile regulatory environment contributes to the poor performance of SMEs in Zimbabwe. The conclusion reached in the study by Maseko and Manyani (2011) dovetails with the findings of this study and can provide reasonable ground to assert that government is yet to improve on the regulatory environment.

Most of the respondents (38.58 percent) agreed that a hostile regulatory environment (mean of 3.97) was a challenge to their enterprises behind limited access to finance (mean of 4.39) and the cost of finance (mean of 4.30). These findings are consistent with Karedza *et al.* (2014:38) who asserted that the regulatory environment is among some of the major factors hindering the progress of SMEs. The fact that the regulatory environment is ranked as high as limited access to finance and the cost of finance can be accounted for by the observation that throwing money at SMEs will produce little effect if they are operating in an unconducive regulatory environment (Bartlett, 2001:200; Mouragane, 2012:13). Among the National Policy and Strategy for SMEs in Zimbabwe's (2002:7) objectives is creating an enabling legal and regulatory environment. However, the fact that the majority of the respondent in this study pointed out the challenges presented by the regulatory environment means that there is still more work to be done by the government.

Abe and Dutta (2014:28) in a study on a new policy framework for Myanmar's SME development assert that there is a need to establish an SME development agency to develop and enforce a fair and transparent legal and regulatory regime for SMEs by assessing the costs and benefits of specific laws/regulations and eradicating the roadblocks. This suggestion is in response to experts' argument that the government is overwhelmed by responsibilities. Delegating this task to an agency would be ideal to foster a conducive environment for the development of small businesses.

6.5.2 Registration

This study shows that the majority of small businesses in the Harare CBD are unregistered (54.63 percent) and several factors were highlighted as contributing to this. Such a finding shows that objectives set in the policy and strategy for SMEs in Zimbabwe are yet to be achieved as top of the agenda was simplifying the company registration process (National Policy and Strategy for SMEs in Zimbabwe, 2002:8). In this light, therefore, the government has fallen short in meeting its objective of creating an enabling environment by simplifying the company registration process to increase the number of small businesses that register.

Most of the respondents attributed their failure to register their business to the high number of procedures that they have to go through to get the business registered. The cited reasons are in line with the observation that regulations have been identified as the stumbling block to the development of SMEs due to their complexities as well as the multiplicity of bureaucratic requirements (Zindiye *et al.*, 2012:658). Therefore, one can argue that government's efforts at simplifying the registration process are yet to yield the desired results as most of the small businesses still find the process to be tedious. In reference to the explanations and recommendations made by the respondents in this study the following factors can be put forward as ones that deter small business owners from registering their businesses: bureaucracy, lack of information, many registration procedures and the lack of incentives for registration.

Mourougane (2012:11) also pointed out that a heavy regulatory burden can influence firms' decisions to become formal. Stringent regulations are a deterrence to business registration as was the case in this study whereby only a low number of businesses were registered businesses. Most respondents highlighted that the regulations that characterise the registration process and the business environment deterred them from business registration. Chirisa *et al.* (2012:128) highlighted the need for the removal of bottlenecks in the registration process for SMEs as this would lead to a considerable expansion of the sector. The fact that 45 percent of the SMEs in this survey are registered shows that bottlenecks are still an impediment to business registration. Most of the participants in this study highlighted government procedures and requirements as being rigid hence their inability to register their businesses.

Failure to improve the registration process can be seen based on the fact that the Small Business Act is yet to be ratified into law (Zimbabwe Medium Term Plan, 2011:157). The National Policy and Strategy for SMEs (2002:8) stated that the Small Business Act would be put in place as a legal instrument to facilitate the growth of the sector. Simplifying the registration process would have been facilitated by this legislation however the Act is yet to be ratified hence the failure of the policy objective to yield any tangible results. Some of the respondents expressed the view that there are few benefits that accompany business registration hence the reluctance to register their businesses. Government made a commitment to improving access to information concerning business registration (National Policy and Strategy for SMEs, 2002:8). The explanation that there are few benefits associated with business registration shows that there are information asymmetries. If small business owners were well informed of the benefits that are associated with business registration more small businesses could be more willing to register. According to the World Bank Group (2016:17) formally registered companies have access to services and institutions from courts to banks as well as new markets. SMEs in Zimbabwe are better placed to benefit from business registration than they would lose. There is need to disseminate information on the benefits of company registration to SME operators, seeing as this study has determined that most of the SMEs remain unregistered as determined in this study.

Registered businesses have access to bank services such as loans. Most studies cited in this research have indicated that small businesses have limited access to bank loans (Gombarume and Mavhundutse, 2014:104; Bukaliya and Hama, 2012:57). The fact that 54.63 percent of the businesses in this study were unregistered implies that only 45.37 percent have access to bank loans because they are formally registered and therefore meet part of the criterion for lending. It can be argued that if more small businesses get registered they have a better chance of accessing bank loans. In this light therefore it is important for government to address issues of business registration as this would also in turn solve problems such as limited access to finance.

However, some respondents suggested that there is need to incentivise the company registration process even though some of the benefits associated with business registration have been highlighted, with no incentives, there seems to be no motivation for business owners as highlighted by the fact that there is not much difference between registered and unregistered

SMEs. They both experience financial challenges, have collateral problems that deter bank loan application and both SMEs have problems accessing the services offered by SEDCO. In this light, therefore the government needs to make business registration attractive by putting in place incentives for registered businesses so as to encourage unregistered businesses to follow suit.

Starting a business in Zimbabwe requires a completion of nine procedures most of which have to be paid for (World Bank Group, 2016:18). Having many procedures validates the reasons for non-registration that have been highlighted by most of the respondents in this study. Most of them stated that they were hesitant to register their businesses because of the complexities that are involved in the business registration process. There is, therefore an urgent need to minimise the procedures that individuals have to go through before formally registering a business. Government should make business registration easy in which case more entrepreneurs start businesses in the formal sector, creating more jobs and generating more revenue for the government (World Bank Group, 2016:17). The Government of Zimbabwe acknowledged that the SME policy would generate sustainable jobs and stimulate growth (National Policy and Strategy for SMEs, 2002:4). These broad SME policy goals can only be achieved if government makes formalising businesses easier. Although the government did make a commitment to make business registration easier most respondents still find it difficult to register their business. The onus is therefore on government to reduce the number of procedures required to register as a way to get more businesses to formalise their operations.

Nevertheless, there exists a possibility that regardless of government efforts at reducing requirements for business registration, there will be little improvement in the number of businesses that register. This is so because most participants in this study also cited the fear of taxes as a disincentive for business registration. This finding is consistent with that of Karedza *et al.* (2014:38) who in their analysis of the obstacles to the success of SMEs in Chinhoyi, Zimbabwe found that small businesses were unwilling to register because of the reluctance to pay taxes. Therefore, even if the government was to reduce the procedures there still remains the issue of taxes that would still demotivate registration.

6.5.2.1 Days it took to register a business

Discussing the number of days it takes a small business to register is important for this study in that it can help account for the low percentage of business registration. Underlying the number of days it takes to register a business is the issue of bureaucracy and the number of procedures that registering businesses have to fulfil. The number of days can, therefore, act as a disincentive to business registration. Gombarume and Mavhundutse (2014:105) note that the World Bank states that in Zimbabwe it takes up to 952 days to deal with licensing issues. From the findings of this study one can argue that there are inconsistencies in the conclusions reached by the World Bank. The longest it took for some respondents to register a business in Zimbabwe was 180 days. For people who bought shelf companies the process was much shorter and it took between a day and five days. The ease of doing business in Zimbabwe shows that it takes 90 days to register a business by going through 9 procedures at a cost of 112 percent of income per capita (World Bank Group, 2016:18).

The findings of this study are consistent with those made by the World Bank Group as the second largest number of respondents showed that it took 90 days to register their businesses. Zimbabwe has been placed at number 157 out of 189 on the Ease of Doing Business for 2016 a decline from 155 (World Bank Group, 2016:6). This implies that it will be slightly harder to do business in Zimbabwe in 2016 mainly because Zimbabwe is still ranked at 182 out of 189 on the ease to start a business.

In addition, the fact that it is difficult to start a business in Zimbabwe is consistent with the comments made by respondents in this study. Most of the respondents expressed the view that there are too many requirements and the environment is yet to be conducive for business. The longest procedure in business registration takes up to six weeks and the most expensive procedure costs as much as USD 530 (World Bank Group, 2016:23).

Below is an outline of some of the participants' response on the cost of registration that acts as a deterrent to registration:

“Registration fees should be reduced and the process should be faster.”

“The procedures and requirements are very stiff and I haven’t reached the capacity to meet them. The profit margin is very low just enough for me and my employees to survive.”

These responses show that there is a willingness to register businesses but the cost for registration and the requirements deter registration. The National Policy and Strategy for SMEs in Zimbabwe was meant to address these issues however most of the respondents showed that these were still disincentives to company registration.

6.6 Summary

Literature showed concern over the Zimbabwean government’s ability to draft sound policy but falling short in the implementation thereof. Such a conclusion can be reached in this discussion chapter which highlighted that even though the policy and strategy framework for SMEs in Zimbabwe was a sound document it failed to achieve its objectives. Researchers argued that SME policy was necessary to create an environment that is conducive for the development of SMEs, as such this was the objective of the National Policy and Strategy for SMEs in Zimbabwe. This objective however is yet to be achieved as the challenges faced by businesses prior to the policy are still prevalent. The government, through the policy, committed to creating an enabling environment however most small businesses attributed their challenges to an unconducive regulatory environment. Registration was addressed in the policy, showing that the process of business registration would be simplified by lessening the procedures, number of days and bureaucratic requirements. This is yet to be achieved as fewer businesses have registered their companies. The commonly cited reason for this are the rigid procedures and requirements. Results also showed that there are no incentives for registration since registered and unregistered businesses still face the same challenges.

Financial challenges proved to be the commonly cited challenge faced by SMEs. This challenge is worsened by the fact institutions established by the government to fund small businesses have thus far been ineffective. Most SMEs have therefore resorted to financing their ventures using

capital from family and friends. Bank loans are difficult to access because of the requirements associated with applications such as collateral requirements. Although other researchers identified the lack of skills as a challenge faced by SMEs this study found that the lack of skills is one of the least cited challenges. Small businesses are endowed with the requisite skills and, failure of business in this sector is a result of financial challenges and the regulatory framework.

CHAPTER 7

CONCLUSION, SUMMARY AND RECOMMENDATIONS

7.1 Introduction

This Chapter is the culmination of the evaluation of the policy and strategy framework and provides a summary of this study including a brief highlight of the research process, discussion of the findings in relation to each of the objectives, limitations of the study as well as recommendations on SMEs and government policy and future research.

