

**UNIVERSITY OF ZIMBABWE**



**An investigation into the perceived drivers of international remittances and their impact on Small-Medium Enterprises (SME) in Harare Metropolitan.**

**By**

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## **DEDICATION**

I dedicate this dissertation to my family.

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## **Abstract**

Remittances have received much attention in both regional and international development debates over the past years owing to their potential to stimulate development. The transfers to low-income countries of origin have presented resilient growth in the face of the recent economic downturn providing proof of their significance for many recipients in the developing world. However little attention has been given to the key drivers of remittances and their impact particularly on the growth and development of small and medium enterprises. The study sort to determine the impact of technology, cost of remitting, accessibility and government policies on the volume of remittances that can be received by SMEs.

A quantitative cross-sectional research design was adopted and hinged on the positivist research philosophy. The study also adopted the deductive approach where hypotheses were deduced based on the knowledge that was gathered from existing literature on remittances and SMEs. The research adopted a survey research strategy where convenience sampling was used to sample 26 SMEs operating within Harare Metropolitan Province. The unit of analysis was the owners, managers and supervisors of the sampled SMEs. The data was collected using self-administered questionnaires. The collected data was then coded and analysed using the IBM (SPSS) version 23.

The main policy implication from these findings is that there is need for effective policies to be implemented to boost the flow of remittances for investment purposes.

This study results confirmed that the three perceived driving factors (technology, cost of remitting and accessibility) have a positive and statistically significant impact on the volume of remittances received by SMEs and it was on this basis that the study recommended authorities, SME owners, managers and supervisors to prioritize the cost of remitting, technology and accessibility in order to boost the volume of remittances received. The study also confirmed a negative and statistically insignificant impact of government policies on the volume of remittances received.

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## **List of ACRONYMS**

FDI-Foreign Direct Investment

ODA-Official Development Assistance

OECD-Organisation for Economic Corporation and Development

RSP-Remittance Service Providers

SME-Small to Medium Enterprises

UNCTAD-United Nations Conference on Trade and Development

## **CHAPTER ONE: BACKGROUND TO THE STUDY**

### **1.1 Introduction**

In recent years, global flows of remittances have become steadily larger and more important as a source of finance for development particularly for developing countries. Remittances are an important source of funding for countries with large emigration rates and a key source of income for many households from developing countries. The volume of remittances to less developed countries is expected to have reached US D 432 billion in 2015, more than three times the volumes of Official Development Assistance (Ratha et al, 2016). It is therefore important to maximise the flow of remittances to alleviate poverty and promote sustainable development in migrant-sending communities and countries. International remittances being sent to developing countries are attracting increasing attention because of their escalating volumes and their impact on recipient countries (Orozco, 2003).

It is against this background that remittances are to be welcomed and actions that lower the cost of remitting and therefore attract additional flows should be encouraged. The numbers of studies conducted have examined the impact of international remittances on poverty in certain countries but we are not aware of any studies which explicitly examine the drivers of this phenomenon and their impact on SME development in Africa as a whole Maphosa, (2007). The positive effects of remittances on investment in some migrant-sending countries have been observed where they have financed the building of schools, clinics and other infrastructure. Maphosa, (2007)

The recent surge in the volume of remittances has attracted attention of policymakers, researchers and academics in both developed and developing nations. Remittances are believed to be more foreseeable and stable than both the foreign direct investment (FDI) and Official Development Assistance (ODA) flows. Migrants are opening new trade opportunities for small-medium enterprises (SMEs) in their home countries and forming new conduits for export from origin countries. However, it is therefore important to create favourable conditions in their home countries to attract diaspora engagement through investment, knowledge, skills and technology transfer (Maphosa, 2007). There is growing evidence that remittances can play a leading role if schemes are designed to raise interest of migrants to invest in home enterprises thus generating employment for their family members or relatives. There are notable researches on remittances and a few are also directed at SMEs (Afsar, 2014).

Remittances have a potential impact as a development tool that needs to be underscored as they complement national savings, increasing the financing pool for investment and stimulating growth. In addition, they can support consumption levels of low-income people that, in developing countries, can be a near subsistence levels Solimano, (2003). This study seeks to empirically investigate the drivers of international remittance and their impact on development and explores how policies directly and indirectly spur development by enhancing investments stemming from remittances particularly on small enterprises in Harare.

## **1.2 Background to the study**

In today's world of globalisation and international competition, the significant role of remittances in propelling development has become even more crucial and the need to offer incentives to attract such transfers into local savings and investment funds has become more inevitable Adenutsi, (2014). Remittances have become an essential source of foreign exchange for many developing countries, both in terms of absolute numbers and as a share of Gross domestic product (GDP) OECD, (2017).

Remittance inflows have increased significantly in recent years and have become the main financial external inflow in some developing countries surpassing other inflows that traditionally play an important role in these countries such as Official Development Assistance (ODA) as well as Foreign Direct Investment (FDI). The World Bank estimates that remittances now make up about a third of total financial inflows in developing countries (Dridi et al, 2019). The statistics on global remittances as reported by Migration and Remittance were calculated to reach \$601 billion in 2015 and developing states received 73.37% of the total which was about \$441 billion(World Bank, 2016),

The World Bank estimates that remittances now make up about a third of total financial inflows in developing countries. (Tung, 2018). Ratha and Plaza, (2014) also contends that remittances have proved to be an important resource flows which is greater than Official Development Assistance (ODA) as well as private debt and portfolio equity.

The dramatic increase in the size of remittances to the developing nations can be attributed to the improved immigration between the developed countries and the developing countries and the technological advancement that has enhanced the international transfer of payment between individuals at a low cost (Meyer and Shera, 2017)

According to IFAD, (2009) more than 30 million Africans live outside their countries of origin, sending more than US\$40 billion to their families and communities back home each year. The increasing role of remittances, especially their ability to remain resilient during periods of



economic and financial crises, has spurred an interest in development practitioners who wish to understand the nature, potential development impact, and policy implications of remittance flows World Bank, (2011)

The data on African migration and remittance flows are however likely to be understated because of the scale of undocumented migration within the African continent, the prevalence of informal remittance channels within the region, and the relatively weak official data in many African countries World Bank, (2006),. The report also states that the volume of remittance flows to Africa including unrecorded flows through informal channels is believed to be significantly larger than the official data and remittances would be even greater in Africa if the amount of flows going through informal channels was taken into account. The World Bank and the IMF report, (2010) also contends that if transfers sent through informal channels are included, total remittances could be as much as 50 percent higher than the official record. An estimated 35 to 75 per cent of remittances worldwide are sent through informal channels (Freund and Spatafora, 2005), which are not represented in official statistics. However, the degree of the economic impact of remittances on the receiving countries depends on how this money is spent by the recipient households.

According to Freund and Spatafora,(2005), the choice of provide for remitting money depends on a number of factors and the prominent among these are the cost of the transaction, speed, security of funds, geographic proximity, accessibility, convenience in terms of formality and infrastructure. He also added that the attractiveness of formal and informal channels varies greatly across these factors. Globally, studies indicate that informal channels are cheaper than formal ones which make the route attractive for small- medium enterprises in developing countries like Zimbabwe.

The reason for heightened interest in monetary remittances is a sharp rise in the amount transferred by migrants, mainly into developing countries. Evidence shows that a substantial amount of remittance transfers to developing nations are spent on household consumption (Ncube and Gomez 2011). They also contend that a share of these expenditures is directed towards the construction of homes, healthcare and education thereby generating local employment in these critical service sectors. Much of the remaining remittance flows to developing countries are household savings which can be invested in local infrastructure and productive activities often through the direct involvement of home country governments, local communities and diaspora remittance-receiving nations. These flows can also have multiplier effects for national economies and direct benefits for small enterprises.

Furthermore, if conscientiously kept and accumulated, remittances contribute to infrastructure development and investment for increased revenue in the long run, and this goes beyond merely increasing the consumption associations and these funds can then be significantly leveraged for co-financing development Ncube and Gomez (2011).

Remittances have also been recognized as an important and stable source of external finance for development which can move people out of poverty and lead to economic growth (Ratha, 2005). Migrant remittances have been shown to play an important role in the economic development of recipient families. Maphosa, (2007) also indicated that migrant remittances are spent on consumption with substantial amounts of the money earned through foreign labour channelled tremendously towards housing and purchase of real property leaving little money available for productive investment (Bracking and Sachikonye 2007).

