

# MIDLANDS STATE UNIVERSITY



FACULTY OF ARTS

DEPARTMENT OF DEVELOPMENT STUDIES

**CAN ENTREPRENEURSHIP BE THE ANSWER TO ZIMBABWE'S  
UNEMPLOYMENT CRISIS: A CASE STUDY OF EPWORTH**

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*This dissertation is submitted in fulfilment of the requirements for the Bachelor of Arts  
Honours Degree in Development Studies.*

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## Declaration

I hereby declare that this research is the product of my own industrious efforts. The work has not been presented elsewhere neither for purposes of academia or any other conceivable purpose. The views of others used to augment or clarify issues have duly been acknowledged.

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I would like to acknowledge the steadfast support of my hardworking and loving parents. I thank God for you Mr. and Mrs. Masocha and Dr. M. Masocha who collectively stood by me offering moral and financial support. I am grateful for the prayers from all my siblings.

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Above all, I acknowledge the Lord God Almighty for his grace.

## Dedication

I dedicate this research to Mr. T.F Masocha, the one person who always believed I was destined for greatness.

## Abstract

*The study highlights the growing dependence on entrepreneurship in the form of the informal sector and its sustainability as a substitute to the formal sector. In Zimbabwe's current economic situation formal employment has become a luxury with most of society turning to the informal sector for survival. Programs by both government and NGOs have been established to train people to be entrepreneurs as a substitute for formal employment. As a sample, the study is focused on the Epworth community located in the outer sphere of Harare who are vastly affected by the formal employment shortage. The research therefore used the qualitative research method to establish how the people involved in the informal sector felt about their economic activities in order to understand whether or not the sector is sustainable. It was evident that those in the informal sector are mainly focused on survival rather than economic development. This therefore means that for the country to fully depend on the informal sector there is need for more policy development to make informal trading a secure employment avenue rather than a means to end social and economic poverty.*

## List of Acronyms

CSO	Central Statistics Office
GDP	Gross Domestic Product
ILO	International Labour Office
JAZ	Junior Achievement Zimbabwe
NANGO	National Association of Non-Governmental Organisations
NGOs	Non-Governmental Organisations
UNICEF	United Nations Children's Fund
UNESCO	United Nations Educational Scientific and Cultural Organisation
UNOCHA	United Nations Office of the Coordination Humanitarian Affairs
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
ZIMASSET	Zimbabwe Agenda for Sustainable Socio-Economic Transformation



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# CHAPTER ONE: INTRODUCTION

## 1.0 Overview

The study examined the durability of entrepreneurship as a strategy to supplement the formal employment sector in peri-urban Zimbabwe. Over the past decades the Zimbabwean economy has shifted from total decline, rise then to stagnant growth. This has left the economy crippled and lacking a stable setting for development. Industrial production has vastly declined leaving the formal employment sector unreliable in terms of survival for all citizens. It is evident that the high levels of unemployment in Zimbabwe are adverse and have reached a record high, which if left unchecked, will be a disaster too big for the government to handle. Although the issue of unemployment percentage is highly debatable, what is evident is the continued collapse of the economy and shrinking labour market. People have therefore been seeking employment outside the country, however not everyone can afford to travel to another country in search of employment. This has led to the sprouting of small businesses and vendors across the country as a way of survival for the average Zimbabwean. Entrepreneurship in the form of informal trade has become the alternative plan for many Zimbabweans therefore it is Important to examine whether it is the best venture for all those seeking some form of livelihood.

## 1.1 Background

Unemployment is a crisis affecting every Zimbabwean especially those in the outer spheres of the major towns, which has led to immense growth in the informal sector. The levels of unemployment in the country have been debatable with the Zimbabwe National Statistics Agency (ZIMSTATS) in its 2012 research, insisting that the country's rate is at 11 percent and has dismissed independent economists estimated figure of 85 percent. According to the Zimbabwe Independent (August 12 2016), each year the country produces about 6000 graduates from the various tertiary institutions, creating competition for the few jobs between both qualified and unqualified personal. Due to the economic crisis industries have been failing mainly because the demand for local products has dropped. This has resulted in many companies downsizing by carrying out retrenchment exercises leaving a vast rage of unemployed qualified personal with no other means of survival but illegal means or joining the informal sector.

Employment is referred to as the missing connection between economic development and poverty reduction according to Jahan (2005). Since the beginning of the new millennium, Zimbabwe's sluggish economy has only resulted in the industries failing to create sufficient employment for the many educated personal leading to higher levels of poverty. Some of the main reasons for the dying economy are the liquidity crisis and the lack of foreign direct investment. The unstable economic environment during the past decade has led to the increase in growth in the informal sector which absorbed most of the youths and retrenched citizens. It is however important to note that a country with too many people who are unemployed is a disaster waiting to happen because they can be easily manipulated as according to Kwaramba (2016). This has made the informal sector more favourable as it has various spheres of generating money whether legal or illegal. Therefore entrepreneurship in the form of the informal sector is a highly sceptical solution towards alleviating the shortage of employment in the formal sector.

Throughout the global village, countries have been promoting entrepreneurship as a strategy to cope with numerous economic and social challenges facing developing countries. This strategy has been receiving significant attention from policy makers and international organisations, with many NGOs coming up with entrepreneurship training programs to equip the future generation and those affected by the shortage of employment. Junior Achievement Zimbabwe has come up with various training programs for different age groups in preparation for small business ownership.

Entrepreneurship in the form of the informal sector is an attractive option in terms of a means for survival despite being historically fuelled by ideas rather than desperation. The informal sector in developed countries has been the creator of employment but in developing nations has been unregulated hence its benefits are uncertain. According to Leff (1976) entrepreneurship is important in developing nations because entrepreneurs fill the gaps left by hostile markets in an economy. Employment has proved to be one of the major gaps in the country. Studies have estimated that in Sub-Saharan Africa the informal sector's ability to provide employment will grow at an annual rate of 7% whilst the formal sector will only increase at a rate of 2% to 3% per year (Todaro 2000). The popularity of the informal sector is mainly due to the ease of entry, reliance on indigenous resources, small-scale operation, adaptive technology and skills acquired outside the formal school system. The International Labour Organisation (ILO) reported in June

2005 that 3 to 4 million Zimbabweans earned their living through the informal sector while the formal sector employed approximately 1.3 million people (ZCTU 2005). Despite this employment record it is important to note that the informal economy is characterised by low productivity and incomes. It also does not fully generate the levels of income, investment and public revenues needed to address the economic crisis faced by the country. Urbanisation has presented itself as a prominent problem in the wake of unemployment which the informal sector has not been fully able to solve with the creation of peri-urban settlements.

The inability of Zimbabwe's rural community to economically sustain itself has resulted in the high rate of rural to urban migration. This rapid urbanisation has had a lot of social and economic problems. City councils are unable to ensure that adequate social services such as health, sanitation, drinking and education for large masses of people (Chikanza 2002). At the same time economically the major cities are unable to provide enough employment opportunities for those residing in the city centre let alone those in the outer parts of the country. This has therefore seen the peri-urban areas with high levels of poverty. Epworth is an example of such an environment in which most of the population's means of survival is through the informal sector whether legal or illegal.

Epworth is a largely informal settlement located 12 kilometres east of Harare which is the largest slum settlement in the province and the closest to possible urban settlement for poor newcomers. According to an article by the Doctors without Borders in 2014, majority of the population is believed to live below the poverty line. Most of the buildings are made of mud and brick as residents are too poor or in transit to invest in permanent structures. In terms of economic growth it is poorly located from the metropolis's business environment making employment more difficult. As most of the people in the area are unemployed, the informal market has become their source of food mainly through trading any product doing well on the market at any particular time. Business run on such a basis usually has low and highly variable returns hence the income is insufficient for all the basic needs of a standard family. It is under this context that the benefits of entrepreneurship in place of formal employment become questionable.

The impact of entrepreneurial ventures however also depends on the co-operation between entrepreneurs and state support. According to Hove et al (2014), the local government is often focused on the impact of the informal sector to other urban problems such as crime. As a result,

their responses to the growing trend has been largely to ignore the informal sector or to resort to periodic campaigns targeting their activities. This has hence narrowed the impact which the informal sector could have on the economic structure of the country. The sector is coming up against relentless opposition from the town planning system that does not want to see it grow (Adeyinka et al 2006). Government has largely ignored the needs of those in the informal sector for the past decades leaving its practitioners to do their business in very hostile environmental conditions. The growth of the informal sector could greatly contribute towards the achievement of poverty reduction and food security. This is because there are many people engaged in small to medium business practice informally ([www.zimmail.co.zw](http://www.zimmail.co.zw)). To achieve this growth government needs to regulate this sector rather than chase the business owners from the central business district to the outer spheres of the town. In the peri-urban areas small business owners are left to operate in unhealthy environments ensuring the lack of growth of this industry.

