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DEPARTMENT OF ACCOUNTING

ANALYSIS OF GOVERNMENT POLICY ON FINANCIAL
PERFORMANCE OF ZIMBABWE MOTOR INDUSTRY: CASE STUDY OF
CROCO MOTOR.

BY

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R124810J

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FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOUR OF COMMERCE
HONOURS DEGREE IN ACCOUNTING.*

GWERU, ZIMBABWE

April 2016

DECLARATION FORM

I Chidakwa Edwin declare that this project herein is my own piece of work and has not been copied from any source without the acknowledgement of the source.

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May the Lord bless you abundantly and all your future endeavours.

Many difficulties came in the way and I almost lost hope, I give thanks to the Almighty God for His divine protection and security which gave me the strength to continue the race.

'It always seems impossible until it's done' Nelson Mandela.

DEDICATION

This dissertation is dedicated to my parents and all my brothers, for their love, support, prayers and for believing in me.

ABSTRACT

The aim of the research is to analyze the government policies on financial performance of Zimbabwe Motor industry. The literature on the research study constituted all the objectives of the research study and what other authors have said about the government policies on financial performance. Questionnaires were used as the main data collection instruments essential in the collection of data. Primary and Secondary sources were both used to obtain data. The targeted population size used in this research was 55 and the sample size was constituted by 33 respondents. The information obtained from the data collected was analyzed by making use of a spread sheet and it was presented by making use of simple tables and graphs. From the research the research findings also show that the Zimbabwe importation policy on second hand vehicles imposed by government is responsible for the decrease in demand of new vehicles from local automobile dealers. High utility charges has been affecting greatly on the financial performance of the industry. The researcher has also discovered that the industry is so much in need of capital therefore the government can use its policies to encourage Foreign direct investment and this can also attract foreign investors to invest in automobile sector. The recommendation was that, Zimbabwe Motor industry should sell vehicle parts for gray imports as well as servicing grey imports so that they can improve their profitability. Croco Motors must try to collaborate with banks and financial institutions in making sure that the potential customers have access to vehicle loans despite the lack of collateral security.

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CHAPTER I : INTRODUCTION TO THE STUDY

1.0 Introduction

Brazilian government once in 1950 imposed tariffs on car import to provide local trade protection, and within some few years, the country increased their local content ratio by more than 90 percent (Chu, 2011). Ghume (2013) severely criticizes the policy of increasing tariffs, arguing that in the long run the organization may experience a reduction on efficiency cause by lack of competition, and as a result will suffer a decrease in profits due to a need of substitution of goods they produce. In addition, Jumbo (2013) adds weight to the argument and insist that government policies can be used by the government to promote the competitiveness of important goods as well as industries that have a potential to grow in foreign markets and also to build strong layer on all the needs of its economy. On the other hand (Chenghua, 2012) asserts that there is need for the government of Zimbabwe to formulate automobile industrial policies which can promote the industry players. Nevertheless, (Zhou and Zvoushe, 2012) posit in Zimbabwe the use of government policies and industrial policy have a great impact in promoting a favorable financial performance of motor industry.

1.1 Background of the study

The correct enforcement and maintenance of industrial policies improves the financial performance of motor industry players, however, a decline in the financial performance of motor industry in Zimbabwe shows that there is a gap remained uncovered as to how policies which are being implemented by the government correspond to the needs and challenges in the industry. After taking into account of all the above arguments on government policies, this has shown that there are limited number of researches that have been done on linking the government policies with performance of automobile companies therefore this research is aimed at analyzing the government policies in relation to

financial performance of Zimbabwe motor industry. According to Biti (2011) the the government enacted a duty free policy for public servants with effect from January 2013. The main purpose of the duty free car policy to encourage the morale of the government workers. However, the policy has contributed to an increase on imported vehicles in 2013 from 15 019 vehicles to 17 262 vehicles which is 14.93% increase in Autobusiness(2014 in Mugwenhi 2014). In addition, the limited access to individual loans has resultant in a much reduction in the buy of new automobiles, with the financial institution just giving 21% of their credits to people (Mangudya, 2015). After government's controversial import hike, an order which states that all government departments and state enterprises must purchase vehicles from local motor industry, and this supports (Cabinet circular number 16:2011) which further clarifies that unless approved by authorities, operational automobiles must come from local assemblers...

In 2013, Croco Motors General Manager for Sales insisted that "in order for automobile industry to entirely back up we must have local content of as much as 58% going into the vehicle assemblers. But as for now, the local supply chain is not existing". The Table 1:1 below to shows the effect of government policies on the financial performance of Croco Motors.

Table 1:1 Trend analysis with relation to policies.

Year	# of Vehicle imports	Trend in Customs Duty & Surtax per vehicle	# of companies Shut down	Trend in issue of Vehicles bank loans	Financial Performance of Croco Motors (Profits)
2011	3455	25%	73	106	22%
2012	4007	25%	149	85	18%
2013	2376	30%	163	200	25%
2014	5596	35%	172	102	15%

VEHICLE IMPORTS (GRAY IMPORTS POLICY)	54%
COMPANY SHUTDOWN (INDEGINIZATION POLICY)	21%
RETRENCHMENT OF WORKERS (LABOUR POLICY)	12%
TREND IN ISSUE OF VEHICLE LOANS (BANK AND BORROWING POLICY)	7%
INCREASE IN CUSTOMS DUTY AND SURTAX	6%

Source: Croco Motors, Zimstat and Zimra 2014

The financial performance of Croco Motors experienced a decrease of 4 percentage point between the period of 2011 and 2012. However, the performance significantly increased by 7 percentage point in 2013. To support this NewZimbabwe (2014), the government of Zimbabwe purchased about 200 Ford Rangers from one supplier (Croco Motors) on credit for its Government officials and Member of Parliament. In 2014 there was a much decrease of 10 percent on financial performance of 2014, due to the increase in the number of companies affected by indigenization policy that had to shut-down which were 163 companies (Croco Vehicle Sales Manager:2014)

1.2 Statement of the problem

The most of successful policies in building as well as maintaining a powerful automotive industry are those in which there is a limited government intervention at the microeconomic level and enables the market principles to participate freely. However, failure of government policies to reflect the demands of automobile industry will cause a challenge

to the local participants in the industry, hence there will be much need for government policies to be matched in solving these challenges which are impeding the financial performance of the industry. This study is aimed to analyze how government policies are contributing to the decline on financial performance of motor industry in Zimbabwe.

1.3 Main Research Question

Analyze the Government policies on financial performance of Zimbabwe Motor industry? Case study of Croco Motors.

1.4 Research Objectives

This study pursue to;

- i.** Assess the current government policies in correspond to the industry needs.
- ii.** Identify the challenges faced by Motor industry as result of government policies.
- iii.** Identify the benefits of government policy on the performance of Motor industry.
- iv.** Assess other countries policies implemented to improve the performance of motor industry in comparing with the situation in Zimbabwe motor industry.
- v.** Establish the best practice on government policies to improve the performance of Motor industry.

1.5 Sub Research Questions

- i.** How the government policies correspond to the Motor industry needs?
- ii.** What are the challenges faced by Motor industry as result of government policies?
- iii.** What are the benefits of government policy on the performance of Motor industry?

- iv. To what extent, has other countries policies implemented to improve the performance of Motor industry in comparing with the situation in Zimbabwe motor industry?
- v. What are the best practice on government policies to improve the performance of Zimbabwe motor industry?

1.6 Significance of the study

The research is presumed to contribute to the analysis of government policy on financial performance of Zimbabwe motor industry. Saripalle (2012:2) alluded that, “differences in inter-firm performances exist because of the existences of information asymmetries, disseminated knowledge and differential experiences which in turn give rise to different learning processes within firms”. Zimbabwe motor industry since 1990s the industry is facing a lot of challenges which resulting in continual decline in the performance of the industry participants (Chikosha and Chiunye, 2012). The failure of government policies to reflect the demands of motor industry will contribute to the challenges on local participants in the industry, therefore there is much need to assess the current government policies on how they are matching with the needs of industry and in solving these challenges which are impeding the performance of the industry. It also intended to bring out the best practice which can be implemented by both the industry players and the Government of Zimbabwe to boost the performance of the industry.

1.7 Delimitation of the study

The scope of the research is mainly concentrated on the analysis of government policies on financial performance of Zimbabwe motor industry. The research was carried out in a period of five months, the time available was not capable to research as there was need to concentrate more on other courses associated with the industry performance. The fact

that the research was conducted on sample basis, raises risk of being affected by the limitation of sampling methods used. In order to cater for this risk a larger sample was used in this research.

1.8 Limitations of the study

It was not possible to sample all other subsidiaries of Croco Motors due the limited time of carrying out the findings of this research. There is always inherent risks associated the industry such as not all the companies will comply with the requirements of international standards which will result in producing biased information when comparing the outcomes. The existence of Audit risk could also be another limitation to the research, in another words the auditing risk refers to a situation in which an Auditor can express an opinion on financial statements that are materially misstated. Adjusting events after the reporting date might not be adjusted for the financial report that I will use for the purposes of the research. The major constraint to the research project will be limited funds to cater for high cost of transport, stationery, typing and printing. In order to address the restraint, the researcher is expecting only to obtain family support. The confidentiality policy restricted the researcher in assessing the information required. The respondents are unwilling to disclose all the required information this may be due to an oath of secrecy, in order to resolve this, the researcher provided assurance to respondents that the result of the study could only be used only for academic purposes.

1.9 Definition of terms

Automobile industry: involves all those companies and activities involved in manufacture of motor vehicles, including most components, such as engines and bodies.(Britannica.com, 2016)

Financial performance: the level of performance of a business over an accounting period expressed in terms of overall profits and losses during that period.(Mugwenhi, 2014)

Government policy: Any course of action by government which intends to change a certain situation.(Nidirect.gov.uk, 2016)

1.10 Acronomies

- **GoZ** – Government of Zimbabwe.
- **CZI** – Confederation of Zimbabwe Industries.
- **WMMI** – Willowvale Mazda Motor Industry.
- **RBZ** – Reserve Bank of Zimbabwe.
- **WTO** – World Trade Organization.

1.11 Chapter summary

This chapter aims to reveal how government policies affect financial performance automobile companies in Zimbabwe. In order to persist below these environmental difficulties and vagueness, managers and stakeholders of automobile industry need sharp tools, proven management techniques to projects the key variations which are likely to disturb the business while they choose future directions and dimensions of resources needed to achieve selected objectives. The following chapter aims to discuss the research problem as can be found in literature.

CHAPTER II: LITERATURE REVIEW

2.0 Introduction

This chapter has present a review of literature that has been written to date on the research topic. It also encompass of literature review on government policies. According to Skene (2012) a literature review is a survey of every literature that has been written about a topic. The government can use policy decisions to interfere in the process of industrialization (Singh, 2014). To support this Shao et al., (2015) alluded that a government interference can affect the organization's financial activities in different form and also might have the same impact on financing decisions as well as performance. Natsuda and Thoburn (2013) argued that the government of Thailand used automotive industrial policy to develop its industry, this has resulted in attracting foreign direct investment especially in the automobile and auto parts production Chenghua (2012) reiterated that government of Zimbabwe should formulate the automotive policy to help the needs of the industry.

However, the implementation of government policies may enhance the performance of automotive industry but it is not the mere factor to consider in most developing countries on producing the sustainability growth for the industry (Black and Mclennan, 2015). Seung-Youn (2013:922) also also acknowledge that it is not an overstatement that all countries have only succeeded especially in the motor industry through government intervention.

Therefore the chapter was mainly aimed to uncover the remaining information gap through answering the following questions, in 2.1 the research question will be focus on how the Government policies correspond to the Motor industry needs. 2.2 will be answering the challenges that industry can face as a result from government policy

implemented. 2.3 The benefits that the current industry is enjoying from the government policy. 2.4 What to compare government policies implemented by other countries with the same Zimbabwe situation. Lastly, 2.5 will be focusing what are the best practice on government policies in order to improve the performance of the industry

2.1 The Government policies in corresponding to the Motor industry needs.

According to the empirical evidences from many developing countries the revenue of entry level brands of vehicles have been seriously affected by grey importations, the main fact that gray imports are substitute products and also they have a positive cross elasticity of demand to domestic products (Thunde, 2010). Zindiye et al(2014 in Nyamwanza et al., 2015) viewed that, Zimbabwe is known for concocting splendid and well thought strategies, however, the issue has been on implementation. Black and McLennan (2015) African countries must need to adopt the most suitable policies in their industries as well as quickly to engage in the regional integration so to enable their industry to acquire a necessary experience in foreign markets. In addition, policies in order to be successful must need to be formulated in a strategic direction as well as to appropriately suited to the industrial needs(Morris et al., 2011). Therefore it is vital to evaluate the policies being implemented by the government of Zimbabwe in corresponding with the challenges in which the industry is currently facing.

2.1.1 Protectionism policies

Indian automobile industry has succeeded through the three industrial policy administration stages which were protection, deregulation and liberalization, each stage has marked by a particular macroenvironment, market structure and technology as well as external institutions (Saripalle, 2012). There is so much need for the government to implement policies which can impose some protectionism in order to assist the motor

industry (Black and McLennan, 2015). Ncube (2016) the Zimbabwean situation is in so much need for the government of Zimbabwe to implement some temporary protection so as to cater for outpour of the troublesome imports of cheap goods of which it can be substituted locally. To support this Chinamasa (2016) comments that, in order to protect the Zimbabwe automotive industry from importation of used vehicles the government of Zimbabwe should increase the import duty to those vehicle. This has also in line with instruction issued by president & cabinet in the circular number 16 which has motivated all government department and parastatals to buy their vehicles from local automobile industry. Croco motors is one of the automobile dealers which has benefited from these protectionism policies. The customer base for this organization is mainly constituted by government departments and its parastatals (Croco Motors General Manager, 2014).