Leveraging the remittances for small to medium enterprise development can provide a viable route to accelerate economic growth in developing countries and minimise poverty through labour-intensive, productive and innovative employment generation.

However, the economic potential of these flows has historically gone largely unrealized throughout the world. Ncube and Gomez, (2011) stated that while some innovative financial institutions and developing country governments are beginning to appreciate the possibilities of these financial flows, their full developmental potential is far from being maximized. Concerted efforts must be directed at establishing and improving the mechanisms through which the key actors notably the individual remittance senders and recipients can leverage these flows for developmental purposes (Orozco, 2003). With the recognition of the impact that remittances have on development, it is important that the government of Zimbabwe and the private sector explore ways to maximize their flows by scaling up successful policies and models. There is also need to improve the infrastructure and efficiency of institutions as Galetto, (2011) highlighted that, unfavourable infrastructure and institutions may hinder productive remittance investments.

Orozco, (2003) also added that it would be difficult to imagine progress on the remittances agenda without progress on financial sector reform, corporate governance, anticorruption efforts, and other related issues. It is therefore important that the government must take full ownership of the remittances agenda and ensure that their developmental impact is realised particularly in small enterprise development.

Maphosa, (2007), highlighted that “some countries have realised this potential and developed strategies to encourage the flow and investment of remittances which can contribute

significantly to poverty reduction and development". He added that such regulations and policies require the cooperation of government, migrant groups and local community otherwise remittances will continue to be used largely for consumption with limited proportion being invested in sustainable investment. Remittances are therefore an important source of finance and foreign exchange that can be utilised by SMEs to finance their activities.

Early work in this area focused on understanding the relationship between remittances, poverty reduction and economic growth in developing nations. The widespread view is that recipient households spend most of the cash transfers in daily consumption needs with little money left for investment and capital formation (Maimbo and Ratha 2005). Despite the ever increasing size and importance of remittances, less effort has been put to examine driving factors of remittances and their empirical effect on economic development especially on small enterprise development in Zimbabwe.

### **1.3 Statement of the problem**

Given the low rate of domestic savings and high government expenditure in many developing countries, external sources of finance particularly remittances have played a critical part in economic growth and development. However, lack of clear regulation and government policies to direct remittance income into productive sectors has limited the potential of remittances as a source of development finance in Zimbabwe. A scheme had been launched in 2004, the Homelink Scheme which would act as a vehicle through which the transfers would be sent into the country under the support of the Central Bank which however failed to produce results. This has incentivised many remittance senders to use informal channels to transfer money rather than using official channels. Informal remittance systems are widely used because of their speed, low cost, convenience and versatility (IMF, 2005). Remittances provide recipients with a source of hard cash making it easier to transact and invest in small enterprises in the informal sector where cash prices are low. In some cases, SMEs are used as conduits for transferring remittances and they then convince recipients to purchase products from them which make their businesses flourish. Small enterprises often flourish on their adaptability, their openness towards new ways of doing business, and their risk taking approach. As Maimbo and Ratha, (2005) rightly contend, more needs to be done to maximise the volumes and developmental impact that remittances offer otherwise flows will continue to be used mostly for consumption at the expense of investment in sustainable development.

## **1.4 Research objectives**

### **Main objective**

- To determine the driving factors of international remittances and to ascertain the impact of remittances on small-medium enterprises in Harare.

### **Specific objectives:**

- To determine the impact of remittances on small-medium enterprises in Harare.
- To determine the impact of technology on the size of remittances by SMEs in Harare.
- To examine the impact of costs on the amount of remittances received by SMEs
- To assess the effect of accessibility on the volume of remittances received by SMEs in Harare.
- To examine the impact of government policies on remittances received by SMEs
- To provide recommendation to policy makers in terms of the need to effectively manage remittances to achieve economic development

## **1.5 Research Questions**

To achieve the above objectives, the study specifically seeks to address the following questions:

### **Main question**

- What are the impacts of international remittances and their role on small to medium enterprises development in Harare?

### **Specific Questions**

- What is the impact of technology on the volume of remittances received by SMEs?
- What impact does cost of remitting have on the volume of remittances received by SMEs?
- To what extent do accessibility impacts remittances received by SMEs?
- How do government policies and initiatives on remittances affect small-medium enterprises development in Zimbabwe?

## **1.6 Hypotheses to be tested**

In consistent with the afore-stated objectives, the study proposes the following hypotheses to be tested empirically based on the literature review.

**H1:** Technology utilisation have a positive impact on the volume remittances received by small-medium enterprises.

**H2:** Cost of remitting have a positive impact on size of remittances received by SMEs

**H3:** Accessibility of remittance services has a positive impact on the amount of remittances received by SMEs.

**H4:** Government policies and initiatives on remittances have a positive impact on SME development.

### **1.7 Scope of the study**

Scope basically refers to the boundaries of the study which mark the breadth and depth of issues to be covered in the research. Therefore this research will focus on the drivers of international remittances and the impact on small-medium enterprises in Harare. The study analyses the impact of remittance on small enterprise development in Harare providing strong foundation on international remittances and development nexus in Harare context which can benefit both the policy makers and researchers who are interested in carrying out research on remittances and development.

### **1.8 Significance of the study.**

Although there is growing literature on the importance of remittances, very few studies have empirically examined the drivers of remittances and impact on development in general and also small enterprise development in Zimbabwe. The research will cover this academic gap and shall be a permanent academic reference for scholarly achievement by the researcher. This study will also contribute to academic research by extending empirical studies on the links that exist between remittances and small enterprises development.

In particular, the current study provides important and valuable insights to the authorities and SME owners and managers about how drivers of remittances can provide an enabling mechanism to improve volume of transfers received.

The study is also considered important in the Zimbabwean SME industry in particular as the good knowledge of the drivers and impact of remittances will help policy makers to devise strategies that will further boost the inflow of this very important source of foreign currency to the country. In other words, this study is intended to help policymakers and developing

countries to better understand the phenomenon of remittances flows to the country, their impact on development and how best to employ related policies to optimize these flows. This optimistically will help untie the foreign exchange constraints that have so far weakened the capacity of the country to operate effectively in the international market. The results of the study will assist policy makers in formulating policies that ensures remittance flows are increased and harnessed in the recovery of the economy.

### **1.9 Dissertation outline**

This dissertation comprises five chapters. The outline of presentation of the chapters is as follows:

**Chapter one** provides a broad insight into the study. In particular, the introduction, the background of the study, the research problem, the objectives of the study, the research questions, the significance of the study and the dissertation outline. The chapter also presents the research hypotheses, the scope of the study, as well as the structure of the dissertation.

**Chapter two**, the literature review, will first present some definitions and characteristics of remittances. It will then go through relevant literature that discusses the drivers of remittances and their impact on small to medium enterprises growth. It will also show the latest numbers on remittances at an international, national and local level before describing some general views regarding the benefits of remittances. Lastly, the chapter will present a conceptual framework.

**Chapter three**, the methodology and procedures followed in the present study is provided. It will give a brief introduction on methodology in general before presenting the various tools and techniques that will be used for the data collection of this study. Finally, the chapter ends with a brief discussion on ethical considerations and challenges and limitations.

**Chapter four, data** analysis and presentation, this will first give a short introduction on remittances and SMEs. It will then attempt to answer all research questions and give an analysis and discussion of the drivers and importance of remittances on SME. At last, it will sum up the discussion and analysis and through this try to give an answer to the drivers of international remittances and impact on small enterprise development in Harare.

**Chapter five**, the final chapter will summarise and concludes with policy recommendations along with some suggestions for future research.