The study evaluated the efficiency of the prominent informal sector under the current economic problems faced by the nation. This study was tailored to find out what how reliable the entrepreneurial ventures of most Zimbabweans could be in substituting formal employment. It also seeks to understand the factors which are hindering this popular economic activity from bringing the same positive results achieved by other developing countries such as China.

## 1.2 Statement of the Problem

The flourishing informal sector gives the best evidence of the low industry capacity utilisation and high unemployment situation in Zimbabwe. Most of these entrepreneurial ventures are survivalist, subsistence and indecent forms of employment, hence lacking adequate economic support to generate economic growth. According to Raposo and Do Paco (2011), a high level of entrepreneurial activity has shown job creation and social development when the sector is backed by the availability of capital and personal desire. However in Zimbabwe, due to the liquidity crisis, entrepreneurial ventures are likely to lead to economic growth but rather to follow it. The government therefore introduced the Zimbabwe Agenda for Sustainable Social and Economic Transformation (ZIMASSET) 2013- 2018, in which the government expects the informal sector to create employment and push towards economic growth and development. Entrepreneurship



has become the expected solution to the huge gap in formal employment despite not receiving any clear recognition or funding for the sector to produce the desired economic development.

### 1.3 Purpose of the Study

The purpose of the study is to assess if entrepreneurship can be the answer to Zimbabwe's unemployment crisis with reference to the peri-urban area of Epworth.

#### 1.3.1 Research Objectives

- To establish the trends in the informal employment sector
- To establish the main barriers to entrepreneurship in peri-urban Epworth
- To assess what NGOs and government have done to promote the informal sector.
- To assess the successes and challenges that entrepreneurial programs have had on curbing the effects of high unemployment in Zimbabwe.

#### 1.3.2 Research Questions

- What have been the impacts of the unemployment crisis?
- What is the meaning of entrepreneurship?
- What are the developmental implications of supporting the informal sectors?
- Is entrepreneurship the answers to peri-urban economic development?
- What is the capacity of the informal sector enterprises to provide sustainable employment in Zimbabwe?

### 1.4 Research Rationale

The research provides an insight into issues of unemployment and its effect on economic development in the country. It looks at how best the urban population can deal with the crisis and how best the entrepreneurial sector can be cooperated in development projects. I strongly hope that my research benefits the following;

#### **The Urban Citizen**

The urban citizen will benefit from understanding whether the entrepreneurial sector is the best venture when faced with unemployment. It is especially important for the peri-urban population to be fully equip with the pros and cons of starting one's own business under the current

economic situation. The study also cites some of the policies which government has put in place which affect the success of entrepreneurs. It is important to note that the urban population are the entrepreneurs hence the ones who have to assist the government in insuring that the environment which they are conducting their business is tailored for the markets which they serve.

### **The Central Government**

The research assists the central government to come up with plans on how to control the informal sector in a subsistent manner. As such formulating and implementing policy to cope or counter the effects of unemployment in the peri-urban area. The Ministry of Small to Medium enterprises is currently facing challenges in formalising the informal sector in such a way that all small business owners can contribute to the economic development of the country. This comes from not fully understanding the importance of working with those involved in the sector.

### **The Local Authority**

These are caught in the crossfire of industrial decline and maintaining the appearance of their district hence the unsettled nature of the informal arena. Despite being a source of income for most of the city residents, local authority is still unable to balance the growing informal industry with the space available. This has come from ignorance of the growing sector hence the research will be an insight on how important it is to plan with the informal sector in mind.

### **The Academic Field**

The University will also gain by being a source of new knowledge based on this research. As such, the research project can be a reference point to other academics carrying out similar projects at the University in future.

### **The Student**

The student's knowledge base in the area of study will be expanded and research skills will be enhanced. This will also be in fulfilment of the requirements of the degree program.

## 1.5 Conceptual Framework

**Entrepreneurship** is the process whereby individuals identify opportunities, assess them as viable and then decide to exploit them (Scott and Venkatraman 2000). It is the running of a small business to fill the economic gaps left by the prevailing meltdown. An entrepreneur is one willing to bear the risk of a new venture is a significant chance of making a profit. The informal sector is the breeding ground for entrepreneurship in many developing countries.

The **Informal sector** covers two main areas in the labour market according to the World Bank. The first group is formed by the coping behaviour of individuals and families in an economic situation which has made employment opportunities scarce. On the other hand, the informal sector is a product of rational behaviour of entrepreneurs that desire to escape state regulations. This has made entrepreneurship and the informal sector interlinked.

**Unemployment** is the state in which an individual is instantaneously without work, presently available for work and actively in search of work (ILO 2007). The unemployment rate is a measure of the dominance of unemployment and Zimbabwe's unemployment is at 11.3 percent according to ZIMSTATS (2012). This has been met by disapproval by the independent economist who have indicated that the unemployment rate is at 85 percent.

**Economic growth** is the productive potential of a country's economy in relation to its population. According to the World Bank economic growth is central to economic development reflecting that when the national income grows the general public is largely to benefit.

**Peri-urban** areas are largely defined as the areas which surround the metropolitan areas and cities which are neither urban nor rural in the conventional nature.

## 1.6 Limitations of Study

The researcher was faced by various limitations in conducting the study. Due to the biased information sometimes given by people, it will be difficult to determine the effectiveness of the informal sector in curbing the high unemployment rate in the country. Another factor is the major gaps in Zimbabwe's statistical reports it will be difficult to conduct the research. For instance ZIMSTATS last unemployment assessment was conducted in 2012. Finance to travel around Epworth District was a major hindrance in collecting all the relevant information required

by the study. The time to conduct the study was limited and therefore also affected the results of the study. There was also a clash between school assignments and the research which also made the study difficult to conduct for the researcher.

These problems were overcome by collecting information in a week long field visit to reduce transport costs. In terms of time management, school breaks were utilised like semester break and the period between exams, whilst data and information was being processed by the supervisor. The information obtained was largely obtained from Junior Achievement Zimbabwe who are in constant association with the people in Epworth conducting entrepreneurship programs hence data is from recent sources.

### 1.7 Delimitations

The research was confined to the Epworth community which is located about twelve kilometres from Harare city centre mainly focusing on the business area in the heart of the community. Epworth has more than 500 people involved in entrepreneurial training under Junior Achievement Zimbabwe. The study is going to make a sample from these members, who are going to participate in the study. The organisation seeks to empower people with entrepreneurship skills hence they were the best source of data as they have been working with this community longer than the researcher.

### 1.8 Chapter Conclusion

The chapter included the background of the study identifying the motives behind the research, statement of the problem, the objective of the study along with the research questions, significance of the study and the assumptions held. There has also been the brief examination of the setting of the subject of study. To proceed, chapter two will look at the literature of the study where the researcher analyses theoretical views of authors in relation to the topic. It also looks at what previous researchers concluded in related studies.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.0 Overview

This chapter evaluates evidence and literature that has been researched by other researchers and scholars, in terms of the reliability of entrepreneurship as a solution to the unemployment crisis faced by the country. In accordance with a study by Clifford Woody (Kothari 2004), research includes defining and redefining problems, formulating theories or suggested solutions; collecting, organising and evaluating data. All these processes being conducted to make deductions and reach conclusions. This is in order to look at the different angles and dimensions which have been established by other scholars in relation to the current study.

This paper highlights the unemployment situation in the country and sites the growing informal sector in the country, and how these two factors are contributing to economic growth in Zimbabwe. Unemployment is an economic problem faced by many developing countries and it has been curbed by the growing number of entrepreneurs in these nations. Peri-urban areas have been cited as mostly underdeveloped by various scholars. A review will be done on what has been researched before and it will be clear which gaps will be filled by the study. The literature will reflect the different views in the quest to establish entrepreneurship's effectiveness in economic growth.

### 2.1 Theoretical Review

The entrepreneurial development path in Zimbabwe's current economic situation is best described by the Linear Growth Model theory, the Structural Change and Patterns of Development theories. The first generation of economic development models was formulated in the early years of the World War Two. These early models focused on the utility of massive accumulation of capital to attain Gross Domestic Product (GDP) growth rates. The two most famous models are Rostow's stages growth and the Harrod-Domar model (Todaro and Smith, 2009). The growth model by Rostow is relevant in describing the high incidence of entrepreneurship in the country. Stage two indicates that this is when there is development of

education and an understanding of science and the emergence of entrepreneurship, also simple banking systems resulting in rising savings. This is true but it is however not a sufficient explanation for the continued drop in formal employment. Both the Rostow's stages of growth and the Harrod-Domar emphasize the importance of capital for the development of any economy (Ghatak, 2003), which proves that the lack of invest will affect the informal sector the same way that the formal was affected. The model deems that if domestic savings were not sufficient, foreign savings would have to be mobilised for development to be achieved.

