A qualitative assessment of entrepreneurial development to enhance economic development in Zimbabwe: a case study of SMEs in Bulawayo

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Abstract: The study set out to assess entrepreneurial development as an antecedent for growing Zimbabwe’s economy. The study was motivated by the persistent regression of the economy from a high of 1.6% in 2010 to 0.22% of the GDP in 2016. The pragmatic approach was adopted, in which both quantitative and qualitative methodologies were used. The study population consisted of 300 SMEs registered with the Ministry of Small to Medium Enterprises (MSMEs) as at 31 December 2016; and the sample size was 171 respondents obtained through the purposive sampling technique. The response rate was 96.4% and the quantitative data were collected using the questionnaire and analysed using the Scientific Programme for Social Sciences (SPSS). The results that are discussed in this segment are from the qualitative aspects of the study. The findings revealed that SMEs are the major drivers of economic growth in Zimbabwe. However, it was established that entrepreneurial development was truncated by a lack of government support, limited financial support and insufficient training on how to start-up businesses as well as to successfully manage them. Instead of promoting them, the government sidelined SMEs into export processing zones preferring large companies that already have privileges of accessing international markets. The final conclusion by the study was that further entrepreneurial education was important in ensuring entrepreneurial development.

Keywords: Entrepreneurial development, Business incubators, Entrepreneurial Education, Economic Development.

I. INTRODUCTION

The issues of entrepreneurial development and employment generation continue to receive high attention because of their impact on the reduction of unemployment and poverty alleviation in many parts of the world in general and in Zimbabwe in particular. Entrepreneurial Development has been adopted the world over as a strategy for facilitating economic participation among male adults, youths and women (Musengi-Ajulu, 2010:1; Nafukho and Muyia, 2010:100). The Global Entrepreneurship Monitor (2008) as well as the European Commission (2003) argue that academics, practitioners and policy makers worldwide have heightened their commitment towards the development and promotion of entrepreneurial mindsets in societies worldwide. Entrepreneurial development is pivotal to economic development which ultimately improves human livelihoods at both a local and global context. In entrepreneurial development economics, the role of SMEs is a subject of intense debate.

The SMEs sector is the cornerstone of many developed countries’ economies and constitutes about 95% of the business enterprises (Shattock, 2005). The sector is less developed in low income countries and includes a wide range of businesses which differ in their technical advancement dynamism and risk attitude (Bouri, Breij, Diop, Kempner, Klinger and Stevenson, 2011). Ayyagari, Beck and Demirguc-Kunt (2005) claim that most SMEs are relatively stable in their technology, market and scale, while a few are more technically advanced, providing crucial product and services to niche markets. Some are dynamic and high risk taking while others require high-tech start-ups. The current study defines SMEs as small businesses with a small number of employees which generally comprise the owner and other employees but has less than 500 employees. These businesses are normally privately-owned corporations, partnerships or sole proprietorships.

The Government of Zimbabwe outlined that the goal of the National Micro, Small and Medium Enterprises (MSMEs) Policy Framework is to provide a robust enabling environment for the people to develop and promote the diverse economic opportunities outlined in the Zimbabwe’s Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) (Nkala, 2014). It is important for the researcher to assess whether the
government is implementing its Policy Framework so that the SMEs could achieve their role of catalyzing the growth of the country’s economy.

A number of studies on entrepreneurship have been carried out. For example, Mudamburi (2012) carried out a study on the Sustainable Millennium Framework for Managing Entrepreneurship in Developing Countries in Africa, a Zimbabwean Case Study. However, such studies have not told readers the full story behind business creation process, basically in opportunity identification during entrepreneurial development and economic growth, starting from the first glimpse of the entrepreneur’s idea and continuing until the exploitation of the opportunity. Given the above broad statement it appears that there is a dearth of studies investigating the combined contextual factors causing the slow pace at which entrepreneurial development and the strategies to mitigate them have been evolving. This study, therefore, sought to address this gap. Hence the researchers’ motive is to thoroughly probe factors that need to be attended to by the government and the SMEs entrepreneurs, to address the key economic fundamentals. The researchers have also perceived the need to embark on this study to enable them to assess the entrepreneurial development gaps that cause the SMEs in Zimbabwe not to perform efficiently and effectively in order to enhance economic development.