### **1.10 Chapter summary**

This chapter focused on the introduction of the study which provided an overview of the research. It sought to determine the drivers of international remittances and their bearing on SME in Harare. The study was motivated by the fact that although remittances have emerged as a significant source of external finance, their full developmental potential has not been realized. It was then followed by an explanation of the background to the study which defined the events which lead to the problem under review. After that, a statement of the problem was presented to highlight the focus of the study. To substantiate the hypothesis, responses to the highlighted objectives and research questions will be key in arriving at a conclusion and thus offer recommendations. The study also highlighted the significance and outline of the study. Chapter two discusses existing theory and models as well as literature synthesis and the conceptual framework.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter looked on a number of literature by various authors published in different forms such as online journals, printed books, online newspapers and other websites from credible sources that are in line with my research questions. It summarizes the background and context of the entire research in relation to literature. Literature review analyses the area of the research which has been resolved in the study as it is the outline of the research. It also shows the gap between the investigator's interest and knowledge of the focus area (Boswell & Cannon 2009). Literature review is most essential to identify the problem of the study which can be solved by gathering of data. The chapter is organized as follows: it begins with an introduction, definition of key terms, a review of theories in relation to international remittances, then a review of the empirical studies and finally the conceptual framework is suggested.

### **2.2 Explanation of the search strategy for the literature**

The researcher has found out material which is relevant to the international remittances and small enterprise development. To find the literature, authoritative books, journal articles, print or electronic media, newspapers and web sources have been used by the researcher. The last stage of literature review is synthesis, which means discussing the findings and conclusions of relevant literature.

### **2.3 Definition of the phenomenon**

Workers remittance is defined in the IMF Balance of Payments Yearbooks as comprising of "goods or financial instruments transferred by migrants living and working in new economies to residents of the economies in which the migrants formerly resided". It further states that remittances are "transfers made by migrants who are employed by entities of economies in which the workers are considered residents" and such transfers are usually money sent to country of origin by workers living abroad for more than one year cited in (Okodua, 2012).

Remittances may also be viewed as transfers of money, goods and diverse traits by migrants or migrant groups back to their home countries. The conception of remittances often conjures only monetary aspect however, remittances include both monetary and non-monetary transfers including social remittances (Okodua, 2012). Social remittances are defined as "ideas, practices, mind sets, world views, values and attitudes, norms of behaviour and social capital that is knowledge, experience and expertise that the diasporas mediate and either consciously or unconsciously transfer from host to home communities" (North-South Centre of the Council of Europe, 2006 cited in Ouchou, 2008).



Remittances can also be defined as money transfers made by people who left their home country to their family, relatives or friends in their home country (Nita, 2018). The wave of African migrants to Europe continues unrestricted and the major reasons given by most migrants are that in their home countries, there are no job opportunities, inadequate social infrastructure and lives are not secure due to the problem of insecurity (Awojobi, 2017). These migrants frequently send money home through money transfer or they buy goods abroad and send home for selling. However, this study aims to complement the existing literature on the interface between remittance and development as well as filling in existing gaps (Awojobi, 2017).

According to Adams, (2009) remittances refer to money and goods that are transferred to households by migrant workers working outside of their home countries. Since migrants typically leave their families behind, they have a strong bond with the countries of origin and maintain regular contact through remittances.

Millions of migrants send money home and through this, they contribute to the socioeconomic improvement of their respective families as well as aid the improvement of the economic condition of their home countries. Awojobi, (2017) highlighted that on an annual basis, significant numbers of migrant workers send remittances home from developed countries to developing nations. According to World Development Finance report, (2005), workers remittances provide appreciated financial resources to developing countries, particularly the poorest.

There is no standard definition of SMEs among nations as each country applies its own definition and in some countries the definitions vary even among ministries. According to the Ministry of Small and Medium Sized Enterprises Development in Zimbabwe, (2002) small and medium enterprise is a registered firm that employs between 30 to 70 workers and this varies with the type of business being done. SME also refers to formally registered distinct business entities with full time employees ranging 6 to 80, operating in any sector of the Zimbabwean economy and with an annual turnover falling between US\$100,000 to US\$5 million (Makunike, 2012).

The SME Department of the World Bank provides a standard definition of the SME which views small and medium enterprises as those formal sector entities with up to 50 employees and total assets and total annual sales of up to US\$3 million (World Bank, 2007).

## **2.4. Underpinning theories**

### **2.4.1. Pure altruism**

This theory states that migrants send money to their families because they care about the well-being of their family. The word altruism means humanity, self-sacrifice and philanthropy. It assumes that before leaving home, migrants know the living conditions of their family members and in order to support their family after leaving home and working abroad, they start remitting money and goods to their families.

Leading scholars on migration and remittances such as Agarwal et al (2011) agree that altruism is the major reason for remittances. They also added that because of the high level of poverty in developing countries, migrants take the responsibility to send money home to improve the living conditions of their family members. Okodua, (2012) contends that altruism is regarded as the dominant motive for remitting and that it has always been a dominant culture in Sub-Saharan Africa and this has a key role to play in explaining the role of remittances in the economic growth processes.

Advocates of altruism theory also contend that individual family members are indebted to help each other and that this explains migrant remittent decisions Rapoport et al, (2006). (Opong, 2012) also suggests that migrants will be willing to transmit resources to make up for the income shortfall of family members for either their consumption or investment. He also postulates that a migrant “will willingly sacrifice his or her own well-being or interest for the sake of the welfare of relatives due to the love and concern they may have for their relatives welfare”. The theory states that one must be compassionate and must sacrifice or relinquish something for the benefit of another person without expecting anything in return.

### **2.4.2. Tempered Altruism or Enlightened Self-Interest**

In contrast to altruism, self-interest is also a drive to remit by migrants. In this case a migrant sends remittances with the hope to inherit and demonstrate admirable behaviour as an investment for the future (Shera and Meyer, 2013). They also added that if a migrant wants to invest at home, the family can be a trustworthy and well-informed agent and if they intend to return home they may already have invested in housing, livestock and will ask the family to be the agent. The household can also be thought of as playing the role of an insurance company that provides members with protection against income shocks by spreading the sources of income (IMF Working Paper, 2004).

The tempered altruism and implicit contractual theory suggested by Lucas and Stark (1985) postulates that the decision to remit results from the mutually beneficial informal contractual

arrangements between the migrant and the home. They argue that this implicit contractual arrangement that clarifies migrant decisions are the result of two major factors namely risk and investment and the absence of formal insurance contract and highly incomplete capital markets. The theory states that with respect to risk and investment, families invest in the future prospects of migrants and remittances are the return on investment for the families' concerned. The second factor of risk and investment relates to the family need to diversify income due to the risky environment in the absence of open market insurance contracts that both families and migrants face.

#### **2.4.3 Implicit Family Loan Agreement**

This theory has been put forward by Poirine, 1997 in which he argues that migrant remittances result from the existence of internal family markets which finances the investment in human capital of young family members or the cost of migration. Therefore, the repayments of such loan contracts seem as remittances when they are made by family members who reside in different countries. Poirine argues further that such implicit family loan arrangements have three stages of remittance flow over time. The first phase involves youthful migrants implicitly taking out loans from family members to finance their education which makes them more productive probably in terms of knowledge and skills. The second phase leads to emigration and remittances by migrants to their children back home to further fund their education until they are also ready to leave. The last and third phase involves former emigrant-lenders who have retired to their home country receiving remittances as repayment of their earlier loans. However, the theory that migrant remittances are the result of implicit family loan arrangements is unacceptable and an impingement on the character of parents who are seen as being unwilling to do what is right for their children without charging them for it (Shera and Meyer, 2013). Secondly the analysis suggest that some communities only exist to educate their youth to migrate but not to contribute to the manpower requirements of their home country.

#### **2.4.4 Intention to Return**

Intention to return is also often cited as a motive for remitting funds and other resources by migrants to their country of origin (Delpierre and Verheyden, 2009). The intention to return motive is often attributed to the motivation to inherit which suggest that migrants will have the incentive to maintain contact and interest in their origins (Lucas and Stark, 1985). The intention to return most often, leads to investments particularly in housing stock by migrants. However, the difficulty with accepting this argument is that in most traditional societies, succession and division of inheritances are often dictated by clear traditional guidelines based on rights rather

than financial standing (Opong, 2012). It may therefore be in the financial interest of the migrant to save and build their own capital rather than have aspirations to inherit.

## **2.5 Importance of the subject**

The study is considered important to developing countries in several ways as follows, a good knowledge of the growth and developmental role of remittances will help encourage appropriate regional and national policies that will further boost the inflow of this very important source of foreign currency to the country. In other words, this study is intended to help policymakers, the developing countries to better understand the phenomenon of remittances flows to the country, their drivers and impact on development particularly small and medium enterprises and how best to employ related policies to optimize these flows. This optimistically will help untie the foreign exchange constraints that have so far weakened the capacity of most of the African economies to operate effectively in the international market.