The Structural Change and Patterns model asserts that there are other economic factors which contribute to industrial growth in developing countries. This includes the transformation of production and changes in the composition of consumer demand, international trade and resources which are largely unevenly shared. There are also changes in socioeconomic factors such as urbanisation and the growth and distribution of the country's population which are all factors which have resulted in the lack of formal employment for citizens especially in densely populated areas such as Epworth. Chenery (1960) indicates that the steady accumulation of physical and human capital is among conditions necessary for economic growth, besides savings and investment. This is however close to impossible with the neglect of the informal sector and the lack of knowledge on how to work with the informal sector to bring forth economic growth.

## 2.2 Conceptualisation

Employment is defined as the major link between economic growth and poverty reduction in Africa (Jahan 2005). This shows how vast the setback a country may experience when faced with high levels of unemployment. Unemployment has been largely defined as the condition where one is available for work but is unabsorbed into the working arena (Summers 1989), however the definition has over time become more detailed. According to CSO (2006), unemployment signifies the population age of 15 years and above who during an average week, do not work and have no job or business to maintain but are available for work. ILO defines unemployment as a situation where one who is economically active, without employment and is actively seeking work. However most Zimbabweans have stopped seeking employment due to the clear evidence of its non-existence.

Unemployment has been deemed to have many side effects to the developing world. Hoppers (1994) highlighted that when people are unemployed the State is the bigger loser in many ways. The State loses development opportunities through the lack of contribution by the human capital to the economy in terms of goods and services that could have been reduced hence resulting a failing industry, according to Thomas (2015). Lack of employment opportunities means that government has to create funds for poor households to gain basic social needs such as health care and education which is costly for an already debt ridden country. High unemployment is therefore a major contributor to the declining economy and increase in poverty.

The Zimbabwean government and independent economic analysts are in conflict over the country's actual unemployment rate, with ZIMSTATS 2012 fixing the rate at 11, 3 percent whilst organisations such as NANGO indicated in its 2011 policy brief that the rate was at 95 percent. It is this lack of understanding of the nature of the unemployment crisis that has left the problem inadequately dealt with. There has been no other official survey since 2012 making the reliability of these statistics minimal. According to ZIMSTATS 2011 in Zimbabwe only 31 percent of the economically active men and 14 percent of females were in paid employment. In 2008 the United Nations Office of the Coordination Humanitarian Affairs (UNOCHA) stated that formal unemployment stood at 94 percent, this clearly shows that the Zimbabwean government has been using the CSO definition of unemployment. This indicates that an unemployed person who is engaged in some activity providing services and goods for at least an hour is recognised as employed which hence promotes entrepreneurship. Dodo (2014) however states that people in Zimbabwe are not actively seeking employment because there are no places to look for the work because the industries and related companies have shut down. It is in this light that the government has begun encouraging the inclusion of entrepreneurial education in an economic environment unable to sustain formal employment. Entrepreneurship and self-employment has been identified as a source economic dynamism and new jobs which will apparently lead to improved economic structure for the country (Maxwell 2002).

Entrepreneurship has been defined by Stevenson (1985) as the seeking of opportunities beyond the resources that one has at present. According to Leff (1979) entrepreneurship is important in the developing world because entrepreneurs fill important gaps in underdeveloped markets. The terms entrepreneurship and small to medium enterprises have been used interchangeably in

describing the starting of businesses (Acs et al, 2004). This has mainly been because entrepreneurial activities in developing countries have largely included the informal sector according to Smart and Smart (2005), which has resulted in entrepreneurship being popular in the country. The popularity of the entrepreneurial sector in Zimbabwe is however not a result of interest but rather a means to an end to poverty.

There is an important relationship between entrepreneurship and unemployment which has two aspects to it. These are mainly the refugee nature which pushes people to own their own business; and the positive aspect which occurs when entrepreneurship leads to greater levels of employment and economic growth (Thurik et al 2008). In Zimbabwe entrepreneurship has largely been a result of lack of formal employment rather than a dream occupation. According to Njaya (2015) the jobs in Zimbabwe's informal sector mainly survivalist and are characterised by subsistent activities and businesses with short-term lifespans and transitory natures. In the case of Harare, the informal sector is generally characterized by resourcefulness and imagination. This means that product delivery is based upon the capital of the small business owner rather than what will bring forth economic growth. Entrepreneurship in the country is also strongly linked to the formal sector which makes its success dependant on the dying formal sector (Nyaya 2015). Most of the informal sector gets its supplies from the formal industries. It is also important to note that those in the informal trade rely on those formally employed to be their customers. Despite this unreliability in the informal industry, government and private entities are still encouraging the need for people to become small business owners.

The benefits of entrepreneurship in other developing countries has been documented but the same success may not be entirely expected for Zimbabwe. Entrepreneurial studies have been introduced to students in various levels of education by organisations such as Junior Achievement Zimbabwe to prepare them for the lacking employment sector. The government is basing its entrepreneurial plans on the fact that in developing economies the contribution of the informal sector is vital in the provision of employment and creating income (Jahan, 2005). According to Nyaya (2015) the informal employment sector depends on the fruitfulness of the formal market. Since the formal employment was destroyed by the low economic growth rates, lack of new capital and fresh foreign direct investment; these have to be sorted before the country can depend on the informal market. The underestimation of the impact of dying



industries and overreliance on the survivalist approach of entrepreneurship will limit the sustainable growth of the informal sector.

### 2.3 Social Impact of Informal Sector

Socially the informal sector in the country has brought forth some visible relief to the communities during these economic difficulties. By creating a source of income despite high levels of unemployment in the traditional sector, poverty lower than in cases of absolute lack economic activity. The International Labour Organisation (2008) indicates that poverty elimination is the greatest challenge that sub-Saharan Africa continues to face, during the last 25 years the number of poor people has doubled from 150 million to 300 million and more than half the population are surviving on US\$1 a day or less. It is through this level of poverty that has forced the African people into entrepreneurship (Lombard 2003). Mupedziswa and Gumbo (2001) noted that the informal sector plays an important role in job creation and that it is vital for developing countries because it contributes a substantial share of employment and output as well as providing livelihoods to millions. Over time the value of informal activities to the social sphere of development has been at the centre on many academic studies. Muzvidziwa (1998) in his study of the contribution of the informal trade to poverty reduction noted that 85 percent of the respondents reported an improvement in their living standards. It was further noted that the larger portion of the income gained from informal trade was spent on food, accessing health and education.

According to Ndiweni et al (2014) in their study, the ownership demographics for entrepreneurs in Zimbabwe show that the informal sector is dominated by females, 55 percent and 45 percent male. This shows that the social status of women is largely affected by the informal sector. Mupedziswa and Gumbo (2001) observed that women in Zimbabwe tend to have lower literacy levels and have limited skills which make them employable in the informal sector which consequently results in them engaging in informal sector activities to reduce household poverty. The following subsection deals with the socio-economic impact of women in the informal sector.

#### 2.3.1 Women and the Informal Sector

In a report by the UNDP cited in Cheston and Khun (2002), 70 percent of the 1.3 billion people living on less than US\$1 a day are women. The UNDP further states that women have a higher

unemployment rate than men in virtually every country (Cheston and Khun, 2002). According Chirisa (2009) states that because women have historically been socially disadvantaged, they have been strongly affected by the economic decline in Zimbabwe. This lack of access to the mainstream economy making women the major participants of the informal sector. Cheston and Khun (2002) indicated that an increase in women's incomes results in a substantial improvement in the welfare of the entire family. They cited that men usually contribute 50 percent of their incomes to the collective household fund while women contribute 80 percent. In the study by Mupedziswa and Gumbo, women involved in the informal trade spent the greater part the incomes they obtain from trade in household expenditure. There is therefore a clear indication that the participation of women in the informal sector results in an improvement in the welfare of the whole family.

### **Informal Trader near Munyuki Shopping Centre**



It is important to note that despite the vast employment opportunities offered by the informal sector it is still not as desirable to women but rather a means to an end. Formally unemployed people have been pushed to venture in the informal sector as a last resort with the majority being women. Therefore women venturing in the informal sector are generally insecure as they are affected by the undesirable poverty within the sector. The impact of the informal sector is

therefore minimal in places like Epworth which have been harbouring migrants from different parts of rural Zimbabwe (Chirisa, 2012). It is this lack of security that makes the entrepreneurial sector a less desirable field of employment.

## 2.4 Economic Impact of Informal Sector

The informal sector largely has an impact on the economic growth of a country. In the country's current blueprint, ZIMASSET 2013 to 2018, government identified micro, small and medium enterprises and cooperatives as the leaders of sustainable economic growth and employment creation. The government saw the informal sector economy as an option to formal sector business. This is based on the assumption that it is a natural productive move for people to join the entrepreneurial sector in order to survive. In temporarily dealing with the social aspects, the informal market has dealt with the basic daily needs of a standard family by providing a considerable source of income and employment in a country where the formal employment opportunities are limited (Njaya 2015).