However, Chikosha and Chiunye (2012) argued that it is wrong to suggest that second hand car imports are imposing threat to the Zimbabwean motor industry since the automobile assemblers themselves do not have the capacity to produce vehicles at an inexpensive price to the Zimbabwean customers. As indicated by the studies done by the Confederation of Zimbabwe Industries (CZI), Industry's ability to produce were 18.9% in 2009, 57% in 2011, 44.9% in 2012 and 39.6% in 2013 so it is may be possible for the Government to shield the commercial enterprises from the competition of second hand vehicles (Saungweme and Matsvai, 2014). In addition, Black and McLennan (2015) asserts that protection will increase costs to customers and has to be within the limits of the policy and this will impose challenges in some developing countries, where there are thriving to mitigate illegal imports. For example, Nigeria has for some time banned imports of used cars which are more than seven years from the date it has been

manufactured. These imports have been directed through the free port of Cotonou in Benini.

On the other hand, the state of automobile industries and the government policies implemented can vary from country to country in terms of the production capacity and consumer preference as this can results in affecting the promotion policy in which the government is trying to implement (Thailand Automotive Institute Ministry of Industry, 2012). Saripalle (2012) lamented that protection boosts procurement of local products but it does not prepare the learning capabilities essential for survival of local industry companies in competitive situations. In addition, according to a survey carried out by CZI the Zimbabwe industrial sector was failing to acquire the real state of art of the modern technology as a result the product quality is being compromised and less competitive globally (Magure, 2012).

Although the above studies have come up with different views about the protectionism policies, there is a knowledge gap still in questioning protectionism policies in Zimbabwe. Therefore the current study seeks to whether the protectionism policies are they meeting the demand of local industry.

2.1.2Borrowing and lending Policies

Dethier et al., (2011) propounded that cost of capital and access to loans are regularly among the most extreme restraining factor confronted by many businesses. Detailed planning and personal savings is required when there is unavailability of car loans by finance institutions, in order for customer to purchase motor vehicles (Thunde, 2010). Basing on the empirical tested in 24 developing countries, results revealed that in developing countries the availability of financing is a constrain to private investment

and as a result, this can change the private investment decisions (Blejer and Khan, 2016). According to Biti (2011) Government is concerned with the outcry from the industry over excessive lending rates and other handling charges being charged by financial institutions. This exercise is not in line with Government's objective of assisting industry to contribute to sustainable economic regaining and development. High interest rates are also a major factor behind most company shutting. Black and McLennan (2015) points out that the cost of capital in Africa is very high and the companies have to pay high interest rates as compared to the countries in the east of the continent. Croco Motors was among top five debtors who contributed to combined amount of \$25 million debt from Tetrad holdings. This prove that the company has been affected by high interest rates, so there is a need for government of Zimbabwe to intervene in banks to encourage them to lower their interest charges which is affordable for companies to pay (Croco Motors General Manager, 2014).

However, borrowing and lending policies can either enhance or adversely affect the performance of the industry. Companies which rely on borrowings may results in situation of high debt leverage which might cause a danger of insolvency if they cannot make installment on their debt and might likewise be not able to find new financiers later on. On the other side, leverage is not at all times very bad it can increase the shareholders' returns on their shares invested and make a great utilization of the tax advantage connected with borrowings (Nejati and Nejati, 2010). Furthermore, organizations with heavy reliance on their main financial institution can experience a low growth rate as well as on their financial performance as compared to those companies which slightly place their reliance on financial institutions (Gambini and Zazzaro, 2013).

Previously, these studies have been focusing on financial constraints which retards the performance of the motor industry and other put their emphasis on over reliance on financial funding from financial institution which resulted in insolvency, slow growth and at times company closure. This research seeks to find ways in which the government can intervene through policy making, to maintain a balance between financial institution and automobile players.

2.2 The challenges faced by Motor industry as a result of Government policies.

One of the reasons for low growth in performance of automotive industry in many developing countries is due to, higher rate of interest in bank loans, continuous increase rate of inflation and an high cost of production and world economic depression (Sankaran et al., 2014) In spite of the fact that the Zimbabwe motor industry has the potential of assemble light commercial automobiles and buses, this has, however, been hindered by difficulties that included limited access to working capital, out dated equipment and unfair competition from subsidized imports (Chinamasa, 2016). Sarbapriya (2012:151) cited that increase in income level, decline in tax and interest rates have helped to increase in personal disposable income as a result increased disposable income and fast changing spending habits have led to the increased consumerism of capital good product for human comfort. Most of developing countries face challenges which such as high utility charges by local government, lack of officially approved automobile policy and high tax and tariff charges (Biswajit et al., 2007; Ruzivo, 2013).

2.2.1 Cost of doing business in Zimbabwe

Mangudya (2015) illustrates that reduction in the cost of doing business through addressing finance costs would lead to organizations in lessening their costs which is

essential for reviving and stimulating the economy. Chinamasa (2016) asserts that, a friendly and conducive investment environment remains a key for our economy to successfully compete and attract investment in the worldwide market. As indicated by the World Bank's 'Ease of Doing Business Report 2011' Zimbabwe is positioned at 157 out of 183 nations. Dethier et al., (2011) alluded that the most important variables that clearly define the conducive business environment are infrastructure, access to finance, security that is (less practices of corruption and crime) and regulatory structures can result in influencing foreign direct investment. The increase of foreign direct investment promote the performance of the industry through increasing its capital funding. The cost of doing business in a country has a significant influence to FDI investment. Government policies can affect the foreign direct investments through failing to create a conducive environment for the foreigners to invest in a country (Saungweme and Matsvai, 2014). In Czech Automotive industry has provided a good example on how it has succeed since early 1990s through large inflows of foreign direct investment (Pavlinek and Zizalova, 2014).

In addition, Pavlinek and Zizalova observed that, During the transactions of the terms of joint venture between Škoda and VW in 1991, the government transparently upheld the progression of linkages between outside and local firms by securing the a temporary protection for Škoda's local suppliers. After Škoda's takeover, existing local suppliers were allowed a conversion period during which they can continue to supplying products to Škoda yet needed to comply with VW's quality models. Between 1992 and 1998, On the other hand, the government failed to improve the linkages in the between international and local companies (Pavlinek and Zizalova, 2014).

Although the above empirical evidence and literature have tried to bring out the emphasis to policy maker for them to improve ease of doing business in the country, there is still a

knowledge gap existing on how the customer base has been affected by this cost of doing business and its impact to the existing business performance.

2.2.2 High Utility Charges.

Mangudya (2015) comments that fees and some tariffs has increase the cost of doing business in Zimbabwe and the government efforts should focus on utility prices, especially electricity, water and licensing requirements. In cases of many developing countries pay much more electricity and water service than industrial players of developed countries (Bhattacharyya and Palit, 2014; Rahman et al., 2014; Ruzivo, 2013). In addition Belasen and Toma (2016) insists that, the economic growth and the demand of the electricity have a positive relationship. In another words this means that the an increase on the usage of electricity can have a directly associated with the an increase in the gross domestic products

However, Black and Mclennan (2015) denies that although of high utility services rates in most of developing countries could be the cause of uncompetitive prices at a regional level, the main cost differences arises in variable and invisible costs, which occur outside of the main business actives such as corruption and losses due to untrustworthy infrastructure (Black and Mclennan, 2015). The utility cost are generally high in Zimbabwe and are very affecting negatively on performance of Zimbabwe motor industry by increasing the production cost for Willowvale Mazda 1Motor Industry as well as administration cost for automobile franchised dealers like Croco Motors. Croco Motors Genera Manager (2015) alluded that it is important to research on why customer base of Croco Motors are not frequently buying as their normal way before the era of hyper-inflation and implementation of other government policy.

Much of the studies on high utility charges have mainly channeled on the impact of increasing the organizational cost and gross domestic product. However, the literature lacks to assess how government can intervene through policy making to regulate the local authority in order to reduce the charges therefore increasing the performance of the industry.

2.2.3 High Tax and Tariff Structures

Arocha et al (2014) states that high levels of tariffs and duties, hurt the competitiveness of many companies by raising the expenses of obtaining imported inputs. In landlocked nations, for instances, Zimbabwe, where transportation costs need to account for longer distances, tariffs also contributes to what seems to be high cost in obtaining imported inputs. In addition, companies and private business in Zimbabwe are taxed on non-exempt income from any source within or considered to be in Zimbabwe (Sackin, 2013). It is encouraged that Zimbabwe should introduce flat tax rates and reduce tariffs in order to boost the performance of the local industry players.

On the other hand this will not cause much on improving the performance of the industry since taxes rates and tariffs are generally higher in comparing with other countries in the region (AFRODAD, 2011). Chinamasa (2016) comments that under the getting electricity indicator, Zimbabwe scored 0 out of 8 points. This index measures the reliability of electricity supply, transparency of tariffs and price of electricity and it constitutes 25% in the DB16. Therefore, Zimbabwe need to working on closing the gap in many key areas that impact the ease of doing business, especially increasing access to reliable electricity. According to Croco Motors S.W.O.T analysis about 80% of companies in Zimbabwe cannot afford to buy new cars for the reason of high cost of doing business in Zimbabwe (Croco Motors General Manager, 2015).

Since motor industry is in need of foreign direct investment, the Government of Zimbabwe should introduce the tax incentives in order to attract the global financial investors. Therefore, a wide gap of information exists in the above literature, other authors are arguing that the cost of doing business is the main challenge and some are saying high taxes and utility charges are the main challenge.

However, some literature information still remains uncovered such as, what ways government policies can be conducted in order to cater for reduction of high tax, tariffs, utility charges in order to improve the performance of the automotive industry specifically.

2.3 The benefits of government policies on performance of Motor industry.

Black and McLennan (2015) compares how government support in different countries has benefited the local industry, they found that, ‘in countries such as Korea, Thailand, Mexico and Brazil, the automobile industry has played an important role in local development, but not the same way as in other countries, government support has not produced sustainable growth for the industry’.

2.3.1 Encouragement of Foreign Direct Investment

Foreign direct investment has played a significant role in many developing countries in Africa. Foreign direct investment refers to the money or related assets that foreigners invest in organizations or their subsidiaries listed on the country’s Stock Exchange. Antwi et al (2013) acknowledges that it enhances the productivity of host countries and promote development.

Broadberry and Leunig (2013) asserts that it will be useful to remember that productivity results is a key pointer of performance. The capacity utilization of Zimbabwe motor

industry can be estimated to be 30.3% (Saungweme and Matsvai, 2014), this then reveals that there is so much need of capital in order to boost the capacity utilization and performance of the industry. Saungweme and Matsvai (2014) recommended that, ‘The government should consider formulating and implementing credible macroeconomic policies that attract foreign direct investment since it can inject new capital into the country’. In the same way, Chinamasa (2016:106) comments that, ‘government of Zimbabwe has also reiterated its firm commitment to continue to negotiate BIPPAs with potential investment source countries in a bid to boost investors’ confidence, thereby attracting the much needed Foreign direct Investment’

However, Chowdhury and Mavrotas (2003 in Antwi et al., 2013:19) criticize that, there is casual connection between foreign direct investment and economic growth, all major receivers of foreign direct investment with different history of macroeconomic periods, policy regime and growth designs has found that it is Gross domestic product (GDP) that causes Foreign direct investment. The foreign direct investment might increase the capital base of companies in Zimbabwe Motor industry, and this can only happen if Government of Zimbabwe formulates policies which can attracts the foreigner investors.

In spite of the fact that foreign direct investment has been supported by literature to be the another avenue in which the automotive industry can improve its capital base, however, the literature has not widely focused on the other policies which government can implement in order to boost this capital base without diluting the shareholding with external investors. Therefore, the research is going to find other policies that can implemented in order to boost the capital base of the local motor industry.

2.3.2 Government policy of buying locally.

Local industry benefited from the procurement of vehicle by the government. The Cabinet circular of 2011 encourages the government and its parastatal departments to purchase

their operational vehicles from local motor industry. This circular has a great impact in influencing the performance of the local industry place. Government is the biggest customer in many nations because of its structure of having many departments and public organizations. Thunde (2010) supports that, in Malawi and Botswana, the government is a big customer of brand new cars. Every year, the government buys brand new cars for its projects or to replace fully depreciated ones. The government buys different makes and brands from various dealerships and not just one, so every year, brand new car dealers look to government to purchase a huge quantity of cars at one time. It makes volume purchases of motor vehicle, which is very advantageous to brand new dealer's growth and performance'.

In pursuing this further, the national budget statement recommend to eliminate the passenger commercial motor vehicles and buses imported by Government and School Development Associations from the Duty Free Certificate Facility, in a way assist implementation of the cabinet circular and also empower the local motor industry (Chinamasa, 2016).

Although many previous literature have expressed their view on buying locally, but there is still a need to research about this policy that is it really benefiting the local automobile players, since some of the literature is arguing that the local capacity is very low.

