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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

SMEs FUNDING & THE IMPLICATIONS OF AN UNSTABLE ECONOMY

EVIDENCE FROM ZIMBABWEAN SMEs

BY

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HONOURS DEGREE**

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APPROVAL FORM

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DEDICATION

To Dr Fabian Maunganidze for encouraging me to take up this study programme and you have been my best cheerleader. Mercy Guvamombe for the ceaseless prayers done to see me through this challenging education path

ABSTRACT

The purpose of this dissertation was to research into the title; **“SMEs Funding & the implications of an unstable economy. Evidence from Zimbabwean SMEs”** The main objective of the study was to seek to understand how an unstable economy affects the accessing of funding by Small and Medium Enterprises (SMEs). The research made use of quantitative and qualitative research methodology, making use of questionnaires and interview questions. A sample of 120 participants was selected from a population of 210. Data was analysed and presented using graphs and charts. The main findings were that finance institutions are the major sources of finance for SMEs in Zimbabwe, while very few SMEs are funded from owners’ investments. The research established that SMEs face problems related to insufficient collateral and poor documentation when applying for funding. The research also established that the structure of the economy and the government policies affect funding of SMEs. Finally the research established that other funding available options to SMEs are venture capital, issue of equity shares to fund their businesses. The study concluded that the structure of the economy through policies promulgated by the government impacts funding of SMEs. The study recommended that, the government through the Ministry of Small to Medium Enterprises should craft a policy tailor-made for SMEs to access funding in financial institutions and through institutional investors such as the national pension’s entity NSSA. The research suggested that further studies can be conducted in order to improve policy inconsistencies related to SMEs in Zimbabwe.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter outlines the background to the study, statement of the problem, the main topic, sub research questions, research objectives, significance of the study, the assumptions underlying the study, the limitations and delimitations and the summary to the chapter.

1.1 Background to the study

Beaver and Ross (2002) noted that it would be easier to describe the term SME than to define it. The same view is shared by Aikaeli (2007) who observes that there is no precise and single definition when talking of SMEs. There are however, commonly used variables to define SMEs, viz number of workers, asset base, sales revenue, size of premises and profitability of the organisation and according to the Bolton Committee Report (1971) the measures differ from industry to industry. The European Union categorises every firm with 249 or less employees as an SME and these are further subdivided also on the basis of number of employees as follows; micro organisation 0 - 9 workers, small organisation 49 or less employees, medium enterprise 50 - 249. The Companies Act, 1985 (UK) defines a small firm as that organisation or firm with 50 or less employees with sales revenue of £2.8 million or less and an asset base of not more than £1.4 million. A medium enterprise is defined by the same act as that organisation with a turnover of less than £11.2 million with an asset base of not more than £5.6 million.

In Zimbabwe, the MSME Policy and Strategy Framework defined an SME as those enterprises which are registered on the basis of their legal status and whose staff compliment is anything between 6 - 100 employees. Another insightful definition was propounded by the Zimbabwe Revenue Authority (ZIMRA) and is based on points attained basing on employment levels, annual turnover and the gross value of assets and if the combined points attained on each factor do not exceed 7 then the enterprise is deemed an SME (ZIMRA, 2016).

In the recent years, small businesses and entrepreneurship have formed an integral part of economies in developing countries that are mainly faced with a high rate of unemployment. The vital contributions of small businesses are widely recognised by all the sectors of the society, as this can be seen by the rapid increase in the number of micro-financing institutions. Yet, in spite of all this increased awareness access to funds continues to be the most difficult challenge for all the small business owners. SMEs mainly in the developing countries like Zimbabwe need sustainable funds in order to allow them to successfully make use of the accessible resources in their areas and accomplish their productive potential.

A substantial body of existing literature emphasises the significance of SME's role in the economic performance of any country. It is this awareness that has driven nearly most countries to take care of their SMEs to achieve economic improvement. Successive governments have shown rising efforts to prop up SME's economically and promote their competitiveness while creating a favourable environment for their blooming. Although they have developed locally in terms of number, employment and GDP share, SMEs still face a range of challenges and issues in both environment and enterprise levels that weaken their business performance. According to research's carried out in Algeria and Poland, the access to external funding by SME's continues to be a major challenge. The studies also focused mainly on the general challenges faced by SME's in getting funding in other developing countries located in the Eastern, Western, Central & Northern regions of Africa, as well as in developed economies without focusing on the challenges being faced by SME's in Southern Africa thus creating a gap as far as Southern Africa is concerned. This prompted the study to focus in Zimbabwe which is part of the Southern Africa region and it is this gap that the study will fill as different results will be gathered.

In the recent years, small businesses and entrepreneurship have formed an integral part of economies in developing countries that are mainly faced with high unemployment rates. The vital contributions of small businesses are widely recognised by all the sectors of the society, as this can be seen by their rapid increase in numbers. Yet, in spite of all this increased awareness of access to funds continues to be the most difficult challenge for all the small business owners.

SMEs mainly focus on relatively small products and their target market is usually the local market. SMEs are mostly owner managed with no formal organisational structure and they usually operate on trust rather than internal control systems. SMEs also rely heavily on the skills and capabilities of the founder for growth and sustainability.

Small firms usually work on their own and handle the day to day pressures of management and either do not know how to get help from relevant authorities or they are just reluctant to do so. SMEs also tend to employ staff with limited formal education as they try to cut on employee costs and sometimes going to the extent of employing relatives and friends and have limited access to market information sources.

A study on the liquidity gaps in financing the SME sector in an emerging market: was carried out in Poland by Darek Klonowski (2012) who alluded to the fact that access to finance appears to be the largest challenge for entrepreneurial firms from the small to medium sized enterprise (SME) sector in Poland. To address this concern, the government of Poland embarked on a program of financial know how of assistance to the SME sector.

In a study by (Bouazza, Ardjouman & Abada, 2015) analyzed the factors influencing the growth rate of small and medium-sized enterprises (SMEs) in Algeria and explored the extent to which their success or failure depended on the wider business climate. This study also examined the different internal factors that may be responsible for the unstable and limited growth of SMEs. The research revealed that the growth of SMEs in Algeria was hampered by several interrelated factors, which include business environmental factors that are beyond the SMEs' control and internal factors of the SMEs. The external factors included the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprised of entrepreneurial characteristics, management capacities, marketing skills, and technological capacities.

Saleh and Ndubisi (2006), states that SMEs in Malaysia face domestic as well as external challenges, which could hinder their resilience and competitiveness. The challenges faced are numerous including the difficulty in obtaining funds from financial institutions. However, the lack of human capital is noted as the most significant challenge for Malaysian SMEs

In the Democratic Republic of Congo (DRC), research by (Woldie, Laurence and Thomas, 2018) observed that, in developing countries, they are exposed to several challenges affecting their business operations and growth. Among others, access to external financing has been cited to be the most pressing challenge for SME's in developing economies. The lack of accessibility to funding by SME's has been indicated to have resulted from the economic agents that face substantial challenges in post-conflict situation (PCS), such as political uncertainty, macroeconomic instability, disrespect for the rule of law, rapid growth of the informal sector and depleted human and physical infra-structure.

In attempting to analyse the challenges faced by small & medium enterprises in accessing finance in Kiambu Town, Kenya, (Kamweru, 2009) tries to address the attempts made by SMEs to gain access to financial services, which continues to face constraints caused by many factors. The research intended to study the challenges faced by SME in access to finance. The findings indicated that problems faced by SMEs were insufficient collateral (71.4%) and business proposals not acceptable (21.4%). The study also identified that the most challenging stage of the loan process were; application and appraisal stage, loan approval stage and the period it took to process the loan.

Osano & Languitane, (2016) carried out a research on the factors that influence access to finance by SMEs in Mozambique and noted that SMEs played an important role in the economic development of Mozambique and access to finance is important for the growth of SMEs. The aim of their study was to ascertain the factors that influence access to funding by SMEs. The factors that were concentrated on consist of the structure of the financial sector, understanding of funding opportunity, security requirements, and small business support services.

Du Toit and Motlatla (2001) noted SME's in developing country like Zimbabwe are labour intensive due to lack of capital for modern technology and use manual and outdated methods of operations. Ross (2005) also observed that most SME's are self financed since they lack the requisite legal documents to access external finance from financial institutions. Sibanda (2012) conducted a study on the roles of SME's in the manufacturing industries in the urban centres and noted that SME's are involved in a variety of manufacturing activities mainly carpentry and steelworks which constituted 43% and 27% respectively of the manufacturing activities.

Zimbabwe is famous across the globe for having carried out a disruptive land restructuring exercise which was disorganized and resulted in the collapse of the Zimbabwean economy (Paulo, 2004; Scoones et al, 2011). The land redistribution program was intended to decongest the communal lands in addition to the improvement of lives. This was followed by a fall in performance of the economy (Ghatak and Roy, 2007; Deininger et al, 2002; Richardson, 2004), as the farming yield was seriously affected (Mutondi, 2012) and the manufacturing sector reduced output and the entire economy shrunk by 15% by 2003 (Chitiga and Mabugu, 2008; Richardson, 2004). Employment levels were also affected by the land reform program. Prior to the fast track land reform program, the agricultural sector engaged more than 70% of the labour force (Chitiga and Mabugu, 2008; FAO, 2006). The effects of the land reform were not just felt in the agricultural segment only but in a number of sectors.

In the recent years, Zimbabwe has gone through a period that has seen the migration of commercial farmers. As if this was not sufficient, the large firms that used to provide work for a substantial fraction of the economy have since crumbled or scalded down operations. This trend has the growth of small businesses and entrepreneurship that are an integral part of economies in developing countries that are mostly faced with low rates of capacity utilisation, Zimbabwe has not been spared. Today, SMEs represent a vital contribution of a bigger part of businesses that are driving the economic wheel than established firms. In light of this development, the SME's have had a reasonable fair share of their challenges. One amongst the key challenges is financial support due depressed macro-economic environment i.e. the structure and size of the economy and the extent of government borrowing.

The recent economic and indigenisation policy by the administration is also driving away Foreign Direct Investment (FDI) leaving the economy in the hands of the struggling SME sector. SME's in Zimbabwe face a liquidity crisis which (Mehlomakulu 2014) said is an end result of low FDI, high import bill, high country risk, illicit capital outflows and low consumer confidence. All of which are conditions caused by the state of the economy rather than an individual SME player. The conditions in the economy were seen as important means of mobilising resources for productive use. (Berg and Fuchs, 2013) in their research titled "Overview of the state of access to bank financing for SMEs in five Sub-Saharan African

countries and analyses the drivers behind banks' involvement with SMEs”, alluded that SME lending in the general credit portfolio of banks varies between 5 and 20 percent. Results indicated that the main contributing factors are the size, structure of the economy and the level of government borrowing, size of innovation as initiated by foreign entrants to financial sectors, and the state of the financial sector infrastructure and enabling environment.

The increased importance of the economy cannot be over emphasised. The SMEs particularly in the developing countries like Zimbabwe need a wide range of enabling and sustainable economic drivers in order to enable them to effectively exploit the available resources in their areas and fulfil their productive potential.

A gap analysis is undertaken as a way of bridging the space between where, how and when the research studies were done and how they are being carried out today. Such research studies carried out by (Avevor, 2016) of Ghana, (Gbandi and Amissah, 2014) of Nigeria and (Abe, Michael Troilo & Batsaikhan, 2015) of the Asia-Pacific region. Studies carried out focused on the general challenges being faced by SMEs in getting funding without focusing on the challenges posed by the economy as a stumbling block to SMEs in accessing the funding. Many studies were carried in West Africa thus creating a gap as far as Southern Africa is concerned. It is against this background that this study was carried out in Zimbabwe a southern African country and it is this gap that this study will fill and provide a Zimbabwean dimension of the subject.

This study intends to interrogate the country's economy on financing of SMEs. To achieve this discussion, emphasis will be drawn to the three facets: hyperinflationary environment, economic instability and inconsistency government policies. The chapter will look at the background of the study, statement of the problem and research objectives of the study. It will also cover research questions, significance of the study and its assumptions. The study will go to explain the delimitation, limitations of the study and ended with the definitions of terms and chapter summary.

1.2 Statement of the Problem

Research carried out by Mlambo (2017) noted that from being the next mostly developed country in Sub-Saharan Africa at independence in 1980, Zimbabwe's economy has declined quickly to a

point where the country is positioned amongst the poorest trade and industry performers in the region. The crumbling of the Zimbabwean economy has meant the continued challenge for SMEs to access funding. The need for SMEs who access funding in order to continue to conduct their business operations in any economy and the challenges faced has been well documented in literature as studied by (Fatoki and Odeyemi, 2010) and (Avevor, 2016).

Literature seems to suggest that the major challenges faced by SME's is due to the lack of collateral security, the inflexible requests enforced on them by lending institutions, customers' business illiteracy, cost of borrowing was excessively high to allow firms to borrow sufficient funding necessary to back investment. SME's are not reluctant to disclose the challenges they face in accessing funding as stated by Sachikonye & Sibanda (2016). In a bid to address these financing challenges, several distinct cluster analysis SME financing types were identified by (Moritz, Block & Heinz, 2015) and (Moritz, Lang & Frank, 2017) who stated these as: mixed-financed SMEs, state subsidised SME, debt-financed SMEs, flexible-debt-financed SMEs, trade-financed SMEs and internally-financed SMEs.

However, the same authors also criticised the models complexity and lack of a realistic usefulness in that these SME financing types vary according to the number of financing instruments used and the combinations thereof. The SME financing types can be outlined in accordance to their industry, product, firm and nation's precise features. Berg & Fuchs (2013) suggested that not only do SMEs face the general challenges in accessing but that SMEs also face financing challenges due to the structure and size of the economy and the extent of government borrowing. Literature review seems to suggest that no such research has been carried out on the challenges faced by SMEs in getting funding due to a country's economy to date. It is therefore, through this background that the current study seeks to replicate similar studies but in the Zimbabwean context by: contributing to the body of knowledge on the challenges of financing SMEs, shedding light on the relationship between the financing of SMEs and the country's economy and suggesting substantive possible alternatives of economic reforms which might help to address the challenges and problems which the SMEs face.

1.3 Research Objectives

This paper will focus on how the economy affects the accessing of funding by Small and Medium Enterprises (SMEs) in Zimbabwe. The specific objectives are to:

- 1.3.1** To identify the challenges faced by SMEs in accessing funding.
- 1.3.2** To explore how the structure of the Zimbabwean economy affects funding of SMES.
- 1.3.3** To assess the impact of the size and structure of the SMEs on ability to access funding in Zimbabwe.
- 1.3.4** To assess the role of government in funding the operations of SMEs in Zimbabwe.
- 1.3.5** To recommend business funding options to SMEs in Zimbabwe.

1.4 Research Questions

In order to realise the above stated objectives, the following questions were posed:

- 1.4.1** What are the challenges faced by SMEs in accessing funding?
- 1.4.2** How does the structure of the economy affect funding of SMEs?
- 1.4.3** Does the impact of size and structure of SMEs determine the ability to access funding?
- 1.4.4** How do we evaluate the role of government in funding the operations of SMEs?
- 1.4.5** What would be recommended as business funding options to SMEs?

1.5. Significance of the Study

Most studies on record were carried in West Africa and Europe but not in Southern Africa. SMEs are a vital component of every country's economy and their success is a critical part. Furthermore, the studies focused on the general challenges being faced by SMEs in getting funding in other developing countries as well as in developed economies without focusing on the challenges being faced by SMEs in Southern Africa in getting funding in the context of its economy. It is against this background that the study will be carried out in Zimbabwe which is part of the Southern Africa region and in order to unearth any differences or similarities with the studies done by previous scholars elsewhere.

The Zimbabwean economy is currently characterised by disinvestment, low capacity utilisation and liquidity challenges (Chidoko, Makuyana, Matungamire, & Benami, 2011). Therefore, there

is need to put more attention in giving solutions to the challenges faced by SMEs in Zimbabwe as a result of its economy, since SMEs are a vehicle for economic growth in a country. Secondly, the significance of this study is also reflected by its focus of providing useful information that may help other researchers and policy makers in coming up with people centric solutions in addressing the challenges faced by SMEs in getting funding. Lastly, this comparative study will fill in the gap needed in the literature of developing countries located within Southern Africa’.

1.6. Assumptions

The study assumes that; (a) it is necessary to avail funds for SMEs in order for them to prosper in today’s economy, (b) funding for SMEs is in short supply in the Zimbabwean economy, (c) it is imperative to make available funding to SMEs and, (d) the participants are willing to take the survey and provide honest self-assessment questionnaires.

1.7. Delimitations of the Study

To ensure a proper survey is carried out on business’s in the SME class, business entities employing at least 30 to 70 workers as per Ministry of Small and Medium Enterprise Development in Zimbabwe, definition were considered. For the purpose of this study, it only dealt with unregistered SMEs, which made the assessment more realistic and this study is very important since it is going to inform the relevant policy makers on the importance of an economy’s structure in accessing funding by SMEs. The data used covered the period from 2015 to 2019.

1.8. Limitations

The study faced the following challenges;

The study was, limited to the SMEs operating in Harare and the results from the study cannot be generalized further than the city. The national power outages hindered the pace at which the researcher intended to work with, due to internet and power interruptions. This in term compromised the time taken to complete this research. Therefore, the study was rescheduled to working from day time to night time when power and internet services were available and uninterrupted.

The research faced challenges in terms of having access to the participants when conducting interviews. The participants were mostly preoccupied with their work commitments, sometimes not reachable, rescheduled to later dates or cancelled the interviews and some could not read or write. Hence, a self-reported survey data was used in this study for those participants who could read and write which the respondents could answer or fill in when they are free or during their most convenient times, telephone interviews for those who could not read or write. These were some of the limitations of the study. Financial constraints were encountered during the course of this study, ever increasing telecommunication costs which were encountered due to increase in tariffs from the telecommunication service providers.

1.9 Definition of Key Terms

The study utilised the following authoritative and operational terminologies:

Small to Medium Enterprise (SMEs)

There is no universally accepted single definition of SMEs as various bodies, organizations and institution have advanced different definitions (URT, 2003). According to the Ministry of Small and Medium Sized Enterprises Development in Zimbabwe, (2002) SME is a registered firm that employees between 30 to 70 workers and this varies with the type of business being done. For the purpose of this study the Ministry of Small and Medium Enterprise Development in Zimbabwe's, definition of SMEs will be considered.