### **Formal Employees Main Customers of Informal Sector**



There has been widespread agreement that the informal sector in the country impacts positively on the economy through various avenues. According to Chidoko et al (2011) the sector contributes to the country's Gross Domestic Product (GDP) which is mainly because more goods are available to the market through increased production. There is also the creation of employment in smaller enterprises. For the past decade, over two million people have been making their living in the informal sector (Chidoko et al, 2011). This prompted the government to cater for the sector through the activities of the Ministry of Small and Medium Enterprises and through the implementation of the ZIMASSET program.

The informal sector is a major contributor to the economic development of the country which refers to the efforts to improve the economic wellbeing, quality of life for a community by creating jobs and supporting a growing income (Nafziger, 2006). Entrepreneurship in context of Epworth is focused on the economic development of the community despite its small production systems. Economic development should aim at creating a conducive environment for people individually and collectively to develop their full potential, giving them the opportunity to be productive and creative, according to UNESCO (1995). Although the sector does create a platform for creativity but the level at which it contributes to human development is minimal due to the lack of investment in the entrepreneurial field. However it is only through the full understanding of the informal sector and how to manage it that it can fully have an impact on the economic well-being of the country.

## 2.5 Evolution of the Informal Sector

The informal sector has been a neglected feature of the Zimbabwean economy since independence in 1980. Chiripanhura and Makwavarara (2003) indicated that despite inheriting a fairly developed economy in 1980, the Zimbabwean economy had an underdeveloped, deprived and neglected informal sector which constituted about four fifths of the population. This was due to the exponential growth rate of the formal sector between 1980 and 1990 (Chirisa, 2009). Since the prospects of employment creation in the formal sector were positive hence the government adopted a hostile attitude towards the informal sector which was characterised by stiff and oppressive regulations. Ncube (2010) further highlights that the economic structural adjustments of the 1990s resulted in reduced rate of growth for the formal employment sector which resulted

in the higher levels of rural-urban migration and public and private sector retrenchment resulting in the dependence on the informal sector.

The unemployment rate rose from 10 percent in 1980 to 40 percent in 1990 mainly due to the introduction of the Economic Structural Adjustment Programme (ESAP) which instead of bringing growth had disastrous results, according Mbiriri (2009). The ESAP brought forth the decline of industries and the decline of a standard worker's lifestyle making the formal sector difficult to be a part of. This was coupled with the drought in the years 1992 and 1995 which strained the government's revenue that was mostly based on agriculture. Also contributing to the economic decline was the payment to the war veterans and the participation of the military in the war in Democratic Republic of Congo which were both unbudgeted expenditures leading to economic downturn (Qobo, 2008). These moves by government contributed to the failing formal employment sector. Thousands of people were left decommissioned pushing them slowly towards the informal sector.

The economic situation only worsened by the beginning of the new millennium with high rates of inflation hitting the country's currency. Makumbe (2009:24) highlighted that, "between the years 2000-2007, 80 percent of manufacturing firms in Zimbabwe witnessed a decline in output volumes, 15 percent were operating than 30 percent capacity, another third between 30 percent and 50 percent and more than 90 percent were unable to cover their cost, thus making a loss". The decline of the formal economic system drove many unemployed Zimbabweans to the informal system to sustain their livelihoods. Thus it is within the context of a harsh macro-economic environment that the informal sector developed in Zimbabwe. It is therefore important for the sector to be regulated and for policies that have been implemented in the sector to be reviewed for the evaluation of its sustainability.

## 2.6 Regulation and Control

Formalisation of the informal sector has been a difficult venture with government stumbling at most of its attempts to regulate the sector. Most informal activities were not recognised and as a result escaped regulation and measurement by government. As a first step to formalisation, the local authorities under government required all informal sector enterprises to be registered and to pay presumptive tax (Njaya, 2015). Presumptive tax was based on the standard amount earned by

the business owner in a day rather than there being a fixed tax amount. The sectors that were now expected to pay presumptive tax include transport and hair salon operators, small scale miners, bottle stores, restaurants and cottage industry operators. This was hampered by the fact that only 2 percent paid the tax to the Zimbabwe Revenue Authority meaning 98 percent of the people in the informal sector are not contributing to economic growth. Ensuring payment is challenging because classification of informal traders is difficult as most of them do not have an official business description.

Another challenge was that of quantifying informal sector enterprises. There was no database on the informal sector enterprises. According to Njaya (2015) entrepreneurs in the informal sector are reluctant to register with local authorities because of the lack of incentive for doing so. Bloch (2014) also stated that “formalisation of the informal sector would significantly improve revenue inflows through taxation on employees’ salaries, import duty, property fees and other forms of taxes on the sector but there is need for incentive provision”. This belief is present among entrepreneurs because the government has delayed in showing any full course of action towards improving the business centres of these markets. Informal traders are therefore settled where they deem fit for their business or the closest to their customers. The lack of a database of all entrepreneurs creates an opportunity for corrupt council officials to collect taxes for their own pockets. This lack of regulation exposes the entrepreneurs to exploitation which further negatively affects the growth of the sector.

Informal workers were characterised by a high degree of vulnerability due to the absence of a solid legal framework to protect them. This means that informal workers were denied rights and protection of the law because of the poor labour inspection (Njaya, 2015). Zimbabwe had constitutional provisions related to the individual rights to work and to the collective rights of public space and economic association that covered informal sector enterprises. Besides these constitutional provisions, Zimbabwe did not have a national policy on small and medium enterprises despite a majority of the population depending on the informal sector. The informal workers are therefore left voiceless with little assistance from the country’s legal framework.

## 2.7Chapter Brief

The chapter looked at the various literature highlighting the importance of the informal system in economic development. It was also explained how the country slowly became dependant on informal traders from the late 1990s to present day. The sector however has been highly ignored in the past making it difficult to rely on for job security in a country with a dying urban industry.

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.0Overview

This chapter deals with the methods and tools used to gather data for the research. It explains how the study was conducted, highlighting the activities used in order to present, assess and analyse the sustainability of entrepreneurship in dealing with the unemployment crisis affecting the country with reference to the Epworth community. This research utilized desktop reviews, interviews, questionnaires and survey observations as data collecting tools. It also looked at the advantages and disadvantages of using these tools throughout the study.

### 3.1Research Design

Peterson (1982:74) refers to research design as a formally written set of specifications and procedures for conducting and controlling a research project. The research design displays the structure and manner of investigation used to obtain answers to the research questions. Creswell (2007) asserts that the research design can be viewed as the overall operational pattern or framework of the project that stipulates what information is to be collected, from which source and by what procedures. Therefore the research design was used to structure the research and show how all the major parts of the research worked together to address the central research questions. To obtain the required results, the researcher used the qualitative research approach which involved the collecting and analysing the data in a single form and further analysing the social nature of people, conduct when faced with economic crisis information. This method was



used so as to fully understand the influence which entrepreneurship has had in Epworth for it to be a suitable solution for the high rate of unemployment in the country.

To conduct an effective study, survey data was collected using questionnaires, structured and semi-structured interviews. The questionnaires that were used were distributed to randomly selected entrepreneurs in the central shopping space in Epworth. Semi-structured interviews were then conducted to compliment the information obtained from the questionnaires. These interviews were done so as to find out people's beliefs and feelings of the present economic situation which has resulted in this manner of business conduct. Structured interviews were conducted with officials from Junior Achievement Zimbabwe who are in partnership with the community and are also pioneers of entrepreneurial training in the area. Through the use of interviews the researcher was able to conduct a more flexible research as the participants allowed the researcher to probe on various issues to get in-depth information. There was the opportunity for the researcher to gain clarity on areas that she did not understand.

In order to better ensure the researcher gets valid and reliable information in relation to human nature, the use of qualitative research was used. According to Saunders et al (2003) survey data depends on self-written reports based on the participant's memories. This reflects that people may only relay information that they think the researcher wants rather than what is actually occurring. It is important to establish the true nature of human behaviour and this is best reflected in the use of qualitative data collection. Through a qualitative approach the researcher is able to bring out views, feelings and perceptions of those relevant of the study (Haralambos and Holborn, 2008). The qualitative research is brought in so as to establish ideas which result in more realistic solutions (Haralambos and Holborn, 2008).

### 3.3 Target Population

The target population mainly consists of members of the informal sector in the community of Epworth. It dealt with those specifically involved in the informal sector hence 30 participants were randomly selected. Also to examine the effectiveness of entrepreneurship programs on community development 3 officials from JAZ were interviewed. These are used to obtain a general view of the sustainability of entrepreneurship programs. Higson and Smith (1999) define



a target population as a set of elements that the research focuses on and give a general view of the results being tested.

### 3.4 Sampling

Kumar (2011) indicates that sampling is the process of selecting a few from the bigger group and thus representing the larger population. Cooper and Schindler (2003), states that the basic idea of sampling is that though the selection of members of the population, the researcher drew conclusions regarding the entire population, where sampling refers to the process of selecting elements to observe. The sample dealt with residents of Epworth who are directly involved in the informal sector.

