

Business Financing Options for SMEs in Zimbabwe Post February 2009

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ABSTRACT

During the decade starting from 2000, Zimbabwe has experienced a severe economic meltdown culminating in hyperinflation. Most business operations ground to a halt due to lack of agricultural and industrial production. To kick start the economy, the Zimbabwean government adopted a multi-currency system in February 2009 among other several measures. This policy position wiped away all savings which were Zimbabwean dollar denominated and this meant that all entrepreneurs were starting businesses or continuing in business from a zero capital base. To compound issues there were limited or no external financial sources. SMEs are considered to be the bedrock upon which Zimbabwe's economic revival will be built. The objective of this study is to explore how Zimbabwean SMEs financed their operations post the adoption of the multi-currency system in 2009 or gained access to financial resources. An interesting finding of this study was that resources especially financial resources were very limited due to the economic conditions prevailing in the country. Organisations had to balance the need for resources against availability and had to depend on internal resources rather than external resources. As a result several business issues have had to be parked until the business's financial position improves.

1.0 Introduction

Zimbabwe experienced a decade of severe economic meltdown starting from the year 2000. According to Makwati (2013), "Agricultural production was also severely affected resulting in the country depending on imports to meet the demand for domestic consumption and industrial needs. Furthermore, these challenges led to significant skills flight and erosion of private and public financing, thereby negatively affecting quality service delivery and achievement of the United Nations (UN) Millennium Development Goals (MDGs)." As a result many businesses folded up during this period and SMEs were negatively affected by the deteriorating economic environment and most could not access both private and public financing. Business success was not even contemplated.

Government had to intervene to reverse the dire economic situation obtaining in the country. Makwati (2013) says that the cocktail of measures that were adopted by Government in 2009 resulted in some modicum of economic stabilisation, with Zimbabwe achieving a real GDP growth rate of 5.4% in 2009, 11.4% in 2010, reaching a peak of 11.9% in 2011. He further stated that the recovery remained fragile as growth declined from 11.9% in 2011 to 10.6% in 2012 and 3.4% in 2013. Despite the economy having shown some degree of stabilization, with inflation modestly below 5%, it still experiences a myriad of challenges, which if not addressed, will reverse the marginal gains recorded so far, (Makwati, 2013). After the dollarization of the economy all businesses particularly SMEs had to start from a zero capital base both in terms of start-ups and operational capital for existing businesses.

There was need for capital injection for start-ups and for continuing operations from a zero capital base. This did not however, stop entrepreneurs from pursuing business opportunities that were ushered by the adoption of a multi-currency system by the Zimbabwe government. There are several financing options available to entrepreneurs in pursuing business opportunities but these tended to be limited in the case of Zimbabwe following the adoption of the multi-currency financial system. What financing options were

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