7.2 Summary of Study

The National Policy and Strategy for SMEs in Zimbabwe was formulated in recognition of the challenges and opportunities associated with SMEs. The policy is meant to create a conducive environment in which SMEs can overcome the hurdles that they face. This study evaluates the Policy and Strategy Framework for SMEs to determine if the challenges faced by small businesses in Zimbabwe have been overcome and therefore the objectives of the policy have been achieved. The study constitutes of seven chapters meant to uncover the policy. The first chapter introduced the study outlining the background and context in which the study was carried out. Here a brief discussion of the circumstances around which the SME policy in Zimbabwe is formulated is given. The research objectives of the study were also outlined in the first chapter, these show the aims of this study and what it set out to achieve. A general roadmap of this study is also outlined in this chapter where an overview of the structure of the dissertation was given.

Chapter two constituted a review of literature on the definition of an SME showing the contest that exists in defining this sector. This chapter also focused on SME policy development by discussing the SME policy determinants. These are the areas that government policy must seek to influence as they present the most challenges to small businesses. The last section of this

chapter was an analysis of the measures taken by the Government to create a conducive environment for SMEs in Zimbabwe. Here a discussion of the National Policy and Strategy for SMEs in Zimbabwe is detailed with reference to the SME Policy Index.

Chapter three was the theoretical framework which evaluated the Policy and Strategy Framework for SMEs in Zimbabwe using the seven headings by the OECD. Four of the seven headings were discussed and used in the evaluation of the policy. These are rationale, appropriateness, superiority and systemic efficiency. The evaluation included determining the market failures meant to be addressed by the policy and determining the objectives of the policy.

The fourth chapter was the methodology. This chapter was a discussion of the steps that were taken to collect data. Firstly, the paradigm that informed this study was discussed together with the research approach. The chapter also discusses the target population, study site, sample size and the sampling techniques. A discussion of the data collection techniques and the analysis of the data was also given in this chapter together with the steps taken to ensure the validity and the reliability of the study.

Chapter five presented and analysed the results of this study. These results of the preliminary tests carried before the analysis of the data constitute part of this chapter. These are followed by the presentation of the empirical study which was done according to each of the objectives.

Chapter six constituted the discussion of the results presented in chapter five. The discussion is done according to the objectives of the study. In this chapter the findings are linked to literature.

Chapter seven is the concluding chapter which sums up the whole study. Recommendations, contribution to the body of knowledge, limitations of the study and areas for further research are outlined in this chapter.

7.3 Conclusions

Summating the study includes determining if the objectives of this study have been achieved. This section is a presentation of the conclusions reached in relation to the different objectives. Outlined next are brief discussions of each of the objectives of this study together with corresponding concluding remarks that pertain to that particular objective.

7.3.1 Objective 1: To examine the challenges faced by SMEs in Zimbabwe.

The study found out that limited access to finance and the cost of finance are the most pervasive challenges faced by SMEs in Zimbabwe. Few SMEs apply for bank loans because of collateral requirements and the services offered by SEDCO in terms of small business financing have failed to reach most of the SMEs. Other financing institutions such as the Venture Capital Company of Zimbabwe have also fallen short in financing small businesses. As a result, the cost and accessibility of finance remain a challenge faced by small businesses. This implies that although there are measures in place to address problems of collateral requirements such as SEDCO and the Credit Guarantee scheme they are yet to be fully implemented. The right measures are in place however there is a lack of implementation therefore SMEs cite these same challenges.

Although some studies in Zimbabwe cite the lack of skills and infrastructure as challenges faced by small businesses this study found out that SMEs have the skills and infrastructure thus these are classified as opportunities rather than challenges. This implies that the small businesses have the requisite skills and infrastructure. Therefore instead of government funding skills programmes and building more structures for small businesses should use allocated funds to finance SMEs and the maintenance of infrastructure. While there are banks and SEDCO responsible for the funding of new ventures the results of this study show that most people get start-up capital from family and friends. People have little information about SEDCO and some have little confidence in the procedures for funding. Also, banks have stringent requirements them an unreliable source of finance. This implies that people without family and friends that are willing to fund their start-up will fail to start a business resulting in Zimbabwe failing to realise the benefits that are associated with SMEs.

7.3.2 Objective 2: To analyse the extent to which the Policy and Strategy Framework for SMEs addresses the challenges faced by small businesses.

The National Policy and Strategy for SMEs in Zimbabwe outlines government measures to address the challenges faced by SMEs. The findings of this study show that SEDCO; which is mandated with funding small businesses is yet to be effective in doing so. Most of the responses given by small businesses in this survey showed that they had little information with regards to the operations and location of this institution. Some mentioned that they were yet to come across individuals that have benefitted from the services offered by SEDCO. This implies that although there are measures to improve the financing of small businesses, these have not been well implemented. There is therefore need to improve on the implementation of such measures.

This study found out that government initiatives such as availing tenders to small businesses, business angels, subcontracting and incubation projects have yet to bear the intended results as most small businesses are yet to benefit from these initiatives. Measures and legislation to support small businesses through tenders and procurement are in place but there is little or biased implementation of these measures with only few, if any small businesses benefiting. This implies that there is need for transparency in the procurement process and an implementation of initiatives such subcontracting. Furthermore, some SMEs showed that they were incapacitated to deliver some of the subcontracted contracts. In this case, small businesses should be allowed to form joint ventures that enable them to fulfil the contract. This would improve the capacity of the SMEs as well as provide the needed capital and expertise.

Findings of this study also showed that instead of the measures prioritised by the government small business prefer easy access to information, the simplification of licensing procedures, quality assurance and trade facilitation. This implies that although there are measures put in place by the government they only address the needs of SMEs in part. There is therefore need for the government to review and prioritise measures that address the outlined concerns of small businesses.

7.3.3 Objective 3: To assess the effectiveness of the Ministry of Small and Medium Enterprises and Cooperatives Development in the implementation of SME policy

Most of the respondents indicated that the MinSMECD is important for the development of SMEs in Zimbabwe. However, respondents showed that the MinSMECD was yet to effectively engage them in development efforts. The MinSMECD is perceived to be inapproachable. The fact that most of the small businesses view the MinSMECD as inapproachable yet most of the businesses state that they require information and advice diminishes the effectiveness of the MinSMECD in representing SMEs. There is, therefore an urgent need for the MinSMECD to embark of a public relations program that shows SMEs that they are accessible.

Findings also show that the MinSMECD has yet to explain the programmes and services it offers to small businesses. Most small businesses showed that they are unaware of the programmes meant to benefit them. This implies that there is little consultative work done to gain SMEs' perspectives into the programmes by the MinSMECD. There is a great need to improve the availability of information to SMEs.

7.3.4 Objective 4: To investigate whether the objectives of the Policy and Strategy Framework for SMEs have been met

The regulatory environment, which the policy aimed at addressing, was ranked as the third most pervasive challenge after financial challenges. This showed that regardless of the policy SMEs still have difficulties coping with the hostile regulatory environment. The main objective of the National Policy and Strategy for SMEs in Zimbabwe was to create a conducive environment. However, findings of this study show that SMEs still find the regulatory environment to be hostile. This implies that the objectives of the policy are yet to be achieved. This is likely due to lack of implementation of measures within the policy.

The findings of this study show that there are no differences between SMEs established before the National Policy and Strategy for SMEs in Zimbabwe and those established after, in terms of the challenges they face. The expectation was that there would be significant differences in the challenges the two groups faced which would imply that the objectives have been met. However,

no statistically significant differences were noted. This therefore implies that the objectives of the policy are yet to be achieved.

The business environment is made unconducive by the numerous challenges that SMEs face which include financial challenges. Due to the persistence of these challenges in spite of the existence of the National Policy and Strategy for Small and Medium Enterprises in Zimbabwe one can conclude that the objectives of the policy are yet to be achieved. There seems to be a lack of implementation of the policy as shown by the persistence of challenges even though there are measures outlined in the policy which should mitigate against such challenges.

7.4 Recommendations

This section outlines recommendations for future studies as well recommendations for the development and growth of SMEs in Zimbabwe. Firstly, the researcher makes recommendations for SMEs in Zimbabwe. These are based on the findings of this study might provide insights into the development of SMEs. The researcher then makes recommendations for areas for further study, which is important for the academic development.

Based on the findings of this study the following recommendations are made:

- Developing a new policy for SMEs in Zimbabwe. The current policy was institutionalised in 2002 and since then the country has gone through numerous changes that render the policy void. Zimbabwe has abandoned the use of the Zimbabwean Dollar and adopted a multi-currency system and also the country now has a new constitution. Due to these, changes it is therefore important to have a new policy in place that takes into account the numerous changes that Zimbabwe has experienced. The MinSMECD should therefore formulate a new SME policy.
- Finalising the Small Businesses Act. The Zimbabwe Medium Term Plan showed that there is the Small and Medium Enterprises Bill yet to be passed into law. This law would provide a solid basis for the representation of SMEs and assist in the development efforts.

- Improve on the accessibility of the MinSMECD. As noted in this study the MinSMECD represents the small businesses sector. As such, it should be at the disposal of small businesses and offer assistance when required. Most of the respondents in this study showed that the MinSMECD is inaccessible, thereby failing to carry out its mandate. The MinSMECD should have a visible presence in exhibitions such as the Zimbabwe International Trade Fair. There needs to be an advertisement drive that markets the services offered to SMEs by the MinSMECD.
- Simplify licensing procedures. Most of the respondents in this study showed a willingness to register their entities but were deterred by the registration process. Simplification should involve reducing the bureaucratic red tape involved in the registration process as well as lessening the procedures required.
- Improve on the availability and access to information. Most small businesses are unaware of programmes and services available to them. Advertising these services is important through visual and print media is important. Government should join forces with the different organisations that represent SMEs in order to improve the distribution of information. It is also important for the MinSMECD to be open to having information in the public domain to ensure easy access by all those requiring it.
- Improve the credit guarantee scheme. Most of the small businesses showed that the lack of collateral is a deterrent in their efforts to secure bank loans. The credit guarantee scheme is an initiative that makes the government the guarantor for SMEs loans. However, the scheme is marred by inefficiencies and as such it is currently ineffective. A functional credit guarantee scheme would address such problems as limited access to finance by dealing with the cost of finance in the form of collateral amongst other things.
- Incentivise company registration. Respondents showed a willingness to register businesses but were deterred by the high number of procedures that they have to go through before completing this process. To encourage company registration, SME operators must be able to identify the benefits associated with registering a business. As it is, few small businesses will register because there are no differences between registered and unregistered businesses.