The study employed the use of two sampling techniques, namely purposive and simple random sampling. According to Kumar (2011), purposive sampling can be very useful for situations where one needs to reach a target sample. This was used mainly to select the appropriate non-governmental participants for the study mainly from Junior Achievement Zimbabwe. The method was also used in selecting the entrepreneurs to be involved in the administration of questionnaires as it is the only method of sampling that is without bias. Cooper and Schindler (2003) defined it as a design in which the case that will make up the sample are chosen in a single process of selection from the sampling frame that covers the entire target population.

### 3.5 Data Collection

The researcher used both qualitative and quantitative data collection methods, observing a complete picture of the entrepreneurial situation being studied. Main methods that were employed as data gathering tools were interviews, questionnaires and observations.

### 3.6 Research Instruments

Research instruments are defined as a testing device for measuring a given phenomenon such as a paper and a pencil test, questionnaires, interviews, a research tool or a set of guidelines for observation. Research instruments are questionnaires or interview guidelines used to collect

information needed in a research. The researcher relied on questionnaires, interviews and observations as data gathering instruments.

### 3.6.1 Questionnaires

The researcher used questionnaires which were administered through face to face interviews. The questionnaires included both closed and open ended questions. A questionnaire is a set of questions designed to generate the data necessary for achieving the objectives of the research project, according to Williamson (1996). The advantage of using questionnaires administered during face to face interviews is that the researcher gets enough time to probe and seek clarity on issues that are not clear. On the other hand the respondent is also availed the opportunity to ask for explanations on questions that are not clear to them.

### 3.6.2 Interviews

In order to have information that compliments the data received from the questionnaires the researcher carried out in depth interviews with the project stakeholders like representatives from the entrepreneurship program by JAZ and entrepreneurs located in Epworth. The interviews assisted the researcher in finding information about personal feelings, perceptions and opinions as people were given a chance to air out their views in this case even suggest further recommendations. However the interviews also had their own loopholes, the researcher realised that participants will some cases biased information and some showed little understanding of the impact which the unemployment crisis had on their business structures meaning that the respondents wouldn't be in a position to give answers to some of the questions.

### 3.6.3 Observations

This technique was used to support or complement the other techniques used to collect data. Here the researcher took time to visit the main business area in Epworth to physically observe the manner in which business was being conducted. It was important to view the manner in which these entrepreneurs were running their businesses, what products were in more demand in the area and the standards of their business areas.

## 3.7 Data Analysis

Data is represented mainly by using tables, bar graphs and pie charts were necessary. The information collected during this period of study was analysed using Microsoft Excel to enable

the researcher to create graphs, tables and pie charts. This further elaborated the thematic approach used in the qualitative analysis.

### 3.7.1 Qualitative data

By qualitative research the researcher aimed to gather an in-depth understanding of human behaviour and the reasons that govern such behaviour in relation to the selected economic activity (Bryman, 2001). The questionnaires established the basic concerns of those involved in informal sector. The main method used to get information was through the interviews with key informants from JAZ and participants in the informal sector. A group of 25 entrepreneurs was randomly selected and interviewed whilst notes were being taken. This sample was used to hear their views on the difficulties faced in the informal sector. The key informants from JAZ were used to establish the influence that entrepreneurship programs have on the unemployed citizens and help in the understanding of running such programs in the current economic climate. The qualitative survey examined issues to do with:

- Sustainability of entrepreneurship
- Challenges in the informal sector
- Relevance of the informal employment in peri-urban areas
- Improvements entrepreneurship has had on socio-economic status

The information gathered was analysed using the Walcott (2008) concept of analysing qualitative data and in some case a thematic approach was employed. Walcott's model suggests that when doing qualitative data analysis one needs to follow three stages that is describing, analysing and interpreting data. Data obtained from both JAZ officials and entrepreneurs was compared with information obtained through observing the business areas.

### 3.8 Research Ethics

The participants were assured that both oral and written information collected would be solely used for study. Walsh (2001) indicated that it is important to gain information from participants who have given their consent. Participants in the research were freely giving their consent to be involved and the aims of the research were explained prior to the research. They therefore voluntarily participated.

The confidentiality of the participants was highly observed. According to Walsh (2001:p57) it is important in any research work to protect the participants' right to privacy and confidentiality. Haralambos and Holborn (2008) indicated that social scientists have to disguise the identity of participants where possible to guarantee confidentiality. This was observed by clearly indicating to participants that they should not write their names or sign on the questionnaires. Ethically social researchers are expected to avoid harm or discomfort on respondents (Haralambos and Holborn 2008). This research made every effort to promote the comfort of the participants. The use of the Shona language was applied to enhance communication and the comfort of the participants. Appropriate dress code was adhered to, to enhance optimum cooperation of participants.

### 3.9 Research Structure

The research is structured into five chapters. Chapter one illustrates the problem and its setting, containing the introduction, background to the study, statement of the problem, research objectives and research questions, justification of the study and limitations of the research. Chapter two contains a review of the literature related to the topic of study. The third chapter is on methodology, explaining the methods used to extract information and then the fourth chapter is an analysis of the data presented. The last chapter contains a summary of the study, conclusion and recommendations.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### 4.0 Overview

Chapter four presents the detailed findings of the research while giving explanations and reasons as to obtaining the required data. The chapter is going to discuss first the results from the qualitative survey and then give a detailed analysis of the findings from the data obtained in the questionnaires, interviews, and the observations.

#### 4.1 Objectives of the Study

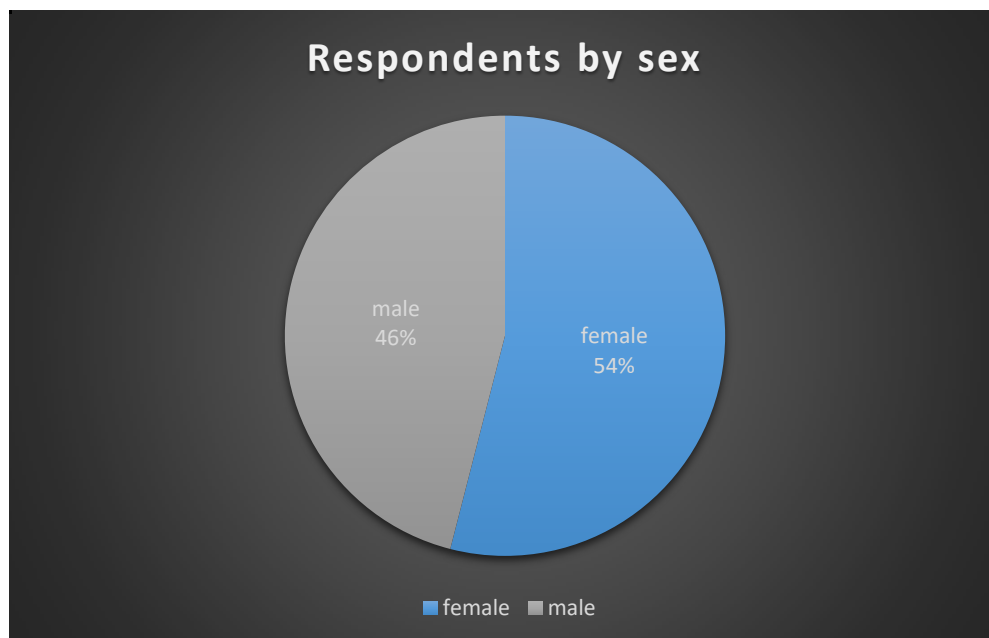
- To establish the trends in the informal employment sector.
- To establish the main barriers to entrepreneurship in peri-urban Epworth.
- To assess what NGOs and government have done to promote the informal sector.
- To assess the successes and challenges that entrepreneurial programs have had on curbing the effects of high unemployment in Zimbabwe.