1.1 Assumptions of the Study

The following are the assumptions of the study:
1. Entrepreneurial development would lead to an increase in SMEs entrepreneurs’ economic activities if given adequate government support.
2. Well supported entrepreneurs would have attributes that lead to business success, employment creation and higher Gross Domestic Product (GDP).
3. The sample for the study would yield results that are truly reflective of the entire population and can be inferred to the whole SMEs sector in the country.

1.3 Literature Review

1.3.1 The Role of SMEs in an Economy

SMEs have a major role in development, not only in the Zimbabwean economy, but in the economies around the world. Manufacturing SMEs in particular could play a leading role, but they need technical, innovative, financial and marketing support if they are to thrive. The view that SMEs in Zimbabwe are on the decline is not surprising (Bhoroma, 2018).

World Bank (2012) posits that for hundreds of years entrepreneurship has been in existence around the world. Although this concept has been in existence in some of the countries with the unstable economic situations in many parts of the world, entrepreneurship has become an alternative way of earning a living. In the importance perspective, World Bank further states that SMEs play an essential role in the community. Small businesses have flourished in both developed and developing countries which have contributed in boosting the economy of many countries.

Given the aforementioned roles of SMEs in an economy, Ariyo (2000) summarised the most critical contribution of SMEs in economic development as one; characterized by stimulation of the economic growth, creation of employment opportunities, economic development, and better usage of resources as well as industrialisation. According to Ozigbo and Ezeaku (2009) employment opportunities in an environment where unemployment is on an increase, most of the youths, school graduates and retired people are now opting to entrepreneurship as this creates employment opportunities to the generality of the unemployed people in a country. Thus, unemployment is substantially decreasing through entrepreneurship in many countries. Ozigbo and Ezeaku (2009) opine that generally government and other multilateral institutions are ready to educate people regarding entrepreneurial development. This initiative would be taking on board women entrepreneurs as they too are encouraged to participate in many countries.
II. CONCEPTUAL FRAMEWORK

Figure 1: Independent Variables subject to Moderation for Entrepreneurial Development

Source: Researcher’s own conceptual framework (2017)

Figure 1 shows the Conceptual Framework which the researcher utilised in the assessment of the key variables in the enhancement of economic development by SMEs in Zimbabwe. The conceptual framework depicts the relationship between (X) Independent variable factors which are as follows: educational and practical skills and establishment of incubators in universities and colleges; exploitation of opportunities; development of entrepreneurs; identification of markets; as moderated by (Y) these are enablers and are government policies to enhance an enabling environment which results in the (Z), National Entrepreneurial Economic Development. Details of the variables form the basis of the discussions that follow in the thesis, including the literature review.

On the question of leadership, Khumalo (2008) asserts that SMEs and big corporations or state-owned enterprises are akin in their need of leadership to excel and bring about sustainable development. The internalised, personal and unwritten vision the leader has about an entity he/she is running can take the organization to incredible heights. Entrepreneurs are leaders; they come up with new ideas and challenge the status quo (Khumalo, 2008).

2.1 Educational and Practical Skills

Educational and practical skills refer to approaches towards entrepreneurial skills acquisition and self-employment practices, moderated by self-motivation. Entrepreneurial education and skill acquisition is a process whereby a person acquires or learns a particular skill or type of behavior needed for business through training or education (Amadi, 2012; Chukwunenye and Igboke, 2011; Ibru, 2009).