2.4 To compare Government policies of Zimbabwe motor industry with other countries globally.

2.4.1 Gray importation on brand new Car Dealers Case in Botswana and Malawi

Thunde (2010) assesses the impact of gray importation on brand new Car dealer in case of Botswana and Malawi. Since the gray importation is one of the challenge in which Zimbabwe motor industry is facing therefore, it is important to assess the empirical

evidence for other countries which were having same challenge of Gray importation. The research was directed to give empirical evidence of Botswana and Malawi provide in the research carried by Thunde (2010) the following evidence was observed to answer the research objective:

2.4.1.1 The impact of gray imports on brand new car dealers' sales in Botswana and Malawi

Thunde (2010) observed that, 'the sales volume for brand new car dealers have been negatively affected by gray imports for the reason that, gray imports have positive cross elasticity of demand and therefore substitutes to low-level volume brands. The economy of these countries and premium brands have been hardly affected.'

Although this evidence has discovered that there is a negative impact of gray importation to the local industry, the knowledge gap still exists in Zimbabwean situation since some authors Chikosha and Chiunye (2012) they argued that the gray importation is not affecting the Zimbabwe Motor industry. Therefore, this research is going to seek the reaction of government policies to gray importation of second hand cars.

2.4.1.2 Policies and strategies implemented in reaction of that impact

Pursing this further, (Thunde, 2010) concludes that, 'in order for dealers to increase their performance, they participate in marketing of back up services with the intention to convince local customers to purchase brand new cars than opt for gray imports that do not have buck-up services and warranties. In the same way, the brand new car market has been driven by bank loans, government loans coupled with the government as a main customer of brand new vehicle each year. Furthermore, the Botswana government has introduced loan scheme for its civil servants. Civil servants have allowed to apply for a loan from the government. The loan enable the recipients to purchase a farm, house or a

car. As a results of having such liberty, a member of staff was free to use loan to purchase a certified used car, brand new or a gray import (Thunde, 2010:24-25) ’

The author in his research, found that the strategies which has helped the performance of these industries were successful. Therefore this research has directed to find other strategies in which the government of Zimbabwe was implementing to ensure there was an improvement in the performance of Zimbabwe Motor industry.

2.4.2 Protection policies and attraction of Foreign direct Investment. A case of Thailand

Natsuda and Thoburn (2013) examine the Thailand’s policies implemented in developing one of the most successful automotive industries in the South East Asian region as well as the policies implemented to encourage the foreign investors. The research has provide the following empirical questions:

2.4.2.1 The ways in which developing countries can conduct industrial policy in circumstances where current international trade rules

Import substitution industrialization policy was one of the tools that Thailand used to develop its automotive industry in period of 1960-1970. Under this policy the imports tariffs on Complete Built Unit (CBU) vehicles increased to over Fifty percent for trucks and which was also fifty percent high as compared to passenger vehicles. The imports tariff for on Complete Knocked Down (CKD) kits have increased also. This was also followed by a complete ban on passenger car imports in 1978-1991 (Natsuda and Thoburn, 2013).

Although the above empirical evidence have tried to show the situation of other countries that have been implemented to solve their challenge, the information gap is still exists comparing with Zimbabwe situation. Why is it the performance of the industry is still

declining whilst Government of Zimbabwe have implement some of policy which are similar and have once succeeded in other countries?

2.5 The best practice on government polices to improve the performance of the industry.

(SACSCOC, 2010) report that a functional policy is the one which widely enough to incorporate all the attributes of the subject addressed. (Galvin et al., 2014; Yates, 2015) illustrates that government policies and its implementation, they have an important influence in order to boost the performance of the industry. There are a wide range of instruments, in which the government can use in order to attract the foreign direct investment in automotive industry (Allen Consulting Group, 2013). In addition, government activates and policy implemented plays an important role in both country and organization level. Therefore it is of more important for the government to come up with best practice in order to improve the performance of the local industry (W.E.F, 2016). However, (Yates, 2015) posits that some governments may fail to develop or come up with sound policy or practices to enable to support the local industry players and burden will end up on the shoulders of the players.

2.5.1 Liberalization Policy versus Import Substitution Policy

The policy makers should choice on which policy strategy to adopt in order to improve the performance of automotive industry. Dethier et al (2011)are of the same view that the choice between industrialization policies must wisely selected in order to come up the best practices which enhance the local performance. Import substitution is one of the strategies that the policy maker can implement to promote the local industry, it promotes the protection of local industry from outside competition and encourage the increase of import duty on Complete Built Unit (CBU) in order to discourage customers to purchase from outside. In support (Fujita, 1997 cited in Tai and Ku, 2013) cited that import

substitution in developing countries can cause the high production cost and most of the industry capacity will not meet the demands from customers, as results the performance of the local motor industry can be reduced. The author takes the view that the implementation of import substitution will discourage the foreign direct investment and the ease of doing business in a country will not be favorable for the foreign investors especially Joint ventures and multinational companies (Sarbpriya, 2012).

On the other side, liberalization policy improves the production efficiency as well as encourages the local automotive players to seek more innovate, modern technological changes in order to enable its survival in international competitions. (Fujita,1997 cited in Phongpaichit et al., 2013) suggests that, although the liberalization policies promotes the performance of the industry, but it also reduces the performances and growth of the economy as a whole since some multinational companies exports the resources to their mother country. On the same note, (Falvey et al., 2012) relates that, liberalization even if can improve the local industry by attracting foreign direct investments and encourage local motor industry to participant in the exports market, but it is of more important to realize that in the long run the country can suffer a deficit in Gross Domestic Product. Furthermore, (I.T.C, 2012) suggests that, it is more encouraged for local industry to prepare themselves in order to stand during the time of stiff competition since the modern international trade rules under (WTO) can expose the industry in international markets. Government should engage into liberalization policies on Motor industry, since the industry is current have a lower than 50 % local content, the import substitution can only be successful when the local content is above 50% but as for now Zimbabwe should liberalize the Motor industry and encourage local industry to improve their capacity (Croco Motors General Manager,2014))

To pursue this further, (Ohno, 2011) explains the import substitution policy and liberalization policy in a view that, the succession of either the two policy it depends with the government automotive policy and its objective either to promote local brand automobiles or to encourage the foreigner to joint venture with the local industry and also multinational companies to invest in the local automotive. In the same way (Kaminski and Ng, 2013) compares the success of import substitution industrial policy how it has succeeded in Malaysia and how it has failed in Brazil. In the light of that (ibid) concludes that the link between the performance of the industry and the policies which are being implemented by policy makers may depend on many intervening variables that vary with the level of economic development, factors of production, demography and geographical location.

Although many previous researches have account for the different views about import substitution and liberalization policies. The gap still exists in answering the question that which of these policies can be best suitable in Zimbabwe situation in order to improve the performance of the automotive industry.

2.5.2 Investment incentives and support

(Allen Consulting Group, 2013; Sturgeon and Van Biesebroeck, 2010; Tai and Ku, 2013) are on the same view that lack of market mechanisms as well as scarcity resources in many developing countries needs policy intervention in order for the local industry to boost the industrializations. Sturgeon and Van Biesebroeck (2010) take the view that most of western government with a small local automotive industry had to intervene during the 2009 economic crises. Yun-Han Chu(2008:20 in Tai and Ku, 2013) postulates that it was a necessary for the government of United State of America to intervene in its Automotive industry. (Tai and Ku, 2013) went on further saying that, during the initial stage of development, the local industries are typically unable to compete with foreign companies,

therefore, the state must protect its industry through policy intervention in order to encourage industrial development and export trade expansion .Countries that are most successful at attracting automotive investment have experienced growth in production and employment through government intervention in policy making (Allen Consulting Group, 2013). Investment incentives are commonly used to attract foreign direct investment in this countries like United State of America. The incentives are being offered in number of range such as cash incentives, tax credits on corporate, sales or income tax and tax holidays (ibid). Government can intervene through funding, grants, partnership arrangements or incentives design.(PwC, 2011).

According to (Yates, 2015), there are a number of factors which can attract the automotive investments, these factors are; one stop clearance for foreign direct investment proposals in automotive sector, tax deduction of hundred percent of exports products and concession of import duty on machinery for new plants or capacity expansion. Sturgeon and Van Biesebroeck (2010) also gave the view that government can also use other factors which can promote the performance of the automotive industry. For instances, Thai government has once tried to boost the performance of the industry through the First Car Buyer Scheme. Upon this scheme Thai government introduced the subsidies for any person from the age of 21 to purchase a car which have a value of not less than 100,000 baht (approximately \$31,000). The person who meet all requires was able to get a tax rebate of 10% on express on the value of a car (approximately \$3,100).

However, (Allen Consulting Group, 2013) argued that the investment incentives in general will not be enough as result of expenses involved in safeguarding that investment. Tai and Ku (2013) also reiterate that, although automotive in many developing country needs government intervention, not all interventions can yield the same estimated results.

(Yates, 2015) also concluded that, the main factors which can attract the foreign direct investment in a country is not only the subsidies and one stop clearance FDI proposals, but the proximity to major markets, availability of a skilled and literate labour force, and total labour cost (includes health benefits, pensions or legislations structure) must also be considered.

Besides all the above, best practices which were discussed by many authors, it will not be one sizes fit all situation of practices many automotive industry. There is still a need to focus on other issues which the government of Zimbabwe must consider before intervene through subsidies and support. Therefore, this research has directed to come up with other best practice which can be suitable to Zimbabwe Motor industry.

2.6 Summary

This chapter took a glance at the views of various authors and included literature on challenges, benefits, and empirical evidence on government policy implemented in order to solve the needs of the industry. It also draws attention to the best practice on government policies can improve the performance of the industry. Chapter three will concentrate on the research techniques to be used as a part of acquiring information that can be applicable to the study

CHAPTER III: RESEARCH METHODOLOGY

3.0 Introduction

This chapter aimed to give in details of the research methodology. It laid out the information on research design, qualitative research, sampling methods and targeted population for the study, data source, how data collected is to be analysed and the summary to the chapter.

3.1 Research Approach

The researcher is going to use a qualitative and quantitative research methods as part of his research approach. Qualitative is mainly directed in exploring and understanding a phenomenon or event, and opinion of the participants (Harwell, 2011). It seeks to analysis a research problem or topic from the perceptions of local population it consist of. The research objectives and research questions for this research was found to exploring more on the area of study. Quantitative research method is mainly focused on collection, analysis and interpretation of data by observing figures. Justification of the Approach

It was of more important for this research to be carried out using mixed approach since the area of study government policies and financial performance was mainly based on the qualitative and quantitative data. This type of approach it improve the validity and reliability of the research. This was also supported by (Bulsara, n.d.), mixed approach it enables the researcher to vary in data collection and responds to the question by obtaining a lot of difference perception.

3.2 Research Design

According to Harwell (2011) , research design gives a complete outlines of how research study is going to be undertaken. Research design in this search was classified as descriptive design, exploratory and case study design. Creswell (2013) explains that a research design should show all the necessary research procedures from the

conceptualization of a problem to studies of other authors and it can include the research questions, methods and finally the conclusions.

The main use of research design is to ensure that the researcher has obtained the evidence that allows him to answer the research question as clearly as possible (Broadhurst et al., 2012).

3.2.1 Descriptive Research

Andrew et al. (2011) comments that descriptive ordinarily portrays attributes of a population using studies, interviews or explanations. Cooper and Schindler (2013) admits that a descriptive study tries to discover answers to the requests completed in research. Descriptive research design enabled the researcher to easily evaluate and express the data obtained from Croco Motors in statistical form. Besides the fact that there is much needed time to organize results, this research design will help in providing the approach that identifies the attitudes and opinion of the population (Cooper and Schindler, 2013). Greener and Martelli (2015) asserts that, the descriptive research answers the research questions, which are largely factual in nature.

3.2.2 Exploratory Research Design

This research design is mainly tendered to provide an understanding of the problem and pave ways for further research by other peers (Morrow and Ricketts, 2013). The research was mainly directed to shedding more light on Zimbabwe Motor Industry. The problem was aimed at analysis of government policies on financial performance of motor industry. It was of more important to explore in these areas of study since there are few literature in Zimbabwe which have published pertaining to solve the challenges affecting Motor Industry. Croco Motors General Manager (2015) alluded that it is important to research on why customer base of Croco Motors are not frequently buying as their normal way before the era of hyper-inflation and implementation of other government policy.

Exploratory research design is attempted to examine a range of study where little knowledge is known or to explore the conceivable results of undertaking a particular research study (Darko, 2015).

3.2.3 Case Study Research Design

Case study research design is an empirical request that researches a contemporary phenomenon inside and out its real-life context, particularly when the limitations between phenomenon and context are not openly obvious. Croco Motors is the case study that the researcher used. Croco Motors was of more significance as it allowed the researcher to study out on the analysis of government policy on financial performance of Zimbabwe Motor industry. In another words, Croco Motors is among of other players which are operating in Zimbabwe motor industry, so it will be best suit as a case study in this research. In the same manner, the researcher gained an access to a reliable results from the population sample at Graniteside branch.

3.2.4 Justification of the selected Research design

The researcher choose descriptive research design due to the nature and kind of inquiries, on a same note this class of research design method gave the researcher an accurate assessment of the outcomes obtained during the research. The need of expressing the resolutions to the problem has influenced the researcher to adopt descriptive research, which has result him to assign quantitative and qualitative data. Broadhurst et al., (2012) support that, in order for the researcher to obtain most accurate must specify the form of design needed to answer the research question. Harwell (2011) agrees that exploratory and case study design are too rigid to adhere to predetermined questions, hence could not give the researcher a chance to assess respondents' perception and understanding. Therefore, the researcher was able to collect data from all the types of source using the descriptive

research, exploratory and case study design since it allowed the researcher to collect large quantities of information in a more detailed manner.