Foreign Direct Investment (FDI)

According to the IMF and OECD definitions, direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). Wikipedia defines FDI as an investment in the form of a controlling ownership in a business in one country by an entity based in another country. It is thus distinguished from a foreign portfolio investment by a notion of direct control.

Gross Domestic Product (GDP)

Gross domestic product is a monetary measure of the market value of all the final goods and services produced in a specific time period (Wikipedia)

Entrepreneurs

Are people undertaking economic risk to create a new organization that will apply new technology or innovative process to generate value to others (Schramm, 2006).

Financial Institutions (FIs)

These are businesses whose principal assets are financial assets or claims, stocks, bonds and loans instead of real assets such as buildings, equipments and raw materials (Saunders, 1994).

Access to finance

It is defined as getting adequate and affordable financing over a suitable timescale (Tagoe, Noel & Nyarko, Ernest & Anuwa-Amarh, Eben. (2005).

Economy

According to (Wikipedia), an economy is an area of the production, distribution and trade, as well as consumption of goods and services by different agents.

Structure

Economic structure is a term that describes the changing balance of output, trade, incomes and employment drawn from different economic sectors – ranging from primary (farming, fishing, mining etc) to secondary (manufacturing and construction industries) to tertiary and quaternary sectors (tourism, banking, software industries). (Sandeep Kr Pali, Engineer-TSC at CP Plus (2019)

Size of economy

The size of a nation's economy is commonly expressed as its gross domestic product, or GDP, which measures the value of the output of all goods and services produced within the country in a year. GDP can be measured either by the some of what is purchased in the economy or by what is produced. (Moffatt, 2019).

1.10 Abbreviations and Acronyms

BDS	Business Development Services
GDP	Gross Domestic Product
EAC	East Africa Community
FDI	Foreign Direct Investment
FI	Financial institutions
IMF	International Monetary Fund
MFI	Microfinance Institutions
MSME	Micro, Small and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
PCS	Post-conflict situation
POT	Pecking Order Theory
SMEs	Small to Medium Enterprise
SEDCO	Small and Enterprises Development Corporation
ZIMASSET	Zimbabwe Agenda for Socio Economic Transformation
ZIMRA	Zimbabwe Revenue Authority

1.11 Chapter Summary

This chapter explains the background to the study, statement of the problem and research objectives of the study. The chapter also covers research questions, significance of the study and its assumptions. It also explained the delimitations, limitations and definition of terms as well as the chapter summary. The following chapter looks at the review of literature by other scholars related to the challenges faced by SMEs in getting funding.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

The literature reviewed in this chapter is going to be utilised to provide a critical analysis, assessing the theoretical perspectives and empirical literature review, synthesize the research material of other jurisdictions and note how the respective research fits into the broad study on the challenges faced by SMEs in obtaining funding. The research seeks to evaluate the materials for its contribution to the research topic and explain the relationship that exist as well as identify the gap that needs to be filled in, in terms of the study. The chapter ends with a chapter summary

2.1. Theoretical Literature Review

2.1.2. Theories Underpinning the Study

This section examines the theories that inform the research. The theories that inform this research are the agency theory and the signalling theory. According to Sogorb (2002), the most relevant capital structure theories that explain the capital structure of SMMEs are those related to static trade-off, adverse selection and moral hazard (agency theory) and the pecking order theory.

2.1.2.1 Static Trade-Off Theory

The static trade-off, theory stresses the risk that SMEs face in trying to access money from the bank. For SMEs the risk of bankruptcy are quite high. Adverse selection is a problem caused by information asymmetry before a transaction occurs (Garven, 2013). It is very common in SME lending when the borrower intentionally submits wrong information in order to get a loan from a financial institution (Anderson, 2013).

2.1.2.2 Moral Hazard Agency Theory

The moral hazard agency theory analyses the way in which the challenges of ownership of SMEs and other factors increases the element of risk when giving credit to an SME. This refers to the agent's possible lack of effort in carrying out the delegated tasks and the fact that it is difficult for the principal to assess the effort level that the agent has actually used. And, lastly, the pecking-order theory assumes that firms prefer internal financing over external financing due to higher information costs associated with external financing.

Andree and Kallberg (2008) point out that the genesis of modern capital structure theory lies in the work of Modigliani and Miller (1958) in their famous proposition which is referred to as the irrelevance theorem. The irrelevance theorem suggests that, as an implication of equilibrium in perfect capital markets, the choice of capital structure does not affect a firm's market value. Modigliani and Miller (1958) based their irrelevance theorem on certain perfect market assumptions which included no corporate taxes, no brokerage or floatation cost for securities, and symmetrical information. According to Fatoki and Odeyemi (2010), the initial perfect market assumptions, on which the 1958 theory of Modigliani and Miller was based, were reviewed in 1963 with the introduction of the tax benefits of debt. This is attributed to the fact that a perfect market does not exist in the real world

As credit availability to SMEs depends on the financial structures, therefore some important aspects are to be considered when deciding on their financial structure. This was postulated by Myers (1977) who determined the capital structure of SMEs. The pecking order theory (POT) was used to explain why firms will choose a particular capital structure than the other. The POT stipulates that SMEs average debt ratio will vary from industry to industry because these industries have varied asset risks, asset type and the requirements for external capital Myers (1984). Firms in one industry will have certain aspects that are more common to them than to most firms in a different industry (Harris and Raviv, 1991). The decisions are made taking into consideration information asymmetry, agency theory, and the signaling theory.

2.1.2.3 Signalling Theory

The signalling theory was developed by Spence Michael (1973), anchoring on the principles that signalling took root in the idea of asymmetric information (a deviation from perfect information),

which says that in some economic transactions, inequalities in access to information upset the normal market for the exchange of goods and services. In a seminal article "Job Market Signaling". *Quarterly Journal of Economics*. 87 (3): 355–374.), Spence stated that signalling “is the idea that one party (termed the agent) credibly conveys some information about itself to another party (the principal)”.

The signaling theory describes signs and the effectiveness or how a venture will progress in an uncertain environment. The main idea behind this theory is that there is an information signal that alerts the stakeholders of what is happening in the business (Deeds et al., 1997). The success of a business in the future is determined by the availability of information to the firm. The stakeholders of a business require signals to find the way of the asymmetry of information between what is known and what is unknown (Janney and Folta, 2003). The outsiders get to know about a particular venture based on the signals it sends out. These signals need to be favourable because it is through them that potential investors will be informed and thus show the intention to invest in the venture. The cost of equity will be high when poor signals are perceived by outsiders and this will restrain potential investors. Firms get access to venture capital when they have a good goodwill (Prasad, Bruton and Vozikis, 2000). Good signals to the outsiders of a firm can be described as equal to due diligence with reduced time and input (Harvey and Lusch, 1995).

This of course goes with time and when they continue to exist, it means resources are acquired or unlimited. This process of gaining stability and to survive allows the firm to gain legitimacy and thus can be trusted as a successful business since it emits positive signals. Firms with unlimited resources at the infancy stage are easy to go bankrupt and die in this early stage this was postulated by Aldrich and Auster (1986); Freeman, Carroll and Hannan (1983).

Myers (1984) argued that external sources of funding have more moral hazard problems and consequently the demand for own or internal finances are paramount to the firm. This moral hazard is explained by the fact that SMEs are very close entities; that is owned and or controlled by one person or few people. POT emphasizes; Ang (1991) the use of owned capital rather than outside capital by SME's and also explains why SMEs are denied finance or is a hindering factor in seeking for external sources of finance. World Bank (2002) reiterates the fact that SME's are

more likely to be denied new loans for their businesses than larger firms when in need. They consider SMEs to lack the skills to manage risk and the high transaction costs in lending to them compared to the amount that is borrowed (Hallberg, 2000). The loan to value-for-money ratio is higher than attractive.

According to Stiglitz and Weiss (1981), agency problems such as asymmetric information and moral hazards can impact the availability of credit and hence the capital structure of new SMMEs. Stiglitz and Weiss termed this phenomenon credit rationing. The core of the argument is that suppliers of finance may choose (due to asymmetric information, adverse credit selection and monitoring problems) to offer an array of interest rates that would leave a significant number of potential borrowers without access to credit. Stiglitz and Weiss (1981) stressed that agency problems such as asymmetric information and moral hazards can impact on the availability of bank finance to SMMEs.

It is against this background that the current research adopted the Signalling theory as relevant as it provides a unique, practical, and empirically testable perspective on problems of social selection under conditions of imperfect information. Information affects the decision-making processes used by individuals in households, businesses, and governments. Individuals make decisions based on public information, which is freely available. Signalling theory is useful for describing behaviour when two parties (government and SMEs) have access to different information. Typically, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal. It is not always the government's fault that at times SMEs do not have access to information which is at their disposal. On the other hand governments sometimes use the formal channels that may not be known by the SMEs. Stiglitz (2002: 469) explained that information asymmetries occur when "different people know different things." Because some information is private, information asymmetries arise between those who hold that information and those who could potentially make better decisions if they had it.

2.1.3 Challenges faced by SMEs in accessing funding

Making an entrepreneurial idea is one thing but access to the necessary funding to convert such an idea into reality is another thing. Many novel entrepreneurial dreams have been known to pass on just because their discoverer failed to fund them and banks could not be convinced that they were worth investing in. There are a number of ways of accessing funding such as internal and external funding. Internal funding is mainly concerned with the sourcing funds from personal saving and friends or relatives. On the other hand, as the business grows its funding requirements can go further than personal savings. The next source is external funding. External finance is based on merit according to the assessment of financial institutions. There are two distinguished alternatives of external funding: debt and equity financing. Debt financing involves procurement of interest bearing instruments. These are secured by asset-based security and have term payment arrangement. The equity part of external finance offers the financier the right of ownership in the business and this may not need collateral as the equity participants will be part of the management of the business (Oguijiuba, Ohuche, & Adenuga, 2004).

Small businesses are short of access to capital and money markets. Investors are not willing to put in their funds in proprietorships, partnerships or unlisted companies because of the risk perception associated with small businesses is high. Small firms usually encounter problems when approaching contributors of finance for funds to sustain fixed capital investments and to give working capital for the firm's business. The presence and nature of a "finance gap" for small firms has been debated for decades, ever since the Macmillian report (World Bank, 2004).

According to (Clarke, 2001) getting funding is a long journey, the achievement depends on the methodology adopted during the assessment and awarding of credit by banker. The journey starts with the application for the facility and ends when the loan is fully paid. Similar to, a human journey, the credit acquisition route has no smooth paths. Present are obstacles and detours before the destination is reached. Hence, when in business you cannot shun looking for a loan when the need arises. It is imperative to know how banks can lend or refuse to loan a business funds.

The lack of security for some SMEs can obscure the possibilities to do lending. Banks require specific skills to employ in the different forms of SME lending. A current survey showed that the complexity in establishing credit-worthiness was a major barrier, with 80% of banks stating challenges in this area Dalberg Global Development, (2011). the majority of developing

countries time and again have weak accounting standards and the SMEs have little or no truthful financial statements on their revenues, profits and ability to pay (Taketa & Udell, 2007). As a result, microfinance and banks presume that SMEs carry larger defaults risk, thus lending based on existing relationship and structuring of collateral-based lending. However, in Zimbabwe, there is no market data available on the SME market default rates (ZAMFI, 2011).

An economist, particularly Stiglitz and Weiss (1981), argue that lending institutions can fail to deal out loans proficiently because of fundamental information problems in the market for small business loans. Such information problems may be so harsh that they lead to credit rationing and constitute the failure of credit market. According to Caves (1998), the occurrence of credit market failure is a key constraint on growth of SMEs. Because the closing cost rate of SMEs is higher than larger enterprises, financial service providers therefore tend to consider SME funding risky. SMEs funding in addition requires improvement in the lending technology that possibly will reduce the risk to the lender in ways that does not raise the overall transaction cost to the entrepreneur.

It is argued that bank or commercial financing companies lending would normally be unavailable to small businesses until they achieve a certain level of production whereby their balance sheets revealed considerable tangible business assets that may be promised as collateral, such as accounts receivable, inventory and equipment (Brewer & Genay, 1994). This sequence of funding over the growth cycle of a business can be seen in the context of modern information based theory of security design in the idea of financial pecking order. Costly state verification (Townsend 1979, Diamond 1984) and adverse selection (Myers 1984, Myers and Majluf 1984, Nachman and Noe 1994) arguments put forward the most favorable of debt contracts after insider finance has been exhausted. Debt contracts can include trade credit, commercial bank loans and finance company loan.

2.1.4 The structure of an economy and SMEs funding

The European Union Parliament (2016) has pointed out corruption as the main challenge in policy management in the developing countries. They stated that the more corruption that goes unabated, the more the countries lose out on financial aid. Corrupt tendency make it impracticable for governments to attain their ultimate goals and as such there is need for severe legislation on corruption if governments are to weed out the collapse of projects and programmes. Ahmed and Dantata (2016) proffered that corruption is a wicked act that has a

bearing on policies to be implemented. Ahmed and Dantata (2016) added that the greatest challenge on corruption is that it is committed by high level leadership in developing countries. Mozambican can be sited as an example where the former President and high ranking public officers were hauled before the court for questioning on corruption related charges whilst in Zambia former government officials were as well taken to court over accusations of financial misappropriation which happened during their tenure of office.

Ikechukwu and Chukwuemeka (2013) noted that deep rooted corruption amongst the leadership influences the quality and impact of the policy when implemented. This has led to the call for stern leadership integrity and probity in the policy making bodies. Kaufmann (2016:83) argued that corruption and ethics have resulted in challenges not only in developing countries but also in the developed countries as well. The subject of corruption as a consequence has been a newsworthy issue in the world because it has an effect on the whole performance of countries. Hence, proposed policies cannot be implemented since resources meant for formulation and implementation will have been lost in the process due to corrupt tendencies.

According to Boadi (2011), the management of corruption entails that reforms are present and followed through. Boushey (2014) stated that corruption has cost China billions of dollars and hence there is need for strict and tough legislative and financial management mechanisms for combating it. A further study carried out by Onuoha et al (2015) in Nigeria discovered that there is no success to reigning in of top public office bearers and this has increased the growth and extent of the corruption web. The failure to imprison corrupt public officers has led to a lot of people joining the bandwagon of unorthodox practices.

2.1.5 The impact of the size and structure of the SMEs on ability to access funding

The firm size is one of the most vital variables in literature that relates to access to credit. Amongst businesses that apply for credit, it has been established that approved businesses are older, larger, and grow faster than those denied businesses. Dietsch & Petey, (2004) analysed a set of German and French SMEs and concluded that they are riskier but have a lower asset correlation with each other than large businesses. This assertion was also true for both developed and developing countries. Steingold, (2001) suggested that small and medium enterprises are monetarily more constrained than large firms. When an entity is small the limitations on credit

are greater. A study by Michigan Business Network in 2006 about “access to capital survey” implied that about 53% of SMEs faces challenges in raising capital than established large corporates (National Small Business Association, 2006). This is also the situation in Zimbabwe where financial institutions would rather finance large corporates.

In the United States of America close to 500,000 SMEs failed to access their preferred credit in 2011 due to their small sizes (National Federation of Independent Business, 2012). The bulk of small enterprises are not capable of providing financial statements and do not have adequate security to take loans from the bank (Venter, Urban, & Rwigema, 2008). As the firm is small, nearly all the time it is owned and controlled by the person who started it and there is no legal requirement to regularly report financial statements. Many SMEs firms do not keep audited financial accounts (Ngehnevu & Nembo, 2010). Some SMEs do not have fixed assets to offer as security. Therefore, in order to lessen the predictable risk and moral hazard associated with lending, the banks then use collateral as one of the instrument (Garven, 2013). The security is an assurance to the bank in event of a default and in addition makes certain that borrowers are committed to the loan repayments.

SMEs that are more probable to getting funding are those located in large cities and in a country with lower inflation and GDP per capita but higher GDP growth (Abor & Biekpe, 2007). To start with, there can be an absence of financial institutions in the areas they operate from. At times, there could be a lone bank branch available to the location, which may benefit from a monopoly power in that area and small firms may not have a great deal financing alternatives available. Owing to this, they could end up paying high interest rates on loans or may have to stick to the limited contracts such as security and other conditions (Minh-Le, 2012).

Branch administrators that maybe assigned in the remote areas may have limited delegation of authority. In the case of Zimbabwe most MFIs head offices are in located in the capital city of Harare and decisions are made at head office level (Reserve Bank of Zimbabwe, 2012). Therefore, resulting in delays in the approval of loans requested by rural firms or high amount of loan rejections, as bank loans are processed and approved by head office officials who have no personal knowledge of customers or projects that are based in such locations. Financing institutions may be unwilling to lend to small firms located in remote areas, as assets offered as

security by these firms may have a lesser market value and in case of defaults, it may be difficult to realise these assets (Minh-Le, 2012).

Technology has changed the world into a global village. Consequently, the distance between lenders and borrowers is argued that there is no influence on financing small businesses in developed countries since they have embraced the progression of new technologies (United Nations Industrial Development Organisation, 2006). The positive reception of technology has led to increased efficiency in terms of production for SMEs. Technology has gone to the level of lowering search costs, therefore enabling easier access to lenders through internet, video conference for interviews (United Conference on Trade and Development, 2005). But, this case has not got much relevance with SMEs that are located in developing countries due to limited development in the information technology and limited usage of services by the SMEs (Oghojafor & Ifekwem, 2012). SMEs in Zimbabwe affected by the location (Chidoko, Makuyana, Matungamire & Benami, 2011). The answer to this challenge is for the government of Zimbabwe to build technological infrastructures that cover up even the remote areas. However, it will take long for the government of Zimbabwe to implement this solution due to lack of capacity.

2.1.6 The role of government in funding the operations of SMEs

The government, through its policies and legislation acts as both a barrier and a facilitator of the establishment and development of SMEs. SEDCO which falls under the Ministry of Small and Medium Enterprise and Corporative Development is now strictly following the loans they give to the SMEs so as to recover some of the funds for its continuity. This development has seen SMEs losing their properties that they had surrendered as security. As SEDCO falls under a Ministry, it can be argued that the Government is directly or indirectly sanctioning the activities by SEDCO. Directly, it is sanctioning this behaviour by not protecting the SMEs who would have defaulted in the repaying of their loans. Indirectly, the government is sanctioning this act by SEDCO by not sufficiently funding its activities, therefore allowing it to leave on solely on its revolving finances. It is vital to note that as some SMEs default in the repayment of their loans due to mismanagement, a significant portion of defaults are due to a non-conducive economic environment in which these small to medium enterprises exist.