- Galvanising the support of other government institutions. The development of SMEs should be a national agenda because of the shrinking of formal sources of employment. If government institutions rally behind small businesses, then they will develop. SMEs are in different sectors of the economy making the cooperation of all institutions in the country crucial to their success.
- Trade facilitation. The government must make the exportation of goods and services of small businesses easy. This is mainly because most of the respondents argued that their businesses required trade facilitation. Some identified the lack of markets as a challenge that was impeding the development of their businesses. Government could assist SMEs by facilitating the exportation of their goods especially by lessening the procedures that have to be taken.
- Adaptive Efficiency discussed in Chapter 3 is concerned with how this study leads to the implementation of project change. The findings of this study have to be implemented to ensure adaptive efficiency as a completion of the evaluation process. The MinSMECD should therefore evaluate SME policies and adapt to changes identified.
- The fact that SMEs in the CBD of Harare are faced with so much challenges and are receiving little assistance implies that those in the countryside are worse. There is therefore need for the government to pay particular attention to SMEs in the countryside.
- Since the Government of Zimbabwe is incapacitated to offer satisfactory assistance to SMEs there is need to consider private-public sector partnerships as an avenue to ensure SME development in Zimbabwe.

7.5 Contribution to the body of knowledge

Previous research on SMEs in Zimbabwe has focused mostly on the challenges and opportunities that are associated with SMEs as a result there has been a dearth of knowledge on evaluating SME policies in Zimbabwe. Although several studies highlight the importance of government policies in the development of SMEs, the evaluation of policies has been neglected. It is in recognition of this niche that this study was conducted. This study contributes to the body of knowledge by evaluating the National Policy and Strategy for SMEs in Zimbabwe in an effort to

determine whether the government has solved the challenges faced by small businesses in Zimbabwe.

This research contributes to the body of knowledge by evaluating the National Policy and Strategy for SMEs in Zimbabwe using the OECD's four of the seven elements which are rationale, appropriateness, superiority and systemic efficiency. The SME policy in Zimbabwe was also analysed with reference to the SME Policy Index in order to compare it to international standards. As far as could be ascertained there are no studies in Zimbabwe that have evaluated the Policy and Strategy Framework for SMEs using the aforementioned frameworks. In this regard this research has contributed to the body of knowledge.

7.6 Limitations of the study

The findings of this study are a reflection of the experiences of small businesses in the Central Business District (CBD) of Harare as this was the target population. The findings of this study can, therefore, not be generalised to all the SMEs in Zimbabwe. The other limitation lies in the fact that a significant number of would be respondents who gave consent to participate in the study and were given questionnaires did not complete questionnaires. Also a few of the respondents failed to answer all questions thereby negatively impacting on the results of the study. A longitudinal study would have been important to determine additionality however because small businesses rarely survive more than a year which is worsened by the prevailing economic environment in Zimbabwe this was unfeasible

7.7 Areas for further research

- There is need to broaden the scope of this study so as to determine whether or not the National Policy and Strategy for SMEs in Zimbabwe has borne the desired results. As this research was carried out in the Central Business District of Harare there are limitations with regards to the applicability of the results. A replication of the study for other cities and towns would be informative.

- Research into the cost of finance with particular focus on the credit guarantee scheme would be important in mitigating such challenges as the limited access to finance.
- There is need for studies into information for small business programmes. Such research could focus on the availability of reliable and useful information for small businesses and how this helps in the mitigation of challenges as well effect on such issues as business registration and the use of services.
- The role an individual has in an SME has been shown to be influential in issues such as the challenge of a hostile regulatory environment, turnover of a business and skills. A study into how different roles in an SME can help small businesses mitigate the challenges in their business environment would be informative.
- Studies into small business registration could add valuable knowledge to small business development. Such studies could focus on incentives for registration and identify the benefits associated with small business registration.
- Own efficiency was difficult to ascertain mainly because of the inaccessibility of government documents around the cost effectiveness of implementing policies. Studies that determine if the National Policy and Strategy for SMEs in Zimbabwe was implemented in a cost effective way will therefore be needed.
- Determining the additionality of the National Policy and Strategy for SMEs in Zimbabwe is an important area for further research. Such a research would have to do an analysis of the policy following the outlined steps on determining the additionality of a policy.
- Further research can be conducted on the state of SMEs in the countryside. This is due to the fact that SMEs in the CBD of Harare are faced with a lot of challenges and the strategies in place to assist them are ineffective coupled with government's incapacity to assist the position of SMEs in the countryside could be worse.
- Research can be conducted on the feasibility of private-public sector partnerships as a panacea to government's incapacity to assist SMEs.

LIST OF REFERENCES

- Abe, M., & Dutta, M. K. (2014). A new policy framework for Myanmar's SME development. *Working Paper*, p. 1-53.
- Acar, E. F., & Sun, L. (2013). A generalized Kruskal–Wallis test incorporating group uncertainty with application to Genetic Association Studies. *Biometrics*, 69(2), 427- 435.
- Agwu, M. O., & Emeti, C. I. (2014). Issues, challenges and prospects of small and medium scale enterprises (SMEs) in Port-Harcourt City, Nigeria. *European Journal of Sustainable Development*, 3(1), 101-114.
- Amadi-Echendu, A. P., Phillips, M., Chodokufa, K., & Visser, T. (2016). Entrepreneurial Education in a Tertiary Context: A Perspective of the University of South Africa. *The International Review of Research in Open and Distributed Learning*, 17(4).
- Andersson, T. (2000). Policy design, implementation and evaluation: Rationale, efficiency and systemic concerns. Public Policies for SMEs in Europe. [Online]. Available from: www.oecd.org [Accessed 11 February 2016].
- Añón-Higón, D., Manjón-Antolin, M., Mañez, J. A., & Sanchis-Llopis, J. A. (2015). Does R&D protect SMEs from the hardness of the cycle? Evidence from Spanish SMEs. *International Entrepreneurship and Management Journal*, 11(2), 361- 376.
- Arendt, L. (2007). *Barriers to ICT Adoption in SMEs – How to Bridge Digital Divide? IADIS International Conference e-Commerce*. Poland: The Institute of Labour and Social Studies.
- Arregle, J. L., Batjargal, B., Hitt, M. A., Webb, J. W., Miller, T., & Tsui, A. S. (2015). Family ties in entrepreneurs' social networks and new venture growth. *Entrepreneurship Theory and Practice*, 39(2), 313-344.

- Asamoah, P. (2012). Assessing the need for entrepreneurial training at the higher educational institutions in Ghana. Doctoral dissertation: University of the Incarnate Word.
- Autio, E., & Fu, K. (2015). Economic and political institutions and entry into formal and informal entrepreneurship. *Asia Pacific Journal of Management*, 32 (1), 67-94.
- Ayyagari, M., Beck, T., & Demirguc-Kunt, A. (2007). Small and medium enterprises across the globe. *Small Business Economics*, 29(1), 415-434.
- Babbie, E. R. (1990). *Survey Research Methods*. California, United States of America: Wadsworth Publishing Company.
- Bala, V. (2015). Small and medium enterprises: Threats to environment and sustainable development. *IAHRW International Journal of Social Sciences Review*, 3(1). 1-21.
- Baporikar, N. (2015). Strategic management overview and SME in globalized world. Business law and ethics. *Concepts, Methodologies, Tools, and Applications* 23(1), 219-266.
- Bartlett, W. (2001). *SME Development Policies in Different Stages of Transition*. Netherlands: Kluwer Academic Publishers.
- Baruch, Y. (1999). Response rate in academic studies: A comparative analysis. *Human relations*, 52(4), 421-438.
- Beck, T & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking and Finance*, 30, 2931-2943.
- Begum, A. A., & Abdin, M. (2015). Employment generation and poverty alleviation through SME cluster development in Bangladesh. *Turkish Economic Review*, 2(1), 26-31.
- Bennett, R. J. (2014). *Entrepreneurship, Small Business and Public Policy: Evolution and Revolution*. Routledge. New York.

- Berg, G., & Fuchs, M. J. (2013). Bank financing of SMEs in five Sub-Saharan African countries: The role of competition, innovation, and the government. *Working Paper*, p 1-20.
- Bergmann, H. (2012). *Entrepreneurial culture and attitudes*. Key policy issues in Entrepreneurship and SME development. OECD library. Switzerland.
- Bhalla, A. S., Davies, R., Mabugu, M. C., & Mabugu, R. E. (2000). Globalization and Sustainable Human Development: Progress and Challenges for Zimbabwe. *Occasional Paper*, p.1-98.
- Biernacki, P., & Waldorf, D. (1981). Snowball sampling: Problems and techniques of chain referral sampling: *Sociological Methods Research*, 10(1), 141-163.
- Biggs, T., & Shah, M, K. (2006). African SMEs, networks and manufacturing performance. *Journal of Banking and Finance*, 30(1), 3043-3066.
- Bilau, A. A., Ajagbe, A. M., Bustani, S. A., & Sholanke, A. B. (2015). Review of absorptive capacity in small and medium sized construction firms in Nigeria. *Developing Country Studies*, 5(16), 52-61.
- Bilau, A. A., Ajagbe, A. M., Sholanke, A. B., & Sani, T. A. (2015). Impact of employee turnover in small and medium construction firms: A Literature Review. *International Journal of Engineering Research & Technology*, 4(2), 977-984.
- Blackburn, R. A. (2016). *Government, SMEs and Entrepreneurship Development: Policy, Practice and Challenges*. Routledge. London.
- Blanche, M. T., Durrheim, K., & Painter, D. (2006). *Research in Practice: Applied Methods for the Social Sciences*. Juta and Company Ltd. Cape Town.
- Brace, I. (2004). *Questionnaire Design*. London, United Kingdom: Kogan Page.