3.3 Study Population

According to Fairfax County department (2012) defines population as the universe or collection of all elements being described or measured by a sample. Rew et al., (2013) also shared the same view that it is the entire group under study as defined by research objectives. The population of this study involved four (4) departments that is Vehicle sales department, finance department, workshop department and lastly the operations department. Study population of thirty-seven personnel were targeted from these departments and were expected to provide the information needed to carry out the research. The study population involve top managers up to their subordinates from five selected departments. The following

Table 3:1 was shows targeted population:

Table 3:1 Targeted Population Table.

Department	Population
Operations	10
Finance	18
Vehicle sales	8
Workshop	19
Total	55

3.4 Sampling

According to Haque (2010) a sample is the processing of acquiring information which relate to the entire population in order to investigate only portion of it. Rew et al., (2013) also cited that a sample is a subset of the total population that represents the entire group. There researcher used the following sampling procedures in order to arrive at sample size.

3.4.1 Sampling procedures

According to Creswell and Clark (2011) sampling procedure denotes the strategies utilized by the researcher as a part of recognizing and selecting people that are particularly well-informed about or experienced with a phenomenon of interest. The researcher used stratified sampling and random sampling method, although there are difference techniques were available.

3.4.1.1 Stratified Sampling Method

Fairfax County department (2012:4) explains that the stratified sampling involves categorizing the members of the population mutually exclusive and collectively exhaustive groups. In addition, Rew et al. (2013) alluded that stratified sampling enables the researcher to allocate a larger sample size to strata with more variance and smaller sample size to strata with less variance. The researcher used the sample of individual subpopulation independently in order to satisfy the requirements of stratified sampling. Stratified sampling was the most appropriate as the population was varied in nature so it made it less demanding for the population to be divided into similar categories.

3.4.1.2 Random sampling method

Subgroups of a population can be denoted by a sample; therefore, the sample used by the researcher has been selected randomly from the four departments of Croco Motors. This was supported by Creswell (2013), there is equal probability of being selected for each personnel in the department.

3.4.2 Justification of Sampling Method

This method justified by the research since it has a number of benefits in order to determine the size of a sample in each strata and data acquired was accurate. The researcher made the sample into strata depending upon the operational levels inside the

four chose department. The strata were then made to speak to their areas of expertise as indicated by their homogenous character

The sample size from four departments were made to be proportional to the size of the strata that is departments. On the same way, the research found it beneficial to use this method since it is cheap and less timely consuming. A sample size can be defined as a proportion or percentage of the items in a population which have same characteristics (Conroy, 2015). According to Wegner (2010) a standard sample should equal or exceed 50 % of the representative population. Therefore, the research is going to use 60 % of the whole population as a sample of this research. The sample size is going to be 33 which constituted the operations department and employees of other department. In order to come up with the sample size, which would give true representation of the whole population, the researcher has noted whether the respondents will be able to respond the question in line with the objectives of the research. The Table 3:2 below shows sample size:

Table 3:2 Sample size

Department	Population	Sample	Percentage of total
Operations	10	6	60
Finance	18	11	61
Vehicle sales	8	5	63
Workshop	19	11	58
Total	55	33	60

3.5 Source of Data

The researcher used primary data and secondary data as part of source of data.

3.5.1 Primary Data

Concordia University (2010) defines a primary source of data as a record which is created by the researcher during the time of exploring the field of research, and it is well linked directly to the events or individuals in which the research is being focused on. University

of Minnesota (2013) states that primary source is a first-hand information obtained from individual who express their personal point of view particularly to the subject under study. For instances the questionnaires and interviews were used as part of primary source in this research.

3.5.2 Secondary data

Secondary data is the data has been gather some time ago for supplementary reasons other than for the current issues(Concordia University, 2010). The research used the secondary sources such as journals, books and internet resources. The literature review in this research was heavily using this type of data.

3.6 Research instruments

According to Annum (2014) illustrate that research instruments includes the fact finding strategies and data collections tools such as questionnaires, interviews, reading and observations. The main research instruments used in this research are questionnaires and interviews. This has allowed the researcher to have a comprehensive set of data for this research. On the same note, the questionnaires and interviews has enabled the researcher to obtain first-hand information, which is easy to understand and clear. Zohrabi (2013) also highlighted that the use of different sources can increase the validity and reliability of the researching.

3.6.1 Questionnaires

According to Fairfax County department (2012) a questionnaires is a research instrument in which can be used to question a population or sample in order to obtain data for analysis. In this research, the questionnaires were developed from research question and the research objectives. Phellas et al. (2011) emphasized that the nonappearance of a questioner gives more anonymity for the respondent therefore; this will enhance the reliability of response especially when the topic is sensitive. However, the accuracy and

reliability of data depends on the integrity and support of the respondents. (ibid) comments that there is a limited control over who completes the questionnaires and the researcher can never be certain that the right person has answered the question. Questionnaires were randomly distributed to the operations personnel and other employees on four departments.

3.6.1.1 Type of questions

In order for the researcher to use Likert scale the research use the closed-ended leading questions. The main advantage of using this type of question it reduce the rate of inappropriate responses as a result better data can be obtained, and easy to analyze. The participants responded their view on the Likert scale, which the researcher drafted with the rating arrangement of each. Table 3:3 below displays Likert applied by the researcher:

Table 3:3 Likert scale Format.

Item	Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree
Points	1	2	3	4	5

Source : (Currie, 2005).

3.6.2 Interviews

Hartas (2010:224) refers interview as an inter-change of opinions between two persons speaking around a subject of mutual interest. Zohrabi (2013) support that, interviews are a usually and generally utilized as a strategy for gathering qualitative data. Five interviews were also conducted by the researcher in order to acquire knowledgeable information from Croco Motors. The interview has played a crucial role to comprehend what and how respondents see as well as in construe the effect of government policy around their working area. Furthermore, Zohrabi (2013) also revealed that the main objective of conducting an interview is to reveal an existing knowledge about the research field in

order to express it in form of answers which can enable the researcher to interpret. Upon this study, the researcher uses face to face interviews (self-interviews).

3.6.3 Justification for use of Research instruments

The use of interviews and questionnaires has improved the reliability of information since the researcher has gathered data from primary source. Financial performance and company's operation is very sensitive information at Croco Motors as a whole therefore, the researcher accredited the necessity for confidentiality as well as safety of the respondents. Greener and Martelli (2015) support the view the researcher should protect the respondents since the anonymity can influence the way how the participants may answer questions.

The respondents finished the questionnaires at their own extra time and this permitted them to give more regard for the questions. On the other hand, (Phellas et al., 2011) reiterated that, carefulness must be taken into consideration by the researcher when using the questionnaires especially during the time of designing. Short questions are most preferably and the questions should be clear and precise to avoid receiving a low return from respondents. The researcher has ensured that he had provided standard question to avoid some been left unattended. The questionnaires were provided in English Language in order to be easily understood and to make the participants comfortable when expressing views.

Likert scale has enabled the researcher to make direct and dependable evaluation of attitudes from the participants. The Likert scale it has also allowed the researcher to be easy on quantify the data which was used to draw the conclusion. According to (Rob, 2010), a Likert scale has been used for decades in questionnaires of all kinds for example market research, major government surveys and academic studies.

The researcher used the interviews in order to cover a gap left by questionnaires to review the important aspects that were not addressed by the questionnaires concerning the area of study. Edwards and Holland (2013) articulated that, the researcher could plan to get exceptional sort of data and by exploring for himself on what is happening in the interviewee's psyche. The area of research is a testing angle in the field of finance department; in this way, the utilization of interviews is of more essential keeping in mind the end goal to clear up grey areas in which the questionnaires could not clear. In other words, the researcher could not be able to observe the participants feelings and thinking through questionnaires otherwise the use of interviews could be helpful.

3.7 Reliability and Validity

Zohrabi (2013) comments that, the principle prerequisites of any research method is to come up with the information that is valid and reliable. The author added that the reliability of information rely on the consistence, dependability of the outcome obtained from research. In this research, the researcher asked the same questions to independent personnel involved in the finance practices. The researcher also carried out a pilot survey before distributing the questionnaires, this has ensured that, the questionnaires and interview guide question will be meaningful to the respondents and avoid some questions to be returned unattended. Simon (2011) agrees that pilot survey can ensure that errors such as comprehensive instruction and wording problems have been addressed before the main survey is carried out. Greener and Martelli (2015) defines validity as the accuracy and appropriateness of a measurement or observation. The researcher compared all the information acquired for the research objectives so as to make improve the validity and reliability.

3.8 Ethical Considerations

Edwards and Holland (2013) asserts that, it must be a commitment by the researcher to his work to disclose an accurate information for research performed, as well as the primary report must include enough details and reference to original source document in order to allow peer researcher to trace back to the work. Despite the fact that the research managed to achieve sensitive information, the researcher admits every contributions from the participants and keeps up the ethical considerations. The devotion to the principles of knowledgeable agreement, protection and secrecy has also be noted by the researcher.

3.9 Data Presentation and Analysis

Phellas et al., (2011) alluded that data analysis incorporates, arranging, investigation, tabulating and re-consolidating the evidences to address the research's suggestions. The researcher used both qualitative and quantitative methods for data analysis. Creswell (2013) support that the qualitative and quantitative data must well suite with the methods for data collection such as questionnaires and interviews. The unprocessed data from questionnaires as well as interviews schedules will be presented on graphs and tables for analysis and interpretations. (Zohrabi, 2013) asserts that data should be showed in a manner that passes on detailed information in a most efficient way. Graphs summarized all the data collected whilst tables present large amounts of data in a more understandable way. The use of statistical methods by the researcher has helped on carrying out the research by identifying as well as solving challenges related to this study.

3.10 Chapter Summary

The chapter reviews the research design, source of data, sampling techniques and research tools applied to this study. It also looked at other aspects such as data collection, data validity, data presentation and data analysis. The next chapter will be concentrating on the techniques of data presentation and interpretations of results collected.

CHAPTER IV: DATA PRESENTATION AND ANALYSIS

4.1 4.0Introduction

This chapter was mainly directed to the data presentation, analysis and discussions of findings obtained from the Croco Motors. The field research was done at this company and was with in line with research questions and objectives. Questionnaires and interviews were conducted therefore, enabled the researcher to present data collected at source.

4.2 Response rate

4.2.1 Questionnaire Response rate

Table 4:1 Questionnaire response rate

Respondents category	Targeted Respondents	Actual Respondents	Response rate
Operations	6	5	83%
Finance	11	11	100%
Vehicle sales	5	5	100%
Workshop	11	9	82%
Total	33	30	91%

A sum of 33 (100%) questionnaires were distributed to Croco Motors and 30 (91%) were responded and 3(9%) were not responded. The rate of (91%) of the respondents at Croco Motor has ensured that validity and reliability of data was collected this has shown a reasonably acceptable since it was above 50 % as what was suggested by (Wegner, 2010) that the outcome percentage of the research data collected should be 50% and above on the targeted sample to ensure that the data collected can be more valid and useful for academic research The validity and reliability is prerequisite to the research to guide and enhance of the data being collected (Zohrabi, 2013).

4.3 Response to Questionnaires

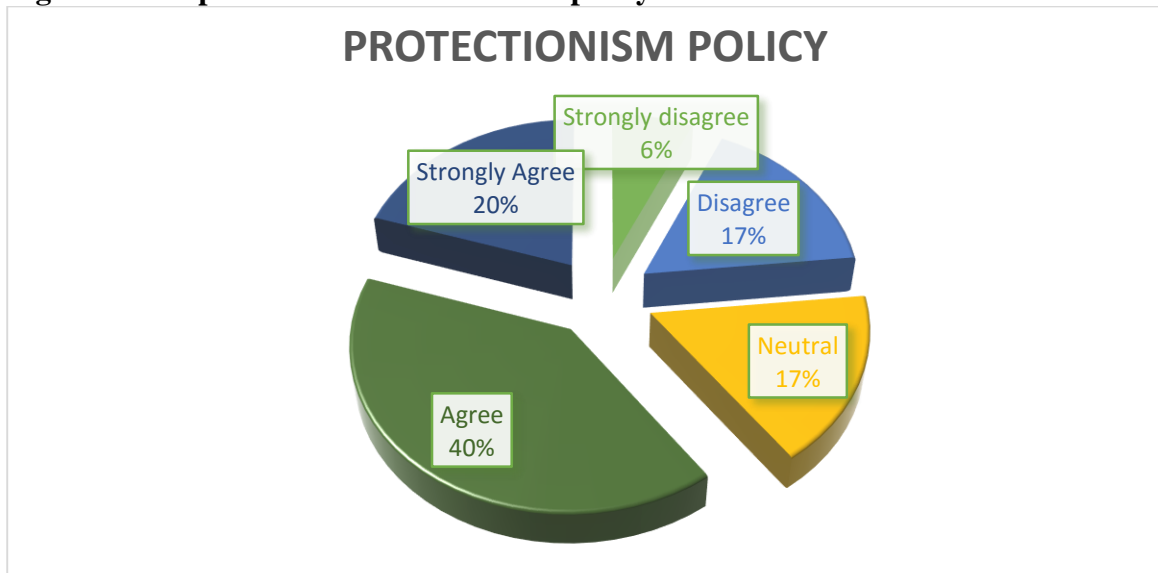
4.3.1 Analysis of findings on how the protectionism policies are correspond to the Motor Industry needs

4.3.1.1 Protectionism policies on importation of used vehicles

Raw data on Protectionism policy

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	6	12	5	5	2

Figure 4:1 Respondents on Protectionism policy



From the Figure 4:1 shown above, 12/30 (40%) agreed, 6/30 (20%) strongly agreed, 5/30 (17%) neutral, 5/30 (17%) Disagreed, 2/30 (6%) Strongly Disagreed. 5/30 (17%) were neutral that protectionism policies can neither corresponding to the industry needs. The (60%) of the respondents have agreed that the protectionism policies are corresponding to the motor industry needs, (Saungweme and Matsvai, 2014) are of the same view that government of Zimbabwe must protect the local automotive from the competition of imported used vehicles. The respondents with indifferent view constitute 5/30 (17%), they were neutral about the policy of protectionism policy. Saripalle (2012) was indifferent

about the protectionism policy and alluded that protectionism policy can enhance the performance of local motor industry, but on the other hand it does not prepare learning capability to local industry player so that they can improve their competitiveness skills during the time of competition. 7/30 (23%) respondents disagreed that the protectionism is not corresponding to the need of the industry. This was also supported by (Chikosha and Chiunye, 2012) argued that there local motor industry is not being affected by foreign imports of second hand vehicles since industry players do not have the capacity to produce vehicles.