According to a publication in the Journal of Business Administration and Education Volume 4, Number 1, 2013, 1-16, the major challenge of Zimbabwean SMEs has been lack of financial assistance from banks. To address this challenge, the government is tried to raise US\$50 billion through the selling of government treasury bonds. Since the introduction of the multi-currency regime, Zimbabwe has been experiencing some liquidity challenges and SMEs are the hardest hit (Ngoro 2012). Fan (opcit) also argued that SMEs are the major sources of technological advances and new products. Mpofu (1998) however, argued that the need to see SMEs flourishing has grown over the years, particularly in developing countries where the belief is that SMEs significantly contribute to employment creation, poverty alleviation as well as ownership of productive sectors.

As SMEs are increasingly becoming important in the economic matrix, governments have come up with different policies and regulations with the aim of fostering SMEs as main drivers of economic growth and employment creation (Munyanyiwa 2009). The Egyptian government introduced a stock exchange for SMEs with the aim of promoting the financial base of SMEs so that they can be in a position to raise capital and improve on the quality of their products. Such a move will assist in bringing the sector into normal economic matrix, therefore allowing the government to collect taxes from this sector. In Zimbabwe, the commissioning of the Ministry of Small and Medium Enterprise and Corporate Development and the Small Enterprises Journal of Business Administration and Education and Development Corporation shows a great amount of commitment on the part of the government in regards to the establishment and development of SMEs.

It is unfortunate that the mentioned Ministry is not regarded a major Ministry, thus it is perennially underfunded. The government is not keen to adequately fund the Ministry of Small and Medium Enterprise and Corporate Development maybe because it considers its beneficiaries to be informal traders. Furthermore, the government has traditionally left out SMEs from its incentive structures and this has resulted in the sector avoiding the paying of taxes, hence government losing a lot on potential contribution to the fiscus (Tanyanyiwa 2016). In 2012, SEDCO only received US\$200 000, an amount that was grossly inadequate if the economy

of Zimbabwe is to fully enjoy the economic benefits of SMEs, both from the perspective of increase in job creation and adding to the GDP through an increase in taxes. The Importance of SMEs in an Economy According to Goriwondo (2011).

2.1.7 Funding options to SMEs

As bank financing will remain crucial for the SME sector, there is a wide concern worldwide that credit constraints will just become “the new normal” for both SMEs and entrepreneurs. It is, thus, necessary to widen the range of financing instruments available to SMEs and entrepreneurs to enable them to continue to exercise their role in investment, growth, innovation and employment. One form of such financing can be asset based financing. Through asset-based finance, firms get funding based on the worth of specific assets, including accounts receivables, inventory, machinery, equipment and real estate rather than on their own credit standing. In this way, it can serve the needs of small firms that have difficulties in accessing traditional lending. Asset-based lending, which provides more flexible terms than collateralised traditional lending, has also been increasing in recent years, in countries with complicated and efficient legal systems and advanced financial expertise and services.

Governments are frequently keen to help to the extent that SMEs are not capable of raising finance for their projects and investment opportunities are potentially lost. Thus, national wealth becomes lower than it could be. In addition, governments are keen to support innovation, which is one area where SMEs often do extremely well, and are keen to support the growth of SMEs as this enhances employment.

Governments assist SMEs by: providing grants, providing tax breaks – for instance, tax incentives may be available to those willing to take the risk of investing in SMEs, providing advice, for example, in Scotland there is a government-funded organisation known as ‘Business Gateway’, that provides support to those setting up and running a business, including giving advice on raising finance. Guaranteeing loans for a small fee from the SME and any large amounts of any loan advanced by a bank is guaranteed by the government. As this extensively reduces the risk to the bank, they are potentially more willing to lend. In the UK this is called the ‘Enterprise Finance Guarantee’ scheme. Providing equity investment - many countries have government-backed venture capital organisations that are keen to invest in the equity of SMEs.

This is often done on a matching basis, whereby the organisation will match any equity investment raised from other sources. In the UK this is prepared through 'Enterprise Capital Funds', whilst in the US there is the 'Small Business Investment Company' programme.

The SME owner, family and friends and business angel: This is potentially a very good source of finance as the investors may be willing to accept a lower return than many other investors as their motivation to invest is not purely financial. The limitation is that the finance that is raised personally and from friends and family is rather limited. A business angel is a well-off individual prepared to take the risk of investing in SMEs. The limitation is that the individuals are not common and are very frequently quite meticulous about what they are ready to invest in. Once a business angel is attracted they can become very useful to the SME, as they will often have great business acumen and are likely to have many useful and helpful contacts.

Trade credit & Leasing: SMEs, like companies, can take credit from their suppliers. Though, this is only short-term and if their suppliers are larger companies who have branded them as a potentially risky SME the ability to stretch the credit period may be limited. Leasing assets to a certain extent than buying them is often very useful for an SME as it avoids the need to raise the capital cost. But, leasing is only in fact possible on tangible assets such as cars and machines.

Factoring and invoice discounting: Both of these sources of finance in fact let a company raise finance against the security of their outstanding receivables. This finance is only short-term and is often more costly than an overdraft. Nevertheless, one of the features of these sources of finance is that, as an SME grows, their outstanding receivables will grow and so the amount they can borrow from their factor or from invoice discounting will also grow. Therefore, factoring and invoice discounting are two of the very limited number of finance sources which grow automatically as the business grows.

A venture capitalist & Listing: A venture capitalist company is very often a subsidiary of a company that has significant cash holdings that they need to invest. The subsidiary is a high-risk, potentially high-return part of their investment portfolio. So, many banks will have venture capitalist subsidiaries. In order to draw attention to venture capital funding, an SME has to have a business idea that may create the high returns the venture capitalist is looking for. Therefore,

for many SMEs, operating in regular business, venture capitalist financing may not be possible. In addition, a venture capitalist hardly ever wants to remain invested in the long term and, and so, any proposal to them must show how they will be able to ‘exit’ or release their value after a number of years. This is regularly done by selling the company to a bigger company working in the same trade or by growing the company to such a size that a stock exchange listing is possible.

Listing: By achieving a listing on a stock exchange an SME would become a quoted company and, hence, raising finance would become less of an issue. However, before a listing can be considered the company must grow to such a size that a listing is feasible. Many SMEs can never hope to achieve this.

In supply chain financing (SCF) & Crowd funding: the finance follows the value as it moves through the supply chain. SCF could be of great help to SMEs that are supplying larger companies, or even the suppliers of larger companies, with a good credit rating. As the technological solutions required to make SCF work become more widespread and SCF grows, more and more SMEs are likely to benefit. **Crowd funding** involves backing a venture financially by raising funds from a large number of people (the crowd) and is very often achieved over the internet. Crowd funding has the possibility to be very beneficial to SMEs. It allows them to make contact with and appeal directly to investors, who may be keen to take the risk involved in funding the new technologies and innovations, which SMEs are often so good at producing.

2.2. Empirical Literature

Shahnur et al (2013) who’s research title was “Analyze the potential of SMEs in the economy of Bangladesh”, came out with the following findings: (i) most SMEs borrowed to fund their first setup and for acquiring of raw materials and (ii) the majority supported the view that government ought to partake in these activities by setting up particular funds for this and this would help the sector. It was also established that 20% revealed that security conditions was a chief obstacle to access loans. 30% stated about the lengthy and tiresome paperwork necessary for processing of loans as a main obstacle. Offering a state assurance for credit to authentic small and medium entrepreneurs was well thought-out as an alternative for SMEs with good reputation. On the whole SME entrepreneurs maintained the view that government ought to give mortgage and

security free loan up to a certain limit. It was established that more than 20% of the small and medium entrepreneurs had no training in organizing a sound business plan for taking credits, hence increasing, and the danger of operating a business under such situations. Financier's response preferred the thought of developing a financial motivation schemes based on the grade of a sound business plan. An exercise such as this would assist the sector to mature by means of sound business plan and owing to training. Most entrepreneurs wish for the government to assist government agencies and financial institutions in development of skilled manpower to deal with SMEs more efficiently and effectively. Qualitative data were collected from the qualitative survey by questioning 100 SME clients.

Klonowski (2012) carried out a research which was titled "evaluate public intervention in the access to finance for entrepreneurial firms from the small to medium-sized enterprise (SME) sector in Poland". The results concluded that there are still distinct liquidity gaps for businesses in the SME division in Poland. Government programs are not helpful in closing these liquidity gaps. The inconvenience with access to capital continues to be a challenge to building an active SME sector in Poland and not having access to capital is constantly mentioned as the key obstacle to the growth of the SME sector in Poland. Methods of research applied were the analysis of primary data, sampled 278,088 firms from the SME sector in the Warsaw region and questionnaires were collected from 262 respondents.

Oncioiu (2012) in his paper discusses the main characteristics of SME financing in Europe and provides against this background an analysis of the impact of the funds absorption on sustaining economic growth for Romanian SME. He discovered that the European Union (EU) is providing attractive business funding chances for 27 European member states. Practical research proved that the factors motivating SME funding decisions were difficult. The findings verify the fact that for Romanian SME the access to funding is of main concern in the actual economy. Theoretical literature was used to collect data.

By making use of the SAFE dataset collected in 2015, Masiak et al (2017) in their study to investigate the financing patterns of European SMEs whereby they looked at a large number of different financing instruments and their complementary and substitutive effects, reported that European SME funding is not homogenous, but that unlike funding models exist, which consist

of 7 different SME financing categories based on the financing instruments used. The cluster analysis identified 7 distinct SME financing types based on the financing instruments used: mixed-financed SMEs with focus on other loans, mixed-financed SMEs with focus on retained earnings or sale of assets, state-subsidised SMEs, debt-financed SMEs, trade-financed SMEs, asset-based financed SMEs, and internally-financed SMEs.

Moritz et al (2015), investigated SME funding patterns in Europe. The conclusions can assist policy makers in weighing up the impact of policy modifications on SME funding and in scheming financing programs personalized to the specific needs of SMEs. Data was gathered by performing a cluster analysis together with 12,726 SMEs in 28 European countries. The investigation revealed that SME funding in Europe is not homogenous but that unlike funding patterns are present. The cluster study identified 6 distinct SME funding types: (i) mixed-financed SMEs, (ii) State subsidised SMEs, (iii) Debt-financed SMEs, (iv) Flexible-debt-financed SMEs, (v) Trade-financed SMEs and (vi) Internally-financed SMEs. The funding types vary according to the number of financing instruments used and the permutation thereof and this funding category can be outlined in accordance with their firm, product, industry and country-specific features.

Hussain et al (2016) in a research “Outline the preliminary results of an empirical investigation into access to finance and related issues, as experienced by SME owner/managers in the UK and in China”. They discovered that there are similarities and differences between SME funding in the UK and in China. The start-up financial support, a great amount of respondents depended totally on monetary support from their immediate family. Subsequent to running a business for two years, respondents showed a high dependence on individual reserves and the monetary support of bank and other financial institutions. After five years of continuous trade activity, basically the owner/managers in the UK test depended for their borrowing requirements mostly on financial institutions and not as much on their personal money.

Céline Kauffmann (2004) alluded that the majority African financial systems are uneven. The pattern of the size of a firm corresponds to one in the range of financing available. The non availability of funding for SMEs has to a certain extent been made up for by micro-credit institutions, whose growth is due to the flexible loans they propose to small businesses.

Oketch et al (1995) from Kenya carried out a study on 16 financial institutions to find out the demand and supply of credit to the SME sector. The study discovered that demand and supply for credit has been on the rise since 1991. In addition, it disclosed that 16% of what was demanded was achieved. The research also found out that even though financial institutions loan to key borrowers who possess collateral security, there is need for such institutions to boost their loans to SMEs

World Bank (2001) alluded that pitiable access to finance was the most serious constraint on SMEs enterprises in Nigeria. 50 % of the study enterprises obtained external finance whilst 79 % pointed out the lack of monetary resources as a key constraint. Findings from the study included the discovering of pitiable access to finance by SMEs and that the Bankers Committee at the proposal of the CBN created an interventionist strategy called the” Small and Medium Industries Equity Investment Scheme”.

Mpanju (2019) “Analysed the impact of microfinance services on SMEs performance in Dar-es-Salaam region, Tanzania”. The results confirmed that microfinance services offered as financial intermediation and project development was to a big extent sufficient to small and medium-sized entrepreneurs. The analysis found that there is a strong connection between the level of microfinance services and the performance of SMEs and that microfinance services persuaded the performance of the SMEs in the Dar-es-Salaam region. The study assumed a descriptive-correlation research design and had a sample of 350 SMEs.

In “Assessing the role of financial institutions on the success of SMEs in Tanzania” Gladstone (2011), found that financial institutions have little persuasion on SMEs funding as a large number of SME owners or managers regularly used retained earnings or profit (self-supporting) and funds from family to fund their trade as a source of finance. Ten financial institutions, 95 SMEs were selected randomly from a population size of 93 430 SMEs and questionnaires were created, for SMEs owners and financial institutions. The answers of the partakers were examined using the statistical package for social sciences (SPSS).

Sepocho (2010) in his research “To investigate on the impact of obstacles in Financing SMEs on the growth of SMEs in Tanzania” found that the financial institutions assist SMEs to boost employment opportunities by assisting them with individual and business monetary needs.

Financial institutions lent a hand in poverty reduction amongst the society at large. Data gathering used questionnaires from 150 of respondents and documentary review

Marwa (2014) explored in detail the causes of the problem and mechanisms currently put in place to address access to external financing as a pressing challenge for MSMEs in developing economies and Tanzania and recorded that the SME sector in Tanzania has inadequate access to finance due to the following factors: the sector is seen as a high risk; failure by the SME operative to provide the security requirements; most financial institutions do not run SMEs financing window; some of the financial institutions function in limited geographical areas; inexperience of bank employees in issues associated to Micro-finance; not having guarantee scheme to back up financial institutions funding SMEs; high cost of selection, managing small loans spread over big areas and inability of borrowers to put in order and present applications that meet the bank's requirements". A desk review methodology was used to compile data.

Avevor (2016) found out about the "Challenges faced by SMEs when accessing funds from financial institutions". SMEs faced a great deal of challenges whilst accessing funds from the recognized financial institutions in Ghana. The study also found that financial institutions believe that the SME sector is an unsafe industry thus offering them credit services at high interest rate in contrast to the big corporations. The mixed method research design was used during the study. According to Gbandi & Amissah (2014) who carried out a research titled "Examine the financing of SMEs in Nigeria and the various financing options available to the SMEs". The research revealed that funding of SMEs in Nigeria is very crucial if they are to execute their part of expansion and improvement of the nation's economy. Their findings noted the available funding choices as: venture capital and business angels, international development agencies, microfinance financing, Small and Medium Enterprises equity Investment Scheme, Small and Medium Enterprises Credit Guarantee Scheme formal finance sector and lastly Owner's savings

In an attempt to provide some understanding about SMEs access to finance within the West African sub-region with particular interest in establishing whether there are similarities and/or differences in the determinants of SMEs access to finance across countries in SSA, Peter et al (2017), research established a significant disparity in the link of firms access to funding at the country level. Results hence have essential insinuations for policy. In general, at the sub-regional

level, access to finance is mainly concluded by things such as firm size, rights, power of legal privileges, and strength of credit information, firm's export direction and the understanding of the top manager. The World Bank's Enterprise Survey data set was used and determinants of access to finance both at the sub-regional level and at the country-level were examined.

Donkor et al (2017) in their research "Challenges faced by Micro Finance Institutions in their recovery of credit from SMEs" found that 75% of MFI managers stated the challenges in the retrieval of credit. Just about 87 % of SMEs faced challenges in the reimbursement of credit. The research makes available understandable suggestions that there are a number of demanding factors that create a risk to the sustainability of MFIs in the Ashanti region of Ghana. Mixed method exploratory research was applied.

Berg & Fuchs (2013) in their summary of the circumstances of accessing of bank financing for SMEs in 5 Sub-Saharan African countries and analysing of the drivers following banks' association with SMEs. They stated that the distribution of SME lending in the general loan portfolio of banks varies between 5 - 20%. The explanation for this result differ, but the main reasons are the structure and size of the economy and the extent of government borrowing, the level of improvement mostly as set up by foreign participants to financial divisions, and the position of the financial sector infrastructure and allowing surroundings. The document put together data gathered via 5 in detail studies carried out in Kenya, Nigeria, Rwanda, South Africa, and Tanzania between 2010 and 2012.

A study was performed by means of a self-administered questionnaire and numerical analysis that integrated a t-test, descriptive statistics, and a logistic regression by Garwe & Fatoki (2012) to find out whether South African's small and medium enterprises are affected by sexual category differences in order for debt and its accessibility. Important gender differences were established in SMEs' demand for debt finance but only insignificant disparities in accessibility. The results also show important gender differences in a few of the firm and entrepreneurial features of SMEs. Apparently for SME owners in South Africa gender differences are present in the claim for debt finance but not in its accessibility.

Fatoki & Odeyemi. (2010) carried out an investigation on new SMEs operating in the Eastern Cape Province of South Africa focusing on the practical determinants they required when

accessing trade credit. The high failure rate of these new SME's in South Africa was attributed to the non-availability of funding especially trade credit. The result of the logistic regression showed the following are important determinants of access to trade credit by new SMEs in South Africa: managerial capability, availability of business plan, being a member of trade associations, prior affiliation, size, trade size, insurance cover and inclusion.

“The impact of inaccessibility to bank finance and lack of financial management knowledge to small, medium and micro enterprises in Buffalo City Municipality, South Africa”, was investigated by Chimucheka & Rungani. (2011). the findings confirmed that SMMEs in the Buffalo City Municipality found it hard to access bank finance. The study results also proved that inaccessibility of bank finance has a larger impact on the continued existence and accomplishment of SMMEs. It also drew attention to that lack of financial administration understanding has an impact on survival and development of SMMEs. Data gathered from respondents from questionnaires was used. Simple random sampling method was used and the data was scrutinized using descriptive statistics.