2.2 Boosting Entrepreneurship through Business Incubation

Various scholars such as Al-Mubarakia and Busler (2010); Bergek and Norrmn (2008); Hackett and Dilts (2004); Somsuk, Wonglimpiyarat and Laosirihongthong (2012) assert that business incubators are viable instruments for enhancing innovation, accelerating creation of ventures, reducing business failures and boosting employment. The primary vision of incubators is to increase the number of start-ups while at the same time preventing business failures (Hackett and Dilts, 2004). In recent years, incubators have gained popularity as major tools for increasing the number of successful local companies (O’Neal and Kulonda, 2004). Thus, incubators are recognized by policy makers as tools for promoting economic development (Bergek and Norrmn, 2008), national economic growth (Somsuk et al., 2012) and social development through job creation (European Commission, 2003). They serve as economic development tool in virtually all countries (Al-Mubarakia and Busler 2010). Therefore, business incubation can be regarded as a panacea for the macroeconomic challenges of unemployment and poverty (Matlay, 2008).
2.3 Importance of Fostering Entrepreneurship

According to Reedy, Fairlie, Morelixand Russell (2016); Fikri et al. (2017) business dynamism refers to the rate of company churn in an economy. It is common to measure this agitation as the number of establishments that start and close in an economy over a period, typically one year (Fikri et al., 2017). It is a positive metric usually signifying that the number of establishments starting outpaces closures. Business dynamism is essential to national, regional, and local economies because they all depend upon constant economic rebirth (Ibid, 2017). This rebirth happens when businesses bring to market new ideas, technologies, and business models within or across industries, that are continually disrupting and replacing those of the past (Ibid, 2017).

2.4 Research Methodology

This study adopted a mixed research method approach. The intention was to take advantage of the fact that research methods associated with both quantitative and qualitative research have their own strengths and weaknesses so that combining them allows the researcher to offset their weakness and to draw the strengths of both. This study was persuaded to use both qualitative and quantitative approaches since these approaches are helpful in the collection and analysis of information in as many forms as possible and especially both numeric and non-numeric information.

The population target for this study was 300 entrepreneurs registered with the Ministry of SMEs as at 31 December 2016. The population is an aggregate of the individual units of analysis from which a sample size will be drawn. Yin (2009) explains that population is the group of interest to the researcher and it is upon this group that the researcher generalizes the results of the study. Bryman et al, (2012) assert that the total population is the universal population from which a sample size is drawn.

The sample size for the study was selected using purposive sampling method. According to Saunders et al, (2012), in descriptive research, any sample size from 10% to 20% of the population in question is representative enough to warrant generalization of results. One hundred and seventy-one (n=171) respondents out of three hundred represent 57%. The table below shows the proportionate sample calculation from each of the identified stratum of SME.

Table 1: Proportionate Sample Calculation

<table>
<thead>
<tr>
<th>BUSINESS CATEGORY</th>
<th>NUMBER OF SMEs IN TARGET</th>
<th>PROPORTION</th>
<th>PROPORTIONATE NUMBER IN SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>furniture manufacturing</td>
<td>97</td>
<td>32.3%</td>
<td>55</td>
</tr>
<tr>
<td>Clothing and textile industries</td>
<td>55</td>
<td>18.4%</td>
<td>32</td>
</tr>
<tr>
<td>Engineering sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Craft &amp; Arts in wood and metals</td>
<td>20</td>
<td>6.6%</td>
<td>11</td>
</tr>
<tr>
<td>Food processing industries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food processing</td>
<td>30</td>
<td>10%</td>
<td>17</td>
</tr>
<tr>
<td>Milling</td>
<td>22</td>
<td>7.4%</td>
<td>13</td>
</tr>
<tr>
<td>Retail and services sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail and services</td>
<td>76</td>
<td>25.3%</td>
<td>43</td>
</tr>
<tr>
<td>TOTAL</td>
<td>300</td>
<td>100%</td>
<td>171</td>
</tr>
</tbody>
</table>

Source: SMEs Records, 2017

2.5 Study themes

- **Theme 1**: Factors promoting SMEs entrepreneurial development in Zimbabwe thus leading to the resuscitation of industries in the Bulawayo Metropolitan Province.
- **Theme 2**: Framework that could unlock developmental knowledge vested in institutions and other programs.
- **Theme 3**: Opportunities available for the establishment of new start-up entrepreneurs in Zimbabwe.