- Brunetto, Y., Teo, S., Farr-Wharton, R., Lambries, D., Gillett, P., & Tomes, W. (2015). A comparison of impact of management on local government employee outcomes in US and Australia. *Local Government Studies*, 41(4), 495-515.
- Bryman, A. (2015). *Social Research Methods*. Oxford University Press. New York
- Bryman, A., & Bell, E. (2015). *Business Research Methods*. United States of America: Oxford University Press. New York.
- Buckley, A. P. (2016). Using contribution analysis to evaluate small and medium enterprise support policy. *Evaluation*, 22(2), 129-148.
- Bukaliya, R., & Hama, A. (2012). Challenges affecting informal business funding in Zimbabwe: Implications for the Zimbabwe Open University. *The African Symposium*, 12(1), 57-72.
- Cant, M. C., & Wiid, J. A. (2013). Establishing the challenges affecting South African SMEs. *The International Business & Economics Research Journal*, 12(6), 707.
- Cardoza, G., Fornes, G., Farber, V., Duarte, R. G., & Gutierrez, J. R. (2015). Barriers and public policies affecting the international expansion of Latin American SMEs: Evidence from Brazil, Colombia, and Peru. *Working Paper*, p 2-32.
- Carter, S & Wilton, W. (2006). Don't blame the entrepreneur, blame the government: The centrality of the government in enterprise development, lessons from enterprise failure in Zimbabwe. *Journal of Enterprising Culture*, 14(1), 65-88.
- Chadamoyo, P., & Dumbu, E. (2012). Competitive strategy and business environment influencing performance of small and medium enterprises in the manufacturing sector: The case study of manufacturing firms in Mucheke light industry. *European Journal of Business and Management*, 4(10), 28-35.

- Charman, A. J., Petersen, L. M., Piper, L. E., Liedeman, R., & Legg, T. (2015). Small area census approach to measure the township informal economy in South Africa. *Journal of Mixed Methods Research*, 23(2), 35-65.
- Chen, H. T. (2006). A Theory-Driven Evaluation Perspective on Mixed Methods Research. *Mid-South Educational Research Association*, 13(1), 75-83.
- Cheng, F. X., & Wang, W. (2012). Research on the relationship among government regulations, strategy preference and manufacturing performance.
- Cherryholmes, C. H. (1992). Notes on pragmatism and scientific realism. *Educational Researcher*, 21(6), 13-17.
- Chiasson, M & Vega, A. (2015). Towards a comprehensive framework for the evaluation of small and medium enterprise policy. *Evaluation*, 21(3), 359-375.
- Chikweche, T., & Mujeyi, K. (2015). *Emerging models of inclusive growth: Revisiting entrepreneurship and SMMEs in Zimbabwe*. Beyond the crises: Zimbabwe's prospects for transformation. Trust Africa. Harare.
- Chimucheka, T. (2012). Impediments to youth entrepreneurship in rural areas of Zimbabwe. *African Journal of Business Management*, 6 (38), 10389-10395.
- Chingwenya, A., & Mudzengerere, F. H. (2013). The small and medium enterprises policy in Zimbabwe: A narrative of strides taken to mainstream the informal sector activities in urban local authorities in Zimbabwe. *International Journal of Politics and Good Governance*, 4(4), 1-18.
- Chinomona, R. (2013). The fostering role of information technology on SMEs' strategic purchasing, logistics integration and business performance. *Southern African Business Review*, 17(1), 17-39.

- Chipangura, A., & Kaseke, N. (2012). Growth constraints of small and medium enterprises (SMEs) at Glenview Furniture Complex in Harare, Zimbabwe. *International Journal of Marketing and Technology*, 2(6), 40-83.
- Chirisa, I., Dumba, S., & Mukura, T. (2012). Innovative, adaptive and survivalist strategies by small business enterprises in Zimbabwe: Implications for policy and planning. *International Journal of Academic Research in Business and Social Sciences*, 2(5), 114-132.
- Chisasa, J. (2013). Survival strategies for SMES in hyperinflationary environments: Lessons from SMEs in Harare Central Business District. *Corporate Ownership & Control*, 4(10), 153-159.
- Chivasa, S. (2014). Entrepreneurship culture among SMEs in Zimbabwe: A case of Bulawayo SMEs. *International Journal of Economic, Commerce and Management*, 11(9), 1-13.
- Clemens, M., & Moss, T. (2005). *Costs and Causes of Zimbabwe's Crisis*. Washington D.C., United States of America: Centre for Global Development.
- Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2013). *Applied Multiple Regression/Correlation Analysis for the Behavioural Sciences*. Routledge. New Jersey.
- Cohen, L., Manion, L., & Morrison, K. (2013). *Research methods in education*. Routledge. New York
- Corder, G. W., & Foreman, D. I. (2014). *Nonparametric statistics: a step-by-step approach*. John Wiley & Sons. New Jersey.
- Corno, F., Lal, R., & Colombo, S. (2015). *Entrepreneurship and New Venture Creation in Italy: Key Issues and Policy Directions*. Springer International Publishing. Switzerland.
- Creswell, J. W. (2003). *Research Design Qualitative, Quantitative and Mixed Methods Approaches*. Sage Publications. Lincoln.
- Creswell, J. W. (2013). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (4th Ed). Sage Publications. Lincoln.

- Creswell, J. W. (2013). Steps in conducting a scholarly mixed methods study. *DBER Speaker Series*. Paper 48. [Online]. Available from: <http://digitalcommons.unl.edu/dberspeakers/48>. [Accessed 22 March 2016].
- Creswell, J. W. (2014). *A concise introduction to mixed methods research*. Sage Publications. Lincoln.
- Cull, R., Davis, L. E., Lamoreaux, N. R. & Rosenthal, J. (2006). Historical financing of small and medium size enterprises. *Journal of Banking and Finance*, 30(1), 3017-3042.
- Czegledi, C. S., Fonger, J., & Reich, M. (2015). European Union Policies to Support Small and Medium Sized Enterprises and the German Mittelstand. *Managerial Challenges of the Contemporary Society. Proceedings*, 8(1), 102.
- Dane, F. C. (1990). *Research Methods*. Brooks/Cole Publishing Company. Pacific Grove.
- De Silva, L. R., Uyarra, E., & Oakey, R. (2012). *Academic Entrepreneurship in a Resource Constrained Environment: Diversification and Synergistic Effects*. Springer US. New York.
- Deborah, A. E., Wilhelmina, S., Oyelana, A. A., & Ibrahim, S. I. (2015). Challenges faced by women entrepreneurs and strategies adopted by women entrepreneurs to ensure small business success in Nkonkobe Municipality, South Africa. *Journal of Economics*, 6(1), 37-49.
- Denscombe, M. (2014). *The Good Research Guide for Small-Scale Social Research Projects*. McGraw-Hill Education (United Kingdom). Berkshire.
- Department of Trade and Industry. (2003). The integrated small business development strategy in South Africa. *Government of the Republic of South Africa*, p. 2-54.
- Devore, J. L. (2015). *Probability and Statistics for Engineering and the Sciences*. Cengage Learning.
- Dexter, F. (2013). Wilcoxon-Mann-Whitney test used for data that are not normally distributed. *Anaesthesia & Analgesia*, 117(3), 537-538.

- Dhliwayo, C, L. (2014). *Role of the banking sector in promoting the growth and development of SMEs in the country*. Reserve Bank of Zimbabwe.
- Divanbeigi, R., & Ramalho, R. (2015). Business regulations and growth. *World Bank Policy Research Working Paper*, p. 1-28.
- Dosi, G., Fagiolo, G., Napoletano, M., Roventini, A., & Treibich, T. (2015). Fiscal and monetary policies in complex evolving economies. *Journal of Economic Dynamics and Control*, 52, 166-189.
- Du Plessis, A., Indavong, S., & Marriott, J. (2015). SME brand management: A lack of business skills, financial support and human resources. *World Business, Finance and Management Conference: research for progress*. (Proceedings p 11-17 Paper 428)
- Dube, T., Chitura, T, & Runyowa, L. (2010). Electronic commerce benefits and adoption barriers in small and medium enterprises in Gweru, Zimbabwe. *Journal of Internet Banking and Commerce*. 15(1), 1-17.
- Dumbu, E., & Chadamoyo, P. (2012). Managerial deficiencies in the Small and Medium Enterprises (SMEs) in the craft industry: An empirical evidence of SMEs at Great Zimbabwe in Chief Mugabe's area. *European Journal of Business and Management*, 4(10), 79-86.
- El Kalak, I., & Hudson, R. (2016). The Effect of Size on the Failure Probabilities of SMEs: An Empirical Study on the US Market Using Discrete Hazard Model. *International Review of Financial Analysis*, 43, 135-145.
- Emine, D. (2012). Financial challenges that impede increasing the productivity of SMEs in Arab region. *Journal of Contemporary Management*, 1(9), 17-32.
- Eniola, A. A., & Entebang, H. (2015). Government policy and performance of small and medium business management. *International Journal of Academic Research in Business and Social Sciences*, 5(2), 237-248.

- Eslava, M., & Freixas, X. (2016). Public development banks and credit market imperfections. *Documento CEDE*, (2016-06).
- Esselaar, S., Stork, C., Ndiwalana, A., & Deen-Swarrray, M. (2007). ICT usage and its impact on profitability of SMEs in 13 African countries. *Information Technologies and International Development*, 4 (1), 87-100.
- Etuk, R. U., Etuk, G. R., & Michael, B. (2014). Small and medium scale enterprises (SMEs) and Nigeria's economic development. *Mediterranean Journal of Social Sciences*, 5(7), 656.
- Falkena, H., Abedian, I., von Blottnitz, M., Coovadia, C., Davel, G., Madungandaba, J., & Rees, S. (2001). *SMEs access to finance in South Africa: A supply-side regulatory review by the task group of the policy board for financial services and regulation*. Pretoria.
- Fellows, R., F. & Liu, A. M. (2015). *Research methods for construction*. John Wiley & Sons. New York.
- Fetters, M. D., Curry, L. A., & Creswell, J. W. (2013). Achieving integration in mixed methods designs, principles and practices. *Health Services Research*, 48(62), 2134-2156.
- Field, A. (2009). *Discovering Statistics using SPSS*. Sage: London.
- Fox, J. M. (2005). Organizational entrepreneurship and the organizational performance linkage in university extension: Doctoral dissertation: The Ohio State University.
- Franzen, M. D. (2013). *Reliability and validity in neuropsychological assessment*. Springer Science & Business Media. New York.
- Gangata, K., & Matavire, E, H, M. (2013). Challenges facing SMEs in accessing finance form financial institutions: The case of Bulawayo, Zimbabwe. *International Journal of applied Research and Studies*, 2(7).1-10,

- Garcia-Tabuenca, A., & Crespo-Espert, J. L. (2010). Credit guarantees and SME efficiency. *Small Business Economics*, 35(1), 113-128.
- Ghasemi, A., & Zahediasl, S. (2012). Normality tests for statistical analysis: A guide for non-statisticians. *International Journal of Endocrinology and Metabolism*, 10(2), 486-489.
- Gibson, T., & Van der Vaart, H. J. (2008). Defining SMEs: A less imperfect way of defining small and medium enterprises in developing countries. *Brookings Global Economy and Development*. [Online]. Available from: <http://www.brookings.edu/research/papers/2008/09/development-gibson>. [Accessed 5 August 2015]
- Golafshani, N. (2003). Understanding reliability and validity in qualitative research. *The Qualitative Report*, 8(4), 597-606.
- Gombarume, F. B., & Mavhundutse, S. (2014). Challenges faced by small to medium scale enterprises: A case study of Chitungwiza, Zimbabwe. *Greener Journal of Business and Management Studies*, 4(4), 103-107.
- Gomez, C., & Ranft, A. L. (2003). The influence of organizational variables on the transferability of management practices: An examination of traditional and learning manufacturing environments in Mexico. *Journal of Business Research*, 56(12), 989-997.
- Gonzalez, M. R., Rivera, L., & Tijerino, R. J. (2010). Productive development policies in Costa Rica: Market failures, government failures and outcomes. *Working Paper*, p. 1-25.
- Guest, G. (2014). Sampling and selecting participants in field research. *Handbook of methods in cultural anthropology*. Rowman & Littlefield, Lanham, MD, USA, 215-249.
- Guetterman, T. C., Feters, M. D., & Creswell, J. W. (2015). Integrating quantitative and qualitative results in health science mixed methods research through joint displays. *The Annals of Family Medicine*, 13(6), 554-561.