According to investigations carried out by Shoopala & Indileni (2015), on the challenges faced by SMEs in the John Pandeni Constituency, Windhoek, in accessing funding. The study publicized that at every phase SMEs have unlike monetary needs and will look for their monetary requirements from altered sources. The difficulties of access to finance happens due to the gap that exists among the suppliers of external financing and the claim for monetary possessions. The study detected that there are still many obstacles facing entrepreneurs in SMEs who desire to begin a business, with the financial institutions arguing that their unwillingness to give credit to small enterprises was owing to high clerical costs of small-scale lending, information asymmetry, high risk perception, and absence of security. A mixed research design was used with a suitable test size of 54 SMEs located in Soweto.

Sachikonye Stanley & Sibanda Mabutho (2016) considered in their research the level to which Zimbabwe's commercial banks finance SMEs. They noted in their findings that SMEs are of immense socio-economic value in developing countries but access to monetary services for SMEs in Zimbabwe is low. The low level of SME funding is attributed by: the un-officialisation of the SME sector i.e. it is perceived as the informal sector, poor financial literacy of customers

and the need for education, lack of guarantee security for loans, high non-performing loans ratio, poor understanding of SME's needs by banks and banks are too far or inaccessible by SMEs. The study aids in formalizing the SME sector bearing in mind its attendant benefits to the applicable group in the economy. Document examination and a broad review of the literature was carried out to gather data.

Sibanda et al (2018) carried out an "Investigation into the impact of access to finance on firm performance and exporting behaviour of SMEs in Harare, Zimbabwe". The main results divulge that an important constructive association between access to funding and SMEs exporting manners is present. The research results face up to the view that firm performance has an important impact on exporting performance and shows a depressing impact of access to funding on SME firm performance. The editorial gives an exclusive practical examination of the association that subsist between access to funding, firm accomplishment and export behaviour of SME firms in Zimbabwe, and in so doing makes a suitable contribution to SME literature.

Dube (2013) conducted a research on SMEs operating in Masvingo on the impact of debt financing, using qualitative and quantitative methods. Findings from the study confirmed that debt finance had an encouraging impact on the yield of SME's, recognized that firms that obtained enough support from banks improved their production and that fees charged for borrowing was excessively high to allow businesses to borrow sufficient amount of money. The study proved that a reasonable amount of debt in the investment of the SMEs operations aided in the improvement of their production.

Ngandini (2013) assessed the input by Microfinance Institutions (MFIs) in encouraging Small and Medium-Sized Enterprises (SMEs) in Zimbabwe. The assessment pointed out that nearly all MFIs support SME's money-wise with highly-priced loans which are for short term. SMEs know the encouraging part played by MFIs; though they grieve over the inflexible requirements forced on them by MFIs.

Kira (2013), evaluated what the determinants of financing obstacles of firms were? A test of 1933 firms situated within 5 East African countries with economic incorporation known as East Africa Community (EAC). The Data was taken out from World Bank Business Enterprises Survey to assess the determinants of funding hindrances of firms. Data analysis was performed

by running ordered probity model and multivariate regression model to conclude which firms' industry or country's features give explanation and skilled financial restraint in their business.

“To evaluate the barriers faced by small and medium enterprises in accessing financing from banks and to identify possible solutions” is a title of a research performed by Hussein et al (2017). The research findings revealed that the largest obstacles to SME funding was the not having security, an undersized equity base and information irregularity. Data compilation was prepared via main informant interviews, broad examination of secondary sources and field surveys.

2.4. Research Gap

A gap analysis is undertaken as a way of bridging a space between where, how and when the research studies were done and how they are being carried out in Zimbabwe. Most studies focused on the general challenges being faced by SMEs in stable economies in getting funding in other developing countries as well as in developed economies without focusing on the challenges being faced by SMEs in Southern Africa in getting funding in the context of its economy i.e. an unstable economy. Furthermore, most studies were carried in West Africa and Europe thus creating a gap as far as Southern Africa is concerned. The research will be carried out in Zimbabwe which is part of the Southern Africa region and it is this gap that the researcher will fill as different results will be gathered.

2.5. Chapter Summary

This chapter explained the theoretical perspectives of the study and also covered the empirical literature review. It also explained the gap analysis as well as the chapter summary. The following chapter looks at the research methodology which is important in research since it covers the research philosophy, research design, sample and sampling procedures and a description of the research instruments used in the collection of data

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

In this chapter, an understandable and to the point description of how the study is going to be conducted is outlined. The chapter focuses on the methods and procedures that were used to collect data so as to come up with solutions to the statement of the problem. The sections covered were, the introduction, research design, population, sample and sampling techniques, types of data sources, research instruments, data validity and reliability, data collection procedures, data presentation and analysis, ethical considerations and the chapter summary.

3.1. Research Design

According to Davies (2006), research design is a strategy that articulates the way in which a study shall be carried out so that answers to research questions could be ascertained with a view of addressing a research problem. (Kumar, 2011) also defines research design as a plan, structure and strategy of investigation so envisaged so as to obtain answers to research questions or problems. Research design can further be categorised into sequential exploratory, descriptive, experimental, correlational and explanatory research designs. The research chose to adopt the sequential exploratory research design method for this study.

3.1.1 Sequential Exploratory Research Design

It is one of the main types of mixed methods design. Sequential explanatory design entails collecting and analysing quantitative and qualitative data in two succeeding stages in one study (Creswell, 2009). Given the nature of the focus under study, a blend of the qualitative and quantitative research design elements improves the quality of the research (Howit & Cramer, 2011). The research combined together quantitative and qualitative research design elements as they are complimentary and increase validity (Ahmadnezhad, 2009).

The study paid attention on the qualitative part whereby the information gathered from the SMEs helped the research in obtaining a better appreciation of the problem and the connection between the economy and SMEs by looking at familiar focus matter in the study. In the course of the study qualitative data would be linked with quantitative data in the data analysis stage of the investigation, because quantitative data is used to improve what will be found in qualitative data (Hanson, Creswell, Clark, Petska & Creswell, 2005).

3.2. Research Method

Research methodology is defined as the process of following the steps, procedures and strategies for gathering and analyzing data in a research investigation. These methods explain in detail how the study is going to be carried out (Mashingaidze, 2016). Mashingaidze (2016) further put forward that methodology consists of the design, population, sample and the data collection and analysis techniques in a study which is the know-how of the scientific methods and techniques used to acquire applicable information. Types of research methods include deductive, inductive, abductive and mixed methods approach. The current research applied the mixed method approach that applies both information gathered qualitative and quantitative data.

3.2.1. Mixed Methods

Cresswell (2014) pointed out that the mixed methods approach is founded on the notion that compilation of quantitative and qualitative various forms of data gives a holistic analysis of a research problem which cannot be achieved by use of quantitative and qualitative data in separation of each other. Williams (2010) noted that the initial phase of the mixed methods approach begins with a common survey of the population while the next phase of the process carries out qualitative and open-ended interviews on the chosen sample to gain a deeper appreciation of the results gathered in the initial survey.

Turner (2017) viewed that mixed methods give more inclusive facts for a research problem and a chance to respond to questions that cannot be answered by qualitative or quantitative approaches only. It is in this light that the research applied both qualitative and quantitative as propounded by Starman (2013), qualitative and quantitative results would complement each other to make a meaningful whole according to the purpose of the investigation. The study further seeks to bring

to light issues in relation to the very complicated, under-researched areas, where the paradigm requires an inductive, interpretive (in-depth) approach.

3.3. Population

A population is in general a large collection of individuals or items that are the main focus of a scientific query (Bhattacharjee, 2012). All persons or objects in a certain populace generally have a common, binding feature or characteristic (Castillo, 2009). There are essentially two types of population in a study, that is target and accessible population (Bhattacharjee, 2012). Target population refers to the whole group of persons or items to which researchers are concerned about in simplifying the conclusions (Mae Sincero, 2012). The target population has changeable characteristics and it is also recognized as the theoretical population. The accessible population is the population in research that the researchers can relate their reasonable conclusions (Walliman, 2011).

3.3.1. Target Population

According to Vonk (2013) target population, is the group of people to which we desire our study outcome to relate to. Agadjanian and Zotoya (2012), on the other hand noted that the populace is divided into the easily reached population and the out of sight population, noting that, the population cannot be entirely available for the study. The target population of the study were SMEs and policy makers in the public sectors based on their integral roles in national economic policy formulation in Zimbabwe. The first group was made up of directors responsible for policy making in the Small Enterprise Development Corporation (SEDCO). Directors were chosen on the basis of the critical role they play in assisting to initiate policies in the public sector. The population in the second group comprised of unregistered SMEs who operate in and around the Harare Central Business District.

3.3.2. Sample and sampling techniques

3.3.2.1. Sample

Wegner (2007) describes a sample as a subset of all observations. Fridah (2013) defined a sample as “the finite part of a population, whose properties are studied in order to obtain

information based on the whole”. According to Vonk (2013), a sample is part of the member of the study population, which can be reflective of the population at large.

Table I: Sample Framework

Sample category	Population	Sample size	Sample %
First Group - Directors	10	9	90%
Second Group – SME’s	200	120	60%
Total	210	129	61%

Source: Primary Data (2020)

3.3.2.2. Sampling techniques

Sampling is the procedure of selecting part of the population elements to represent the entire set or population. Sampling was thus a significant process that was undertaken as part of the research process. The non-probability sampling technique involves non-random selection based on: Convenience, Purposive, Snowball and Voluntary sampling. Convenience sampling (also known as availability sampling) is a type of non probability sampling whereby members of the target population that meet certain practical criteria, as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate are included for the purpose of the study. Purposive sampling is a non-random technique of sampling that involves the researcher using their judgement to select a sample that is most useful to the purposes of the research. The purposive sampling technique is also called expert or judgment sampling. The Snowball sampling is used if the population is not easy to access. Snowball sampling can be used in the recruitment of participants via other participants. Lastly, Voluntary response sampling is similar to convenience sample. A voluntary response sample is based on ease of access. Instead of the researcher choosing participants and directly contacting them. The volunteers do so themselves.

3.3.2.3.1. Convenience sampling

Due to the proximity of the SMEs to the researcher, the convenience sampling technique was adopted. Only those elements that were nearby were selected. Those that were not in close physical or communication range were not taken into consideration. The research chose this method for the reason that it permitted the use of elements that were close to her and these are SMEs based in Harare. Drawing of the sample in Harare was well-situated and further reduced costs.

3.3.2.3.2. Purposive sampling

Andale (2015) stated that purposive sampling is applied in a study area with a wide population where a researcher can exercise his/her discretion to handpick individuals from a target population based on the researcher's experience and judgment in order to produce credible results than by using other probability sampling techniques. This non random sampling technique gave the research a direct control over which elements to be included in the sample. The researcher used her own discretion to come up with an ideal sample. It is the most appropriate technique, since the researcher feels that some SMEs members have better or more information than others. For this reason, the research chose to make use of it.

3.4. Data Sources

Data collection procedures that were followed in this study involved the classification of data that was based both on primary and secondary sources of data (Kotler and Armstrong, 2003).

3.4.1. Primary Data

Galvan (2013) defined primary data sources as the original information gathered from internet communication, interviews, and surveys. He also stated out that primary data improves the research procedure in that the main concerns are quickly dealt with, data interpretation is improved and proprietary rights allow the collector of information to have possession of the information collected. Sindhu (2012) further pointed out that primary data is more precise, dependable and gives a practical observation of the study area for the reason that it includes current information collected across boundaries by means of telephone and electronic mail by the concerned researcher with no need to entirely go via third parties.

3.4.2. Secondary Sources of Data

According to Sindhu (2012), secondary data is gathered from government gazettes, journals and textbooks, as it is handy and less costly to bring together huge volumes of information which can be reassessed within a short period of time. Furthermore, Concordia University (2013) noted that the secondary data is information produced at an earlier date than the time of the research from which the research needs not obtain new information. The data gathering process that was implemented was in line with a purposeful strategy which was meant to guarantee the compilation of all-inclusive data.

3.5. Research Instruments

3.5.1. Questionnaires

A questionnaire is a research tool which includes questions designed to find information for analysing. It contains a list of all questions that seek to source data from the people to respond to certain laid down research objectives. It is also seen as an instrument for the collection of raw data. The design of questionnaire is significant to make sure that the exact research questions are addressed and that precise and suitable data for statistical analysis is collected (Kothari, 2004).

3.5.2. Type of Questionnaires

3.5.2.1. Closed-ended Open-ended

According to Phellas et al (2011), questionnaires are limited to two basic types of question: Closed-ended (or “closed question”). This is a question that a researcher gives a suitable list of responses, (Yes / No). This creates mostly quantitative data. Open-ended (or “open question”), is a question whereby the researcher does not make available the respondent with lay down answers from which to select from. Rather, the respondent is requested to respond "in their own words". This produces mainly qualitative data. Therefore, the mixed research design was utilized for this study.

3.5.2.2. Postal questionnaire and structured interview

Milne (2012) defined a questionnaire as a list of written questions that could be completed in one of two essential ways. First, respondents can be asked to complete the questionnaire in the

absence of the researcher. This is known as a postal questionnaire and this relates to any questionnaire that a respondent can complete with no assistance or help of the researcher. Secondly, respondents can be requested to fill in the questionnaire by orally responding to questions in the presence of the researcher. This difference is called a “structured interview”. Hancock et al (2013) observed that even though the two variations are alike (a postal questionnaire and a structured interview can have similar questions), the dissimilarity between them is very small.

Matole (2013) states that questionnaires offer secrecy making respondents free to provide information they would not be able to provide in the presence of someone. He further stressed that questionnaires give a fairly cheap, fast and efficient method for getting large volumes of information from a reasonably large number of people. The data created by questionnaires can be simply quantified; hence they can be changed to arithmetic value. This instrument is not ethnically biased and the data is comparable. The respondents have room to prioritize responses (Matole, 2013).

Questionnaires were therefore used as a data collection instrument for this study. The questionnaire was designed in the form of a list of questions with both close-ended and open-ended questions which were distributed for later collection. These were distributed to SMEs to obtain data on both the challenges and effectiveness of accessing funding. In order to ensure that the questionnaire achieved its objective, pilot questionnaires for pre-testing were designed and sent out by e-mail and some hand delivered to colleagues within the respondents group. After taking into consideration, recommendations from the pre-test, a series of structured, closed ended questions were set for easy quantification of results whilst open ended questions allowed the participants to give honesty responses. The advantage of using questionnaires was that it removed the bias of the research since respondents answered questions at their own convenience and a large number of respondents were reached.

3.5.2.3. The Likert Scale

A Likert scale is an ordered scale from which respondents choose one option that best aligns with their view. It is often used to measure respondents' attitudes by asking the extent to which

they agree or disagree with a particular question or statement. A typical scale might be “Strongly disagree, Disagree, Neutral, Agree, Strongly agree.”

Strongly Agree (SA)	Agree (A)	Neutral (N)	Disagree (D)	Strongly Disagree (SD)
5	4	3	2	1

3.5.2.4. Interviews

Niemann (2005) defined interview methods as methods that illicit primary data responses through direct questioning. Interviews are further defined as an in depth discussion of a certain subject mainly those which might not be achieved independently by the questionnaire Walliman (2010). Interviews speed up the data gathering procedure as instant answers to questions raised are obtained and participants provide clear and concise answers to questions asked as there is an opportunity to seek for clarity of any uncertainty that may occur during the discussion (Cresswell, 2014).

The type of interview to be used in this study will be “personal interviews”. Interviews will be carried out with chosen interviewees and used to compliment the questionnaire. Through conducting interviews, the research is likely to obtain a high question completion rate, due to the individual contact and the fact that the participants are not likely to pay no attention to a person sitting in than a written questionnaire. The interview will also give the researcher a chance to appreciate and understand non verbal responses from certain respondents. Furthermore, it gives more room for probing (Van Vuuren et al, 1998).

3.6. Data Validity and Reliability

3.6.1. Data Validity

Validity speaks about the extent to which the data collection method or research method explains or measures what it is supposed to measure (Lancaster, 2005). Remenyi et al (1998) suggested that validity refers to the level to which a study correctly echoes or evaluates the exact concept that the researcher is trying to measure. A questionnaire is most likely to be weak on validity for the reason that peoples’ real feelings are hard to take hold of in terms of areas like ‘yes/no’. Data

validity improved by personally managing questionnaires and guarantying participants that information gathered was solely for the use of educational purposes and would not be traced back to individuals since they did not disclose their names.

3.6.2. Data Reliability

According to Annum (2015) reliability is concerned about the question of whether the results of a study are repeatable. It is a signal of the capability of a system to execute and preserve its role constantly in regular conditions as well as aggressive or unforeseen circumstances. Bryman and Bell (2011) defined reliability as the capability of a research instrument to duplicate similar outcomes if used over and over again used over a period of time. Remenyi et al (1998) alluded that, reliability is the extent to which an experiment, test, or any measuring procedure yields the same result on repeated trials. It is the degree to which observations or measures are consistent or constant.

The research made certain the reliability of data by ensuring that answers were meaningful, replicates reality and could be applied more generally. Uniformity of responses to similar or follow up questions also ensured that data was reliable. The phrasing of the questions was simplified to make sure they are understood the same way by all participants carrying out the questionnaires. The research also carried out a pilot study of questionnaires and interview questions to a group of a few chosen participants to reduce the potential of uncertainty, incoherent results and misleading notions.

3.7. Data Collection Procedures

Data collection procedures are steps taken to manage research instruments and collection of data from subjects of the study. The data collection procedure that was followed in this study entailed the classification of data based on primary and secondary sources of data (Kotler and Armstrong, 2003). The primary source of data in the study was mainly information collected through questionnaires and interviews. The arrangement for data collection gives a comprehensive account of how the study was conducted and this included the data collection procedure, data analysis and ethical considerations. The investigator visited SMEs during working hours and, applying the inclusion and exclusion criteria to identify the prospective respondents, recruited the respondents. The researcher introduced herself and put in plain words the entire process to

each identified subject making sure to calm any nervousness and making the respondent as relaxed as can be. The respondents were spoken to in a language they were comfortable with and all ethical considerations were observed. Clarifications, where required, was given, at the same time making sure that all respondents got precisely the same instrument to guarantee validity. On submission of the completed instruments the participants were shown appreciation for their time and effort.