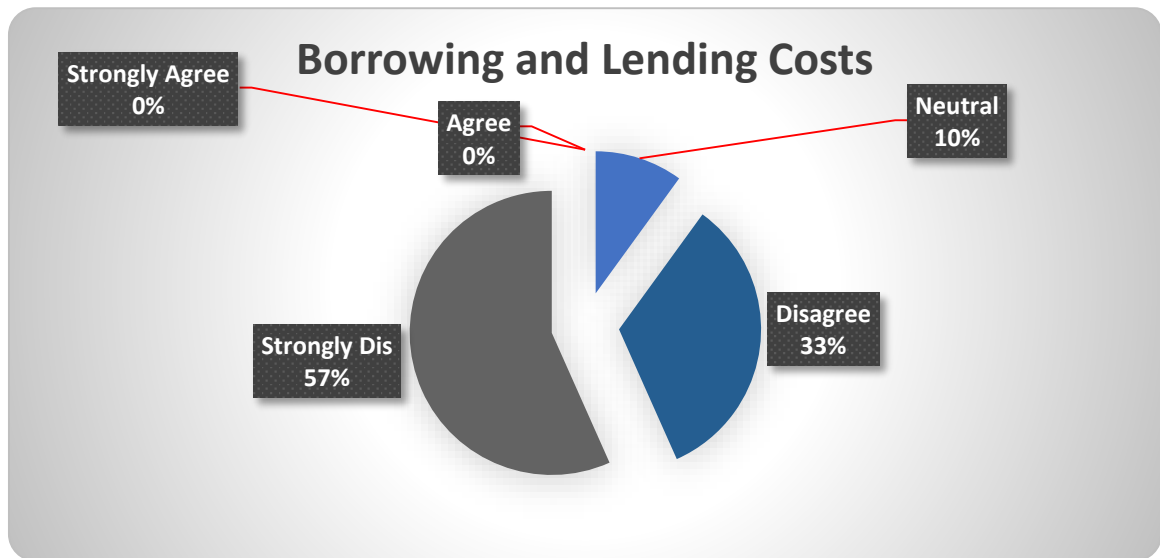
To sum it up, the mode of data is 60% with the view that government protectionism policy is line with need of automotive franchise dealers such as Croco Motors this can increase the demand of vehicles locally since there importation of second hand vehicles was being restricted. Ncube (2016) the Zimbabwean situation is in so much need for the government of Zimbabwe to implement some temporary protection so as to cater for outpour of the troublesome imports of cheap goods of which it can be substituted locally.

4.3.1.2 Analysis of the finding about Borrowing and Lending Costs Policy in corresponding with the industrial needs

Raw data on Borrowing and Lending Costs

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	0	0	3	10	17

Figure 4:2 Borrowing and Lending Costs



From data collected presented in Figure 4.2 shown above illustrates that 0/30 (0%) strongly agreed, 0/30 (0%) agreed, 3/30 (10%) neutral, 10/30 (33%) disagreed and 17/10 (57%) strongly disagreed. In aggregate 0/30 (0%) agreed borrowing and lending cost policies are corresponding to the needs of the industry. 3/30 10% of the respondents were neutral which was also supported by (Nejati and Nejati, 2010) are indifferent about the borrowing and lending cost can either improve the performance of companies or can negatively affect the performance and growth of the companies. The 90 % of the respondents disagreed that borrowing and lending costs policies were not correspond to the needs of the industry because the high interest rates and holding charges from financial sector which under RBZ are still affecting the need of low borrowing and lending cost by Local motor industry. This was also supported by (Biti, 2011; Black and Mclennan, 2015; Dethier et al., 2011) are with same view that borrowing cost and lending cost are very high in especially in developing countries the policies which were implemented can still be a constrain factor to local companies.

All in all, from the Figure 4.2 above shows that the mode of data constitute of 90 % of the response were in same view that Croco Motors in borrowing cost and lending cost

policies are disagreeing with Motor industry need. Black and McLennan (2015) points out that the cost of capital in Africa is very high and the companies have to pay high interest rates as compared to the countries in the east of the continent.

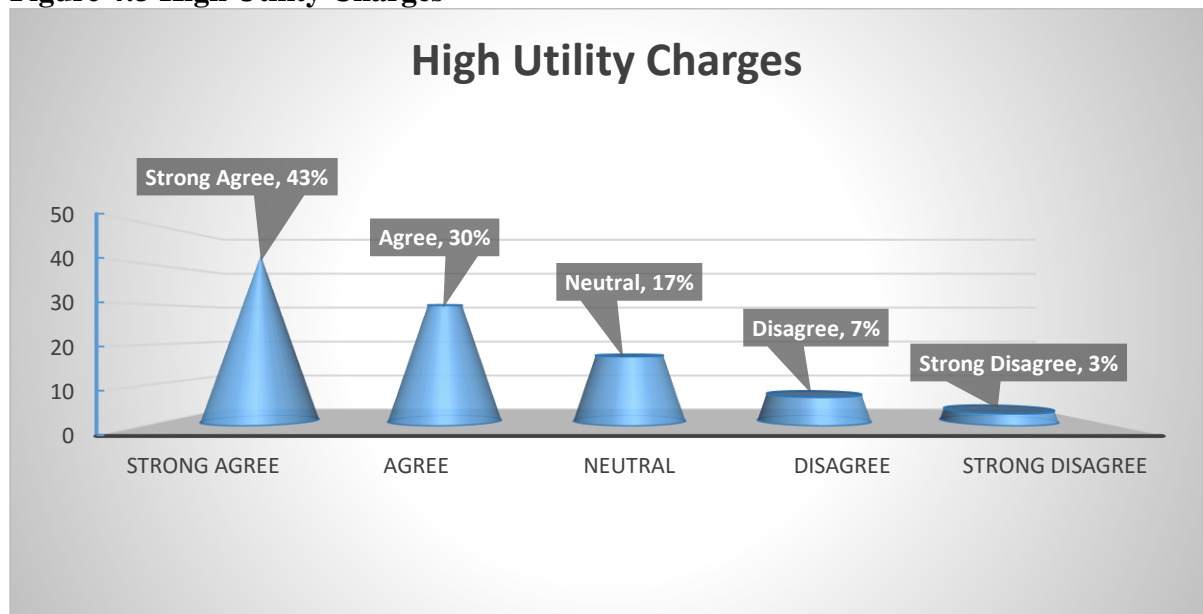
4.3.2 Analysis of finds on the challenges being faced by Motor industry players a result of poor Government policies.

4.3.2.1 High utility charges contribute to poor performance of Motor industry

Raw data on High Utility Charges

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	13	9	5	2	1

Figure 4:3 High Utility Charges



The Figure 4:3 shows that 13/30(43%) strongly agreed, 9/30 (30%) agreed, 5/30 (17%) neutral, 2/30(7%) disagreed and 1/30 (3%) strongly disagreed. In aggregate 21/30 (73%) agreed that the high utility charges by local authority are contributing to the poor performance of Automotive industry. Mangudya (2015) also agree that fees and some tariffs has increase the cost of doing business in Zimbabwe and the Government should focus on Utility prices, especially electricity, water and licensing requirements. 5/30 (17%) neutral were about the high utility charges, about the effect of high utility charges

and lastly only that the utility charges is affecting the performance of the industry, which is also in line with (Black and McLennan, 2015) are also indifferent about the utility charges in the sense that many companies in developing countries affected by their uncompetitive prices and also the main cost differences arises in variable and invisible costs. Only 3/30 (30%) of the respondents disagreed that the high utility charges is one the factor which is affecting the performance of the industry.

Above all, Figure 4:3 shows that the mode of frequency of 73% of the respondents where agreeing that the high utility charges has affected the local industry especially Croco Motors since the nature of the business especially on the servicing department there is high need of the utility service. As result the literature and the data collected tried to show that this is still a problem in which the government policy is poorly response to it through policy making. Belasen and Toma (2016) insists that, the economic growth and the demand of the electricity have a positive relationship. In another words this means that an increase on the usage of electricity can have a directly associated with an increase in the gross domestic products.

4.3.2.2 High Tax and Tariff Rate is a challenge being faced by Motor Industry

Raw data on responses of High Tax and Tariff Rate

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	26	4	0	0	0

Figure 4:4 Responses of High Tax and Tariff Rate

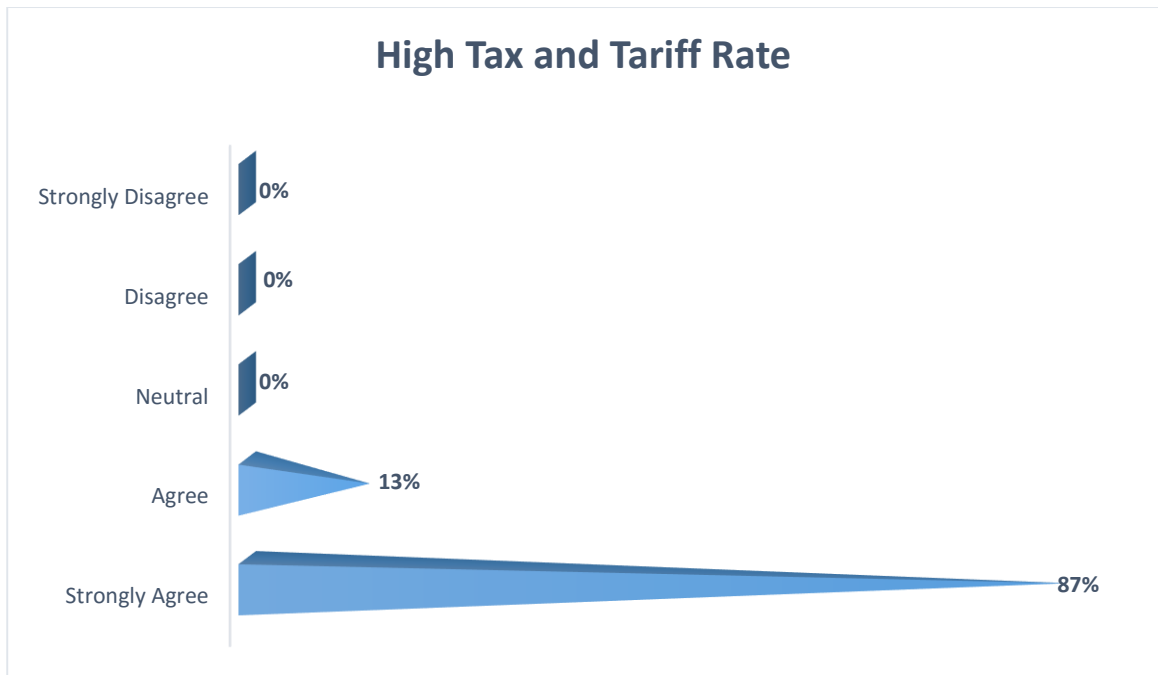


Figure 4:4 shown above shows that 26/30 (87%) of the response have strongly agree that the high tax and tariff rate have also contribute reducing the performance of the automotive players and 4/30 (13%) of the respondents have agree that the high tax and tariff rate could be also a challenge to automotive players. This high tax and tariff charges affected the performance of Croco Motors since it obtain its automobile from their Franchiser outside the country. This was also supported by (Arocha et al., 2014) asserts that high levels of tax and tariff hurt the competitiveness of many companies by raising the expense of obtaining imported inputs especially land locked countries where transportation costs must need to account for a longer distances and tariff costs also contribute to what seems to be high cost in obtaining imported inputs.