#### 4.2 Response Rate and Demographic Analysis

Thirty (30) questionnaires were randomly distributed among small business owners in the chosen research area while also briefly interviewing the participants on the 27<sup>th</sup> and 28<sup>th</sup> of September. In total the returned questionnaires were 24, giving a response rate of 80%. Interviews planned in the research methodology were with 5 key informants from Junior Achievement Zimbabwe on

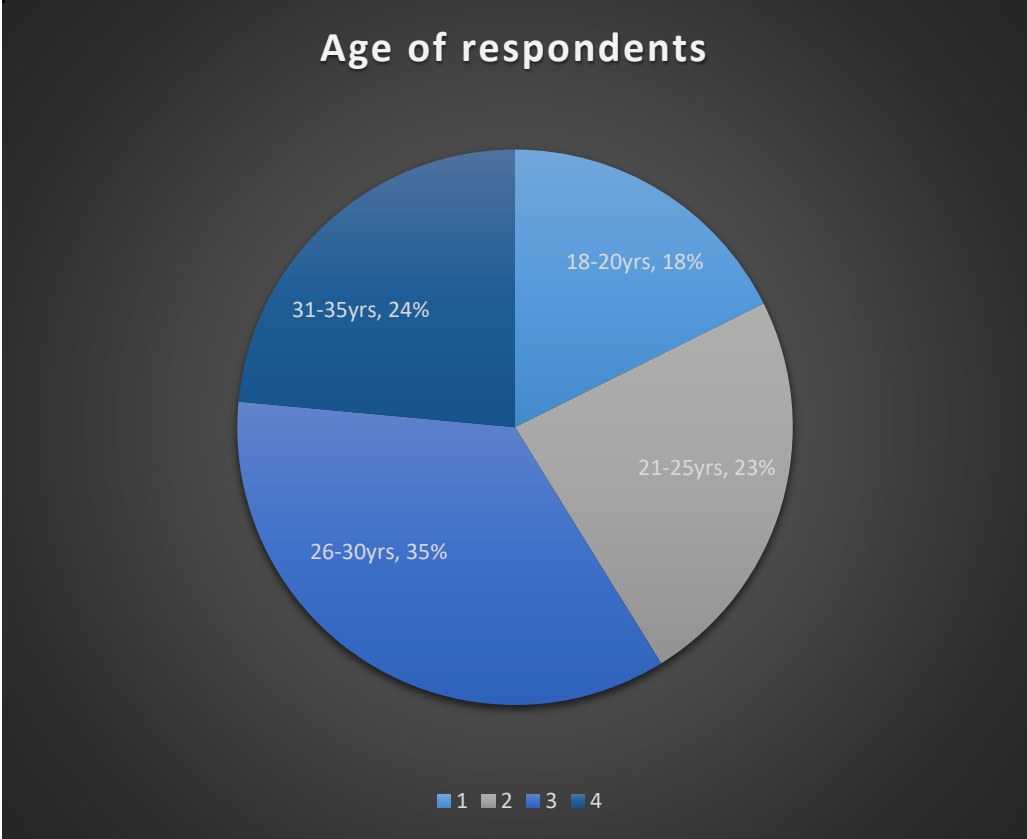
the 26<sup>th</sup> of September who included the Manager of the organisation, Monitoring and Evaluation Officer, two Field Officers and the programs coordinator in Epworth. However the Epworth programs coordinated was unavailable on the appointed date, that is, 30<sup>th</sup> September. Interview response was 75%. The overall research response percentage was 80% for the study.

**Figure 1: Demographic Information of the Respondents (informal traders)**



The respondents to the questionnaires according to gender were as stated above, that is, 46% were male and 54% were female. This indicates that the bulk of the informal traders are female rather than male. This being that the informal sector in Epworth is consumed by females trying to provide a better lifestyle for their families. It is also important to note that the males are also active in the provision of the economic wellbeing of the family being the standard breadwinners. Females are more open to the idea of finding any means possible to deal the lack of formal employment in the family. The research proves that the informal sector has been more of a social benefit to women and of economic standing for males.

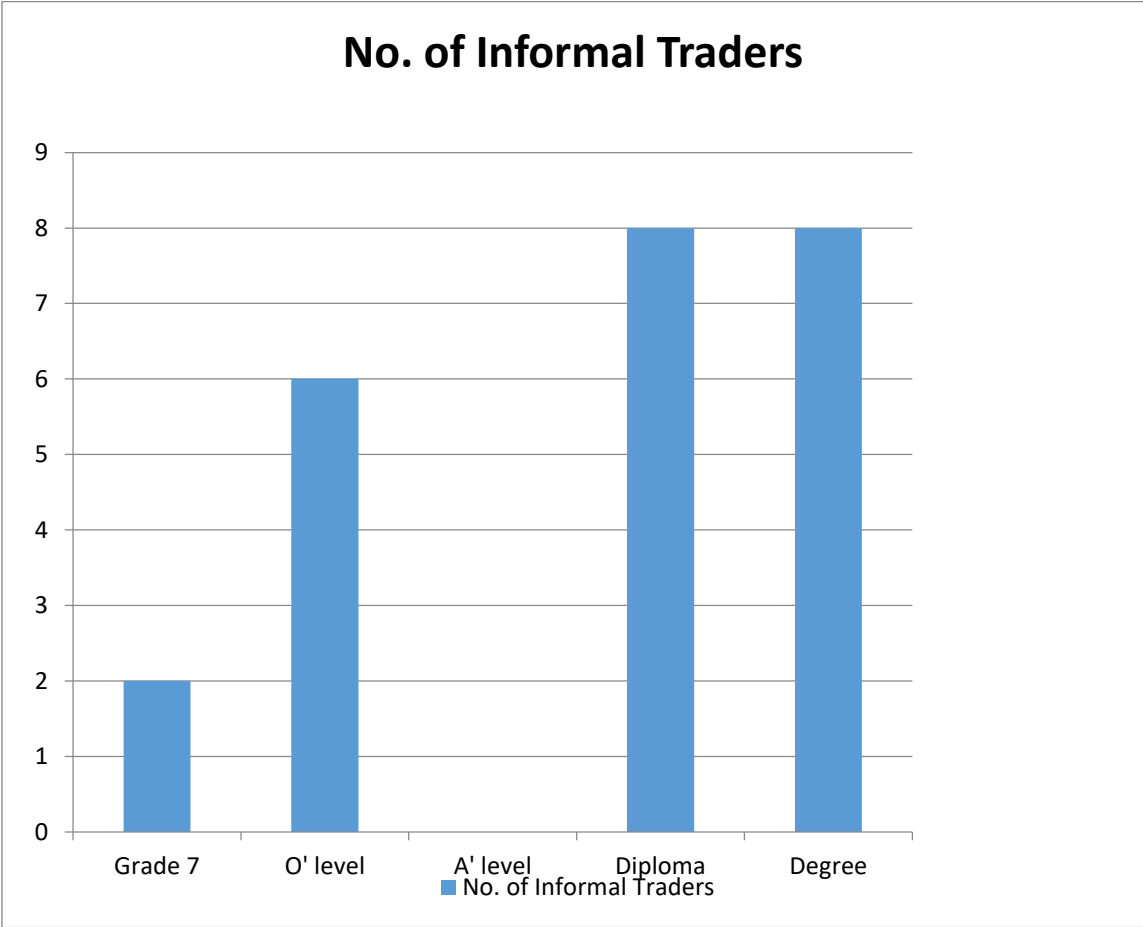
**Figure 2: Distribution of Informal Trader’s Respondents by Age**



The data presented in Figure 2 indicates the various age ranges reached by the research. The respondents were as follows 18-20 years made up 18%, in the 21-25 years were 23%, in the 26-30 years range made 35% and in the 31-35 years range made up 24% of the participants. These are the main economically active groups in society. They are at higher risk of being involved in

illegal activities because of the lack of formal employment. More emphasis should be put in terms of entrepreneurship training from NGOs and also the easier availing of funding from government. These groups are also educated in various fields as is shown in the following figure.

**Figure 3: Informal Traders Educational Qualification**



In Figure 3 the data shows that those in the informal trade are literate and most importantly academically qualified to be part of the formal sector. Two of the participants had only reached grade 7, those who had ended at ordinary level were 6, those with degrees and diplomas were 16.



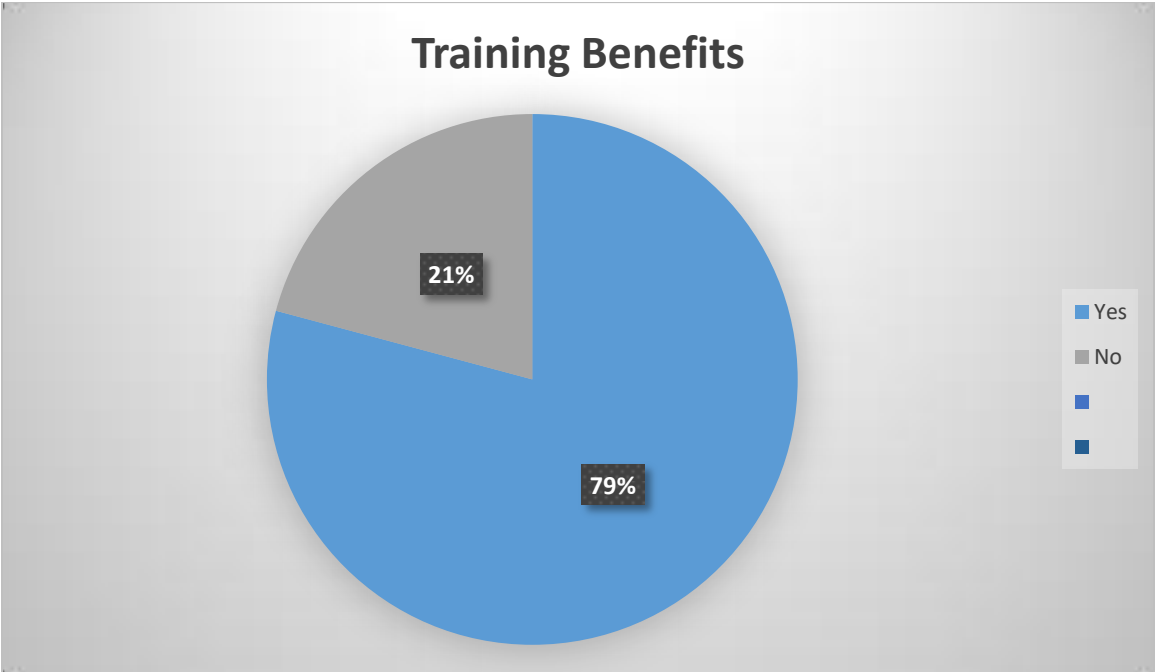
These are the youths and recently graduated groups of society. They would have struggled to get through school only to be met by a dying informal sector. The sector is therefore filled with the fresh personal who could be used in development of the formal sector but have been left jobless and are underutilising their skills.