- Hamlin, B. (2015). Paradigms, philosophical prisms and pragmatism in HRD research. *Handbook of Research Methods on Human Resource Development*. Cheltenham. United Kingdom.
- Hancock, B. (2002). *Trent Focus for Research and Development in Primary Health Care: An Introduction to Qualitative Research*. Trent Focus Group. Nottingham.
- Harrison, R. L. (2013). Using mixed methods designs in the Journal of Business Research: 1990–2010. *Journal of Business Research*, 66(11), 2153-2162.
- Harrison, R. T., & Baldock, R. (2015). Financing SME growth in the UK: Meeting the challenges after the global financial crisis. *Venture Capital*, 17(1-2), 1-6.
- Heppner, P., Wampold, B., Owen, J., Thompson, M., & Wang, K. (2015). *Research Design in Counselling*. Cengage Learning. Boston.
- Herrington M & Kelley D (2013) *African entrepreneurship–Sub-Saharan African Regional Report 2012*. IDRC, Canada.
- Hessels, J., & Parker, S. C. (2013). Constraints, internationalization and growth: A cross-country analysis of European SMEs. *Journal of World Business*, 48(1), 137-148.
- Hollander, M., Wolfe, D. A., & Chicken, E. (2013). *Nonparametric Statistical Methods*. John Wiley & Sons. New York.
- Holloway, I., & Wheeler, S. (2013). *Qualitative Research in Nursing and Healthcare*. John Wiley & Sons. West Sussex.
- Horan, G., O'Dwyer, M., & Tiernan, S. (2011). Exploring management perspectives of branding in service SMEs. *Journal of Services Marketing*, 25 (2), 114-121.
- Hussain, I., Farooq, Z., & Akhtar, W. (2012). SMEs development and failure avoidance in developing countries through public private partnership. *African Journal of Business Management*, 6(4), 1581-1589.

- Hwang, L. E. E. (2015). *Development of Competition Laws in Korea*. ERIA Discussion Paper Series (No. DP-2015-78)
- Hwikwa, L., & Maisiri, E. (2013). Corruption in Zimbabwean urban local authorities: A case of Gweru city council. *Asian Journal of Social Sciences and Humanities*, 2(3), 26-33.
- Ihua, U. B. (2009). SMEs key failure-factors: a comparison between the United Kingdom and Nigeria. *Journal of Social Science*, 18 (3), 199-207.
- Indigenisation and Economic Empowerment Act, 2007. Government of Zimbabwe. [Online]. Available at: www.archive.kubatana.net/docs/legisl/ind_econ_empowerment_act17_2007_080307.pdf [Accessed 12 November 2015]
- Industrial Development Policy 2012-2016. (2012). Ministry of Industry and Commerce. Government of Zimbabwe. Government Printers. Harare.
- Inkoun, L. (2003). Portrait of the Entrepreneur Characteristics. University of Ghana. *Discussion Paper Series*.
- Jha, J. K., & Singh, M. (2015). Human resource (HR) & social challenges faced by microfinance in India: a framework. *Indian Journal of Industrial Relations*, 50(3), 494-505.
- Johnson, R. B., Onwuegbuzie, A. J., & Turner, L. A. (2007). Toward a definition of mixed methods research. *Journal of Mixed Methods Research*, 1 (2), 112-133.
- Kapaj, A. D. A. (2015). Small and Medium Enterprises Growth—case of Albania. *Small*, 10(49), 10-18.
- Karedza, G., Sikwila, M. N., Mpofu, T., & Makurumidze, S. (2014). An analysis of the obstacles to the success of SMEs in Chinhoyi, Zimbabwe. *European Journal of Business and Management*, 6(6), 38-42.

- Kauffmann, C. (2005). Financing SMEs in Africa. Policy insights No.7. OECD Development Centre.
- Keasey, K., Pindado, J., & Rodrigues, L. (2015). The determinants of the costs of financial distress in SMEs. *International Small Business Journal*, 33(8), 862-881.
- Khan, M. M. (2015). Sources of finance available for SME sector in Pakistan. *International Letters of Social and Humanistic Sciences*, 6(1), 184-194
- Khoase, R, G. (2011). The Impact of the Regulatory Framework on Small, Medium and Micro Enterprises in Lesotho. Masters Dissertation: The University of KwaZulu-Natal.
- Kim, H. Y. (2013). Statistical notes for clinical researchers: assessing normal distribution (2) using skewness and kurtosis. *Restorative dentistry & endodontics*, 38(1), 52-54.
- Krejcie, R. V., & Morgan, D. W. (1970). Table for determining sample size from a given population. *Educational and Psychological Measurement*, 30(1), 607-610.
- Kuntchev, V., Ramalho, R., Rodríguez-Meza, J., & Yang, J. S. (2012). What have we learned from the Enterprise Surveys regarding access to finance by SMEs? *Enterprise Analysis Unit of the Finance and Private Sector Development: World Bank Group*.
- Kuper, A, A, B, H. (2011). *A policy theory evaluation of the Dutch SME and Entrepreneurship Policy Program between 1982 and 2003*. Scientific Analysis of Entrepreneurship and SMEs.
- Kushnir, K. (2006). How do economies define micro, small and medium enterprises (msmes)? *Companion Note for the MSME Country Indicators*.
- Kyambalesa, H. (1994). Success in Managing a Small Business. Aldershot, Hants: Avebury.
- Laerd Statistics, (2013). Laerd Statistics. *Correction for violation of sphericity in repeated measures designs*. [Online]. Available from. www.laerd.statistics.com [Accessed 4 October 2015].

- Lam, M. R. W., & Shin, M. J. (2012). *What role can financial policies play in revitalizing SMEs in Japan?* International Monetary Fund.
- Latham, B. (2007). Quantitative Research Methods. [Online]. Available from: [http://webpages.acs.ttu.edu/rlatham/Coursework/5377\(Quant\)\)/Sampling_Methodology_Paper.pdf](http://webpages.acs.ttu.edu/rlatham/Coursework/5377(Quant))/Sampling_Methodology_Paper.pdf). [Accessed 20 July 2015]
- Loader, K. (2015). SME suppliers and the challenge of public procurement: evidence revealed by a UK government online feedback facility. *Journal of Purchasing and Supply Management*, 21(2), 103-112.
- Lobel, B. (2014). Majority of Small Companies do not last beyond five years. Small Business.co.uk. 21 October 2014. [Online]. Available from: www.smallbusiness.co.uk [Accessed 15 October 2015].
- Makanyeza, C., & Dzvuke, G. (2015). The influence of innovation on the performance of small and medium enterprises in Zimbabwe. *Journal of African Business*, 16(1-2), 198-214.
- Mangudya, J, P. (2015). *Mid-Term Monetary Policy Statement*. Reserve Bank of Zimbabwe. [Online]. Available from: <http://www.rbz.co.zw/assets/monetary-policy-july-2015.pdf> [Accessed 13 June 2015]
- Manyani, O., Onias, Z., Hove, N., Mudzuri, M., & Chiriseri, L. (2014). An investigation into venture financing. A case study on small to medium scale enterprises in Bindura urban, Zimbabwe (2013-2014). *Elite Research journal of Accounting and Business Managements*, 2(2), 10-25.
- Mapeto, B., Fields, Z., & Derera, E. (2015). Historical overview of Small and Medium Enterprise policies in Zimbabwe. *Journal of Social Science*, 45(2), 113-129.
- Margetts, H. Z. (2011). Experiments for public management research. *Public Management Review*, 13(2), 189-208.

- Mariotti, C., & Shepherd, A. (2015). Getting to Zero: Tackling Extreme Poverty through Private Sector Development Policy Guide. *Policy Guide*, (7).
- Marshall, C., & Rossman, G. B. (2006). Designing Qualitative Research. Sage Publications. Wahington DC
- Masarira, S. K. (2014). An analysis of small business social responsibility practices in South Africa. Doctoral dissertation: University of South Africa.
- Maseko, N. (2014). The impact of personal tax knowledge and compliance costs on tax compliance behaviour of SMEs in Zimbabwe. *Journal of Accounting and Business Management*, 2(3), 26-37.
- Maseko, N., & Manyani, O. (2011). Accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura). *Journal of Accounting and Taxation*, 3(8), 158-166.
- Maseko, N., Manyani, O., Chiriseri, O., Tsekea, S., Mugogo, P.C., Chazuza, T., Mutengezanwa, M. (2012). An analysis of the impact of targeted government support on SMEs growth and development in Zimbabwe: A survey of Mashonaland Central Province. *Journal of Research in International Business Management*, 2(2), 51-59.
- Mashanda, P. R. (2012). An analysis of factors affecting the Adoption of Business-to-Consumer E-Commerce by SMEs in developing countries: Case Study of Zimbabwe. Doctoral Dissertation: University of Cape Town.
- Matarirano, O., & Olawale, F. (2010). Does debt really matter on the profitability of small firms? A perspective on small manufacturing firms in Bulawayo, Zimbabwe. *African Journal of Business Management*, 4 (9), 1709-1716,
- Maunganidze, F. (2013). The role of government in the establishment and development of SMEs in Zimbabwe: Virtues and Vices. *Journal of Business and education*, 4(1), 1-16.