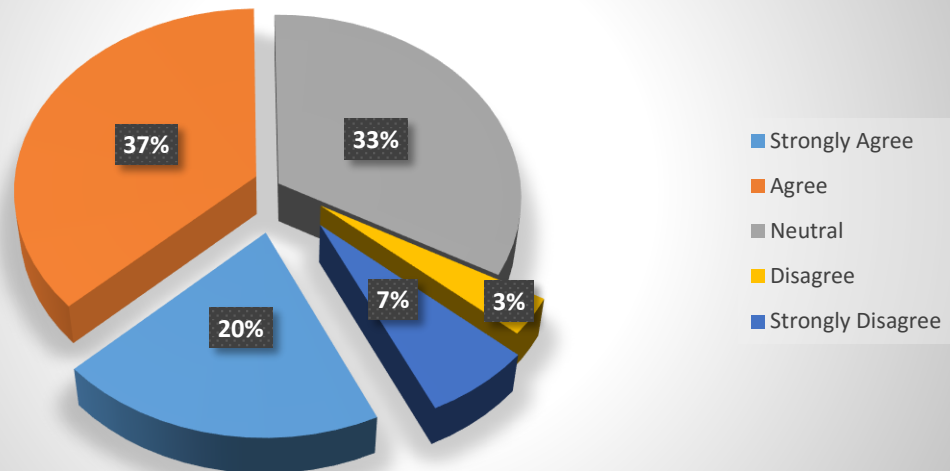
4.3.2.3 Responses on Cost of doing Business in Zimbabwe

Raw data on Cost of doing Business in Zimbabwe

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	6	11	10	1	2

Figure 4:5 Cost of doing Business in Zimbabwe

Cost of doing business



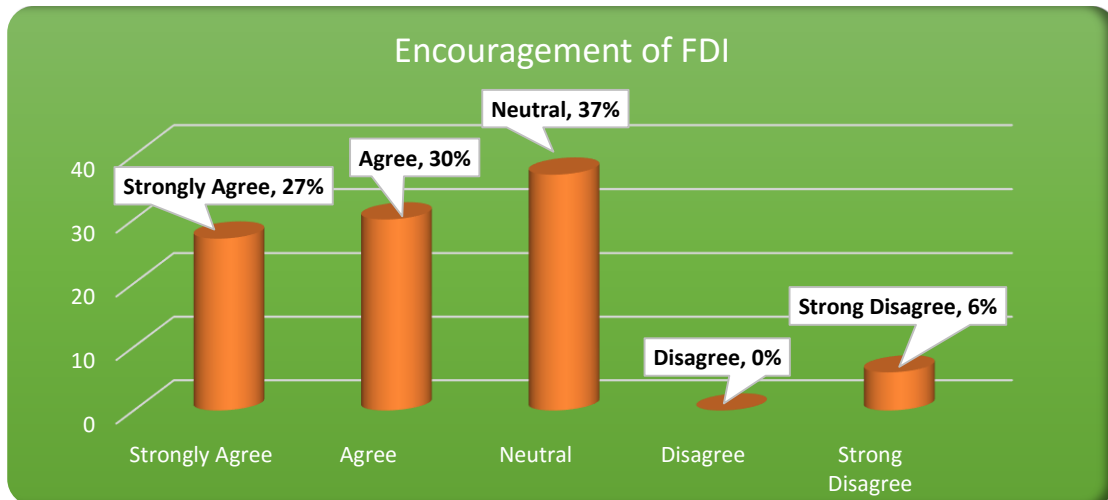
As highlighted above Figure 4:5 shows that 6/30 (20%) strongly agreed, 11/30 (37%) agreed, 10/30 (33%) neutral, 1/30 (3%) disagreed, 2/30 (7%) were strongly disagreed. In aggregated 57 % agreed that the cost of doing business in Zimbabwe can be a challenging factor for the industry which is in line with (Saungweme and Matsvai, 2014) suggested that government policies can affects the cost of doing business through failing in creating conducive environment for foreigners to invest in many sectors in the country. 10/30 (33%) were neutral that cost of doing business in Zimbabwe can neither increase or decrease the performance of the motor industry and only 3/30 (10%) have disagreed that the cost of doing business can be another factor which is affecting the performance of the automotive industry

Moreover, a mode of frequency 57 % agreed that the cost of doing business can be another factor which is affecting the performance of the automotive industry. Encourage foreign direct investments. also supported by (Chinamasa, 2016) alluded that failing to create a conducive environment through lowering the cost of doing business in Zimbabwe has trapped many sectors to be successful.

Raw data on Encourage foreign direct investments

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	8	9	11	0	2

4.3.2.4 Figure 4:6 Encourage foreign direct investments



From the Figure 4:6, shows that 8/30 (27%) of the respondent strongly agree that encouragement of foreign direct investment can improve performance of motor industry. 9/30 (30%) of the respondents agree, 11/30(37%) of the respondents were neutral about the encouragement of foreign direct investment, 0/30(0%) which shows that none has disagree and lastly 2/30 of the respondents were strongly disagree about the encouragement of foreign direct investment. The mode of frequency in the Figure 4:6 shows that almost 57% agreed that the encouragement of foreign direct investment can enhance the performance of Motor industry. This was supported by (Antwi et al., 2013) comments that the foreign direct investment it improve the productivity of host countries as well as promoting the development of the local industry. 37% of the respondents were indifference about encouragement of foreign direct investment.in another words they were neutral whether the encouragement of foreign direct investment can positively boosts the performance of the motor industry or negatively affect the performance.

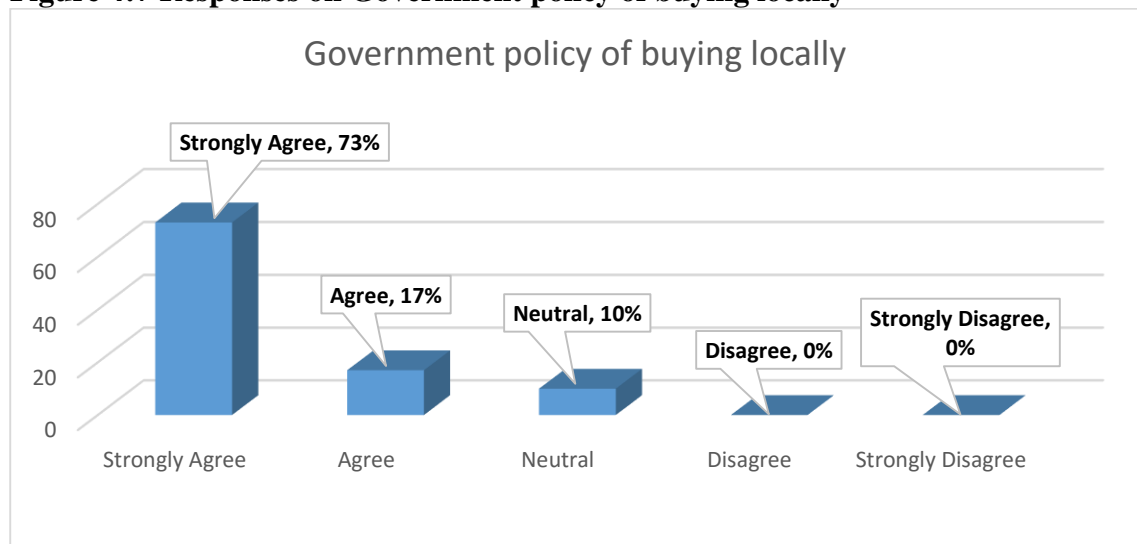
To sum it up, encouragement by policy maker to formulate policies which encourage the foreign direct investment to invest more in the automotive industry in Zimbabwe can enhance the performance of the industry. This is so because Croco Motors needs foreign multinational companies to invest more of incorporates through joint venture in order to improve the standard of automotive industry since it now below the standard globally.

4.3.2.5 Government policies of buying locally.

4.3.2.6 Raw data on Responses on Government policy for buying locally

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	22	5	3	0	0

Figure 4:7 Responses on Government policy of buying locally



The Figure 4:7 highlights that 22/30 (73%) strongly agreed and 5/30 (17%) of the respondents agreed that purchasing locally by government and its department can promote the performance of local industry, 3/30 (10%) of the respondent were neutral in other words were not certain whether the local buying by Government and its department can increase the performance of the Motor Industry. None of the respondents were disagree about the benefits of buy locally. The mode of Figure 4:7 shows that 90% of the respondents were all agree that the government should buy locally and this will boost the

performance this was supported also by (Thunde, 2010) alluded that Botswana and Malawi they all benefited from the purchase of their government and this enables their local automotive to boost significant.

4.3.3 Analysis of response on policies which were implemented in other countries could work in Zimbabwe

4.3.3.1 Response on policies associated for restricting Gray importation

Raw data on policies associated for restricting Gray importation

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	9	11	4	3	3
Percentage	30%	37%	13%	10%	10%

Figure 4:8 Response on policies associated for restricting Gray importation

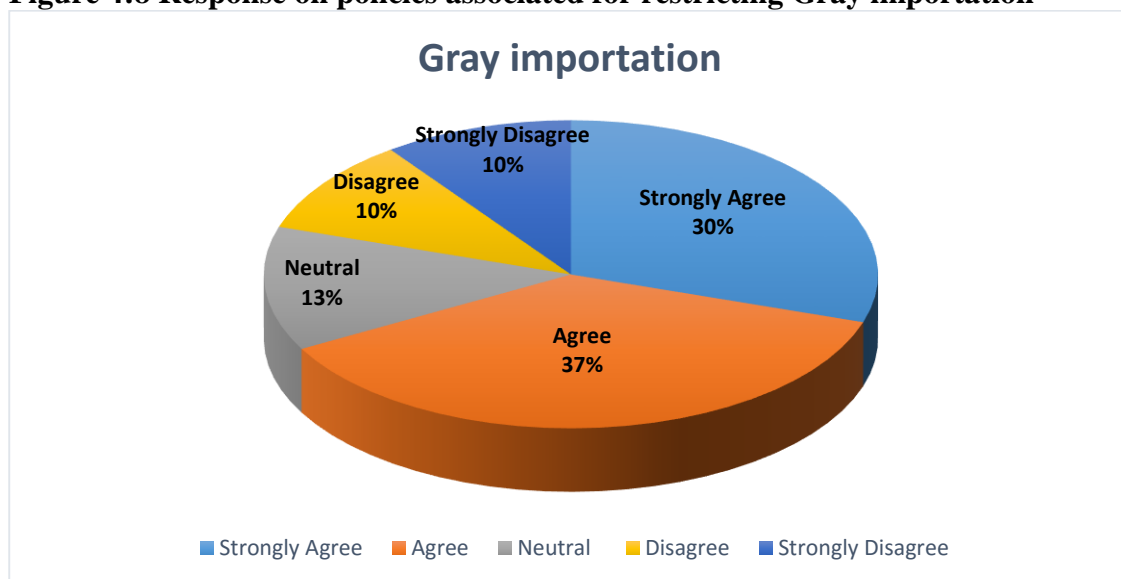


Figure 4:8 above, 9/30 (30%) strongly agreed, 11/28 (37%) agreed, 4/30 (13%) neutral, 3/30 (10%) disagreed, 3/30 (10%) strongly disagreed. In aggregate, 20/30 (67%) agreed that gray importation affect the automotive industry. In support, (Thunde, 2010) asserts that in order for a developing countries to boost the performance of the motor industry there is much need for the government to formulate policies which can restrict the gray importation. 4/30 (13%) neutral and 6/30 (20%) disagreed. Based on the modal finding of 67% agreed, the policies associated on restricting gray importation as they

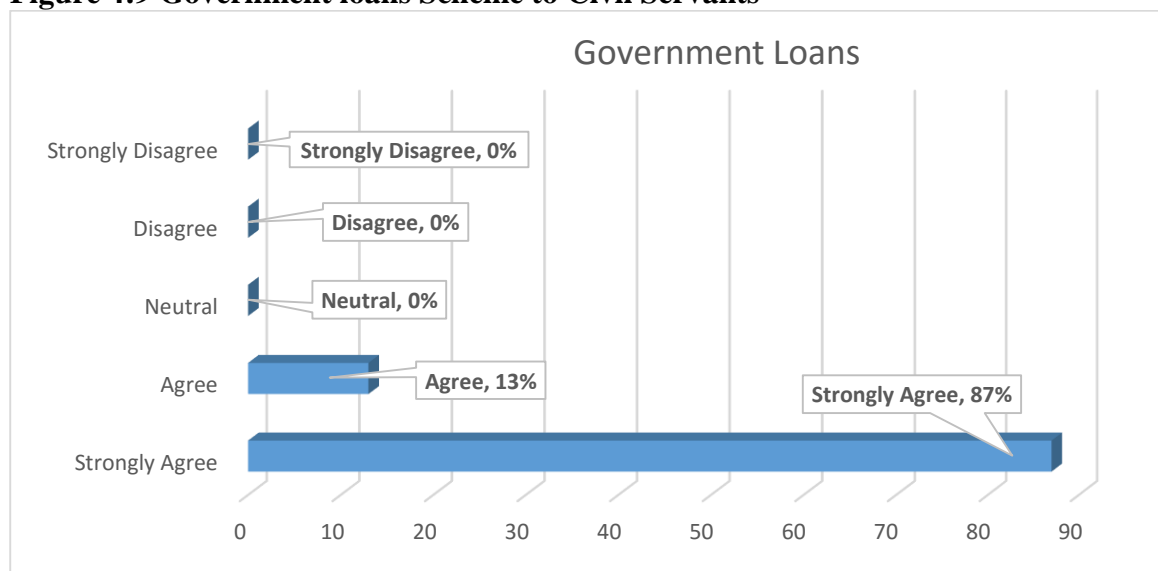
implemented in other countries can also work in Zimbabwe Motor industry, as this was supported by (Thunde, 2010) encourage the government to increase more their policies of restricting gray importation.