75% of those with degrees were previously skilled workers who had at least 5 years work experience in the formal employment sector but have no choice but to join the informal sector due to lack of employment. This indicates that the informal sector with the right funding can expand the rate of development of the country due to its vast of underutilised professionals. This group is made up of people who are entrepreneurs by default and are no longer able to make innovative risky business decisions but rather are working to survive. The rate of the sustainability of the entrepreneurial sector is low due to the lack of innovative ventures.

### 4.3 Impact of Entrepreneurial Programs

The main aim of the research was to evaluate the encouragement of entrepreneurial programs as the answer to the unemployment crisis. The participants had all received entrepreneurship training from JAZ.

**Figure 4: Entrepreneurial Training Benefits**



The bulk of the participants indicated that their business management skills were improved through the management training they had received from JAZ. The data shows that 79% of the business owners had seen an improvement in their business running from using the entrepreneurial skills which they had acquired. 21% had not seen any growth in their business as a result of the training citing that all they were still having the same management problems as before the training.

Despite the entrepreneurship skills being a source of improvement in business management, during the brief interviews with the research, the entrepreneurs highlighted that they still required funding to further grow their businesses. The training provides the soft skills required to run the business successfully but the funds to grow the business were still scarce. JAZ does not provide funding hence their training fall short of helping the participants in business development. There has therefore been little growth in business in Epworth with the bulk failing to move from selling outside shops in the community to bigger sales areas.

#### 4.3.1 Challenges Faced in Entrepreneurial Training

In the implementation of entrepreneurship programs various challenges were faced. With reference to JAZ, being donor funded affects the rate at which programs are conducted. Training is provided only according to how much funding has been received by the organisation. Delay in funding results in programs being suspended till the funds have been obtained. This dependence on donors for project management has been the key set back in ensuring that higher numbers of entrepreneurs are reached. The funding availed is specifically for the training and is based entirely on what the donor, in this case USAID, believes the program requires rather than what the community needs for its growth.

**Figure 5: Budget Distribution for Entrepreneurship Training**

CATEGORIES	MAY	JUNE	JULY
Training	\$3000-\$5000	\$2000-\$4000	\$1000-\$2000
Business Expansion	\$800-\$1000	\$1000-\$2000	\$500-\$1000

According to the Monitoring and Evaluation officer at JAZ, entrepreneurial training had been successful in Epworth but the program lacked a long term sustainable framework. Trainings are conducted that encourage step by step business growth but the loans to ensure expansion are lacking. This is mainly due to the continued downturn of the economy in the country. Donors refuse to provide full loans citing then need to abandon the donor syndrome that cripples developing countries. It has however left organisations producing half-baked projects because the other important half of the program has lacked funding. Entrepreneurial growth is therefore left in the hands of those survivalist rather than there being a partnership between government and NGOs.

**Entrepreneurship Training by JAZ at Epworth Plan Offices**



**4.4 Government Assistance**

The main source of assistance most businesses require is financial assistance. Through the research it was important to establish if any of the entrepreneurs had received any sort of assistance from the government.

SOURCE OF FUNDING	NO. OF RESPONSES	PERCENTANGE DISTRIBUTION

Personal Funds	14	58,1%
Family Members	10	41.7%
Government	0	0
Banks	0	0

**Table 1: Source of Entrepreneurial Funding**

All the research participants indicated that they had not at any point received any sort of governmental assistance or bank loans. Personal savings constituted 58.1% and funds from family members made up 41.7% of the business owners financial support. The key point of development is that a special fund be set up for the small business owners especially in the peri-urban area of Epworth. These small business owners found it difficult to receive loans from banks citing the lack of collateral for the bank to hold in the event of non-payment. The interest rates of the approached banks were not suitable for the business owners whose sales depend on the informal sector that is also struggling.

Government programs have also failed to reach the entrepreneurs in Epworth. There has been no clear impact of ZIMASSET in Epworth. Import bans have also not seen any favourable results in Epworth. Industries that supply the goods sold by the entrepreneurs have still not been resuscitated to cover for the imported goods previously sold. Also there has been no clear space availed for the business owners in the community leaving most of the entrepreneurs operating in unsanitary spaces. Most of the focus has been on the urban development of small to medium enterprises but those in the peri-urban areas need the same attention. They have a major influence in urban development because there would be no need to crowd the urban centres when smaller centres could be developed to improve the service delivery in bigger centres. This further prevents these businesses from growing and if the informal sector is stagnant it is impossible for it to be a sustainable solution for economic growth.

**4.5Sustainability of Entrepreneurship**

The key research question is to establish the sustainability of entrepreneurship in substituting the formal sector in Epworth. The unavailability of funding from vital sources has proven to halt the

growth of the informal industry. Government has not identified a fund to fully support the existence of entrepreneurs in the per-urban centres as shown by the lack of assistance received by the small business owners. In the current economic system the main way to deal with entrepreneurial development is to ensure that the informal sector is effectively promoted. Although there has been the implementation of ZIMASSET in a move to develop the informal sector, the move lacks in ensuring that there is social security for the workers in the informal sector for there to be stability.

During the fieldwork it was observed that the informal sector had three main features that made it unstable and lacking sustainability. From the entrepreneurs interviewed it was seen that they work independently and mostly employ their family members as unpaid labour. This affects the indication that the informal sector can be based upon to provide employment for all those retrenched in the formal sector. Secondly, the entrepreneurs in Epworth are highly survivalist in nature hence the businesses are transitory in nature making them a less stable source of employment. Informal businesses such as food outlets, hair-salons, clothing retailing and street vending are meant for sustaining household livelihoods. The entrepreneurs indicated that if the present business failed they would move on to the next business venture. The third result from the observational interviews was that the informal sector does not provide a standard income. In table 2 the income range indicate that 74.7% of the participants gained \$100 and below which cannot fully cater for social development. Those who receive between \$100 and \$500 were at 16.6%, and above \$500 were at 8.3%. These figures indicate that the income that the bulk of the entrepreneurs depend on is less likely to bring forth economic and social growth for these business owners.

**Table 2: Income Range for in Informal Traders**

INCOME RANGE	RESPONDENTS	PERCENTAGE
\$100 and below	18	74.7%
\$100 - \$500	4	16.6%
\$500 - \$1000	2	8.3%

They indicated that this income varied according to the demand of the product. Unlike in the formal sector where wages are received steadily on a monthly basis the informal market depends largely on whether or not the goods will be bought. This makes the security of this industry less dependable in terms of employment creation.

#### 4.6 Presentation Summary

The chapter presented and analysed the data obtained from the questionnaires and interviews. Questionnaire responses and interviews contributed a large portion of the data presented in this chapter. The next chapter summarises the entire study and presents conclusions and recommendations of the study in relation with the research objectives.

## CHAPTER FIVE

### CONCLUSIONS, RECOMMENDATIONS AND SUMMARY

#### 5.0 Summary of Findings

This chapter serves to establish the conclusions reached by the researcher pertaining to the impact of entrepreneurship as a worthy substitute to formal employment. The researcher also clearly expresses the various recommendations required for the informal sector to have the desired effect on the people living in Epworth and the country at large. This is therefore a summary of the outcome of the study and the final elaboration of the unemployment situation in the country.

#### 5.1 Conclusions

##### 5.1.1 Nature of Entrepreneurship in Zimbabwe

The nature of entrepreneurship in Zimbabwe, like most of the developing countries, has come about more as a survivalist strategy rather than a result of innovative genes. Due to the de-industrialisation of the country, most of the industries responsible for the bulk of the formal sector have been closed leaving the people with no choice but to lean on the informal sector. In the study 60 percent of the participants indicated that they had only opened their businesses because their families needed some sort of livelihood. It is in this context that the informal sector is less likely to bring forth economic growth which will reverse the slow death of industry.