Also, researches on remittances and SMEs contributes to a better understanding of the linkages that exist between remittances and small enterprises, which has been generally neglected in previous studies and will help to show a more complete representation of the effects of remittances on the economy.

## **2.6. Discussion of commonalities or contradictions in the research area**

### **2.6.1 Remittances and Development**

Remittances flow is directly to households and they are widely distributed in small amounts throughout the economy. This makes remittances capable of having a much broader effect on home country economies than either FDI or ODA (Okodua, 2012).

One way in particular by which remittances can be leveraged for development is through remittance-based credit for small to medium enterprise (SME) development. For instance in 2008, a US based non-profit organisation, TechnoServe aiming at providing entrepreneurial solutions for the economic development of low to middle-income countries and Microfinance International Corporation (MFIC), a U.S. based financial services company targeting the underbanked immigrant clientele in the U.S. partnered to promote the productive use of remittances to El Salvador where remittances amount to 18% of GDP, by facilitating the sourcing of funding for small entrepreneurs in developing countries with the goal of growing their enterprises (Okodua, 2012). Larson & Angman, (2014) studied the impact of remittances on development in 99 developing countries and from their empirical evidence by using yearly panel information of third world countries found a positive link between remittance and development.

Remittances can also be channelled as a source of development finance by home countries to support development and poverty reduction, including the building of local infrastructure and productive capacity UNCTAD (2010). For instance, the Indian Government launched an ambitious \$500 billion national infrastructure project to overseas Indians in more than 50 countries. The Indian diasporas will participate through public-private partnerships that will include knowledge and financial contributions from them and if the model succeed, they could open a new way to finance significant infrastructure projects by migrants interested in promoting development and higher standards of living in their home countries UNCTAD (2010). With regard to this, Skeldon (2002) argues using the example of the expenditure on private house construction that can stimulate local building enterprises helping to generate employment and trade in materials.

Furthermore, remittance transfers tend to have higher development potential during the crisis because they can act quicker be steadier and more efficient for the benefit of the locals than the other development tools such as FDI and ODA. We are more likely to observe this when the regional economic crises strike for example in the case of South-East Asia 1997-1998 economic crisis (Stojanov and Strielkowski, 2013). Remittance inflows have proved to be resilient relative to FDI and are an important component of financing for development. UNCTAD (2010) stated that the reasons for the resilience of remittance flows include some level of stability of many resident migrants in host countries and continued demand for many of the services performed by migrants even during the crisis because the services are not performed by locals either due to demographic change or the reluctance of locals to do them. However, significant barriers exist in harnessing the positive contribution of remittances in development and poverty reduction. These barriers increase the risk or cost of sending home remittances and impede new flows of remittances into the country. The former can be found in both sending and receiving countries and they include lack of safe, reliable, affordable and accessible transfer systems for remittances, taxation, information asymmetries regarding the nature of the services, prices and competition (UNCTAD, 2010). Also the level of coherence and coordination of policies, regulations and institutions relating to migration and the use of remittances varies among countries (UNCTAD, 2010).

### **2.6.2 Remittances and economic growth**

It is very clear from the literature that while most of remittance works have focused on development and poverty reduction; the debate about the impact of remittances on economic growth is still on-going (Okodua, 2012). The growing importance of remittances flows has

given rise to a large literature that analyses the economic impact of these flows. Recipient households often channel these funds towards human capital investments chiefly education, healthcare and food which affect long-term economic growth and thus reduce poverty (Docquier et al, 2012). They added that if remittances are spent on sectors that have strong forward and backward linkages with other sectors, the overall impact on output would be even higher. This implies that changes in demand in one sector due to remittances can significantly affect other sectors related to it through input-output linkages.

Consequently, a relatively small increase in production in one sector can be amplified in the economy due to these linkages for example remittances inflows may increase consumption in certain sectors such as food, retail and education which may have strong dependence on other sectors such as agriculture and manufacturing (Dridi et al, 2019). As a result, a relatively small initial change in consumption may quickly propagate to the rest of the economy. Furthermore, if these flows increase consumption in sectors that have strong sectorial linkages with other economic sectors, the positive effect of remittances may propagate to these sectors and have an enlarged aggregate effect on the entire economy (Dridi et al, 2019).

In a cross sectional study of 37 African countries, Fayissa and Nsiah (2008) explored the combined effect of remittances on economic growth and found that remittances enhance growth in countries where the financial systems are less developed by providing another way to finance investment. This is consistent with Woodruff and Zenteno, (2004) results which identified a number of channels through which remittances could raise economic growth and these include a situation when an increase in remittances increases investment which could be expected to affect growth positively. If this effect is large enough, then remittances could alleviate the credit constraints faced by most people in developing countries.

On the contrary, some empirical studies obtained findings in support of a negative link between remittances and economic growth for instance Chami et al, (2003) suggested that remittances “are unlikely to promote economic growth because of a moral hazard problem that is reduced labour market participation as well as other factors”. Chami et al. (2005) also suggested that remittances are compensatory transfers that are likely to smooth household consumption but that could depress production in the home country. Their argument here is that migration deprives the economy of the most productive workers and that remittances have adverse effects on those staying behind (Okodua, 2012)

### **2.6.3 Remittances and poverty alleviation**

There are continuing debates on the link between international remittances and poverty alleviation. Some researchers have acknowledged the impact of remittances on poverty reduction while others have criticised the consequences of remittances. Of recent, attention has been given to different channels through which transfers interact with poverty reduction in developing countries and some of the channels as discussed in the literature include family consumption, investment, national saving, exchange rate and financial development. The nexus between remittances and poverty reduction has been widely discussed as compared to other channels (Oyelami and Ogundipe, 2020).

Remittances from migrants proved to have positive impacts on poverty reduction and development in originating countries mostly developing ones significantly contributing to the achievement of the Millennium Development Goals. These impacts become greater when remittances can be saved and invested in infrastructures, small enterprises and productive sectors (UNCTD, 2011). Brown (2006) stresses the importance of remittances in the context of Millennium Development Goals particularly poverty alleviation. He further stated that traditional tools like ODA are not sufficient for MDG achievement.

Also, remittances are likely to reduce poverty “as they are in many cases directly received by the poor augmenting their income and alleviating their poverty” (UNCTD, 2011). It further stated that in some countries, remittances may make up over 50 per cent of the recipient’s total household income and they represent a more stable source of poverty reduction than other capital flows.

Adams and Page, (2005) carried out their studies from a new set of data from seventy one developing nations and their findings demonstrated that remittances extensively reduce poverty in developing countries.

Also, Ratha and Mohapatra (2007) studied the bearing of remittances on poverty reduction economic growth and provide suggestions on modalities for developing countries to better use these capital inputs. Gupta et al, 2007, contends that remittances contribute to poverty reduction.

In conclusion, there are scattered results on the development, economic growth and poverty reduction impact of remittances. However, the development potential of remittances outweighs the adverse effects and countries are increasingly becoming aware of the income and wealth of their overseas Diasporas as a potential source of capital (Makina, 2010)

Significant challenges still exist in originating and destination countries in order to improve accessibility, affordability and safety of remittances transfers. Also, an absence of products and services designed to specifically respond to migrant needs, promote savings and incentivize entrepreneurial activities is hindering the potential that remittances have for growth and development (UNCTAD, 2013). Furthermore, an accumulation of new restrictions on temporary movement of people for instance COVID-19 pandemic and difficulties in protecting and enforcing migrant's rights are becoming substantial stumbling blocks for remittance flows.

## **2.7 Discussion of key variables**

### **Technology**

Technology applications in development finance are increasingly demonstrating their validity as vehicles that ensure financial access and asset building. Businesses and policymakers have found an important link between remittances and various forms of technologies as the means by which people can increase their lot with their finances (UNCTAD, 2013).. The report also stated that host of new remittance transfer systems have been developed in recent years such as mobile phone transfers, card-based transfers, and Internet transfers.