Under the first theme, respondents were asked interview questions that sought to establish the role entrepreneurs play in the Zimbabwean economy, and the factors that promote entrepreneurial development in Zimbabwe.

Under the second theme, respondents were asked questions aimed at establishing the extent to which universities and colleges have unlocked entrepreneurial skills in entrepreneurs to ensure they unleash their potential in contributing to both the GDP and National Income. The other question was to find out the effectiveness of entrepreneurship incubators in inculcating entrepreneurship intentions in school levers.
Under the third theme, respondents were asked interview questions so as to identify the opportunities that exist which can be exploited by start-up SMEs in Zimbabwe. The other question was to find out whether being trained under the MSME’s entrepreneur systems, SMEs can contribute to the growth of their businesses. Furthermore, a question on entrepreneurial development gaps needed to be filled to enhance the economic development in Zimbabwe was asked.

These questions were strengthened by follow-up questions and when they were answered, thematic analysis ensued. After the thematic data analysis, the results of the qualitative data analysis were presented in chapter IV focusing only on presentation of the research results generated from quantitative and qualitative analysis. The questionnaire and interview guide from which quantitative and qualitative data were collected are included as appendices.

II. Qualitative Results Presentation

Qualitative results from interviews that were conducted with entrepreneurs of SMEs in the manufacturing sector comprising of companies in the clothing and textile industries; furniture manufacturing industries and those in the food processing industries, including milling companies; and those under the engineering sector such as companies in the engineering and construction as well as those in the crafts and arts using metals and owners of companies in the retail and services sectors, were presented under the following themes.

1.1 Theme 1: Factors Promoting SMEs Entrepreneurial Development in Zimbabwe thus leading to the Resuscitation of Industries in the Bulawayo Metropolitan Province.

Under the first theme, questions that sought to establish the role entrepreneurs play in the Zimbabwean economy as well as the factors that promote entrepreneurial development in Zimbabwe were asked. In response to the question relating to the factors that promote entrepreneurial development in Zimbabwe, the participants unanimously concurred that a less punitive tax regime and an enabling legal environment as well as provision of loan advancement guaranties by the government to SMEs were noted as factors that could promote entrepreneurial development in the country. However, all the respondents (100%) interviewed bemoaned the existence of a business operating environment that is hostile to SMEs, a move that is negatively affecting entrepreneurial development in the country. They argued that the current taxation environment is not conducive for business as worsened by cash crises that is being experienced in Zimbabwe.

On further probing, respondents were quick to mention that they face challenges in accessing foreign currency for procurement of raw materials required in manufacturing of the products for both local and export market. They said that, they have been promised by government that they would receive foreign currency for import of raw materials so as to produce above their current capacity utilisation upon application indicating their foreign currency needs. However, what is frustrating was that it would take more than six months to get a response to the application. They also noted that, for their continuity in business they had to rely on the parallel market for foreign currency, a move that pushes production costs very high and make their products uncompetitive as compared with foreign products in the market.

Respondents also noted financial support to SMEs as a factor that could promote entrepreneurial development in Zimbabwe. They were also in agreement that their SMEs play a vital role in the economic development of the country. In addition, they noted that they create employment and also contribute to the GDP. However, they lamented that their contribution could not be meaningful in an environment where they lacked support in relation to machine maintenance and working capital access which affect their success and development as players in a growing economy like the one in Zimbabwe.