3.8. Data Presentation and Analysis

Anderson and Pole (2001) put forward that once data had been collected, the researcher should be able to interpret it reliably. According to Urquhart (2013) data analysis involves the systematic process of application of reasoning to understand collected data and arrive at a conclusion. The process involves shortening and classifying the data to a temporary suitable length, recognize themes, analyze and assess. It is from this point that the researcher looked for meaning in the data and linked it to results from previous studies to see if these supported the current research. The data collected was shown in the form of tables and graphs which aided in a deeper understanding of “interviewees” views on how the overall Zimbabwean economy affected SMEs in accessing funding.

3.9. Ethical Considerations

According to Greener (2013), ethics relates to judgment touching on ethical values and honest behaviour. In carrying out the research, the researcher adhered to research ethics by upholding neutrality during the study and safeguarding the privacy of information gathered from participants. The participants’ rights were practiced right through the study, sought informed consent with written approval being acquired from every respondent after explaining the reason behind the study and giving them surety of the confidentiality of information obtained thereof. Participants could take part in the study on their own accord and anonymity on the instruments made sure that there is confidentiality and privacy. The research also respected uncertainties expressed by some potential participants who were reluctant to take part in the study.

3.10. Chapter Summary

This chapter looked at the research methodology and the areas covered in this section were the introduction, research design, study population, sample and sampling, plan giving details of how this is going to be conducted. The research went on to outline the instruments that were going to be used, the significance of data validity and reliability. In addition, the data collection plan and procedures, data presentation and analysis and ethical considerations were discussed.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents a detailed analysis, of the findings of data collected during the study that is the interpretation and derivative statistics that emerged from the questionnaires and interviews. The analysis and preparation of data are very much related. Descriptive statistics as tables, pie charts and bar charts were used to support the analysis of data as they are helpful illustrations of showing relations and trends.

4.1 Response Rate Analysis

A comprehensive analysis of data gathered using the methodology outlined in the earlier chapter was done in this chapter. The response rate is vital in that it confirms the number of SMEs who answered the questionnaire that was set. It assisted the researcher to establish if the number of respondents was sufficient to form an opinion. The higher the number of respondents the more dependable the information acquired. A report of the University of Texas (2011) emphasized that a response of 50% on questionnaires is considered to be sufficient for a reasonable judgment to be made, 60% was seen to be fine whilst 70% and above was determined to be excellent.

4.2 Questionnaire Response Rate

Table II: Response Rate

	Questionnaires Sent	Responses Received	Responses Not received	Response Rate (%)
Total	120	80	40	66%

Source: Primary Data (2020)

The researcher dispersed 200 questionnaires and 120 responses were received thus indicating that 66% were effectively done and returned. The outstanding 37 participants failed to complete and return the questionnaires. The response rate could have been higher. But, due to current lockdown measures set by the government in a bid to try and reduce the spread of the Covid 19 virus, the researcher was not able to physically distribute the questionnaires. Which would have been better as the researcher could have had the opportunity to explain to those who faced difficulties in answering the questions.

4.3 Interview Success Rate

Table III: Interviews Response Rate

	Interviews Scheduled	Interviews Successfully Conducted	Success Rate (%)
Total	10	9	90%

Source: Primary Data (2020)

A sum of 10 interviews were scheduled with Directors in the SME sector nevertheless, 9 interviews were successfully carried out representing 90% and 1 interview making up 10% could not be conducted due to other calls of duty that corresponded with the time and date scheduled for the study interviews.

4.4 Demographic Information

4.4.1 Gender of the respondents

The respondents were to show their gender, which would then be used to explain the distribution between men and women who own and operate as SMEs in Harare. It is imperative to get the information on gender domination among SMEs in the area as shown below;

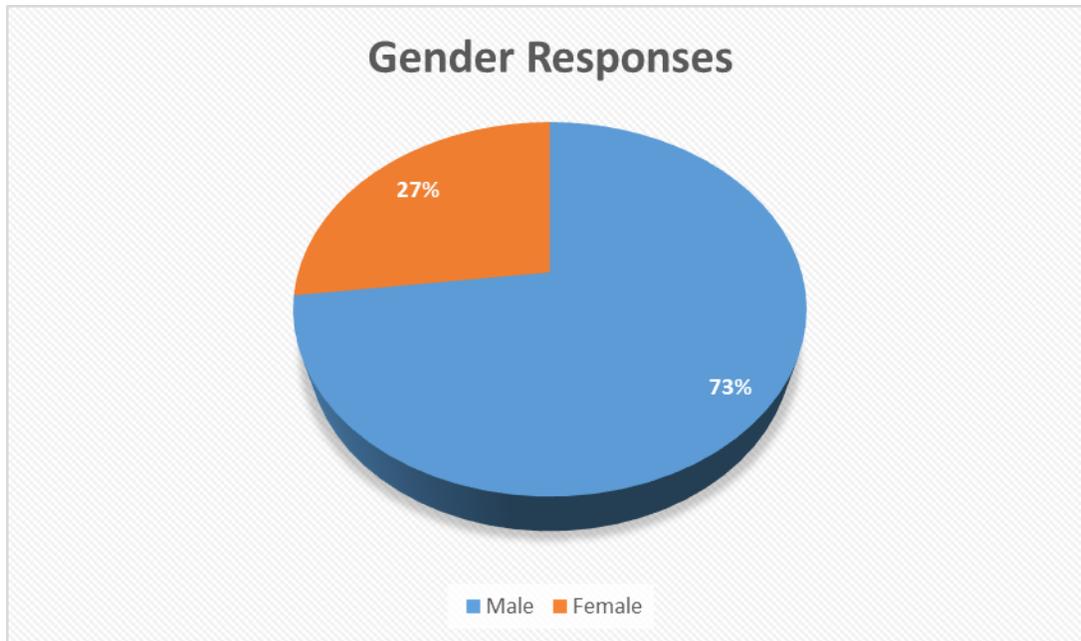


Figure I: Gender Responses

Source: Primary Data (2020)

The results obtained in figure I show that 73 % of the respondents were male whilst 23% were female. Hence there was no gender inequality amongst the respondents and the suggestions are that SMEs are administered and run by both male and female at nearly the same ratio. Nonetheless there are to some extent more men than women which can be ascribed to the fact that most men run business as the women are employed elsewhere and in addition, due to the fact that most of the businesses were inherited by men, most likely from their parents. One more reason would be the cultural conviction that men are the title-holders of the property within the family set up and therefore are likely to succeed in business more than women. These findings resonate with the findings by Gbandi and Amissah (2014) who intimated that SMEs are dominated by males.

4.4.2 Age groups of the respondents

Distribution of respondents by age.

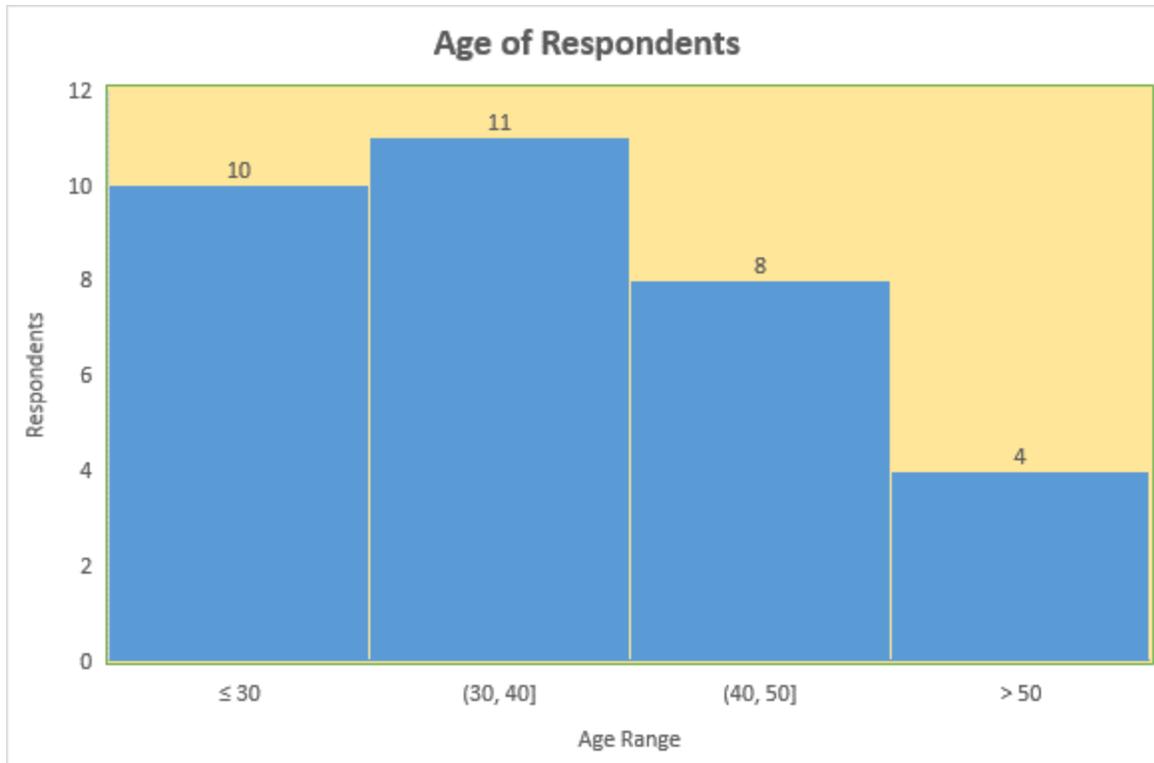


Figure II: Respondents age profile

Source: Primary Data (2020)

Figure II reveals the distribution of respondents by age. Thirty - five percent of the respondents are in the age group 30 and below. The group is made up of young people; the young usually have craftsmanship experience that is gained as an alternative way of earning a living as opposed to the white collar jobs that are not available. In summary, the responses were people in the industrious age group of 21-40 years 60% and 40% were over 40 years of age. Therefore, this means the sample consisted of economically active individuals. In this research age and experience were directly linked. As indicated by the Reserve Bank of Zimbabwe (2007) that SMEs employed 61% of the labour force in Zimbabwe who are usually the school leavers and are between the age of 20 - 30 contribute to the highest labour force, thus SMEs are creating employment for this age group. This aspect was also supported by Du Toit Motlatla (2001) who observed that SMEs are generating more employment opportunities per unit of capital employed.

4.4.3 Distribution by marital status

It was essential that the respondents indicate their marital status. The question was intended to give the status of business owner – managers who run SMEs in Harare. It was vital to ascertain the marital status of the majority of business owners in this town. The results are shown on the figure below.

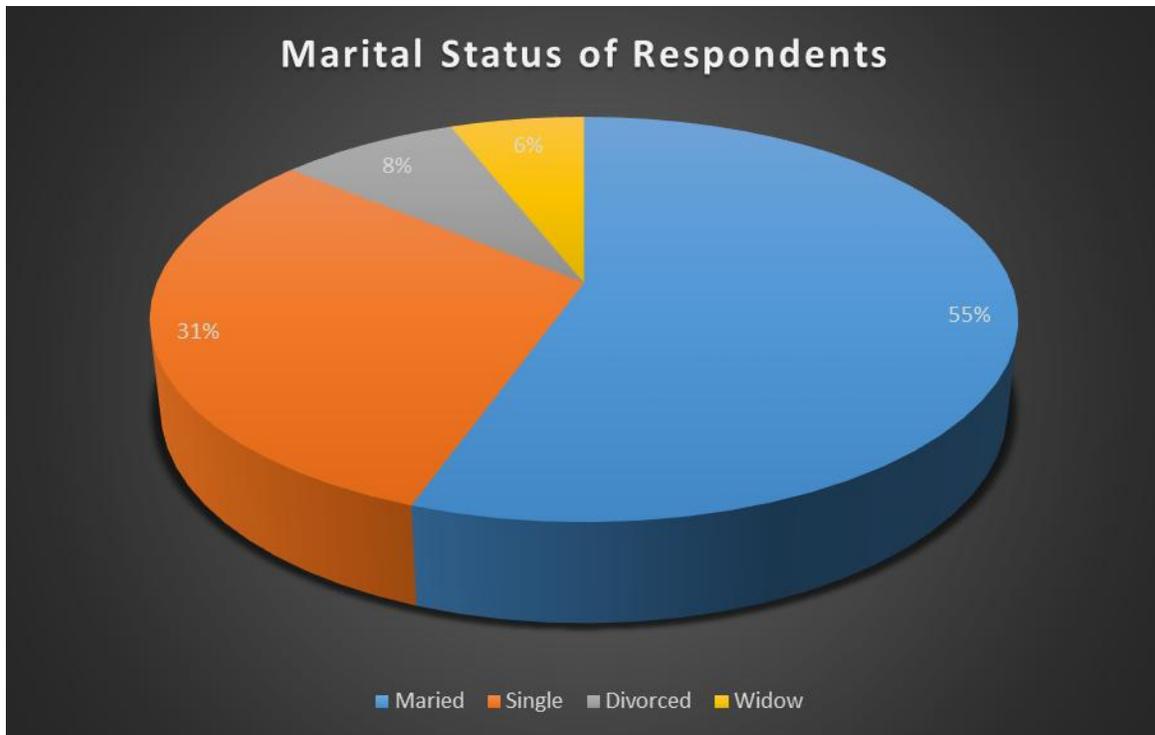


Figure III: Respondents marital status

Source: Primary Data (2020)

As shown above, 55 % of the respondents were married. They were followed by singles at 31 %, the divorced and widowed recorded 8% and 6% respectively. This demonstrated that most of the respondents are married and this is as a result of the social status of the majority of people since most of the successful SMEs have been in operating for a while, meaning that a good number of the owners have reached the age of marriage. The findings by Donalar et al (2017) agree with this finding that in SMEs married players have a higher ratio as most of them are family businesses.

4.4.4 Academic qualifications of the respondents

The respondents were required to show their level of learning. It is important to know the level of education as it assisted the researcher to decide on the capability and specialty of most of the owners in the area. The replies would furthermore help the researcher in determining how they understood the environment in which they work and decision making process. The results acquired are shown on the figure IV.

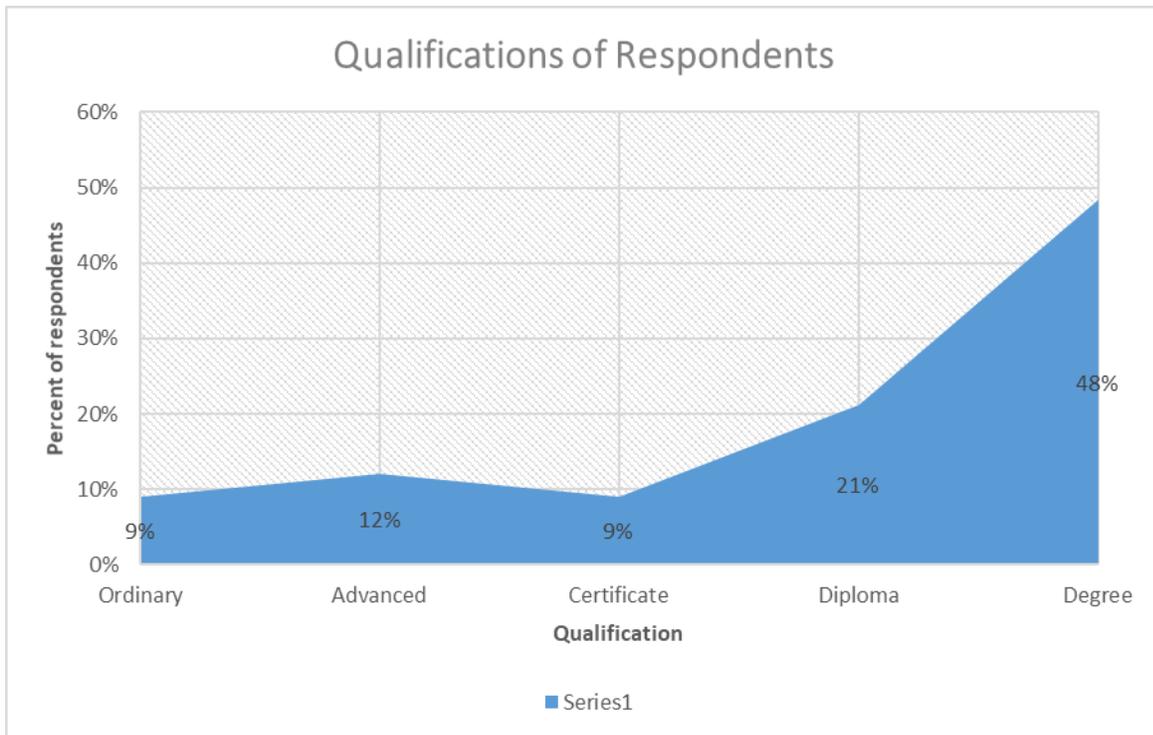


Figure IV: Respondents Qualifications

Source: Primary Data (2020)

Results also indicate that that SMES owners and or managers in the study area are well educated. Education increases the knowledge of the SMEs owners in the various sources of finance and chances of success of the business.

The results show that the modal (48%) of the respondents were university graduates. 30% had attained college education whereas 22% had secondary education. This proved that the respondents have reached higher education.

The reason for this outcome could be the high level of unemployment in the formal sector in Zimbabwe. However, this is encouraging as in assumption is that most of the small business are linked with the less knowledgeable but the study proved different results and this could be due to the fact that most SMEs are now in a quest of self-employment and the desire of becoming their own bosses. Avevor (2016) allude to the fact that, due to informalisation of economies post the new millennium SMEs are now dominated by educated people.

4.4.5 Type of business organization

The nature of business is defined in accordance with its legal registration class in that there is sole proprietorship where the owner runs and has registered the business as sole owner, partnership, that is the business is owned jointly maybe with a friend or spouse and a limited company where the business has more than a few owners, each owner having a certain percentage of ownership. Data gathered on the type of business is shown below in table 4.2

Table IV: Business Type

Business Type	Frequency	Percent	Cumulative Percent
Sole Proprietor	10	56	56
Partnership	5	28	84
Limited Companies	3	16	100
Total	18	100	

Source: Primary Data (2020)

The businesses under study were registered either as sole proprietor, partnership or limited company. 56% of the respondents business operated as sole proprietors, 16% of the businesses operated as limited companies and the remainder of 28% were partnership businesses. The findings showed that few businesses registered as limited companies, did so mostly because limited companies have continuous life, and hence make it easy to source for additional capital from the directors or owners.

The legal status of limited companies further permits them to obtain special consideration such as tenders, credit facilities as there is separation of ownership between the owners and the business. The issue of succession is an important part in that the majority of businesses owners include their children to guarantee continuity. These findings concur with the findings by Angwu and Emeti (2014) who intimated that SMEs are involved in every sector of the economy.