Information and communications technology has been one of the cornerstones of growth in many developing nations mainly due to its ability to support trade, capital flows, communications and mobile remittance services (Kumar, 2014). According to USAID and DFID (2005), technology and innovations to expedite remittances are seen as offering a great potential as they rely on existing systems of mobile phone networks and mobile banking services and are thus relatively easy to realize. They added that mobile remittances have a high development potential as they hold the promise of providing speedy, easy and cheap money transfers. Porter, (2009) reinforced the idea by adding that new transacting technologies have increased the affordability and accessibility of remittances thus fostering a broader inclusion in financial services of 'unbanked' recipients and marginalised people.

Due to a sharp increase in mobile phone usage in Zimbabwe, remittance service providers are spreading their services and enabling greater opportunities for mobile transfers. It is therefore important to put in place effective policies that address the limitations in the regulatory and financial infrastructure for remittance service providers to become the foundation for mobile remittances (Siegel, 2012).

The USAID and DFID further stated that when looking for new and effective ways of sending and receiving remittances, much attention must be paid to technological innovations such as mobile remittance services. The intensification of new communication and information



technologies and innovative mechanisms for delivering financial services are creating new opportunities for users to get money into their hands and ideally into the accounts of those who need it most (DFS, 2018). These sorts of innovations are considered to lower prices for remittances and increase easy access for remittance receivers especially in areas that are difficult to reach.

Hahm et al, (2009), pointed out that, the important nature of remittances in families' daily lives, financial technology transfers could trigger people's trust in the digital economy -motivating them not only to own an account but also to make use of it to build savings, pay bills and access credit. In their study about the impact of technology on financial inclusion, Loukoianova et al (2018) found evidence that the spread of mobile technology as a proxy for financial technology adoption has a positive effect in improving access to banking services such as deposit accounts and bank loans.

According to DFS report of 2018, it is estimated that between 2015 and 2030, \$6.5 trillion in remittances will be sent to low- and middle-income countries. The report also suggested that with the rapid evolution of technology-based remittance services, there is an urgent need for regulators and authorities to collaborate with international peers to absorb and implement best practices. It further stated that "collaboration among regulators within remittance corridors, both regional and global, can enable harmonization of regulatory approaches".

### **Cost of remitting**

An important factor that causes migrants to use informal channels is the high cost of transferring funds through formal channels (Gibson et al. 2006; Yang, 2011). The World Bank (2019) highlighted that the average cost of transferring US200 to developing countries remained at 7 percent in the first quarter of 2019, and about the same level as in previous quarters.

An important factor that causes migrants to use informal channels is the high cost of transferring funds through formal channels (Gibson et al. 2006).

Given the importance of remittances for developing countries, understanding how to bring down the costs of remitting is of interest for researchers and policy makers, (Ratha et al 2018). It is stated that the cost of remitting is one of the 2030 Sustainable Development Goals and it is also an important policy objective as it helps to bring remittances into the formal sector of the economy, enhances financial inclusion and increases the net income of receiving households (Ahmed and Mughal, 2020). According to Ratha, (2006), remittance service providers in the formal sector usually charge fees of up to 10 to 15 percent of the principal amount to handle the small remittances usually made by poor migrants. She added that "this

cost puts a financial burden both on the migrants who remit and on the recipient who consequently benefits less from their overseas family members' efforts".

Ahmed and Mughal, (2020) opined that the cost of remittance services can vary considerably by region and transfer methods. The cost is lowest in South Asia at 5 percent while Sub-Saharan Africa continues to have the highest average cost at 9.3 percent (World Bank, 2019). This study seeks to examine whether and to what extent does the reduction in the cost of remittances increases the flow of transfers to developing nations particularly Zimbabwe and whether larger volumes are remitted when the costs decreases.

Bringing down the cost of remitting is beneficial for a number of reasons, firstly it helps to increase the flows through formal channels especially banks thereby contributing to the receiving country's foreign account balance. Hahm et al, (2019) postulated that lowering remittance transaction costs also contributes to reducing informal sector by decreasing informal remittance transfers from migrants to their families.

Ahmed and Martinez (2016) conducted a study using bilateral data on remittance flows to Pakistan and finds a significant and negative effect of transaction cost on the remittance inflows suggesting that higher transaction costs result in either a greater use of informal channels for money transfer or the remitters desisting from sending money to their homes. The authors also suggest that the reduction in transaction cost should both increase the remittance volume and enhance financial inclusion by redirecting remittances flows from informal to formal channels. In a similar manner, Kakhkharov et al (2017) investigated remittance flows to former Soviet Union countries and found that a reduction in transaction cost and depreciation of the currency in the sending country are the key factors that influence the growth of recorded remittances.

### **Accessibility**

A key factor in the choice of remittance services everywhere is accessibility (Maimbo and Ratha, 2005). The authors opined that the concept of accessibility encompasses a person's awareness of a service as well as its proximity and reliability. They added that ready access at both the sending and receiving ends is another deciding factor in the choice of transfer services and lack of outreach of services especially into rural areas poses a great barrier. Maimbo and Ratha, (2005) contended that in much of Africa, the financial infrastructure is weak and services reach few rural and low-income people among the main recipients of remittance transfers

According to the World Bank report, (2007), the domestic financial infrastructure, in particular in receiving countries, is underdeveloped. For example, in developing countries like Zimbabwe, the banking network or other potential networks of agents may not be very

extensive especially in rural areas which creates a serious physical access problem for many recipients. The report also stated that “even where agents do exist, the domestic payment system needed to transfer the funds to the disbursing agents may be slow and unreliable or may lack adequate geographical coverage” Although African capitals and other urban centres offer fairly good access to remittance transfer services, rural areas tend to be much less well serviced because many formal remittance services do not have the requisite systems or outreach. For example, Maimbo and Ratha, (2005) indicated that only banks that are part of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) interbank transfer system or a similar system can obtain international transfers.

Stanton et al, (2004) reinforced that many rural people face higher costs and weaker access to remittance monies. They also added that there is a lack of branch networks amongst banks and money transfer companies owing to the extra cost of operating in rural areas. The World Bank report of (2007) further contended that “underdevelopment of the domestic financial infrastructure, particularly in receiving countries, may mean that transferring funds to the access points is slow and unreliable; in some cases non-cash payment services may only be available in urban locations”.

On the contrary, Post offices are usually cheaper than banks or MTOs because of their very wide physical network across the world (Kamuleta, 2014). It is also suggested that due to their sound financial dimension, post offices have the potential to link remittances with financial products, while reaching underserved rural areas for instance a study by Clotteau and Anson, (2011) reported that “more than 80 percent of post offices in Sub-Saharan Africa are located outside the three largest cities in each country but in small and medium-sized towns”.

However, Post offices which are main service providers as far as access or outreach are concerned, are not as highly used as they could be because clients in many receiving countries view their services as inefficient and unfriendly (Maimbo and Ratha, 2005)

According to the World Bank report, (2006), “access of poor migrants and their families to formal financial services for sending and receiving remittances could be enhanced through public policies that encourage the extension of banking networks, allow domestic banks from origin countries to operate overseas, provide identification cards to migrants, and facilitate the participation of microfinance institutions and credit unions in providing low-cost remittance services”.

Terry, (2005) suggested that ‘remittances can be an entry point to the formal financial system for the ‘unbanked’, giving them access to bank accounts and other financial products such as consumer loans, mortgages, life and non-life insurance products and pension plans’.

## **Government policies**

Governments in destination and origin countries can improve the developmental impact of remittances through the application of appropriate policies. The remittance industry, like any other, is likely to flourish best when the general legal framework in which it operates is sound, predictable, non-discriminatory and proportionate (World Bank, 2006). It is argued that taxation at the migrant's working place and at the recipient's location of the 'same' remittance flows may lead to a double taxation which can deeply weaken the socio-economic insurance strategy of migrants and their families to overcome poverty and underdevelopment. As such, the taxation of remittances should be clearly addressed through international dialogue involving both home and host countries (Kamuleta, 2014). According to Kalaj, (2013), government policies affect migration or remittance flows by altering the factors that determine peoples' movement.

It is believed that governments may implicitly tax remittances when they require recipients to convert transfers to local currency at uncompetitive official exchange rates for instance in India, Ethiopia and Venezuela (Mohapatra, 2010).