- Mavimbela, R., & Dube, E. (2016). Can an internet adoption framework be developed for SMEs in South Africa. *Journal of Entrepreneurship and Innovation in Emerging Economies*, 2(2), 120-135.
- Mazhindu, K. & Mafuba, G. (2013). The adoption of International financial reporting standards for Small and Medium Enterprises in Zimbabwe. *International Journal of Asian Social Science*, 3(11), 2315-2349.
- Mboko, S., & Smith-Hunter, A. E. (2009). Women entrepreneurs in Zimbabwe: A case study. *Journal of Global Business Issues*, 3(1), 157-171.
- Mbuyisa, B., & Leonard, A. (2015). *ICT Adoption in SMEs for the Alleviation of Poverty*. International Association for Management of Technology. IAMOT Conference Proceedings.
- McCann, P., & Ortega-Argilés, R. (2016). Smart specialisation, entrepreneurship and SMEs: Issues and challenges for a results-oriented EU regional policy. *Small Business Economics*, 46(4), 537-552.
- McKight, P. E., & Najab, J. (2010). Kruskal-Wallis Test. *Corsini Encyclopaedia of Psychology*.
- Mertens, D. M. (2010). Transformative mixed methods research. *Qualitative inquiry*, 16(6), 469-474.
- Ministry of Small and Medium Enterprises and Cooperatives Development. SMEs in Zimbabwe. [Online]. Available from: www.sme.cd.zw. [Accessed: 23 May 2015]
- Morgan, D. L. (2007). Paradigms lost and pragmatism regained methodological implications of combining qualitative and quantitative methods. *Journal of Mixed Methods Research*, 1(1), 48-76.
- Mosselman, M. (2004). Review of the methods to measure the effectiveness of state aid to SMEs, Final Report to the European Commission. EIM Business Policy and Research.

- Mourougane, A. (2012). Promoting SME development in Indonesia. *OECD Economics Department Working Papers, No. 995*. OECD Publishing.
- Mouton, J. 1996. *Understanding Social Research: How to Succeed In Your Masters and Doctoral Studies*. Pretoria: Van Schaik Publishers.
- Mpofu, K, C. (2008). ICT Adoption and development of e-Business among SMEs in South Africa. [Online]. Available from: www.eprints.bucks.ac.uk/1421/1/Mpofu,%20Knowledge%20ICT%20adoption.pdf. [Accessed 20 November 2015]
- Msipah, N., Chavhunduka, D, M., Jengeta, M., Mufudza. & Nhemachena, B. (2013). Entrepreneurial training needs analysis in small-scale artisanal engineering businesses in Zimbabwe: A Case Study of Mashonaland West Province. *Journal of Sustainable Development in Africa*, 15(2), 81-98.
- Mudarikiri, G. (2012, December, 25). Cabinet Approves SME Bank. *Newsday*. [Online] Available from: www.newsday.co.zw/2012/12/25/cabinet-approves-sme-bank/. [Accessed 17 March 2014.]
- Mudavanhu, V., Bindu, S., Chigusiwa, L., & Muchabaiwa, L. (2011). Determinants of Small and Medium Enterprises failure in Zimbabwe: A case study of Bindura. *International Journal of Economics*, 2 (5), 82-89.
- Munanga, E. (2013). Financial Challenges faced by retail SMEs operating in a multi-currency environment. A case of Gweru urban, Zimbabwe. *Asian Economic and Financial Review*, 3 (3), 377-388.
- Murwira, Z. (2014, October, 29). Alignment of Laws to Dominate Parliament Session. *The Herald*. [Online]. Available from: www.herald.co.zw/alignment-of-laws-to-dominate-parly-session/. [Accessed 17 March 2014]

- Musikanzwa, M. (2014). Managing Small to Medium Enterprises suppliers in developing countries – A case of SMEs in Harare, Zimbabwe. *Science Journal of Business and Management*, 2(1), 35-43.
- Mutambanengwe, M. (2013). Small and Medium Enterprises Association of Zimbabwe. [Online]. Available from: www.smeaz.org.zw . [Accessed 13 May 2015].
- Mutandwa, E., Taremwa, N. K., & Tubanambazi, T. (2015). Determinants of business performance of Small and Medium size Enterprises in Rwanda. *Journal of Developmental Entrepreneurship*, 20(1), 1-12.
- Muzari, W., & Jambwa, D. (2012). Small Enterprise development constraints in Zimbabwe. *International Journal of Science and Research*, 3(9), 1708-1713.
- Mwena, S. (2005). Tax Incentives and the Small and Medium Enterprises (SMEs) Sector on the Copperbelt. Masters Dissertation: Copperbelt University, Zambia.
- Nachar, N. (2008). The Mann-Whitney U: A test for assessing whether two independent samples come from the same distribution. *Tutorials in Quantitative Methods for Psychology*, 4(1), 13-20.
- National Policy and Strategy for SMEs in Zimbabwe. (2002). Government Printers. Harare
- Ndayizigamiye, P. (2014). The Influence of SMMEs internal factors on e-commerce adoption: A South African perspective. *Mediterranean Journal of Social Sciences*, 5(23), 246-253.
- Neneh, N. B. (2012). An exploratory study on entrepreneurial mind-set in the small and medium enterprise (SME) sector: A South African perspective on fostering small and medium enterprise (SME) success. *African Journal of Business Management*, 6(9), 3364-3375.
- Neuman, W. L., & Wiegand, B. (2000). *Criminal justice research methods: Qualitative and quantitative approaches*. Boston: Allyn and Bacon.

- Ngcobo, K. H. (2003). Divesting and investing as strategic decisions in small business entrepreneurship. Masters Dissertation: University of KwaZulu-Natal. South Africa.
- Ngwenya, B., Sibanda, L., & Chitate, T. (2014). Challenges of non-tax compliance amongst the Small and Medium Enterprises in Zimbabwe. *International Journal of Research in Commerce and Management*, 5 (12), 1-5.
- Niska, M., & Vesala, K. M. (2013). SME policy implementation as a relational challenge. *Entrepreneurship & Regional Development*, 25(5), 521-540.
- Nkrumah, F. (2013). Corporate social responsibility among small and medium enterprises in Ghana Doctoral Dissertation: University of Ghana.
- Nyamwanza, T., Mavhiki, S., Mapetere, D., & Nyamwanza, L. (2014). An analysis of SMEs' attitudes and practices towards tax compliance in Zimbabwe. *SAGE Open*. 4(3), 1-6.
- Nyanga, T., Zirima, H., Mupani, E. & Mashavira, N. (2013). A Survival of the vulnerable: Strategies employed by Small and Medium Enterprises in Zimbabwe to survive and economic crisis. *Journal of Sustainable Development in Africa*, 15(6), 142-152.
- Nyangara, D. (2013). SME Lending: Do lending technologies matter? Sample evidence from Zimbabwe. *World Review of Business Research*, 3 (4), 219-230.
- Nyoni, S. (2002). Small, Micro & Medium Enterprises (SMMEs). Policy & Strategy Framework. *Government Printers*. Harare
- O'Reilly M., & Parker N. (2013). 'Unsatisfactory Saturation': a critical exploration of the notion of saturated sample sizes in qualitative research. *Qualitative Research*, 13 (2):190-197.
- Odendaal, N. (2013, April, 19). Lack of skills the reason for small business failure. *Engineering News*. [Online]. Available at: <http://www.engineeringnews.co.za/article/lack-of-skills-the-reason-for-small-business-failure-2013-04-19> . [Accessed 17 March 2014].

- Organisation for Economic Cooperation and Development. (2004). Promoting entrepreneurship and innovative SMEs in a global economy. Second OECD Ministerial Conference on SMEs. Istanbul. [Online]. Available at: <https://www.oecd.org/cfe/smes/31919590.pdf> [Accessed: 7 September 2014]
- Organisation for Economic Cooperation and Development. (2007). OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes. [Online]. Available at: www.oecd.org/publishing/corrigenda. [Accessed 7 September 2015]
- Organisation for Economic Cooperation and Development. (2007). SME Policy Index. [Online]. Available at: www.oecd-ilibrary.org [Accessed 7 September 2015]
- Organisation for Economic Cooperation and Development. (2007). SME Policy Index: Report on the implementation of the European Charter for Small Enterprises in the Western Balkans. [Online]. Available at: www.oecd-ilibrary.com [Accessed 7 September 2015]
- Organisation for Economic Cooperation and Development. (2011). OECD Studies on SMEs and entrepreneurship: Thailand key issues and policies. [Online]. Available at: www.smedevelopmentcenter.gov.mm [Accessed 7 September 2014]
- Organisation for Economic Cooperation and Development. (2012). SME policy Index: Eastern Partner Countries. [Online]. Available at: www.oecd-ilibrary.com [Accessed 7 September 2015]
- Organisation for Economic Cooperation and Development. (2014). ASEAN SME Policy Index: Towards Competitive and Innovative ASEAN SMEs. Economic Research Institute for ASEAN and East Asia (ERIA). [Online]. Available from: www.oecd-ilibrary.com [Accessed 7 September 2015]
- Organisation for Economic Cooperation and Development. (2014). Concept note: Revision of SME Policy Index Methodology. European Union. [Online]. Available from: www.oecd-library.org [Accessed 7 September 2015].

- Oum, S., Narjoko, D., & Harvie, C. (2014). *Constraints, determinants of SME innovation, and the role of government support* (No. DP-2014-10). Economic Research Institute for ASEAN and East Asia (ERIA).
- Palacios-Marqués, D., Soto-Acosta, P., & Merigó, J. M. (2015). Analysing the effects of technological, organizational and competition factors on Web knowledge exchange in SMEs. *Telematics and Informatics*, 32(1), 23-32.
- Pallant, J. (2007). *SPSS survival manual: A step-by-step guide to data analysis using SPSS version 15*. Nova Iorque: McGraw Hill. Buckingham.
- Pelkmans, J., & Renda, A. (2014). Does EU regulation hinder or stimulate innovation? CEPS Special Report No. 96, 19 November 2014.
- Portfolio Committee on Small and Medium Cooperative Development. (2010). Small and Medium Enterprises development report. Parliament of Zimbabwe [Online]. Available from: www.parlzim.gov.zw [Accessed 13 April 2014]
- Powell, T. C. (1995). Total quality management as competitive advantage: A review and empirical study. *Strategic Management Journal*, 16(1), 15-37.
- Ramis, G. (2002). The impact of management training on SME performance in Peru. *International Economic Review*, 15(9), 136-141.
- Reja, U., Manfreda, K. L., Hlebec, V., & Vehovar, V. (2003). Open-ended vs. close-ended questions in web questionnaires. *Developments in Applied Statistics*, 19(2), 159-177.
- Reserve Bank of Zimbabwe. (2009). Monetary Policy Statement. [Online]. Available from: www.rbz.co.zw [Accessed 23 March 2014]
- Rostamkalaei, A., & Freel, M. (2016). The cost of growth: Small firms and the pricing of bank loans. *Small Business Economics*, 46 (2), 255-272.