4.3.3.2 Response on Policies which can promote Government Loans Scheme for civil servants.

Raw data on Government loans Scheme for Civil Servants

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	26	4	0	0	0

Figure 4:9 Government loans Scheme to Civil Servants



As highlighted above 26/30 (87%) strongly agree, 4/30(13%) agree, 0/30 (0%) neutral, 0/30 (0%) Disagree, 0/30 (0%) Strongly Disagree. On the whole, 30/30 (100%) of the respondents agree that government loan scheme to purchase Motor vehicle to civil servants can improve the performance of Motor Industry. This was in line with the study done by (Thunde, 2010) on his research found that the government of Botswana successful increase the performance of automotive industry through this civil servants loan scheme. This would also increase the disposable income in the economy and as a result the demand of automobiles from dealers such as Croco Motors.

4.3.4 Analysis of the Findings on the best practice on Government policies to improve the performance of Zimbabwe Motor Industry

4.3.4.1 Import substitution policies on motor industry

Raw data on Response on import substitution policy

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	1	2	9	10	8

Figure 4:10 Response on import substitution policy

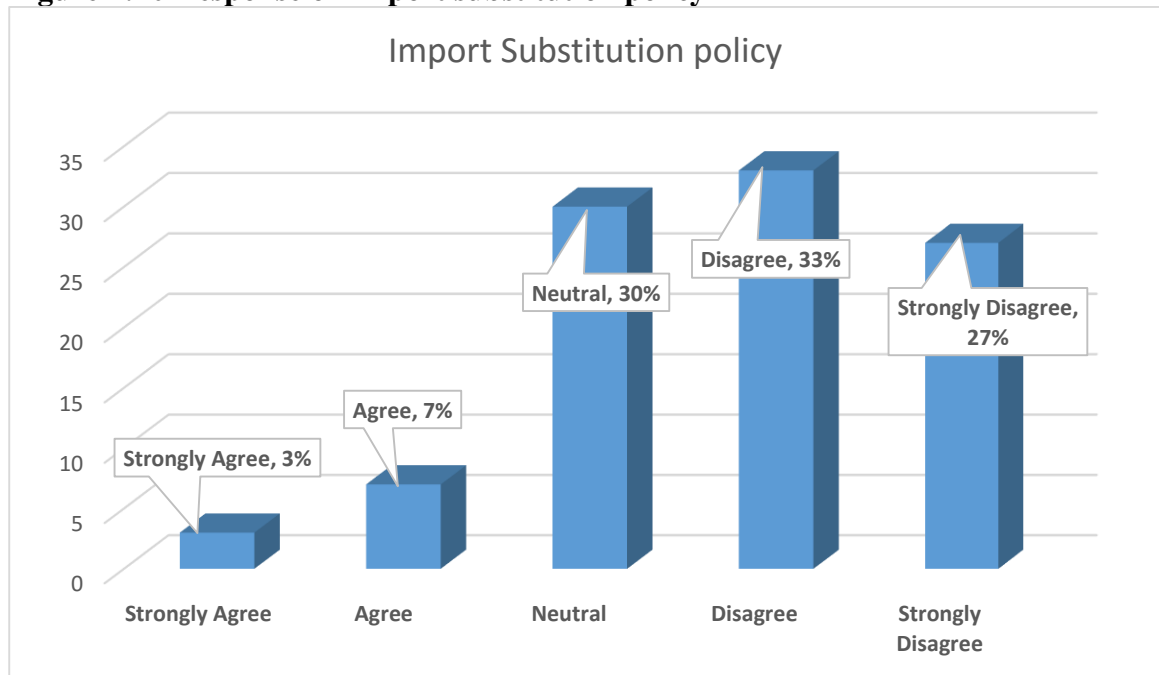


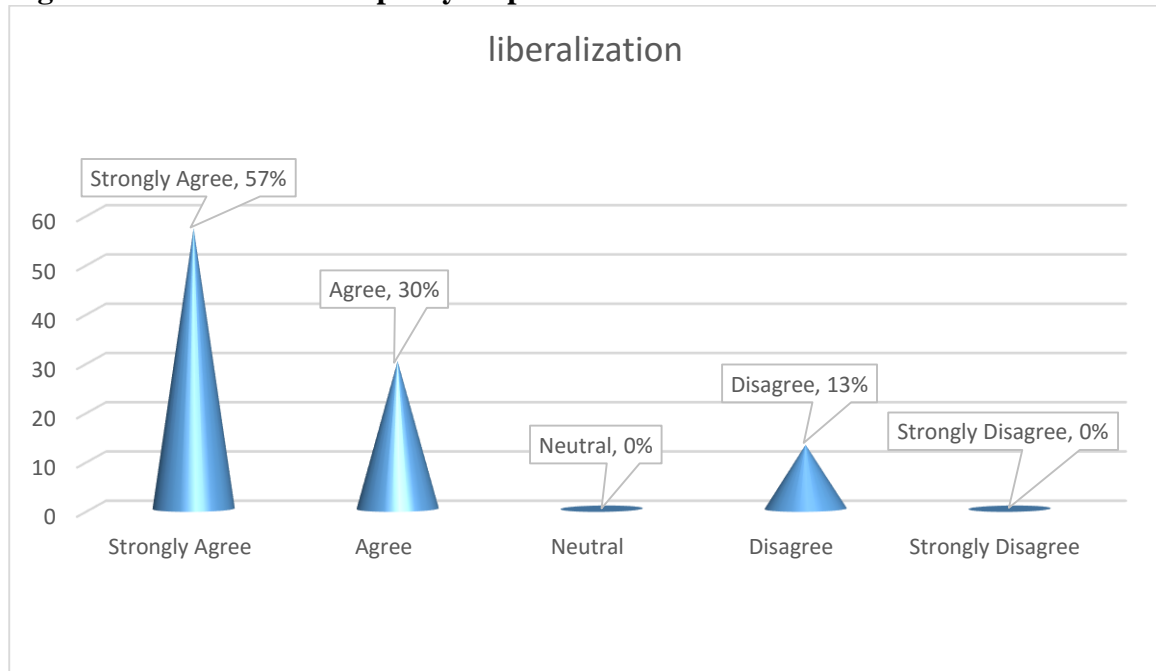
Figure 4:10 shows 1/30 (3%) of the respondents were strongly agree, 2/30 (7%) agree, 9/30 (30%) were neutral, 10 /30 (33%) disagree that import substitution can be a best practice for motor industry, 8/30 (27%) strongly disagree. The mode of the data 18/30 (60%) were disagree that import substitution can be a best practice that can boost motor industry. In support,(Tai and Ku, 2013) supports the above findings in their studies that import substitution in developing countries can cause high production cost since the industry capacity will not meet the demands from customer, as a result the performance of the local motor industry can be reduced.

4.3.4.2 Response on liberalization policy as a best practices

Raw data on Liberalization policy responses

Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Frequency	17	9	0	4	0

Figure 4:11 Liberalization policy responses



From Figure 4:11 shows that 17/30 (57 %) of the respondents strongly agree, 9/30 (30%) were agree, 0/30 (0%) none were neutral, 4/30 (13%) were Disagree, and lastly 0/30 (0%) no one strongly disagree. The modal of the data 26/30 (87%) were agree that liberalization policy can be a best practice and can improve the performance of the industry. (Falvey et al., 2012) relates that liberalization of industry can improve the local industry by attracting more foreign direct investment and encourage local motor industry to participate in exports market.

4.4 Response to Interviews

4.4.1 Interview Response rate

The researcher has managed to get 3 respondent which is (100%) response to all interviews which were scheduled and conducted.

4.4.2 Question 1: How the government policies correspond to the Motor industry needs?

The purpose of this question was to explore further on the how the policies correspond to automotive needs.

The respondent 1 highlighted that the motor industry is in need of fighting competition on the gray importation caused by second hand vehicle which is also causing stiff competition to Croco Motors vehicle demand. This was also in line with the response on questionnaires where (60%) of the respondents have agree that the protectionism policies are corresponding to the motor industry needs, (Saungweme and Matsvai, 2014) are of the same view that government of Zimbabwe must protect the local automotive from the competition of imported used vehicles. On this fact we are finding that Government of Zimbabwe is trying to placing some control measure through fiscal policies by increasing the import duty on these vehicle. Although, the process is taking long to protect the local industry since the local content is very low.

The respondent 2 highlighted that although some policies that are implemented are driven from an international relations ally perspective. An example is the “Look east policy” adopted by the Republic of Zimbabwe were by it encompasses business, trading and military ties with eastern or Asian countries like China, Japan, Singapore and Malaysia. As a result of the “Look east policy” the government has allowed the importation of second hand vehicles which have greatly affected the demand of auto mobiles from local vehicle dealers like Croco Motors. This was also supported by (23%) respondents on questionnaires disagreed that the protectionism is not corresponding to the need of the industry. This was also in line with (Chikosha and Chiunye, 2012) argued that there local motor industry is not being affected by foreign imports of second hand vehicles since industry players do not have the capacity to produce vehicles.

Respondents 3 highlighted that the importation policy on second hand vehicle imposed by government has actually caused a decrease in demand of new automobiles, but the performance of the motor industry is affected by the forces of the economy and not the government policies passed on by the government. The respondents with indifferent view the same view with respondent 3 constitute 5/30 (17%) on questionnaires, they were neutral about the policy of protectionism policy. The notion is that government would neither formulate policies that would harm citizens and automobile companies nor will the government pass out a policy that has got more drawbacks than benefits to the economy of the country.

4.4.3 Question 2: What are the challenges faced by Motor Industry as result of Government policies?

This question was aimed to cover a wide range of discovering on the practical side about the challenges which were being caused as a result of government policies implemented. Respondent 1 highlighted that the Zimbabwe monetary, interest rate on loans and bank borrowing policy has demolished the constant increase in demand for new vehicles sold by Croco Motors. The prevailing conditions of the policy does not at all support the operations of the Croco Motors. Vehicle loan is the most viable way to own a vehicle but the conditions of the Zimbabwe monetary, interest rate on loans and bank borrowing policy have removed that privilege away from Zimbabweans. The 90 % of the questionnaires were in same view that borrowing cost and lending cost policies are disagreeing with Motor industry need. Black and McLennan (2015) points out that the cost of capital in Africa is very high and the companies have to pay high interest rates as compared to the countries on the east of the continent.

Respondent 2 illustrate that although the Government of Zimbabwe has tried to implement the policy of buying locally, this policy can boost the performance of the motor

industry, but automobile player are facing some challenges on payment. Since some of government department are failing to meet their overdue account because of lacks of fund. 90% of the respondents on questionnaires were all agree that the government should buy locally and this will boost the performance this was supported also by (Thunde, 2010) alluded that Botswana and Malawi they all benefited from the purchase of their government and this enables their local automotive to boost significant.

Respondent 3 comments that the challenge that automotive players such as Croco Motors, is high charges from utility services, import duty on vehicles and parts, and taxation. The policies under these charges are not favorable to the automobile. Since the nature of the business is elastic on price which means if company slightly increase the price it will significantly decreases the demand.

4.4.4 Question 3: What are the benefits of government policy on the performance Motor Industry?

The intention intended buy the researcher on this question was to search on other benefits that can be derived through government policies to effect the performance of the motor industry.

The respondent 1 highlighted that generally the industry is need of capital, since the cost of capital in Zimbabwe is very high. There is a need for the government to search for other ways to source capital for the local industry. This is the fact that local content is very low even for Willowvale Mazda Motor Industry is stragglng to rejuvenate its production. In order for the industry to benefit from Government policy government should formulate policies which can encourage Foreign Direct Investment and even to create an environment that can attract foreign investor to enter and join our local industry. The view of this respondent was also supported by (Saungweme and Matsvai, 2014) comments that the government should consider formulating and implementing credible

macroeconomic policies that attracts foreign direct investment since it can inject new capital into the country.

Respondent 2 was with the view that despite slow payment by government, its procurement board was ordered by the government officials that all of the government departments should purchase all of their new vehicles from the local vehicle dealerships like Croco Motors, Amtec motors and Nissan Clover Leaf Motors. This is a benefit were are having as automobile players this is also in line with the view of (Thunde, 2010) cited that procurement of vehicle by government can benefit a lot the local industry.

Respondents 3 also highlighted that the government must took a lot of attention especially in motor industry. Automotive industry it connects very well with other industry or sector especially when it comes to production and assemble of motor industry. This can also benefit the sector if government introduce some subsidies like tax holiday to those auto players that has potential to transform their business set-up to assemble plant. Automotive industry must also benefit from government grants in order to encourage expansion.

4.4.5 Question 4: import substitution policy has been implemented in other countries and it improve the performance on automotive industry. What do you think if can be implemented in Zimbabwe?

The purpose of this question was explore whether if import substitution was successful in other countries can also in improve the performance of the Zimbabwe motor industry.

Respondent 1 highlighted that import substitution is an essential tool to improve the performance of local industry. It will not be successful in Zimbabwe situation because of the some reasons such as lack of local content from the local industry, there must difference model of vehicles, the automobile parts companies must operate at full capacity in order to meet the demand of manufacturing company, innovate support in order to catch up with modern model of fleet. One of the major challenge we have here in Zimbabwe

the automobile sector is mainly dominated by franchise dealers such as Croco Motors, Amtec, Duly's and Clover leaf. These shows that the local content from local automobile manufacturer is very low to support import substitution.