The UNCTAD, (2013) report opined that coherence and coordination of policies, regulations and institutions relating to migration and the use of remittances differs among countries.

However, the general trend is to exempt taxes on foreign remittances, for instance, in the Philippines, the government decided to exempt the remittances of its overseas workers from documentary-stamp taxes. In a similar vein, in Pakistan a recent proposal by the Federal Board of Revenue to tax remittances has faced strong criticism from various fronts (Kamuleta, 2014). The governments can support the tax exemptions for importing point of sale devices and explore the regulatory environment that can permit international foreign currency transfers in a mobile device account associated with a bank (UNCTAD, 2013).

The UNCTAD report of 2013 highlighted that even though governments might have different reasons to tax remittances, such measures are not recommendable as they could raise transaction costs and incentivise informal channels (Kamuleta, 2014). Other writers proposed that the government should liaise with other countries to reduce or subsidise taxes charged for remittance sending so as to increase the frequency of remitting (Nyikahadzoi et al, 2019). They added that in order to reduce the transaction costs of remittances for recipients using mobile money transfers, the government should take action to reduce bank charges and prevent unlawful interest charged by service providers.

According to the World Bank report (2006), many sending and receiving governments are beginning to consider policies to increase remittance flows and encourage transfers through

formal channels. In the recipient countries, these policies include tax exemptions for remittance income; improved access to banking services by recipients, incentives to attract investments by migrants, access to foreign exchange, support for the projects of migrant associations, and help for migrants in accessing financial systems (World Bank, 2006).

UNCTAD, (2013) report pointed out that several countries have been active in leveraging remittances in devising mechanisms to promote investment, financial stability, businesses start-ups and local infrastructure building. It further stated that efforts have been deployed by government and development cooperation agencies to further engage diaspora actions and channel their knowledge and social contributions to local development efforts.

It is therefore important that governments should come up with a comprehensive approach that seeks to set clear and aligned policy goals and priorities, establish adequate mechanisms to facilitate remittances flows and to channel them into investment, savings, and productive capacity as well as multi-stakeholder consultations processes to facilitate remittance flows for development (UNCTAD, 2013).

## **2.8 Empirical studies, Contradictions and Research Gaps in Literature**

Chisasa (2014) in his study “Nature and characteristics of informal migrant remittance transfer channels: empirical study of remittances from South Africa to Zimbabwe” conducted a survey in an attempt to describe the prevalence of sending informal remittances from South Africa to Zimbabwe by bus or taxi. The field work for the study was conducted in Johannesburg Central Business District (CBD) during October and November 2009. A total of 206 taxi and bus drivers were surveyed in Johannesburg Central Business District to determine reasons for migrants choosing them and not formal channels when sending remittances. The Johannesburg CBD was selected because most Zimbabweans reside and work in areas in and around Johannesburg. He postulated that incoming Zimbabwean immigrants prefer to come to Johannesburg first before relocating, largely because of the connection they have to relatives and friends who would have migrated earlier.

The results of the study found that Zimbabwe migrants living in South Africa use informal channels such as cross-border buses and taxis. It was also established that speed, convenience and efficiency are some of the characteristics which influence the choice of informal remittance channels in spite of the presence of renowned international brands such as Moneygram and Western Union who subject migrants to rigorous vetting procedures.

The study recommendations are provided to policy-makers for capturing the informal remittances which come through buses and taxis as they will help development planners to

allocate foreign remittances efficiently. He recommended that policy-makers should capture the in- formal remittances which come through buses and taxis as this will help development planners to allocate foreign remittances efficiently.

However, the study wasn't clear on how these remittances are used by recipients' particularly small enterprises a gap which will be addressed by this study.

Kose and Vermeluen, (2014) conducted a survey to investigate the determinants in migrants' choice of payment channel when sending money to relatives abroad. They surveyed migrants in the Netherlands identifying five remittance channels which are bank services, money transfer operator (MTO) services, in-cash transfers via informal intermediaries, ATM cash withdrawals abroad and carrying cash when travelling back home. The study used a number of survey techniques such as online surveys and face-to-face or paper-based interviews to minimise non-response. Their results established that the choice of remittance channel is strongly affected by migrants' views of the costs, ease of use and the handiness of various remittance options. Firstly, they showed that higher educated migrants are less likely to use informal transfers or to bring cash themselves to the recipient. Secondly they found that bank transfers are usually ideal for larger amounts due to the level of remittance fees, whereas other channels are preferred for small remittances. They contributed to existing literature by empirically examining the determinants of migrants' choice of remittance channel and, in particular, by creating a link to their regular daily payment behaviour. However, the results did not suggest how the transfers sent through these channels are used by recipients' particularly small enterprises.

The study by Ncube and Gomez, (2015) aimed to follow the distribution of remittance use between consumption and investment, analyse the kind of investments remittances promote in the local economy and examine the ways in which remittances impact on local development in rural Zimbabwe. The contribution of remittances was analysed within the framework of four indicative aspects of local development, namely, income generation, agricultural productivity and growth, job and enterprise creation, as well as infrastructure improvements. To establish these dynamics, mixed research methods were used. The study concluded that a local economy fuelled by remittances alone remains essentially unbalanced and most likely incapable of sustaining long-term local development, but the cash transfers reduce poverty, stabilise households' access to necessities and expand the list of wants, which support a favourable environment for diversification and complementing mechanisms.

The study recommended that conscious policy efforts could be put in place to support the enterprises that have the ambition to go beyond their current achievements. It further recommended that local authorities could should focus their efforts to uphold and implement programs aimed at increasing the rate of enterprise creation, building the capacities of the entrepreneurs and their businesses (Ncube and Gomez, 2015). Rondinelli and Kasarda (1992) postulated that SMEs' ability to generate jobs and promote local development "depends ultimately on policies that create an environment conducive for private enterprise development".

Maphosa, (2007) conducted a study titled "Remittances and development" in which he examined the effect of migration to South Africa on rural livelihoods in Southern Zimbabwe. He found out that transfers from migrants in South Africa contribute significantly to the wellbeing of many households in the southern districts of Zimbabwe. He further postulated that remittances contribute to better standards of living and improved access to health care, education and to a lesser extent, are invested in productive activities. His study recommended that for the developmental impact of remittances to be realised, there is need for collective effort including the government, the local community, non-governmental organisations and international organisations to seek ways of encouraging the flow and creating an environment for more sustainable investment of remittances. The study however did not indicate the drivers of these flows and their impact on small enterprise development. This gap will be covered by this study.