- Salleh, M., Akma, N., Rohde, F., & Green, P. (2016). Information Systems enacted capabilities and their effects on SMEs' Information Systems adoption behaviour. *Journal of Small Business Management*, 1(1), 1-33.
- Sannajust, A. (2014). *Impact of the World Financial Crisis to SMEs: The determinants of bank loan rejection in Europe and USA* (No. 2014-327).
- Sapsford, R. (1999) *Survey Research*. Thousand Oaks, CA: Sage Publications. Colorado.
- Sarantakos, S. (2012). *Social Research*. Palgrave Macmillan. Basingstoke.
- Seidman, I. (2013). *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences*. Teachers College Press. New York.
- Sekaran, U. B., & Bougie, R. R. (2010). *Research Methods for Business: A Skill Building Approach* (5th Ed.). New Delhi: John Willey & Sons limited.
- Shaku, M. D. (2011). The gap in management accounting skills required by venture capital providers and those possessed by Small and Medium Enterprises in the craft industry. Doctoral dissertation: University of South Africa.
- Shapiro, S. S., & Wilk, M. B. (1965). An analysis of variance test for normality: Complete samples. *Biometrika*, 52(3), 591-611.
- Sharafat, A. L. I., Rashid, H., & Khan, M. A. (2014). The role of small and medium enterprises and poverty in Pakistan: An empirical analysis. *Theoretical and Applied Economics*, 18(4), 67-80.
- Shier, R. (2004). Statistics: 2.3. The Mann-Whitney U Test. Retrieved July, 30, 2012.
- Short Term Emergency Recovery Programme (STERP). 2009. Government of Zimbabwe. Government Printers. Harare.
- Sichoni, O. (2003). Zimbabwe's Economic Policies, 1980-2002. *DPMN Bulletin*, (2).

- Siwadi, P., & Pelser, T. (2015). Exploring technological capabilities to resuscitate the Zimbabwean manufacturing sector. *Journal of Applied Business Research*, 31(3), 10-23.
- Skerratt, S. (2006). SMEs behaviour and ICTs: Building 'culture' into evaluation and intervention. *ICT-Tools for Providing Information, Advice and Services for Rural SMEs. Helsinki: Ruralia Institut*, 57-73.
- Small and Medium Enterprises Association of Zimbabwe. (2011). Defining SMEs in Zimbabwe. [Online]. Available from: www.smeaz.org.zw. [Accessed 25 April 2014]
- Small Enterprises Development Corporation (Amendment) Bill. (2010). [Online]. Available from: www.sedco.co.zw/index.php [Accessed 18 July 2015]
- Smallbone, D & Welter, F. (2001). The role of government in SME development in transition economies. *International Small Business Journal*, 19(4), 63-79.
- Storey, D. J. (2008). *Entrepreneurship and SME policy*. World Entrepreneurship Forum. [Online]. Available from: <http://www.world-entrepreneurship-forum.com> [Accessed 15 April 2014].
- Storey, D. J., & Greene, F. J. (2010). *Small business and entrepreneurship*. Financial Times Prentice Hall. Essex.
- Sukamolson, S. (2010). Fundamentals of quantitative research. *Language Institute, Chulalongkorn University*.
- Teddlie, C., & Yu, F. (2007). Mixed methods sampling a typology with examples. *Journal of Mixed Methods Research*, 1(1), 77-100.
- Terrell, S. R. (2012). Mixed-methods research methodologies. *The Qualitative Report*, 17(1), 254-280.
- Thiam, I. (2007). Unlocking the potential of Small and Medium sized Enterprises in West Africa: A path for reform and action. Doctoral dissertation: Massachusetts Institute of Technology, United States of America.

- Timm, S. (2013, November, 29). South Africa's poor performance at Entrepreneurship Event. *The Mail and Guardian* [Online]. Available from: <http://mg.co.za/article/2013-11-29-00-south-africas-poor-performance-in-entrepreneurship-events> [Accessed October 2014]
- Tsikirayi, C, M, R., Muchenje, B., & Katsidzira, Z. (2012). Impact of integrated marketing communications mix (IMCM) in small to medium enterprises (SMEs) in Zimbabwe as a marketing tool. *Research in Business and Economics Journal*, 7(1), 1-12.
- Vaismoradi, M., Turunen, H., & Bondas, T. (2013). Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study. *Nursing & health sciences*, 15(3), 398-405.
- Van den Berg, P., & Noorderhaven, N. (2016). A users' perspective on corruption: SMEs in the hospitality sector in Kenya. *African Studies*, 75(1), 114-132.
- Vega, A., & Chiasson, M. (2015). Towards a comprehensive framework for the evaluation of small and medium enterprise policy. *Evaluation*, 21(3), 359-375.
- Wach, K. (2015). Modern policy for the entrepreneurial economy: Theoretical considerations. *Institutional Aspects of Entrepreneurship*, 9.
- Wainer, H., & Braun, H. I. (2013). *Test validity*. Routledge. New Jersey.
- Wonglimpiyarat, J. (2015). Challenges of SMEs innovation and entrepreneurial financing. *World Journal of Entrepreneurship, Management and Sustainable Development*, 11(4), 295-311.
- Woodley, A. (2004). Conceptualizing student dropout in part-time distance education: Pathologizing the normal? *Open Learning: The Journal of Open Distance & e-Learning*, 19 (1), 47-63.
- Woodward, M. (2013). *Epidemiology: study design and data analysis*. CRC Press.
- World Bank Group. (2015). Ease of Doing Business Report [Online]. Available at: www.doingbusiness.org [Accessed 7 May 2015]

- World Bank Group. (2016). Economy profile 2016 Zimbabwe: Doing business [Online]. Available at: www.doingbusiness.org [Accessed 7 May 2015]
- Yin, R. K. (2015). *Qualitative Research from Start to Finish*. Guilford Publications. New York
- Zhou, G., Mukonza, R. M., & Zvoushe, H. (2016). Public budgeting in Zimbabwe: Trends, processes, and practices. *Public Budgeting in African Nations: Fiscal Analysis in Development Management*, 1 (3), 134-145.
- Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim ASSET), 2013-2018. (2013), Government of Zimbabwe [Online]. Available at: www.gov.zw [Accessed 18 November 2014]
- Zimbabwe Institute. (2007). Progressive Zimbabwe: Sustainable growth and transformation discussion with major players [Online]. Available at: www.zimbabweinstitute.org [Accessed 10 March 2014]
- Zimbabwe Medium Term Plan 2011-2015. (2011). Ministry of Economic Planning and Investment Promotion. Government publications. Harare.
- Zindiye, S. (2008). An empirical Investigation into the factors affecting the performance of Small and Medium Enterprises in the manufacturing sector of Harare, Zimbabwe. Masters Dissertation: University of Fort Hare.
- Zindiye, S., Chiliya, N., & Masocha, R. (2012). The impact of government and other institutions' support on the performance of Small and Medium Enterprises in the manufacturing sector in Harare, Zimbabwe. *International Journal for Business, Management, Economics and Res*, 3 (6), 655-667.

APENDIX A1: QUESTIONNAIRE

**This study is an evaluation of the Policy and Strategy Framework for SMEs in Zimbabwe.
The aim of the research is to contribute to nation building and small business development.**

Section A: Demographic Information

A1. Gender

1. Male	
2. Female	

A2. Age

1. Below 20	
2. 21-30	
3. 31-40	
4. 41-50	
5. 50 +	

Section B: Organisational Profile

B1. What is your role in the business?

1. Owner and Manager	
2. Owner	
3. Manager	
4. Other (specify)	

B2. In what year was your business was established?

B3. Which business sector best describes your company's business?

B4. How many permanent workers does your company have?

B5. How many temporary employees does your business have?

B6. What is the approximate annual turnover of your company?

1. Less than 100 000 (USD)	
2. 100 001-300 000 (USD)	
3. 300 001-500 000 (USD)	
4. 500 001- 1 000 000 (USD)	
5. 1 000 001 + (USD)	

B7. Is your business formally registered?

1. Yes	
2. No	

B8. If yes please state approximately how many days it took to register your company

B9. If your business is not registered please give some of the reasons why it is not registered

B10. In your own opinion what can be done to improve business registration?

Section C: Challenges and Measures

For Questions with ratings 1-5 mark with an X to rate how much a factor applies to your business

C1. To what extent do you agree or disagree that the following have been challenges for your business

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1. Limited access to finance					
2. Cost of finance					
3. Lack of marketing skills					
4. Lack of market knowledge					
5. Lack of access to infrastructure					
6. Lack of access to land					
7. Inappropriate technology					
8. Lack of information					
9. A hostile regulatory framework					
10. Inadequate management skills					
11. Inadequate entrepreneurial skills					

C2. To what extent do you agree or disagree that the following were challenges when you were starting your business

	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1. Start-up capital					
2. Infrastructure					
3. Skills					
4. Registration					
5. Other (specify):					

C3. To what extent do you agree or disagree that the following were your sources of finance when you were starting your business

	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1. Family					
2. SEDCO					
3. Bank Loans					
4. Friends					
5. Other (specify):					

C4. How is your business currently financed?

C5. Have you ever applied for a bank loan to finance your business?

1. Yes	
2. No	

C6. If YES please explain some of the challenges, if any, that you faced.

C7. If NO please explain your reason(s)

C8. How influential is each of the following factors on the performance of your business?

	Extremely Negative 1	Negative 2	Neutral 3	Positive 4	Extremely Positive 5
1. Interest rates					
2. Tax					
3. Skills					
4. Government policies					
5. Other (Specify):					

C9. How influential is each of the following on your decision to get a bank loan for your business?

	Extremely Negative 1	Negative 2	Neutral 3	Positive 4	Extremely Positive 5
1. Lack of a track record					
2. Collateral requirements					
3. Business losses					
4. Economic uncertainties					
5. Other (Specify):					

C10. Which of the following Financial Management skills do you consider important for the growth of your business?