4.4.6.1 Describe the ownership status of land by SMEs in Harare?

The respondents affirmed 100% that most SMEs in Harare do not have title to land. They rely on letting properties they operate from. These findings resonate with the findings by AVecor (2016), who averred that SMEs seldom have capacity to own land they operate from.

4.4.6.2 Challenges faced by SMEs in accessing funding

This section covers the questions that were asked to the respondents on the main challenges that they faced in accessing funding.

4.10.1 Operation of bank account

The question was imposed to establish if the SMEs operate accounts since this happens to be like a minimum requirement by financial institution since most financial institutions base their decision on creditworthiness on strength bank account. Despite the requirement on documentation, they mainly rely on the bank statement and audited account to make their decision on whether to finance or not and how much to finance.

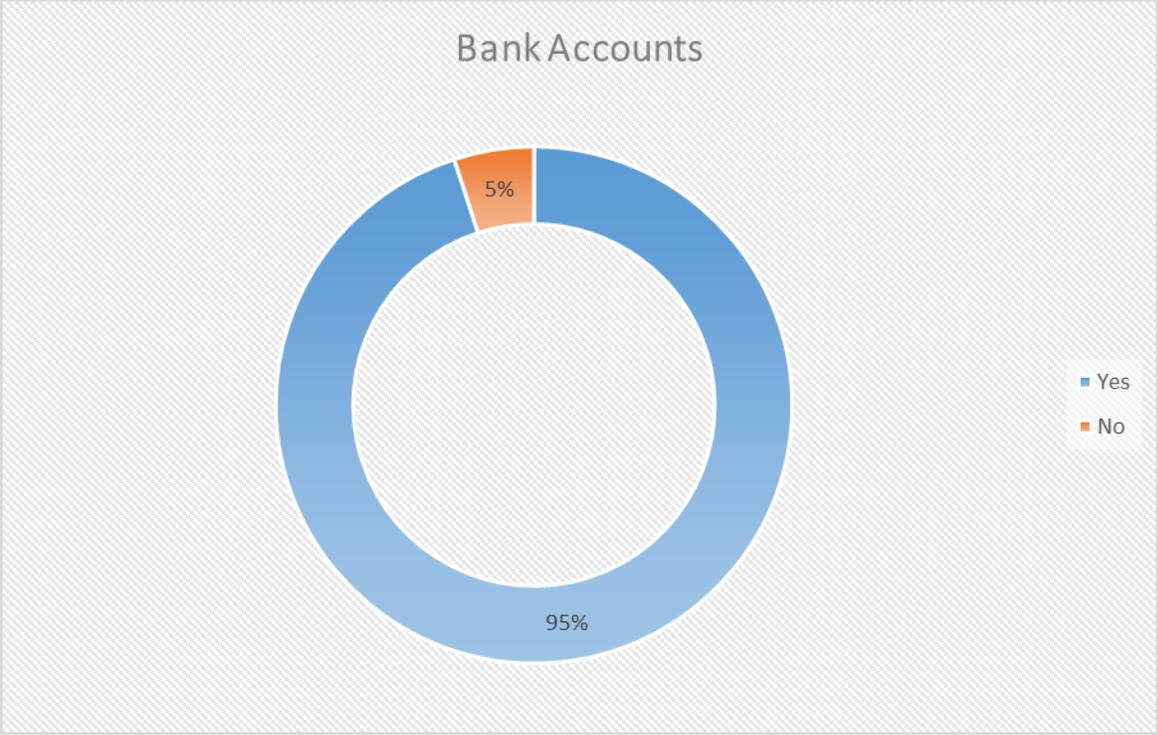


Figure V: Bank Accounts

Source: Primary Data (2020)

The modal of the respondents at 95% as shown by figure affirmed that SMEs in this town had and operated bank accounts and this can be attributed to the recent campaigns, promotions and personal selling being run by financial institutions. Bonga (2016) allude to the fact that SMEs operate bank accounts to improve their chances of accessing funds in the banks.

4.10.2 Duration of operation of bank account

Figure VI below depicts the responses from the respondents regards the period by which the SMEs had operated bank accounts with various financial institutions.

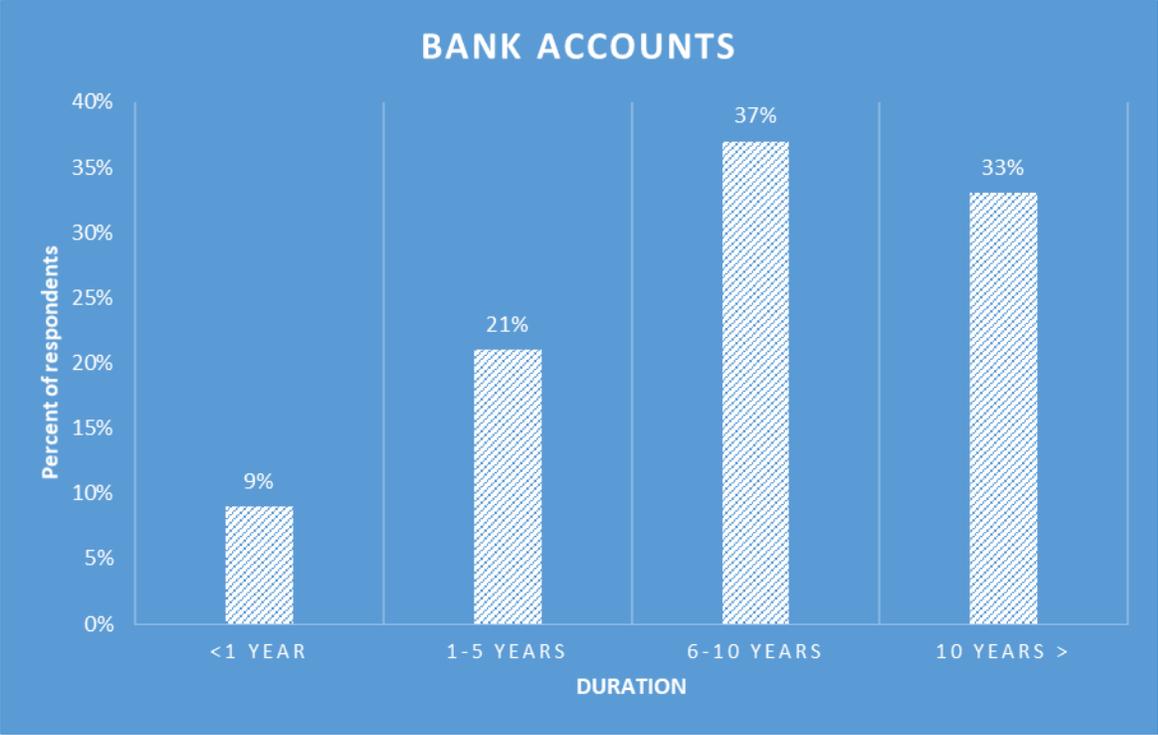


Figure VI: Bank Accounts Duration

Source: Primary Data (2020)

The modal of the respondents unanimously agreed that they held and operated bank accounts in various banks. It was further noted that they have operated accounts for a period of time ranging from less than one year to over ten years. More specific, 9% of the respondent had operated their accounts for a period of less than one year, 21% for one to five years, 37% six to ten years and 33% for over ten years. The results shows that all SMEs operate account mainly due to insecurity associated with holding and transacting in cash as well as the fact that the banks have been enticed and enticing SMEs to open and operate account, after realizing that they form large part of the country’s economy. Bonga (2016) supports through the findings in his study that SMEs keep their bank accounts for as long as they are in business.

4.10.3 Use of debt finance

The researcher sought to establish if the SME’s had borrowed some funds to finance their operations from financial institutions. Figure VII below summarises the respondents’ opinions.

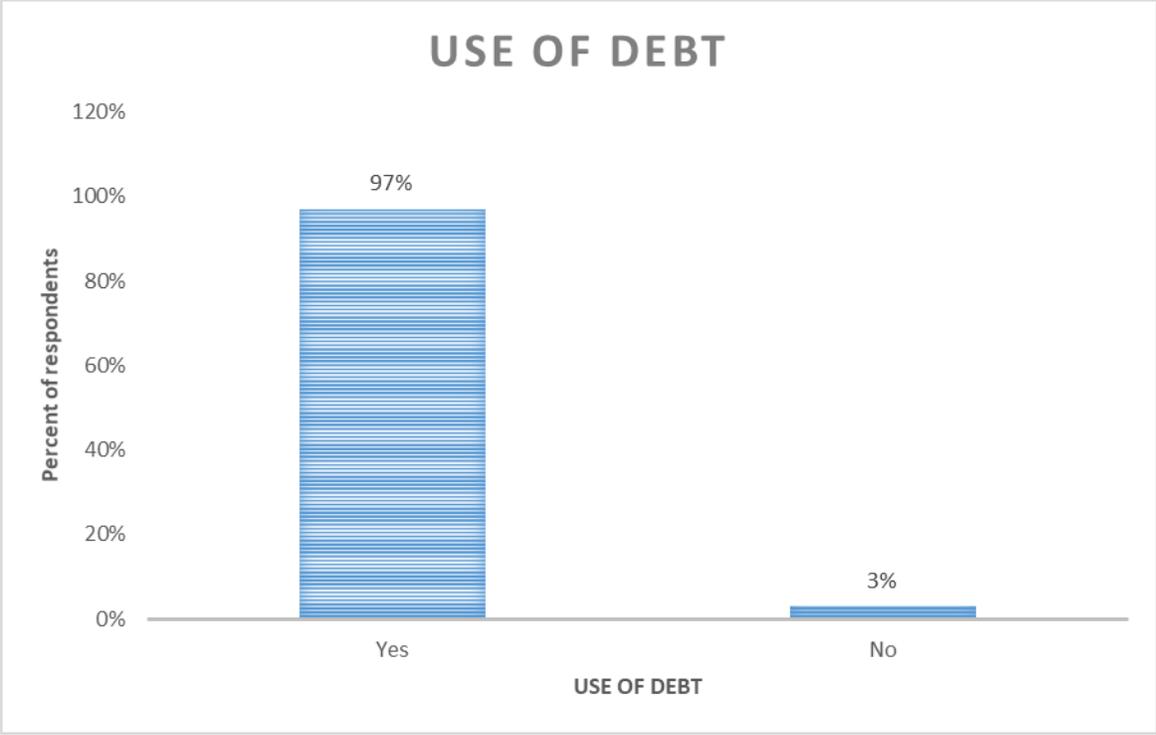


Figure VII: Use of Debt

Source: Primary Data (2020)

As shown in figure VII, the modal of the respondents at 97% indicated that they had borrowed funds from financial institutions to finance their business while as little as 3% had not borrowed funds from financial institutions. This shows that majority of SMEs relied on funds from financial institutions to finance their operations and hence has borrowed at one time to finance their operations. Most these SMEs had earlier indicated that they prefer borrowing from financial institutions despite the challenges they face. These findings resonate with the findings by Ngandini (2013) who stated that due to lack of savings most SME’s in Uganda rely on borrowing funds from financial institutions.

4.10.4 Ease of accessing funds from financial institutions

The respondents were to give opinion on ease of accessing finance based on their experience especially for those who have borrowed from financial institution.

This gives the respondents a chance to give honest opinion on how they rate accessibility to finance in most of financial institution where they have applied for financing. The respondents were asked to rate how easy it has been for them to access funds from financial institutions. Figure IX below depicts how the respondents responded.

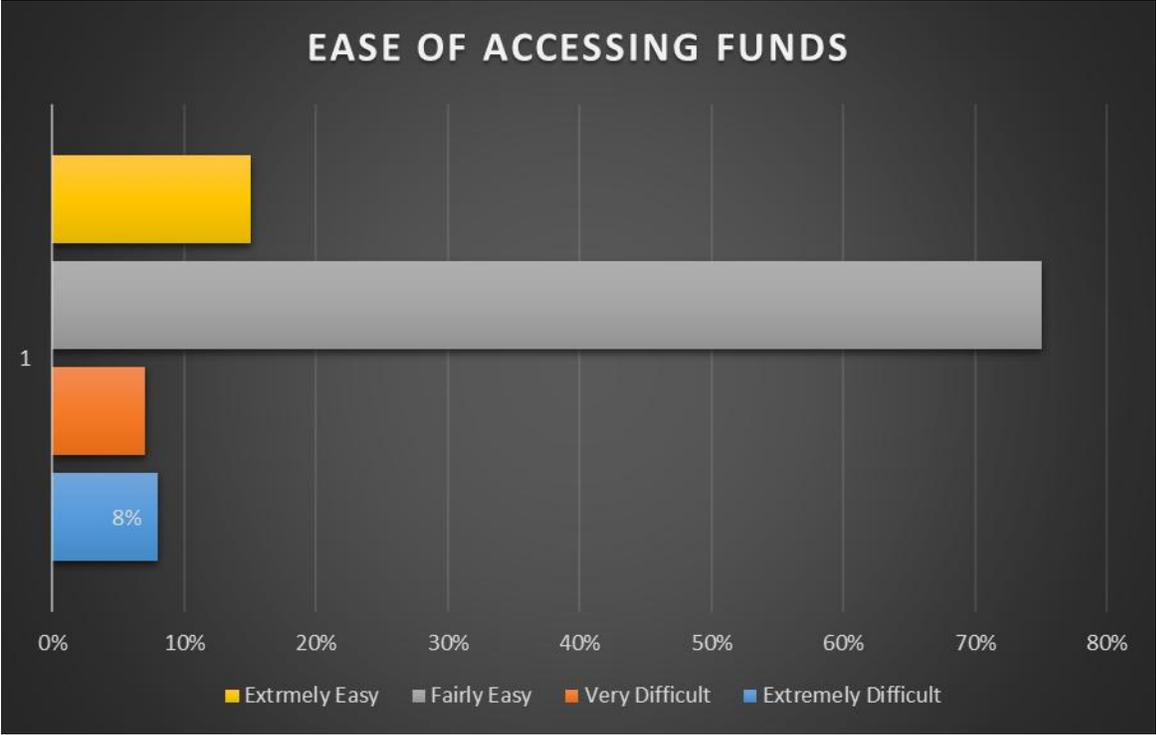


Figure VIII: Ease of access of funds

Source: Primary Data (2020)

75 % of the respondents felt that it has been fairly easy to access funds, 10 % rated access of funds from financial institutions to be very easy. On the other hand 7% felt that access of funds from financial institutions has been very difficult and 8% rated it as extremely difficult.

From the data above, the modal of the respondents at 75% indicated that it’s fairly easy to access finance from the banks. This was mainly because the banks enticed SMEs with loan as they compete to get them on board, cut throat competition from large MFI and non-banking institutions have forced the bank to simplify the process. Funds from the Government that are channeled through the banks have also made access to funds easier.

This agrees with Mabutho et al (2016) who avers that banks relaxed the loan application conditions to improve their loan book balances.

4.10.5 Loan amount applied for

The researcher intended to investigate whether SMEs sought facility and got finance from financial institutions and if so, the amount of finance they obtained. The modal of the respondents had applied for facilities in banks which meant that banks are major source of finance for SMEs. At this point the researcher sought to establish whether the SMEs are financed the full amount applied for or partially financed mainly due to bank’s restrictions. Figure X below depicts the respondents’ views.

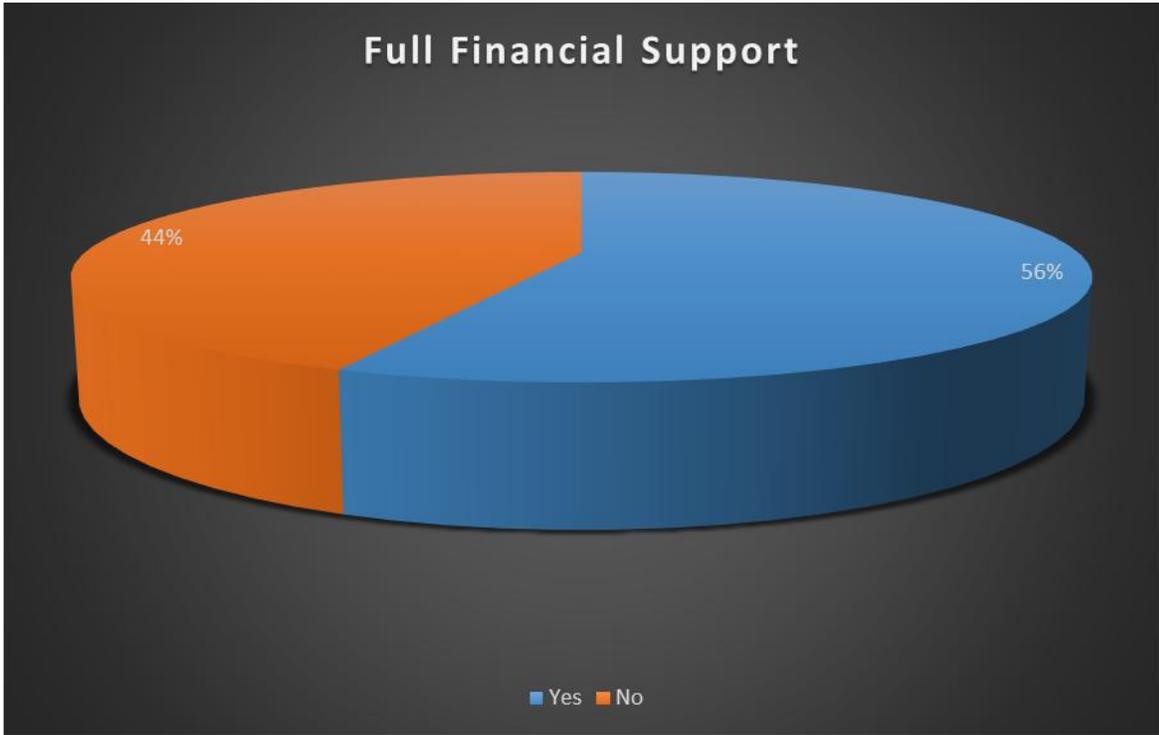


Figure IX: Full Financial Support

Source: Primary Data

Figure X depicts that 56% of the respondents were given full financial support while 44% were not given full amount applied for by the financier. The modal of the respondents shows that financial institutions support SMEs financially.