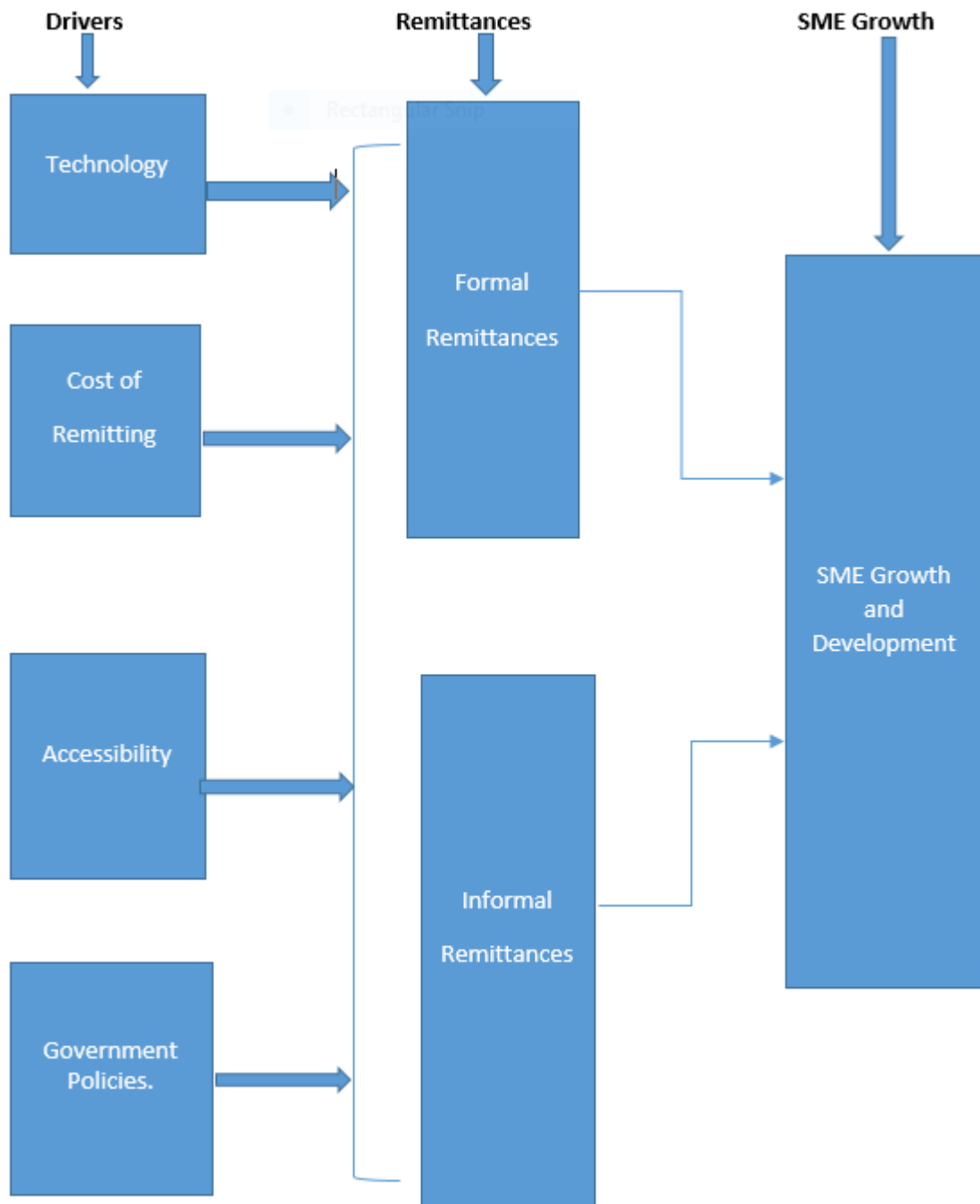
Orozco, (2005) conducted a study aimed at reviewing trends, patterns as well as the impact of remittances in Ghana, by analysing the extent to which Ghanaians maintain economic relationships with their home country. The research methodology applied to this study comprised of conducting three country survey studies in the US, UK, Germany. The cities where surveys were conducted were New York, New jersey and Washington DC, London and Frankfurt. The sample size of this survey included 986 migrant remittance senders, 842 of which were Ghanaians and for comparative purposes, 144 migrants from other West African countries. The study also included thirty interviews with leaders of Guamanians hometown associations in the US. His conclusions are that remittances are channels to other forms of investment as they help senders and recipients consider their various options for income generation and transfers received by families improve their quality of life as well as conditions in rural communities where resource scarcity, particularly financial, is a challenge. The research was however generic and not specific to remittances and SME development.

The present study made an in-depth examination of the impact of remittances on the development of SMEs in Harare. It examined, not only the impact, but also explore the reasons behind sending of remittances to home country by migrants and the relationship transfers have with economic growth, development and poverty reduction. The study will add to the existing body of knowledge on this issue, and will break new ground as the researcher did not come across any previous studies of this matter.

## **2.9 The Conceptual Framework**

Elsevier (2009) defines a conceptual framework as a group of concepts that are collectively defined to provide a focus, a rationale and a tool for the merging and interpretation of data. Prior researches, theories and articles as contained in our literature review guide the conceptual framework of this study. In line with the literature reviewed in this study, a conceptual framework was formulated to summarise the drivers of remittances. Below is the diagrammatic presentation of the conceptual framework. The independent variables are technology, cost of remitting, government policies and accessibility. These independent variables either will positively or negatively affect the volume of remittances received by SMEs in Harare.





**Fig 2.1: The conceptual framework (The Researcher, 2020)**

### 2.10 Chapter Summary

This chapter has reviewed the literature in line with the research objectives. The major concept discussed were the theoretical framework, empirical studies, research gaps and the conceptual framework. The next chapter presents the research methodology adopted for the study.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.0 Introduction**

The previous chapter reviewed the existing literature on the drivers of remittances and impact on SMEs development and conceptualised the factors into a model that can be applied to test the influence of remittances on SMEs growth and development in Zimbabwe. This chapter discusses the research methodology, which Fisher (2010) defined as a procedural framework within which a research is conducted, and explains how the data was obtained and analysed. The chapter presents research design and the main approaches used in research, population and sampling procedures and method for data collection. The chapter concludes by highlighting the ethical guidelines which were observed by the researcher.

### **3.2 Recap of research objectives**

The study sought to:

- To determine the impact of remittances on small-medium enterprises in Harare.
- To determine the impact of technology on the amount of remittances received by SMEs in Harare.
- To examine the impact of costs on remittances received by SMEs
- To assess the effect of accessibility on the volume of remittances received by SMEs in Harare.
- To examine the impact of government policies on the amount of remittances received by SMEs
- To provide recommendation to policy makers in terms of the need to effectively manage remittances to achieve economic development

### **3.3 Research design**

According to Yin, (2003), a research design is the logical sequence that links the empirical data to the study's initial research questions and ultimately to its assumptions. It is the tool that guides the researcher in the process of gathering, analysing and interpreting observations allowing the researcher to draw conclusions on the relations among the variables under investigation (Kumar (2005). Tustin (2006) defines a research design as master plan specifying the methods and procedures for collecting and analysing the required information.

There are two purposes of a research design, namely assisting the researcher to conceptualise an operational plan on how to carry out a study and to ensure that the study is carried out in such a way that the data collected are valid, reliable and objective hence accurately answer the

research questions (Leedy, 2005). Morse (2001) postulates that a research design enables the researcher to effectively address the research problem as unambiguously as possible.

This study adopted a quantitative, cross-sectional research design and this was in line with Bryman and Bell (2007) who suggested that a cross-sectional design is used for research that collects data on relevant variables on only one case at a single point in time from a variety of people, subjects or phenomena. In this study, data was collected on relevant variables from a variety of SME owners and managers within a short period of time. A quantitative study is an analysis into a social or human problem based on testing a theory composed of variables, measured with numbers and analysed with statistical procedures in order to determine whether the predictive generalizations of the theory hold true (Babbie and Mouton, 2002). According to Harwell (2011), the thrust for quantitative research is to maximise objectivity, replicability and generalizability of findings, and it is typically interested in prediction. Therefore, this quantitative study sought to establish the drivers of remittances and their on SME growth and development.

### **3.3.1 Research philosophy**

Research philosophy relates to how knowledge is developed based on how one views the world (Saunders et al. 2009). They are of the view that positivism, realism, interpretivism and pragmatism are the four main research philosophical paradigms. This research study was based on the positivism philosophy because it sought to establish cause and effect relationships between the independent variables and the dependent variable. According to Saunders et al. (2009), positivism is a statement about the power of science and of rational thought to comprehend and manipulate the world. The positivism approach was considered the most appropriate for this study because the variables considered in the study are of a quantitative nature and can be factually measured.

The positivist philosophy was also deemed appropriate due to the fact that the research study encompassed the setting of hypotheses which had to be tested. The variables that were under scrutiny in this research are realities that exist outside the researcher's mind and they had to be studied using quantitative methods. The positivist approach is much more objective in comparison with qualitative methods as data can be controlled and measured to address the accumulation of facts in determining the causes of behaviour. Moreover, the study adopted the positivist approach through considering that quantitative data is replicable thereby making it possible for other researchers to conduct the same study in different places as noted by Robson

(2002). The researcher ensured independence between himself and the respondents whereupon the two parties neither affected each other during the research.

According to Collis and Hussey (2003), the key characteristic of the positivist approach is that it encompasses the use of reductionist techniques when exploring the relationships between the variables being studied. It is then a necessary condition for the researcher to control the study and therefore understand how the concerned variables are behaving. Saunders et al (2009) note that positivism entails at least the following five features:

- ✓ It uses deductive reasoning.
- ✓ Seeks to explain the causal relationships between a set of variables.
- ✓ Uses a highly structured methodology to facilitate interpretation.
- ✓ Makes use of controls to allow for hypothesis testing.
- ✓ It makes use of quantitative approach which makes it easier to compare and generalize data.