	Extremely Unimportant 1	Unimportant 2	Neutral 3	Important 4	Extremely Important 5
1. Debit and Credit Control					
2. Financial statement preparation					
3. Budgeting skills					
4. Book-keeping skills					
5. Tax calculations					

C11. Please list the financial management skills that your business has

C12. Please list the financial management skills that your business does not have but are important for its development.

C13. Is your business equipped with the following skills?

	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1. Entrepreneurship					
2. Management					
3. Marketing					
4. Financial Management					
5. Human resource management					
6. Exporting capabilities					
7. Information Technology (IT)					

C14. Which of the skills in Question C13 does your business lack but are essential for its development?

C15. What other challenge (s) is your business facing?

Section D: Measures

D1. Have you ever made use of the services offered by the Small Enterprises Development Corporation (SEDCO)?

1. Yes	
2. NO	

D2. If YES what services were offered and please give a brief comment on the services offered?

D3. If NO please explain your reason(s)

D4. Do you think that the Government should provide funding for your business?

1. Yes	
2. No	

D5. Please explain your response to Question D4.

D6. Has your business benefitted in any way from the following institutions?

	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1. Zimbabwe Development Bank					
2. Credit Guarantee Company of Zimbabwe					
3. Agribank					
4. Venture Capital Company of Zimbabwe					
5. Other (Specify):					

D7. If your business has benefitted from any of the institutions in Question D6 please state the institutions and the type of assistance your business received.

D8. If your business has not benefitted from any of the institutions in Question D6 please state the reason(s)

D9. To what extent do you agree or disagree that your business requires the following support initiatives.

	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1. Trade Facilitation					
2. Quality Assurance					
3. Business Incubators					
4. Tax Relief					
5. Rebates and Discounts					
6. Simplification of Licensing Procedures					
7. Deregulation					
8. Provision of workspace					
9. Information and advice					
10. Other (Specify):					

D10. Has your business benefitted from any of the listed programmes in Question D9?

1. Yes	
2. No	

D11. If YES please state the programme(s) and how helpful they were

D12. If NO please state your reason(s)

D13. Which of the following has your company benefitted from?

	1. Yes	2. No
1. Government tenders		
2. Sub-contracting		
3. Joint ventures		
4. Business angels		
5. Others (Specify):		

D14. If YES to any of the above please state the role played by government, if any, in your business benefitting.

D15. If YES to any of the benefits in Question D13 please explain how helpful the initiative(s) was/were to your business?

D16. If your business has not yet benefitted from the initiatives in Question D13 please state your reason(s)

D17. Has your business benefitted from the skills development programmes by the government?

1. Yes	
2. No	

D18. If YES please state the type of skills your business was assisted with

D19. How helpful were/are the skills your business was assisted with?

D20. If NO please explain your reason(s)

D21. In your opinion is the government doing enough to address the challenge(s) your business is facing?

1. Yes	
2. No	

D22. Please explain your response to Question D21.

D23. In your opinion should the government offer assistance to small businesses?

1. Yes	
2. No	

D24. Please give reason(s) to your response in Question D23

D25. Have you received any other type of assistance or support from the government in the development of your business?

1. Yes	
2. No	

D26. Please explain your response to Question D25.

SECTION E: Evaluation and Ministry effectiveness

E1. Have you ever been consulted by the Ministry on how best to assist your business?

1. Yes	
2. No	

E2. In your opinion is the Ministry of Small and Medium Enterprises and Cooperatives Development doing enough to assist in the development of small businesses?

1. Yes	
2. No	

E3. Please explain your response to Question E2.

E4. To what extent do you agree or disagree the Ministry:

	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 3	Strongly Agree 5
1. Represents the needs of SMEs					
2. Upholds the interests of SMEs					
3. Is approachable					
4. Is important for SME development					
5. Evaluates its policies					
6. Makes decisions after consulting SMEs					
7. Has sufficient resources					

E5. Add any comments on Question E4

E6. Have you ever consulted the Ministry on any issue related to your business?

1. Yes	
2. No	

E7. Please comment on your response to Question E6

E8. How best can you describe your business' relationship with the Ministry of SMEs and Cooperatives Development?

E9. Has anyone from the Ministry of SMEs explained any of the programme(s) in place to assist your business?

1. Yes	
2. No	

E10. If YES please explain how helpful the programme(s) were/are for your business

E11. Add other comments

Thank you for your time and participation

APPENDIX A2: INTERVIEW GUIDE

Date: _____

Institution: _____

1. INTRODUCTION

This section allows the interviewer to explain what the study is about as well as the role of the interviewees in the study. On this part of the interview the interviewees are assured of the confidentiality and anonymity of their role in the study. Permission to take notes and record the session will be sought from the participant and the necessity of such explained.

2. SECTION 1: GENERAL INFORMATION

- What is your position in this Institution?
- How many years have you been working for the Institution?
- How best would you describe your role in the institution?
- How often do you work with small businesses?
- What is your institution's relationship with small businesses?
- How does your institution contribute to the development of small businesses?

3. SECTION 2: THE POLICY AND STRATEGY FRAMEWORK FOR SMES

- What is the National Policy and Strategy Framework for SMEs in Zimbabwe?
- Are you in possession of the National Policy and Strategy Framework for SMEs?
- How much of your work would you say is based on the National Policy and Strategy Framework for SMEs in Zimbabwe?

- Can you highlight some of the achievements realised through the National Policy and Strategy Framework for SMEs?
- The National Policy and Strategy Framework for SMEs has a Gender and Youth dimension which gives special preferences to these social groups, how has your institution managed to attend to the concerns of these groups?
- What are some of the challenges that you have faced in the implementation of the National Policy and Strategy Framework for SMEs in Zimbabwe?
- Has there been an audit of the policy?
- How relevant is the National Policy and Strategy Framework for SMEs in Zimbabwe considering that the country has gone through so many changes since 2002?

4. SECTION 3: OBJECTIVES OF THE POLICY

- How is the working relationship between your institution and other SME related organisations such as SEDCO?
- How successful has the government been in ensuring coordination between different policies and programmes on SMEs?
- What are some of your institution's long term plans on the development of SMEs?
- How sufficient are your institution's resources for the development of small businesses?
- What are some of your institution's programmes and strategies in the mobilisation of resources for SMEs?

5. SECTION 4: CHALLENGES

- What are some of the challenges that SMEs face in Zimbabwe?
- How has your institution helped in addressing these challenges?
- In your experience what are some of the challenges that are faced by individuals who want to start a business?
- In your experience what are some of the challenges that small businesses face in the registration process?

- What are some of the strategies in place to encourage the registration or formalising of SMEs?
- Bearing in mind the financing problems that SEDCO has faced over the past years how best can small businesses be financed in Zimbabwe?
- Collateral and a track record seem to be a major problem for SMEs to access loans what is the government currently doing to address these problems?

6. SECTION 5: THE GOVERNMENT AND SME DEVELOPMENT

- How has government managed to address the small business regulatory environment?
- How are such incentives as Tax relief, and Rebates and Discounts encouraging the level of Investment in small businesses?
- What effects do government regulations have on the starting up and development of small businesses?
- What measures has the government instituted that are helping in growing markets for SMEs?
- How has government offered assistance in skills development for SMEs?
- What steps have been taken by the government in Research and Development and developing Technology to assist SMEs?
- In your opinion should government bear the burden of developing small businesses?
- What other institutions have been commissioned by government to offer assistance to SMEs?
- How has the Ministry of Small and Medium Enterprises Development been of assistance to small businesses?
- What efforts have been in taken to incorporate SME policies with ZimAsset?

Thank you for your time and participation

APPENDIX A3: ETHICAL CLEARANCE



22 January 2015

Mr Ceasario Blessing Mutungwe 210551056
School of Management, IT and Governance
Pietermaritzburg Campus

Protocol reference number: HSS/0031/015M
Project title: An evaluation of the Policy and Strategy Framework for SMEs in Zimbabwe

Dear Mr Mutungwe

Expedited Approval

In response to your application dated 16 January 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

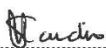
Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further 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.

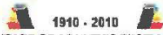





I take this opportunity of wishing you everything of the best with your study.

Yours faithfully


.....
Dr Shenuka Singh (Chair)
/px

cc Supervisor: Ms Evelyn Derera
cc Co-Supervisor: Nigel Chiweshe
cc Academic Leader Research: Professor Brian McArthur
cc School Administrator: Ms Debbie Cunyngame

Humanities & Social Sciences Research Ethics Committee
Dr Shenuka Singh (Chair)
Westville Campus, Govan Mbeki Building
Postal Address: Private Bag X54001, Durban 4000
Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: ximbao@ukzn.ac.za / snymanm@ukzn.ac.za / mohungu@ukzn.ac.za
Website: www.ukzn.ac.za

 1910 - 2010
100 YEARS OF ACADEMIC EXCELLENCE
Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

APPENDIX A4: GATEKEEPERS' LETTERS

Correspondence should not be addressed to individuals

Reference:

Telephone No's 731003/6
252529
250714

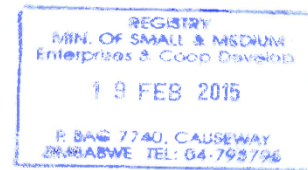
Fax No 731879
Email: info@smecd.gov.zw
Website: www.smecd.gov.zw



Ministry of Small and Medium Enterprises and Cooperative
Development
Linquenda House
58 Nelson Mandela Avenue
Private Bag 7740
Causeway, Harare
Zimbabwe

19 February 2015

RE: TO WHO IT MAY CONCERN



This serves to introduce Mr Ceasario Mutungwe, a student at the University of KwaZulu Natal, South Africa, who is studying for a Masters in Entrepreneurship.

Kindly assist him in his research.

Yours Sincerely

T. Shoko 
Deputy Director Research and Policy Development
**For: Secretary for Small and Medium Enterprises and Cooperative
Development**

Correspondence should not be addressed to individuals

Reference:

Telephone Nos 731002/ 731010

Fax No 731879/704953



Ministry of Small and Medium Enterprises and
Cooperative Development
Cecil House
4th Floor, Room 413
95 Jason Moyo Avenue
Harare
Zimbabwe



26 February 2015

The Chairman
Mukuvisi Cooperative
Mbare

Dear Mr. Tondondo

RE: REQUEST TO CARRY OUT A RESEARCH

This note serves to introduce Mr. C Mutungwe, I D No 70-250717 Z27, is a post graduate student at University of Kwazulu Natal (South Africa) studying towards a Master's degree in Entrepreneurship. He is carrying out a research on Policy and Strategy Frameworks for SMEs in Zimbabwe.

Your assistance is greatly appreciated

Yours Faithfully

T. Muendes
Business Development Officer
Harare Central District