In Epworth the bulk of the entrepreneurs are involved in the sale of basic commodities needed by the community rather than coming up with innovative business opportunities. For

entrepreneurship to produce favourable results the venture has to be based on impact on community rather than impact on family alone. This has resulted in the undermining of the informal sector because of its lack of large scale impact. In this respect there has been a lack of adequate policy formulation which effectively boosts the growth of the informal sector. There has been vast ignorance of the fact that those are not in business because they want to be in that given trade but rather because they need to provide their families with basic needs. In this light, the few policies implemented have been unsuccessful mainly because the business owners would rather be independent of government due to its failure to fully resuscitate the formal sector. The loss of hope in the formal sector brought on the establishment of the informal sector which was formerly for those who lacked full academic qualifications but now the sector is flooded with recent graduates. The sinking economy is therefore insufficient to support the informal sector in generating formal employment.

#### 5.1.2 Social Impact of the Informal Sector

The informal sector has helped reduce the social impact of lack of formal employment in the community of Epworth. Despite the economic downturn, the country has not been followed absolute poverty mainly due the sprouting of small businesses to deal with the day to day needs of basic families. The informal economy has provided the unemployed with the only possible manner of escaping grinding poverty. It has reduced the burden of women having to watch their children starving because the formal industry is unable to absorb all those in the economically active age range. This has also seen women further become breadwinners of their families with most of the men being reliant on the formal employment. Social standards have therefore been maintained by the involvement of the people in the informal sector.

#### 5.1.3 Entrepreneurship Lacks Stability

In order for entrepreneurship to be considered a suitable solution to the formal employment shortages there has to be a sense of stability in the sector. Entrepreneurship has been conducted by many using a survivalist approach removing it from its true nature of being the starting point of business development. The informal sector is filled with people who are mainly in business to sustain their families rather than impact the economic future of the country at large. This means that business are not opened with the hope that they will grow but rather that they provide enough income to sustain the families that are depended on them. Business is therefore a short term option whilst the owners wait for better opportunities.



#### 5.1.4 Government and NGOs Lacking in Informal Sector Management

ZIMASSET has still yet to benefit the informal sector in peri-urban Epworth. Despite vast efforts by the government to ensure that the local communities are in charge of their economic development there is a lack of funding to ensure that this development is achieved. It is difficult for small business owners to have loans availed to them by banks due to their lack of collateral. Youth empowerment funds have only reached a select few leaving the majority depended on personal finances which are already limited. Government has therefore only recognised that the informal sector is vital for economic development but has fully made strategies that cultivate its development.

NGOs have also shown interest in creating entrepreneurial opportunities for the public with entrepreneurial training being started in primary schools by organisations such as JAZ. This has also seen entrepreneurial training programs being availed to the Epworth business owner to help them effectively manage their businesses. It is however important to note that there have been no actual funds distributed towards businesses expansion. There is also the fact that NGOs are donor depended hence the progress of the projects are based on the amount of funding received by the organisation rather than what the community needs to develop. These loopholes in government and NGOs has seen the lack of sizable growth in the entrepreneurial sector.

## 5.2 Recommendations

The following recommendations emanated from the research:

### 5.2.1 Partnership between Government and NGOs

There is need for increased partnerships between government and NGOs towards the development of the informal sector. The government in partnership with development partners and banks should support entrepreneurial projects through the provision of financing especially microfinance credit. There is also the need to provide basic infrastructural assistance and expansion options so as to encourage business commitment amongst these small business owners.

### 5.2.2 Establish Formal Systems for the Informal Sector

The government needs to establish a formal manner of registering the personal in the informal system. Government should compile a database of all informal sector enterprises and their

employees. This would be the first step towards sector formalisation. The regulatory framework for business development must be reasonable and not hinder the development and growth of both formal and informal enterprises of any size because they co-exist.

#### 5.2.3 Economic Situation Cause for Concern

Government needs to deal with the factors contributing to the unemployment crisis in the country. The informal sector is unable to completely survive in isolation of the formal sector hence the need for the dying formal sector. This includes the availing of funds towards industrial production and ensuring that the Zimbabwean economic market is open to foreign direct investment.

#### 5.2.4 Entrepreneurial Programs Tailored for Economic Situation

Government and Non-governmental organisations should train informal sector entrepreneurs in the latest business management skills in order to cope with the continuing economic crisis. This will help those involved in the sector to come up sustainable solutions for their businesses rather than abandoning their initial business plans.

### 5.3 Conclusion of Study

This chapter provided a summary of findings as well as conclusions and recommendations of the study. It highlighted the major points noted throughout the study whilst also indicating the manner in which the relationship between the informal sector and economic development can be dealt with. The conclusion from the study was that the informal sector is no yet ready to pioneer the employment of the country let alone Epworth without the further assistance of all influential parties towards its development.

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## APPENDIX 1: QUESTIONNAIRE FOR ENTREPRENEURS

### Introduction

My name is Kudakwashe C. Masocha and I am a final year student at Midlands State University studying towards a Bachelor of Arts in Development Studies Honours Degree. I am carrying out on whether **entrepreneurship can be the answer to Zimbabwe's Unemployment Crisis**. I kindly ask for your participation in providing your views through completing the attached questionnaire. All information provided herein shall be strictly confidential and will only be used for academic purposes. Your contribution will help in the completion of this research. No names or information about any individual will be published.

Your co-operation will be kindly appreciated.

(NB) Tick  or Fill in Where Applicable.

### (I) Demographic Information

1) Sex

a) Male  b) Female

2) Age Group

a) 18-20years  b) 21-35 years  c) 26-30 years  c) 31-35 years

3) Highest Level of Education

a) Grade 7  b) Ordinary level  c) Advanced level

d) Diploma  e) Degree

**(II) Research Questions**

4) How long have you been a business owner?

- a) 1- 5 Months  b) 5-10 Months  c) 1-5 Years  d) 6+ Years

5) What prompted you to start the business?

- a) Lack of employment  b) Interest in Entrepreneurship  c) Other

6) What is your income range from informal trading?

- a) \$100 and below  b) \$100-\$500  c) \$500-\$1000  d) \$1000-\$1500

7) Have you received any training for Entrepreneurial Training?

- a) No  b) Yes

8) Do you have a Business licence for your operations?

- a) No  b) Yes

If no specify why, \_\_\_\_\_

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9) How has being an informal trader helped you? \_\_\_\_\_

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10) How has the Government assisted you in your business operations?

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11) How have you protected the environment from your operations?

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12) Should Informal Traders be registered?

- a) Yes  b) No  c) Maybe

If yes, explain: \_\_\_\_\_

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13) Given the opportunity, would you rather join the formal sector?

a) No  b) Yes

If yes, specify \_\_\_\_\_

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14) Are you aware of any regulations and policies governing the informal sector?

a) Yes  b) No

15) Have these policies assisted you in any way?

a) Yes  b) No

If no, specify \_\_\_\_\_

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16) Are you also involved in the making of these policies with the authorities?

a) Yes  b) No

If no, what should be done, \_\_\_\_\_

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Thank you for your cooperation.

## APPENDIX 2: INTERVIEW GUIDE FOR NGO PERSONAL

### Introduction

Good Day Sir/Madam.

My name is Miss Kudakwashe C. Masocha. I am a student studying an Honours Degree in Development Studies at Midlands State University in Zimbabwe and I am currently collecting data for my dissertation. The title of the dissertation: *“Can Entrepreneurship be the Answer to Zimbabwe’s Unemployment Crisis: A Case Study of Epworth”*. I respect and appreciate your valuable time, but could you please help in answering the following questions. I can assure you that this information will be treated with the strictest confidentiality, and all information given to me will be used for academic research purposes only.

Position of Respondent: .....

Date: .....

1. What are your views on entrepreneurship training?

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

2. What are your comments on dealing with the informal traders in Epworth?

.....

.....  
.....  
3. In your opinion are there adequate policy and legislative instruments supporting the Informal Sector?                      Yes                      No                         

a) If Yes, what are these and are they adequately implemented?

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

b) If No, what policies and laws can be put in place to address the gap?

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

4. What are the main challenges, if any, have you faced as an organisation in training entrepreneurial skills?

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

5. What can be done to address the challenges you have faced in training the entrepreneurs in Epworth?

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

6. In your experience on microfinance, what can be done to ensure that the informal sector grows effectively?

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

7. In your considered opinion, is the entrepreneurship a sustainable solution to Zimbabwe's unemployment crisis?                      Yes                       No

.....  
.....

..... a) If Yes,  
what are the indicators of sustainable entrepreneurial activity?

.....  
.....

..... b) If No,  
what can be done to ensure that entrepreneurship is sustainable?

.....  
.....

.....

8. What other avenues and opportunities can you recommend for the informal traders to receive adequate funding?

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

Any further comments or contributions to the subject

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

THANK YOU FOR YOUR CO-OPERATION