Respondent 2 highlighted that Import substitution policy in Zimbabwe needs to be implemented on later stages of industrial revolution since the country is coming up for economic recovery after 2008 economic trajectory. Therefore there is so many issue to be done in order to make sure our industry can able to replace the importation of vehicles outside Zimbabwe.

Respondent 3 was with the view that import substitution in Zimbabwe it its main disadvantage it reduces the production efficient since the local firm will rely more on the on the protection of the government and as a result they will be unable to compete with the outside players globally.

4.4.6 Question 5: what are the best practice on government policies to improve the performance of Zimbabwe Motor Industry?

Respondent 1 highlighted that Automobile industry in Zimbabwe for it to revive in to a strong sector in the region it needs to adopt to new skills and new art of doing business in the sector. The problem about having the best practice in the sector is the act of Government through its policies making and the model of the industrialization in place. The industrialization model must well match with need of industry for instance if government allows the make forces and market place to act freely without much intervention, the industry would improve and boost its performance. The researcher found the respond in line with view of the author (Kaminski and Ng, 2013) compares the success of import substitution industrial policy how it has succeeded in Malaysia and how it has failed in Brazil. In the light of that (ibid) concludes that the link between the performance of the industry and the policies which are being implemented by policy

makers may depend on many intervening variables that vary with the level of economic development, factors of production, demography and geographical location.

Respondent 2 highlighted that the best practice that can be adopted by the organization and also government must maintain a good relationship with between the two for instance with Croco Motors for the past years has built a strong relationship with government up to the time when the government car fleet and vehicle service were coming from Croco Motors. The researcher found that the interviewee was relating his information to the maintenance of government incentives which is in the same with view with authors (Tai and Ku, 2013) asserts that, during the initial stage of development, the local industries are typically unable to compete with foreign companies, therefore, the state must protect its industry through policy intervention in order to encourage industrial development and export trade expansion. The 90% of the respondents were all agree that the government should buy locally and this will boost the performance of the industry.

Respondent 3 highlighted that the best practice for automotive industry and government must formulate policies formulate an industrial policy document which is specific towards the automotive industry. This was view was related to the question since in Zimbabwe there is no any specific policy document which is mainly focus on the automotive industry, therefore, this might be also a best strategy and practice for policies makers to start with.

4.5 Chapter Summary

This chapter encompassed of data analysis and presentation in relation to key areas of research guided by the questionnaire and interview guide sent to the respondents of the study. Data was analyzed and presented into tables, graphs and pie charts. The following chapter covers the research conclusions and recommendations together with a summary of the whole study.

CHAPTER V: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The chapter provided the summary of all other chapters, major findings, conclusions of the research and the researcher's recommendations about this research.

5.1 Chapter summary

5.1.1 Chapter One

The chapter constituted the back ground of the study and the statement of the problem of this research. The persistent on decrease on performance of motor industry motivated the researcher to carry out this research. The research objectives, main research question including sub-research questions and assumptions were cited. The purpose of the study was to gain an understanding of the effect of government policies on financial performance of motor industry, assessing the government policies correspond to the motor industry needs and challenges faced by motor industry as a result of government policies implemented and the best practice. The delimitation of the study, limitations, abbreviations and acronyms were also pointed out.

5.1.2 Chapter two

The chapter included of the literature review of the research. The core principles other authors assessed that the three automobile approach used by government were protection, deregulation and liberalization, every approach has set apart by a specific macro-environment environment, market structure and innovation and external organizations (Saripalle, 2012). Dethier et al., (2011) propounded that cost of capital and access to credits are consistently among the most fascinating limiting element stood up to by many organizations. Arocha et al (2014) states that high levels of tariffs and duties, hurt the aggressiveness of many organizations by raising the costs of getting imported inputs.

Thunde (2010) supports that in Malawi and Botswana, the government is a big customer of brand new cars. Every-year, the government buys brand new cars for its projects or to replace fully depreciated ones.

5.1.3 Chapter three

The chapter constituted the research design utilized as part of the study. The researcher utilized the descriptive exemplified as a part of a case study research plan which includes Croco Motors as part of study. The descriptive research design consolidates both qualitative and quantifiable methodologies. The judgmental sampling procedure was used to resultant on the sample size of thirty-three respondents (60%). Organized interviews and questionnaires were utilized as research instruments. The questionnaires, closed-ended questions were used. Interviews and questionnaires were planned from the objectives and sub-research questions.

5.1.4 Chapter four

The chapter underlined on the information that the researcher acquired from interviews and questionnaires. The questionnaire response rate was 90% whilst interviews had a 100%. The researcher utilized pie Charts, tables and graphs to present information assembled. The researcher also used the measures of central tendency to analysis the discoveries.

5.2 Major Research Findings

The following findings were discovered by the researcher when carrying out a research on analysis of government policies on financial performance of Zimbabwe motor industry:

5.2.1 Government policies correspond to the industry needs

The Zimbabwe importation policy on second hand vehicles imposed by government is responsible for the decrease in demand of new vehicles from local automobile dealers.

Government must ban the importation policy on second hand vehicle in order to protect the local automobile companies. The mode of data is 60% with the view that government protectionism policy is line with need of automotive franchise dealers such as Croco Motors this can increase the demand of vehicles locally since there importation of second hand vehicles was being restricted. The borrowing and lending policy in Zimbabwe is not correspond to the need of capital injection for Zimbabwe motor industry. The mode of data constitute of 90 % of the response were in same view that borrowing cost and lending cost policies are disagreeing with Motor industry need. The research found that Croco Motors has been affected on its financial performance because of high borrowing costs.

5.2.2 Challenges affecting financial performance as a result of government policies.

High utility charges has been affecting greatly on the financial performance of the industry and the local authority must be control through policy making in order to reduce rates charges. High tax and tariff rates are also another challenge in which the motor industry is been affected on its financial performance. The mode of frequency of 73% of the respondents where agreeing that the high utility charges has affected the local industry especially Croco Motors since the nature of the business especially on the servicing department there is high need of the utility service. The researcher found that cost of doing business in Zimbabwe is generally high and this has contributing in affecting customer base as a result the financial performance of Croco motor has been reduced.

5.2.3 Benefits that can be derived from Government policies which can improves the financial performance

The research has discovered that the industry is so much in need of capital therefore the government can use its policies to encourage Foreign direct investment and this can also

attract foreign investors to invest in automobile sector. The mode of frequency of 57% agreed that the encouragement of foreign direct investment can enhance the performance of Motor industry. The policy of buying locally must be continued to be adopted by Government of Zimbabwe since Zimbabwe motor industry is benefiting.

5.2.4 Other policies implemented by other countries that could also be successful in improving the financial performance of the industry

Government must restrict gray importation so as to increase the financial performance of local motor industry. The policy of import substitution must not be implemented although it was successful in other countries such as Botswana, Malawi and Thailand because, the local content on automotive manufacture is different in Zimbabwe. The local content must be above 50% in order for import substitution to be successful.

5.2.5 Best practice of government policies that can improve the financial performance of the industry.

Government must adopt to liberalization policies not import substitution. The researcher discovered that liberalization policies can enable the industry to improve their standard since there will be foreign joint venture and also foreign competition. The modal of the data 26/30 (87%) were agreed that liberalization policy can be a best practice and can improve the performance of the industry. Government incentives and support is also a need for automotive industry. The use of incentives can also improve the financial performance of the industry. The research discovered that there are no any special incentive that there are receiving from government.

5.3 Research Conclusion

The researcher has concluded that the Zimbabwe importation policy on second hand vehicles imposed by government is responsible for the decrease in demand of new vehicles from local automobile dealers. High utility charges has been affecting greatly

on the financial performance of the industry and the local authority must be control through policy making in order to reduce rates charges. The research has discovered that the industry is so much in need of capital therefore the government can use its policies to encourage foreign direct investment and this can also attract foreign investors to invest in automobile sector. The policy of import substitution must not be implemented although it was successful in other countries such as Botswana, Malawi and Thailand because, the local content on automotive manufacture is different in Zimbabwe. The researcher discovered that liberalization policies can enable the industry to improve their standards since there will foreign joint venture and also foreign competition.

5.4 Recommendations

- Zimbabwe Motor industry should sell vehicle parts for gray imports as well as servicing grey imports so that they can improve their profitability. Automobile players should also offer affordable vehicle finance options such as hire purchase, personal contract plans and leasing so that middle earning employees can afford to buy brand new vehicles. The government should increase import duty on gray imports to discourage both individual and companies from buying gray imports. Also, the government should reduce import duty on Completely Knocked Down kits to make them affordable so as to minimize the total cost on vehicles assembled and therefore the prices of brand new vehicles from automobile players will decrease.
- Croco Motors must try to collaborate with banks and financial institutions in making sure that the potential customers have access to vehicle loans despite the lack of collateral security. The deal will benefit both parties since it will boost the revenue for Croco Motors and the financial institutions and banks will receive income through interest rates and bank charges on loans.

- Since the government has adopted the look east policy it is vital for Croco Motors to acquire franchise dealerships from Asian countries since they have strong ties with the government of Zimbabwe. Countries from the west have sanctioned Zimbabwe before and they are not willing to invest in Zimbabwe. The best approach will be to deal with Asian countries as a result this will increase foreign direct investment.

5.5 Area of Further study

Automobile industry sector is very important in many developed countries such as China, Japan and America. This sector can link many different sectors and industry in any country starting from the primary industry (extraction of minerals like steel) to tertiary industry (through learning and research on new innovate ideas). It is more important for the government of Zimbabwe and many automobile players to pay much attention on the needs and ways to improve the development of Automobile. Therefore the area of further research can be done on the analysis on financial strategies that can be adopted by automotive industry players to improve financial performance.

5.6 Chapter Summary

This chapter strived to give the summary of the whole research, the conclusions and the suggestive recommendations to the findings of the research. The Zimbabwe Government policies are significantly affecting the performance of Automobile companies in Zimbabwe with the high utility costs, high tax and tariff cost, cost of borrowing and lending charges.

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APPENDIX (1): LETTER



Midlands State University
Faculty of Commerce
Department of Accounting
P Bag 9055
Gweru

14 April 2016

Croco Motors Pvt Ltd
1 Telford Road
Graniteside
Harare

To The General Manager

RE- APPLICATION FOR PERMISSION TO CARRY OUT FIELD RESEARCH

I am a former attaché student at your company during the period of 15 September 2014 up to 31 August 2015. I do hereby seeking for permission to carry out a research titled “**Analysis of government policies on the financial performance of Zimbabwe Motor Industry**”. The research is a requirement in fulfilling a Bachelor of Commerce Accounting Honors Degree at Midlands State University. I promise that information obtained in the research will highly confidential and used strictly for academic purposes only.

Your assistance will be greatly appreciated.

Yours Faithfully

Edwin Chidakwa. (R124810J)

APPENDIX (2): QUESTIONNAIRE GUIDE

QUESTIONNAIRE GUIDELINES MANAGEMENT AND EMPLOYEES AT CROCO MOTORS

This questionnaire is designed for collecting information on the critical analysis of government policies on financial performance of automobile companies in Zimbabwe. I am a fourth year student at the Midlands State University undertaking a Bachelor of Commerce Accounting Honours Degree. When answering the questions please provide the most complete and recent information available.

Information collected shall remain private, confidential and anonymous and will only be used for the purposes of this research

INSTRUCTIONS

1. Do not write your name on the questionnaire
2. Response is to be shown by an X in the respective boxes given
3. Complete all the questions available to the best of you knowledge

QUESTIONS

1. Which department are you in? *(Tick appropriate)*

Operations Finance Vehicle Sales
Workshop

2. Qualifications

A 'Level Bachelor's Degree Professional Qualification
Any Other

Kindly put in to the body of information by responding every question.

Please tick were applicable

1) The government policies correspond to the Motor industry needs?

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Protectionism policies					
Borrowing and Lending costs policy					

2) The following challenges being faced in the motor industry are as a result of poor government policies?

Challenges	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
High utility charges					
High tax and tariff structure					
Cost of doing business					

3) The following government policies can improve the performance of Motor industry?

Benefits	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Encourage foreign direct investments.					
Government policy for buying locally.					

4) The following policies were implemented in other countries could work in Zimbabwe.

Policies	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

Policies associated for restricting Gray importation					
Policies which promote Government loans Scheme for civil servants					

5) What are the best practice on government policies to improve the performance of Zimbabwe motor industry?

Practice	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Import Substitution policies					
Liberalization Policies					

Thank you!!!!

APPENDIX (3): INTERVIEW GUIDE

Interview Guide for Management

My name is **Edwin Chidakwa (R124810J)**, a student currently studying a Bachelor of Commerce Accounting Honors Degree at Midlands State University. I am carrying out a research titled “**Analysis of government policies on the financial performance of Zimbabwe Motor Industry**”. Your opinions, views and suggestions are keys to this research, your responses will be strictly for academic purposes only and will be treated with strict confidentiality.

1. How the government policies correspond to the current Motor industry needs?

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.....
.....

2. What are the challenges faced by Motor industry as result of government policies?

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.....

3. What are the benefits of government policy on the performance of Motor industry?

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.....

4. Import substitution policy has been implemented in other countries and it improve the performance on automotive industry. What do you think if can be implemented in Zimbabwe?

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.....
.....
.....

5. What are the best practice on government policies to improve the performance of Zimbabwe motor industry?

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