This however, depends with the availability of full documentation as requested by the financial institution. Findings by Mpanju (2019) resonate with this finding that in Tanzania, financial institutions support fully SMEs who have the required documentation.

4.10.6 Problems faced by SMEs who did not get full amount applied for

It was imperative to ascertain the problems that were faced by SMEs who were not funded with the full amount. This is basing on the fact that most financial institutions were not financing SMEs the full amount that they will have applied for. This would aid the researcher to be certain of the reasons that mired financial institutions from giving funds as applied by the SMEs.

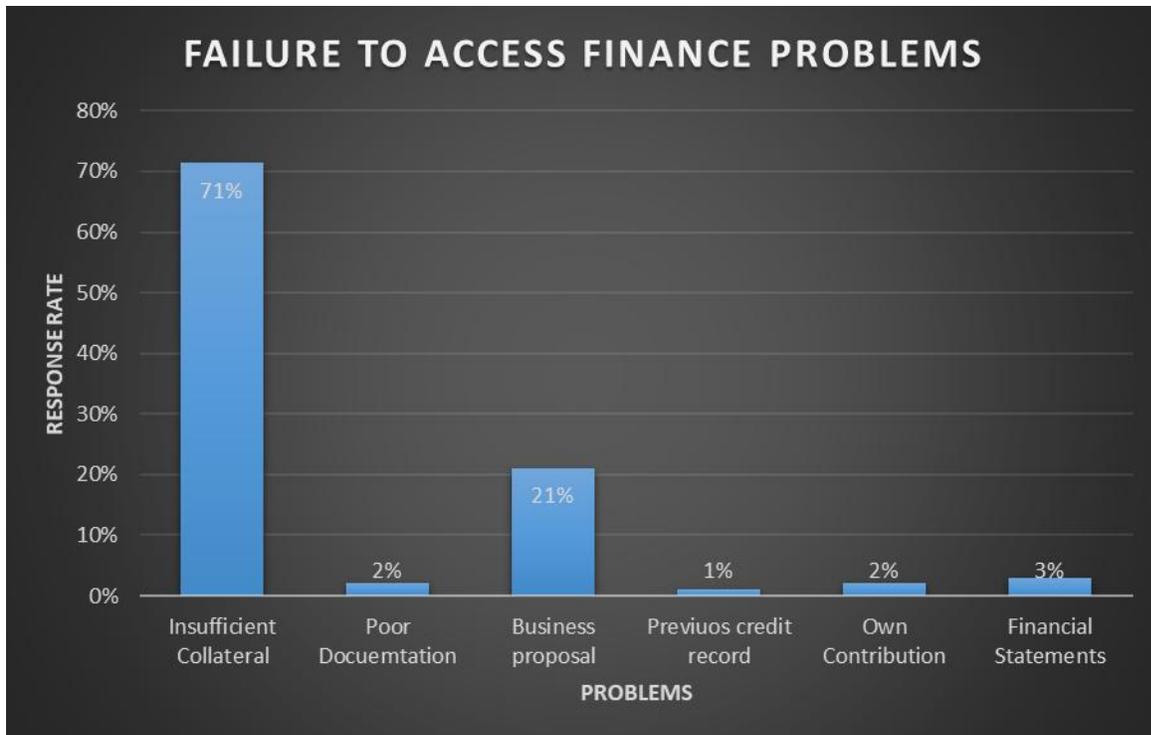


Figure X: Problems faced by SMEs to access finance

Source: Primary Data (2020)

The data gathered showed that unsatisfactory collateral (71.4%) and 21.4% of business proposal were not acceptable. These were the main problems that prevented SMEs from meeting the criteria for full loans. The results showed that the modal of the respondents (92.8%) were not able to get the loans that they applied due to these reasons.

The findings indicate that SMEs are faced with difficulties and are not able to get the amount of finance they will have applied for. These findings confers to the findings by Mpanju (2019) who attested that SMEs face challenges of insufficient collateral if they want to access finance from financial institutions.

Table III below shows the count and percentages of the respondents to the problems when SMEs are not able to access the full amount applied for.

Table V: Problems Cross Tabulation

Did the financier give the loan that you applied		If no what were your problems			Total
		Insufficient collateral	Business proposal not acceptable	Previous credit records	
No	Count	57	17	6	80
Total	%	71.4%	21.4%	7.1%	100%
	Count	57	17	6	80
	%	71.4%	21.4%	7.1%	100%

Source: Primary Data (2020)

4.10.7 Full amount of loan applied granted

Table IV below depicts the respondents' views when full amount applied for is granted.

Table VI: Full amount applied for is granted

Did the financier give the loan that was applied for?		If yes did the financier give full amount of loan		Total
		Yes	No	
Yes	Count	40	40	80
	%	50%	50%	100%
Total	Count	40	40	80
	%	50%	50%	100%

Source: Primary Data (2020)

This researcher in a succession question sought to ascertain whether SMEs are funded the full amount that they will have applied for. Although the majority of SMEs seek out financing from financial institutions, but according to the responses most SMEs were not able to get the amount of loans applied for. The question then further sought to ascertain the reasons why they were unable to get the loan amounts? Of those, given loans 50% were awarded full loans they had applied for, though 50% were however not awarded full loans. Amongst the SMEs, some were awarded partial loans. The reasons given for these partial awards were; lack of assets or collaterals, direct income ratio, do not have security, did not qualify for the amount applied for, bank statement showed the lack of payment capability by the applicant, first time borrowers hence the financier awarded less than the amount applied for, outstanding loans from other financiers and lack of audited books.

These responses show that it is on rare instances that the respondents got the loan applied for due to different requirements such as collateral requirement, business proposal and previous credit history. The findings according to Siambombe (2015) there is always a 50:50 chance that SMEs are awarded full amounts they would have applied for.

4.10.8 Capability of meeting all the conditions required by the bank

The researcher intended to ascertain if the respondents did meet all the conditions as loan facilities have their unique conditions that should be fulfilled before the loan is approved. Although the conditions depended with the financier, a few of them are nearly similar depending with the applicant of the facility and in this case for SMEs. It then helps to see if SMEs face difficulties in their attempt to accomplish the bank’s requirement. As shown in figure XII below, 65.63% of respondents did meet all the conditions whereas 34.32% of the respondents failed to meet all the conditions set.

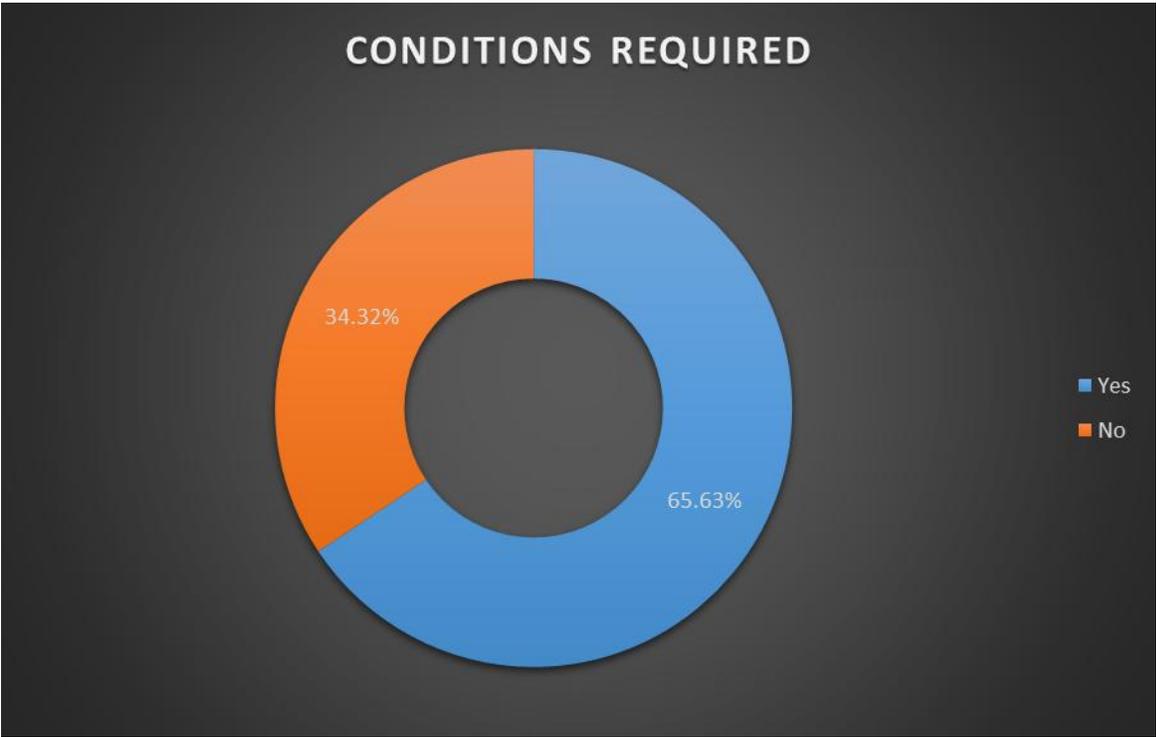


Figure XI: Conditions required

Source: Primary Data (2020)

The respondents further showed that there some other conditions that they failed to comply with which were; the closing of other bank accounts held other banks in order to maintain only one account with the bank issuing the loan, documentation of relevant documents, book keeping, payment of the high commitment fees, getting guarantors who held account(s) with the same financial institution, accumulating contribution to secure a loan, keeping audited books, preparation of business plan to support the loan and availing financial statements for the last 5 years. The research by Munzara (2015) alluded to the fact that financial institutions have set conditions for application of loans applicable to SMEs.

4.10.9 What are the SMEs perceptions of factors that disqualify them from loan acquisition?

100% of the respondents concurred that SMEs feel segregated in the process of loan assessments. They view that the qualifying criteria are made so difficult to curtail growth of the SMEs. Munangagwa (2011) concurred that SMEs view negatively the process of assessing SMEs for funding.

4.10.10 In brief what are the SMEs perceptions of the gravity of factors affecting business operations?

The respondents' views were that SMEs consider the factors to be detrimental to their business operations as they affect growth and impact on the formalisation of the sector. According to Bonga (2016) SMEs are so fearful of the gravity of the factors affecting business operations as they pose a threat to their survival.

4.10.11 Time taken to get the loan

The researcher sought to establish if the time taken by the financier to give out the loans to SMEs met their expectation. Table V below represents the respondents' views regards time taken.

Table VII: Time taken to approve loan

Time taken	Frequency	Percent	Cumulative Percent
< week	10	12.12	12.12
One Month	29	36.36	48.48
Three Months	24	30.30	78.79
Three Months >	17	21.21	100
Total	80	100	

Source: Primary Data (2020)

From table V it was established the modal of respondents indicated that banks awarded loans to those applications that qualified after one calendar month at 36.36%, 30.30% within three months, 21.21% in more than three months and 12.12% in less than one week. On the basis of this analysis it showed that financial institutions took long to have the loans made available to the customers which is a major challenge in view of the fact that most of the loans are to be used for critical financial needs as working capital, acquiring of properties and expansion purposes thus leaving the SMEs with no other choice but to seek for funds from other sources which are mostly informal sources in order to bridge the gap. These findings are similar to those by Dube (2013) who averred that financial institutions took a longer period in excess of one month to approve loans for SMEs.

4.11. The structure of the economy and funding of SMEs

The researcher sought to establish how the performance of the economy impacted the ability of SMEs to access funding from financial institutions.

Figure XIII below summarises the respondents' responses.

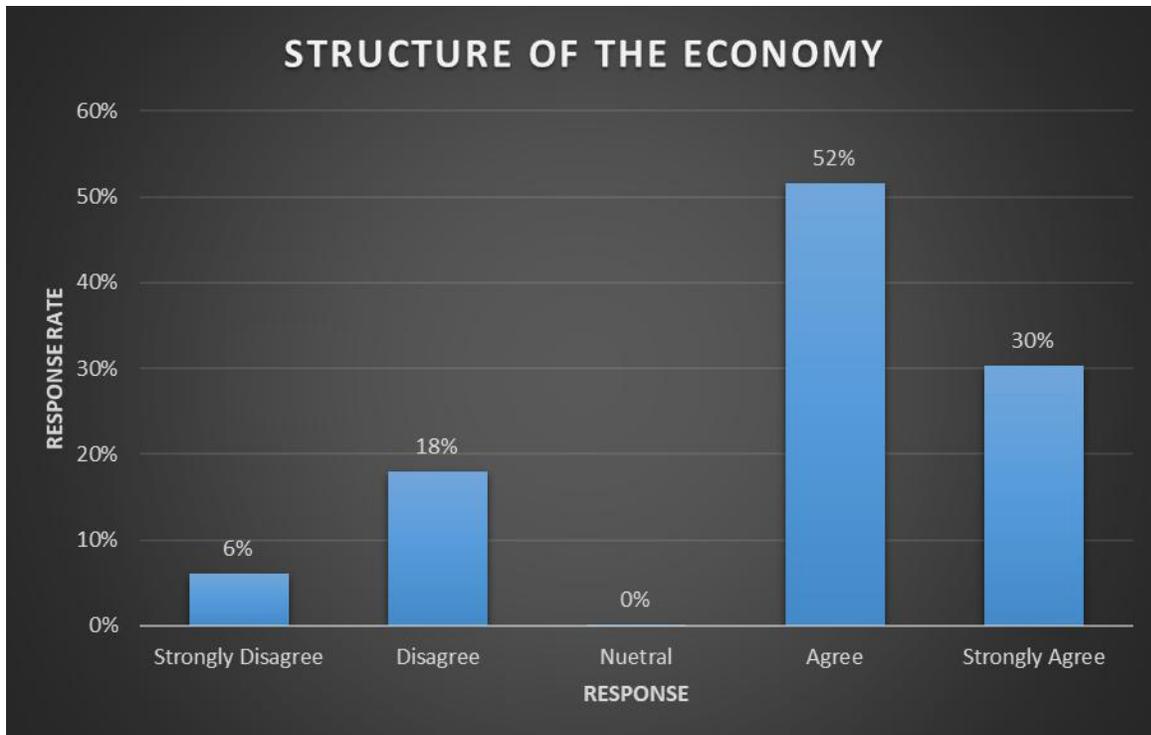


Figure XII: Structure of the economy

Source: Primary Data (2020)

Figure XIII depicts that 6% of the respondents disagreed, 18% disagree while 0% were neutral to the assertion that the structure of the economy affects how SMEs are funded in Zimbabwe. On the other hand 52% agreed and 30% strongly agreed. By aggregation the modal of respondents at 82% (52% agree and 30% strongly agree) agreed that the structure of the economy affects the funding of SMEs. These findings agree with the findings by Sibanda et al (2013) who intimated that the structure of the economy impacts the funding of SMEs.

4.12 The impact of size and structure of SMEs determine the ability to access funding

The researcher sought the respondent's view regards the size and structure of SMEs against funding to them. The figure XIV below depicts the views of the respondents.

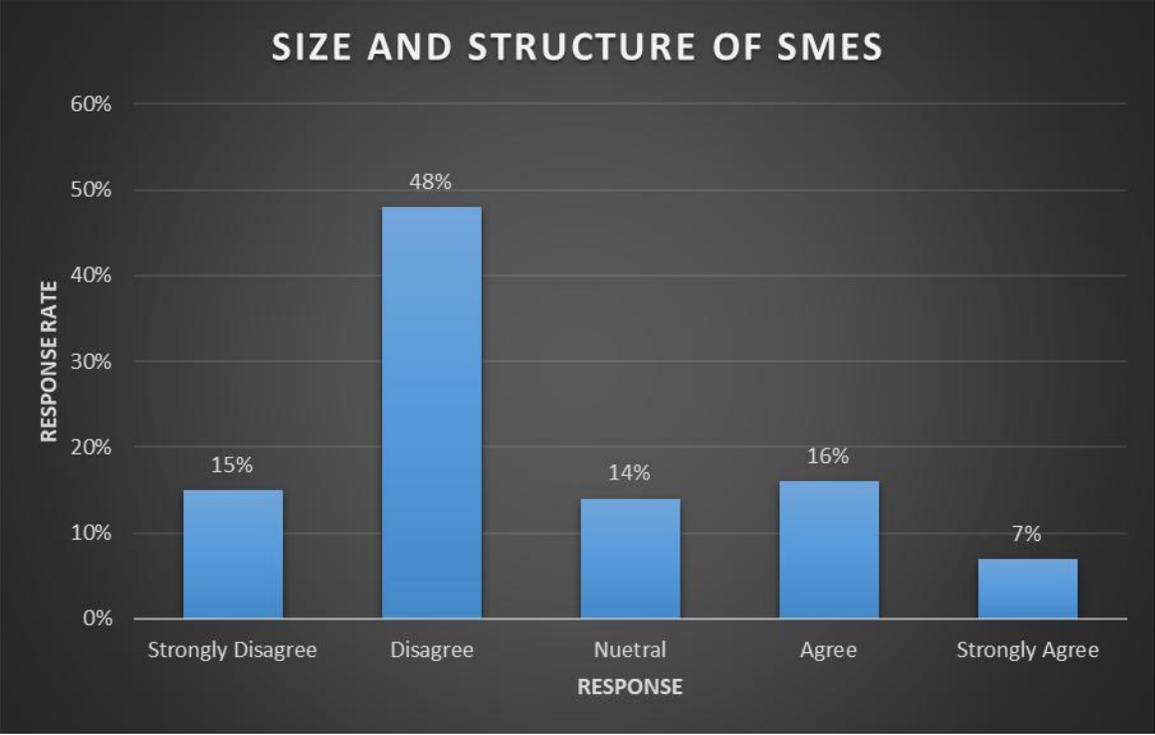


Figure XIII: Size and structure of SMEs

Source: Primary Data (2020)

From the figure XIV above 15% of the respondents strongly disagreed, 48% disagreed, 14% were neutral, while 16% and 7% agreed and strongly agreed respectively. By aggregation the modal of respondents at 77% (15% strongly disagree, 48% disagree and 14% neutral) disagreed that the structure of the SME affects the accessing of funding by SMEs. These findings agree with the findings by Dube (2013) who implored that financial intuitions are more concerned about the capacity than the size and structure of SME when granting funds.

4.13 The role of government in funding the operations of SMEs

The researcher sought to determine whether economic policies have impact on SMEs accessing funding in financial institutions. Figure XV below depicts the respondents’ opinions.