1.3 Theme 2: Framework that could Unlock Developmental Knowledge Vested in Institutions and other Programs.

Under the second theme, results on the questions asked sought to establish the extent to which universities and colleges have unlocked entrepreneurial skills in entrepreneurs to ensure they unleash their potential in contributing to both the GDP and National Income. The study revealed that though entrepreneurs had the potential to significantly contribute to the GDP, they were constrained by limited entrepreneurial skills that are inherent as most entrepreneurs had not received any training in business management.

In response to a question on the extent to which universities and colleges have unlocked entrepreneurial skills in entrepreneurs, respondents agreed that, innovation is the cornerstone of successful entrepreneurship within dynamic emerging markets and requires both expert level and domain knowledge and the ability to acquire and apply new knowledge to solve problems which can only be acquired through training in universities and colleges. On further probing, respondents were of the view that universities should not only train but impart entrepreneurial skills to college and university students so that they do not become job seekers but creators of their own employment. They noted that universities should be developing entrepreneurship policies and
implementing these initiatives to embed entrepreneurial thinking and practice within teaching. This will enable students to go and start business where they put into practice the theoretical knowledge acquired in colleges and universities for real production processes for the development of the country, thereby contributing to the GDP and wellbeing of the nation.

However, the contribution of universities to entrepreneurship development in Zimbabwe as observed by Carter and Wilton. (2006) revealed that entrepreneurs lacked quality control, technology and skills hence there is a need for business incubators in colleges and universities so as to integrate theory to practical skills that can upgrade entrepreneurs’ capabilities and create entrepreneurship intention in students when leaving college. Respondents bemoan lack of entrepreneurship intention from university students which they attribute to lack of incubation in institutions of higher learning. This is in line with Shumba (2014) and Sautet (2011); Malebanaand Swanepoel, (2015) who also observed that there has been limited entrepreneurial intention in university students affecting entrepreneurship development in Zimbabwe.

The other question was to find out the effectiveness of entrepreneurship incubators in inculcating entrepreneurship intentions in school leavers. The study revealed that entrepreneurs require skills development through training but the cost of doing so was so prohibitive. Respondents lamented lack of training support from government and training institutions. They also noted that, entrepreneurship success requires a nurturing environment backed by a conducive political, macroeconomic and business environment for its development as also was noted by Brixiova (2010). In view of this, respondents were expecting government intervention in the area of availing foreign currency to them as well as also providing guarantees to them so that they access bank loans as the majority of them lacked collateral as they were still growing and they do not have collateral security usually required by banks.

1.4 Theme 3: Opportunities Available for the Establishment of New Start-Up Entrepreneurs in Zimbabwe.

Under the third theme, respondents were asked to identify the opportunities that exist which can be exploited by start-up SMEs in Zimbabwe. Respondents were also asked a question so that the study find out whether being trained under the MSME’s entrepreneur systems, SMEs can contribute to the growth of their businesses. They were also asked whether there were entrepreneurial development gaps needed to be filled to enhance the economic development in Zimbabwe.

The study noted that tax and formalization policies should target the creation of conducive environment and assistance in which SMEs can expand their activities. On probing further, the study revealed that, business regulation and taxation policies are cumbersome and too high to encourage SMEs expansion and growth. Respondents called on the finance minister to reduce the too many taxes to promote entrepreneurial development in Zimbabwe. Respondents interviewed also mentioned that government should reduce company registration fees and requirements to encourage those entrepreneurs sitting on the fence between formalization and remaining informal to formalize and pay reasonable and normal taxes to the government.

The respondents concurred that, low tax regime provide some opportunities that can be exploited by start-up SMEs especially if exempted from other tax heads that make SMEs find it difficult to grow. The respondents also mentioned that an enabling legal administrative environment as well as also being included in the export processing zone would be an opportunity for SMEs to exploit untapped product markets. However, entrepreneurs interviewed felt that the government appears to side-line them in preference of large companies who already have privileges in selling their products in these markets even without government support, yet SMEs were providing employment to the largest portion of the population in Zimbabwe. Respondents saw their inclusion in the export processing zone as their gateway for recognition as serious production contenders and the only way they can improve their production processes to international standards and also become competitive in the marketplace.