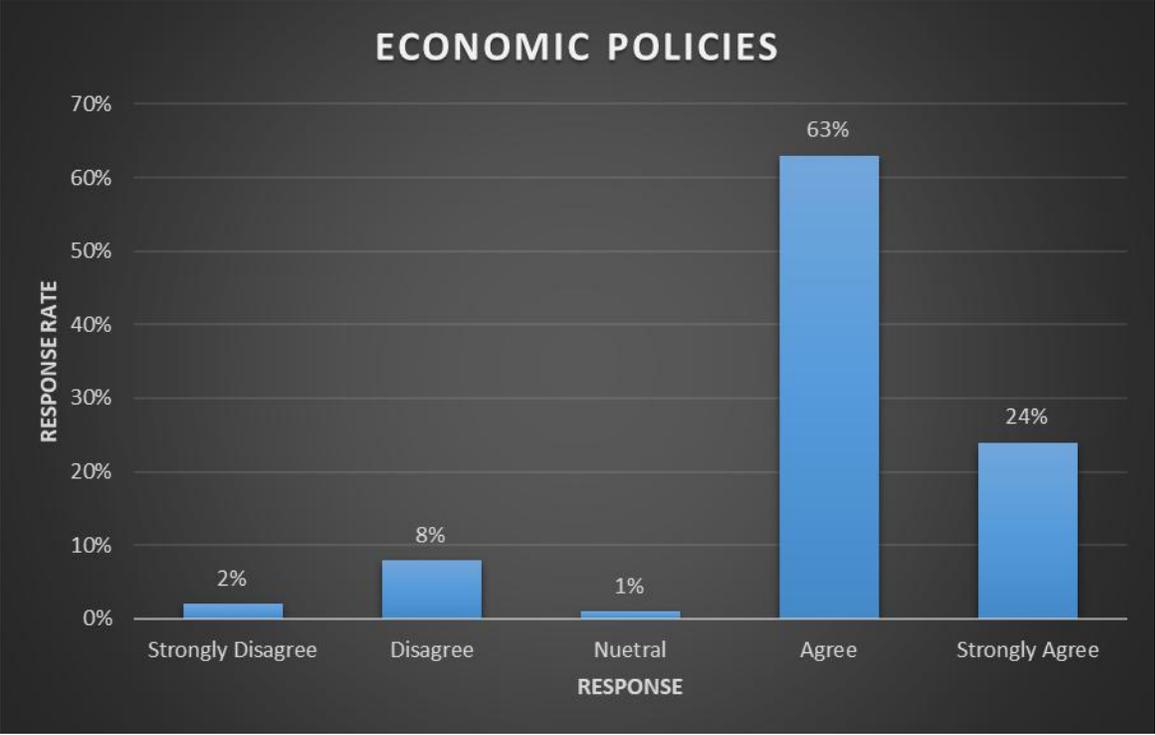


Figure XIV: Economic Policies

Source: Primary Data (2020)

From the respondents' views 2% disagreed, 8% disagreed, 1% were neutral, while 63% and 24% agreed and strongly agreed that economic policies have impact on how SMEs access funding in financial institutions.

By aggregation the modal of the respondents at 87% (63% agree and 24% strongly agree) agreed that economic policies have impact on how SMEs can access funding in financial institutions. These findings agree with findings by Mabutho et al (2016), who asserted that government policies towards the SMEs has impact on how the financial institutions view funding of SMEs.

4.13.1 What do you think are the factors which cause national economic policy inconsistencies on SMEs and the economy of Zimbabwe?

The respondents averred to the fact that government policies do not consider the role of SMEs in economic growth hence there are inconsistencies when making policies. The respondents viewed that when policies are being promulgated views and opinions of SMEs are not taken into consideration. Munzara (2011) agreed with this finding that policy makers seldom consult SMEs when making policies.

4.13.2 What are the challenges on SMEs policy implementation in Zimbabwe?

The respondents viewed that the challenges on SME policy implementation were structural in that, though there is a ministry for SMEs, the ministry does not have support structures that permeate to the grassroots. These findings concur with the findings by Barbier (2015) who established that most governments setup SME ministries with no connection at the grassroots.

4.13.3 What are the effects of national economic policy inconsistency on SMEs?

The respondents unanimously agreed that national economic policy inconsistencies impact negatively on the SMEs. They harm the businesses of SMEs and curtail their growth. Munzara (2015) concurs with this finding that inconsistent application of economic policies have negative impact on the growth of SMEs.

4.13.4 Which approaches can be adopted to solve the issue of national economic policy inconsistencies?

The respondents suggested that government should use the bottom up approach when developing national policies. This will improve the uptake and ownership of the policies. The respondents also suggested that stakeholder mapping and consultations should be taken into consideration as they will assist in collecting enough information to build into the policies. Munangangwa (2011) averred to this attestation in that policies by government tend to be top to bottom approach hence they lack ownership and become inconsistent with the requirements of users.

4.14 Recommendations on business funding options to SMEs

4.14.1 Preferred sources of finance

The respondents were asked to rate their preferred sources of funds in a five point Likert scale. The researcher intended to establish comparisons on the most preferred source of finance considering that the SMEs have different sources where they can get financing. This helped the researcher to establish the most preferred sources of finance by most of the SMEs. Figure VIII below depicts the respondents' opinions on the preferred sources of funds.

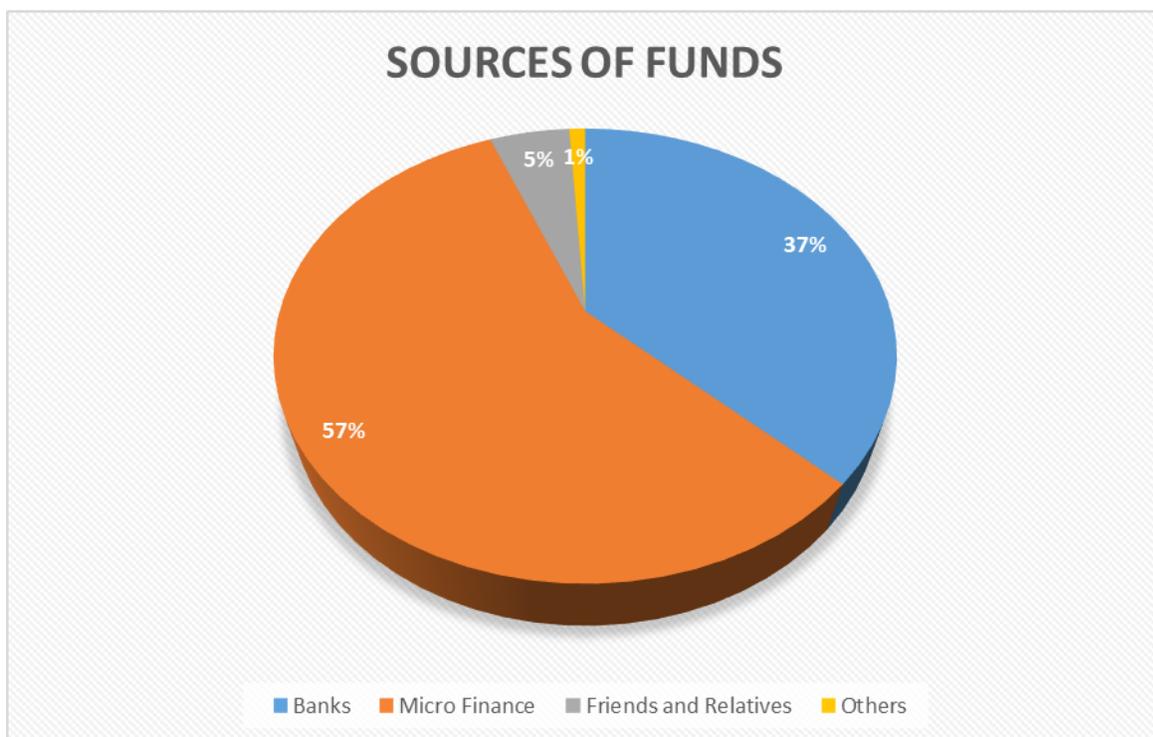


Figure XV: Sources of Funds

Source: Primary Data (2020)

The modal of the respondents at 57% indicated that they preferred Micro-finance institutions followed by banks at 37%. 5% of the respondents indicated that they would source from friends and relatives with 1% sourcing from other sources. The findings from this research concurs with those by Garwe and Fatoki (2012) who implored that SMEs would prefer to source funds from micro-finance institutions because of the relaxed conditions when one intends to borrow.

4.11 Chapter summary

This chapter focused on data presentation and analysis of findings. It presented and analysed raw data collected from primary sources by means of questionnaires and interviews. The study findings agreed with literature review conclusions arrived at by previous authors on the consequences of national economic policy inconsistencies on SMEs funding.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This section forms the final part of the research. It summarizes the research findings as well as conclusions to the extent to which these results validate those from empirical literature. A conclusion is drawn up from the findings which intended to address the problem statement as outlined in chapter one. Basing on the research findings, this chapter then outlined the recommendations. Areas that need further research are also proposed that would seek to broaden the knowledge base of challenges faced by small and medium enterprises in unstable economies.

5.1 Summary of major findings

5.1.1 The challenges faced by SMEs in accessing funding

The research discovered that:

- Micro finance institutions are the major sources of finance for SMEs in Zimbabwe, while very few SMEs are funded from owners' investments.
- SMEs face a challenge of not being fully funded when they apply for funding from banks and other financial institutions.
- The majority of SMEs in Zimbabwe operate bank accounts.

5.1.2 The structure of the Zimbabwean economy and the funding of SMEs

- The research established that SMEs face problems related to insufficient collateral and poor documentation when applying for funding.

5.1.3 The impact of the size and structure of the SMEs on ability to access funding in Zimbabwe

- The research reviewed that the structure of the economy and the government policies affecting funding of SMEs. However, the size and structure of SME does not affect funding for SMEs.

5.1.4 The role of government in funding the operations of SMEs in Zimbabwe

- The research established that the government has a key role in crafting policies that should be tailor-made to suit the conditions of SMEs to access funding.

5.1.5 Recommendation on business funding options to SMEs in Zimbabwe

- The research discovered that debt is not the only funding option available to SMEs. SMEs may use other options such venture capital, issue of equity shares to fund their businesses.

5.2 Conclusion

The study revealed that:

5.2.1 SMEs face challenges of insufficient collateral, poor documentation, producing unacceptable business plans, lacking previous credit record and lack of financial statements.

5.2.2 The structure of the economy through policies promulgated by the government impact funding of SMEs. Financial institutions tend to incline to SMEs with huge balance sheet to avail funding is a way of mitigating risk.

5.2.3 The size of the SME does not determine the SMEs ability to access funding, as financial institutions look at other qualifying criteria.

5.2.4 Government's role is evaluated through the policies that it promulgates towards SMEs.

5.2.5. SMEs borrowing is not the only funding option available to SMEs as a funding option.

5.3. Recommendations

In light of the research findings the following recommendations were made:

- 5.3.1 The government through the Ministry of Small to Medium Enterprises should craft a policy tailor-made for SMEs to access funding in financial institutions.
- 5.3.2 The government should through institutional investors such as the national pension's entity NSSA provide funding to deserving SMEs at subsidised rates.
- 5.3.3 SMEs operators should get training in financial management and other relevant courses to assist them in managing their business and hence have the ability to access funding.
- 5.3.4 The financial regulator RBZ should put in place regulations that reduce the turnaround time for loan processing for SMEs when applying for funding.
- 5.3.5 SMEs should consider options such as venture capital as a form of funding other than relying on borrowing.
- 5.3.6 SMEs should be trained on how they can keep proper financial paper work to ensure their proposals are acceptable at the financial institutions.
- 5.3.7 SMEs should endeavour to have their structures formalised so that they can benefit on economies on scale.
- 5.3.8 SMEs should embrace new technologies in conducting business.
- 5.3.9 The government should ensure that policies are not inconsistent as they are applied across all sectors of the economy.

5.4. Areas for Further Research

The study focused on SMEs funding and the implications of an unstable economy as evidence from Zimbabwean SMEs. Previous studies as per literature review considered the SMEs challenges in stable macro-economic environments. Other studies also looked at challenges of SMEs holistically, this study focused on challenges to access funding. It is therefore recommended that further study may perhaps determine if the results of this research are consistent across different areas in Zimbabwe and to authenticate if the findings of this study can be generalised across the whole country. Furthermore, the research can as well be conducted in other parts of Africa for comparing purposes. The study also brought out reasons from practical studies which make national economic policy inconsistencies a threat to SMEs funding. Therefore, in order to improve policy inconsistencies there is need to further study the importance of policy consistencies in Zimbabwe.

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Zimbabwe Agenda for Sustainable Socio-Economic Transformation (2013-2018)

APPENDICES

Appendix I: Request Letter

 **MIDLANDS STATE UNIVERSITY**
P. BAG 9055
Gweru
Zimbabwe

Tel: 227411
Fax: 202233

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

June 2020

To Whom It May Concern

Dear Sir

REQUEST TO CARRY OUT RESEARCH

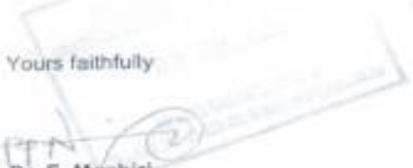
Name..... Reg No.....

is a bonafide student at this institution in the department of Accounting. He/ She is carrying out research on
.....
.....

Any information you give him/her will be used solely for academic purposes.

Please assist him/her in any way possible.

Yours faithfully


Dr. E. Mashiri
CHAIRPERSON

Appendix II: Questionnaire

My name is **Nomizulu Mhlanga**; I am pursuing an Honours Degree in Accounting with the **Midlands State University (MSU)**. In partial fulfilment of the requirements of the degree programme. I am conducting an academic research on: **SMEs FUNDING & THE IMPLICATION OF AN UNSTABLE ECONOMY. EVIDENCE FROM ZIMBABWEAN SMEs.**

Your participation in this study is entirely voluntary throughout the research process. Kindly note that, the questionnaires is completely anonymous and will be treated with high level of confidentiality. The information provided will be used specifically for academic purposes and treated with utmost confidentiality.

INSTRUCTIONS

Please tick in the box where applicable

Please provide your responses in the spaces provided where applicable

Part A: Background Information

Gender

Female		Male	
--------	--	------	--

Age group in years:

30 and below		31 to 40		41 to 50		Above 50	
--------------	--	----------	--	----------	--	----------	--

What is your marital status?

Single		Married		Divorced		Widow	
--------	--	---------	--	----------	--	-------	--

Highest formal educational level of qualification attained:

Primary Level		Ordinary Level		Advanced level		Certificate level		Diploma level		Degree level	
---------------	--	----------------	--	----------------	--	-------------------	--	---------------	--	--------------	--

What is your current job title (description)?

.....

Part B: Key Challenges faced by SME in accessing finance

How long do SMEs stay in business in Harare?

Less than a year		1 to 5 years		5 to 10 years		Above 10 years	
------------------	--	--------------	--	---------------	--	----------------	--

What is the type of your business?

Sole proprietor		Partnership		Limited company	
-----------------	--	-------------	--	-----------------	--

Other (please specify).....

What are the major sources of finance in most SMEs?

Self Sponsoring		Donations		Micro Finance Institutions		Owners Investments	
-----------------	--	-----------	--	----------------------------	--	--------------------	--

Other (please specify).....

Do you hold and operate a bank account?

Yes		No	
-----	--	----	--

If yes, how long have you been operating the account?

Less than a year		1 to 5 years		6 to 10 years		Over 10 years	
------------------	--	--------------	--	---------------	--	---------------	--

Have you borrowed funds to finance your business from any financial institution?

Yes		No	
-----	--	----	--

If yes, provide the source with reference to a scale of 1-5 where one is least preferred and 5 is most preferred.

	1	2	3	4	5
Banks					
Micro Financial Institution					
Friends & Relatives					
Other sources					

If borrowed from a financial institution, how easy has it been to access the loans?

Extremely difficult		Very difficult		Fairly easy		Extremely easy	
---------------------	--	----------------	--	-------------	--	----------------	--

Did the financier give the loan that you applied for?

Yes		No	
-----	--	----	--

If no, what were your problem(s)?

Insufficient collateral	
Poor documentation	
Business proposal not acceptable	
Previous credit record	
Own contribution too small	
Lack of financial statements	

If yes, did the financier give full amount of loan applied?

Yes		No	
-----	--	----	--

If not what was the reason for giving less than applied?

.....

.....

.....

Were you able to meet all the conditions required by the bank?

Yes		No	
-----	--	----	--

In your opinion, what requirement (s) was (were) difficult to fulfill to enable you get the loan?

.....

.....

Did you fulfill all the condition(s) above or how the requirements were waived?

Yes		No	
-----	--	----	--

How long did it take the bank to give the loan?

Less than a week		One Month		Three Months		Over 3 months	
------------------	--	-----------	--	--------------	--	---------------	--

Part C: State of the economy.

To what extent do you agree with the following statements regarding the Zimbabwean economy?

Use the following scale to answer this question:

Where: 1=Strongly disagree, 2=Disagree, 3= Neutral, 4= Agree, and 5=Strongly agree

Statement	1	2	3	4	5
The structure of the economy positively affects funding of SMEs.					
The structure of the economy negatively affects funding of SMEs.					
The impact of size and structure of SMEs determine their ability to access funding.					
National economic policy inconsistencies positively affect funding of SMEs.					
National economic policy inconsistencies negatively affect funding of SMEs.					
Ineffective policy implementation results in the challenges faced by SMEs in accessing funding.					
It is possible to evaluate the role of government in funding the operations of SMEs.					

In your opinion, how can we evaluate the role of government in funding the operations of SMEs?

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

What would be recommended as business funding options to SMEs?

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

Thank you for your participation!

Contact details: nomi34mhlanga@yahoo.com

+263772560121

Appendix III: Personal interview guide for interviews

- 1 Describe the ownership status of land by SMEs in Harare?
- 2 Analyse in brief the SMEs perception of the gravity of factors affecting business operations?
- 3 What are the SMEs perceptions of factors that disqualify them from loan acquisition?
- 4 What do you think are the factors which cause national economic policy inconsistencies on SMEs and the economy of Zimbabwe?
- 5 What are the challenges on SMEs policy implementation in Zimbabwe?
- 6 What are the effects of national economic policy inconsistency on SMEs?
- 7 Which approaches can be adopted to solve the issue of national economic policy inconsistencies?

THANK YOU