The study identified that SMEs lacked access to credit facilities; lacked business incubators in colleges and universities; lacked financial support and cumbersome procedures involved in establishing SMEs as the gaps that need to be filled to improve entrepreneurial development in Zimbabwe. This was confirmed by respondents who unanimously concurred that, lack of the financial resources such as working capital; limited know-how; and the fear of taking risk due to lack of business knowledge were also entrepreneurial development gaps that need to be filled to improve entrepreneurship development in Zimbabwe.

In their views, respondents contended that there was need for the Zimbabwean government to nurture and mentor SMEs by assisting them to develop and grow through helping them access capital, lines of credit supported by government guarantees for them to get loans. The respondents also suggested that, there should be a policy on promotion of individual businesses to grow through inclusion into government aided programmes such as the export processing zones and assist SMEs in showcasing their products in international exhibitions so that they tap into developed countries production technologies and innovations that can be used back home to improve production capabilities. Respondents also suggested that government reduce taxes as there were too many tax heads which do not promote business growth.
III. CONCLUSION

Training of entrepreneurs under the Ministry of SMEs to SMEs growth. The study further found access to credit facilities; establishment of business incubators in the universities and tertiary colleges and having financial support, as development gaps with significant relationships with entrepreneurial development in Zimbabwe. However, fear of taking risk due to lack of business knowledge that had a low mean score of 4.1419 and a high standard deviation of 1.50082 were found to have no significant relationship to entrepreneurial development gaps that need to be filled to enhance economic development in Zimbabwe.

Furthermore, given financial support, entrepreneurs could ensure they unleash their potential in contributing to both the GDP and National Income. The study argues that, though entrepreneurs have the potential to significantly contribute to the GDP, they were constrained by limited entrepreneurial skills. This was the case as lack of entrepreneurial skills were inherent as most entrepreneurs had not received any training in business management. It should be noted that, entrepreneurial innovation is the cornerstone of successful entrepreneurship within dynamic emerging markets. This requires both expert level and domain knowledge and the ability to acquire and apply new knowledge to solve problems of knowledge gaps in entrepreneurs. Carter and Wilton, (2006) argue that this can only be acquired through training in universities and colleges in partnership with business manufacturing enterprises and other trades to equip today and tomorrow business leaders with the requisite applicable business knowledge that motivates intentions to start new businesses armed with new technology and innovative skills (Carter and Wilson, 2006).

The study noted that lack of incubation in institutions of higher learning reduced the spirit and zeal to become a business person after leaving school. This finding was in-line with Shumba (2014) and Sautet (2011); Malebanaand Swanepoel(2015) who all concurred that limited entrepreneurial intention in university students had affected entrepreneurial development in Zimbabwe. In order for entrepreneurial development to improve, Zimbabwean government should nurture and mentor SMEs through providing assistance for them to develop and grow. SMEs growth can only be possible when SMEs could access capital and lines of credit easily.

IV. RECOMMENDATIONS

- Government should provide an entrepreneurial enabling environment.
- Government should have guaranties to SMEs so that they are able to access credit to boost their businesses. This could enhance improvement in entrepreneurship development in Zimbabwe.
- Entrepreneurial training should be rolled out.
- Financial support should be provided.
- More incubation hubs should be built nationwide.

Recommendations for Further Study

The study did not cover an in-depth study on the internal control practices of small and medium enterprises. It is this study's position that any well-designed and effective set of internal control procedures would provide good financial control systems that could help entrepreneurs in SMEs to measure their business performance and establish whether the business is growing or declining. Furthermore, researchers could therefore, investigate the gap in the research area identified for further study.

REFERENCES


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