### **3.3.2 Research approach**

Bryman and Bell, (2007) opined that deductive approach and inductive approach are the two main approaches that involve the relationship between theory and data in research where the former is concerned with quantitative research whilst the latter is concerned with qualitative research. In contrast, Saunders et al (2009) posit that qualitative research is a process of enquiry which involves exploring and understanding social or human phenomena by relying on the collection of non-standardised meanings expressed in words.

The central focus of this research study was on the drivers of international remittances and impact on SMEs operating within Harare Metropolitan Province. The researcher adopted the deductive approach where hypotheses were deduced based on the knowledge that was gathered from existing literature on remittances and SMEs. The research objectives sought to establish the relationships and causations between variables such that the use of a deductive approach was most appropriate for this study. Consistent with the positivist philosophical paradigm, the deductive approach was deemed to be the most suitable as the study involved the collection of large amount of data and conducting of statistical procedures in disapproving or approving the hypotheses.

### **3.3.3 Research strategy**

Saunders et al (2009) defines a research strategy as a general plan of how a researcher goes about in answering research questions. The common forms of research strategy include case study, survey, experiment, grounded theory, ethnography and action research (Yin 2009). The

fact that most of the previous research studies focusing on remittances used survey methodology also compelled the researcher to adopt a survey strategy for this study. The survey design was also chosen for this study because of its nature that allows for the collection of large amounts of data from a sizeable sample in a high economical way (Collis and Hussey, 2003). Also survey methodology is appropriate for research questions about self-reported beliefs or about the behaviours, opinions and attitudes of individuals (Neuman, 2000). Moreover, data obtained from a survey design is quantifiable and flexible to give room for the application of more sophisticated analyses that are appropriate for the organisations under study. To reinforce the advantages of using a survey design for a research study, Saunders et al (2009) note that a survey gives the researcher more control over the research process and through proper sampling the survey design can generate findings that are representative of the study population.

### **3.4 Methods of Data Collection**

Both primary and secondary data were used in this study. The collection of primary data was done through self-administered questionnaires to selected SME owners, managers and supervisors. To gather secondary data, authoritative books, journal articles, print or electronic media, newspapers and web sources have been used by the researcher.

### **3.5 Questionnaire**

A questionnaire is a research instrument used to secure answers by using a form which the respondents fill by themselves (Lenz, 2013). The researcher administered the questionnaire personally through hand delivery and emails in order to increase the response rate and contact with the respondents. The design of questionnaire is critical to ensure that the correct research questions are addressed and that accurate and appropriate data for statistical analysis is collected.

#### **3.5.1 Pretesting the Questionnaire**

Getting the questionnaire right for the first time is a challenge so pre-testing was done on a sample of 20 respondents including owners, managers and supervisors at one of the SMEs. This helped to determine strengths and weaknesses regarding format of questions, wording and the order of the questions. Any adjustments will be made to the questionnaire based on suggestions and recommendations

### **3.6 Population and Sampling Procedures**

A study population is the totality of the objects, phenomena, cases, events or activities specified for the purposes of sampling (Brynard and Hanekom, 2005). There are mainly two types of population in research that is target and accessible population (Bhattacharjee, 2012). Target

population refers to the entire group of individuals or objects to which researchers are interested in generalising the conclusions (Mae Sincero, 2012). This is further buttressed by Zikmund (2003) who proposed that a target population is the complete group of the specific population elements relevant to a research project. Second, is the accessible population which is the population in research to which the researchers can apply their logical conclusions (Walliman, 2011). SMEs in Harare formed part of the accessible population that the researcher drew his samples from. The target population for the study were SME owners, managers and supervisors in Harare Metropolitan Province. The study focused on SME owners and managers because these are the incumbents responsible for operations in small organisations and hence possess the appropriate information on growth and development of these enterprises. The sampling frame of the study comprised of 26 registered and operational SMEs within Harare Metropolitan Province as provided by the database which was obtained from the Ministry of Small and Medium Enterprises and Cooperative Development in Zimbabwe.

### **3.6.1 Sampling**

According to Cooper and Schindler (2008), “sampling is selecting some of the elements in the population from where conclusions about the entire population may be drawn”. Sampling can also be defined as the procedure of selecting a proportion of the population to represent the whole population under study (Posit and Hungler 2013).

Sampling was used in this research due to its advantages of reduced costs, greater speed of data collection and availability of population elements. However, sampling has its own disadvantages which include the absence of a complete record and the existence of sampling error as the sample can never be fully representative of the population (Cooper and Schindler, 2008). The researcher aimed at a total of nine respondents from each of the twenty six organizations used bringing it to a sample of 244 respondents.

### **3.6.2 Sample Size**

The issue of the appropriate sample size to be used for a research study is still a contentious subject that has not been entirely resolved among scholars. According to Fisher (2010), the sample size of a research project is determined by the size of the target population and the size of the margin of error that the researcher is prepared to accept. The existing literature on sampling procedures has also revealed that in calculating the sample size for a research project, the researcher should at least consider population parameters that the study intend to estimate, the cost associated with the selected research instruments and the variability or spread of the target population. This study adopted the simplified formula which was developed by Yamane

in 1967 to determine the appropriate sample size for the research project. Yamane`s formula is presented as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = sample size

N = Population size

e = Level of precision.

### **3.6.3 Sampling methods**

The two sampling methods which have been used by various authors in similar researches are probability and non- probability sampling.

#### **Probability Sampling**

Probability sampling is a process where every subject has an equal chance of being selected from the population (Latham, 2007). This sampling method ensures that each subject or unit has an equal chance of being selected and incorporated in the sample.

There are four main types of probability sampling namely; systematic random sampling, cluster sampling, simple random sampling and stratified random sampling. According to Daniel (2012), simple random sampling is defined as a probability sampling procedure where every subject or unit in the target population is given an equal chance of selection. The process involves each unit being assigned a unique number and according to MacNealy (1999) the researcher should then use a random number table to pick out members from the sample. Random sampling has the disadvantage of creating bias in the preferred numbers to be chosen and selected sample may not include the units or subjects in a population which are of key interest to the researcher. It has the advantage of being easy to understand and does not require advanced information of population elements.

Lathan (2007), define stratified random sampling as a probability sampling procedure where the population is divided into subgroups then simple random sampling is used to pick out each unit or subject from each subgroup. The advantage of dividing the population into subgroups is that each strata will contain subjects of interests and characteristics such as age groups, gender and experience will be well represented within the selected sample.

Daniel (2012) defines cluster sampling as a probability sampling procedure in which there is random selection of elements of the population in their naturally occurring groupings such as geographical or physical units. This sampling procedure has the advantage of having low sampling error, less time consuming and requires less financial resources and labour to

carryout. It has the disadvantage of clusters not providing a true representation of the population.

Systematic sampling can be defined as a probability sampling procedure where every  $n$ th element from a given list is selected as constituting the required sample (Westfall, 2008). The selection of the first element is obtained from a random selection of the elements to be sampled while subsequent elements are selected at fixed interval. According to Padilla (2009), systematic sampling has the advantage of its simplicity and operational convenience.

### **Non-Probability Sampling**

According to MacNealy (1999), there are three types of non-probability methods namely; convenience sampling, purposive sampling and snowball sampling. Frey, Botan and Kreps (2000) indicates that participants in convenience sampling includes participants who are readily available and agree to be part of the research study. It relates to the easy choice the researcher has when surveying respondents who are available.

Tongco (2007) indicated that purposeful sampling is a non-probability sampling technique that is very effective when the researcher is interested and needs to study a certain cultural domain with knowledgeable experts contained in it. The bias which the method brings about leads to its efficiency and quality data gathered. The disadvantage of the method is on the competence of the informants which might lead to unreliable data acquired.

According to Johnston and Sabin (2010), snowball sampling consists of a chain referral sampling method which relies on referrals from initial subjects in order to generate more research subjects. Respondents with more social connects tend to lead this sampling method to be biased as the final sample will consist of over representation of the referrer's characteristics. Lathan (2007) highlights that generalizing to a population can only be done on a group which shares similar characteristics.

In this study, the researcher used convenience sampling method and questionnaires were distributed to SMEs operating in Harare. This sampling method was found to be the most appropriate due to the limitations of travel imposed by COVID-19 pandemic. In light of this, the researcher made a thoughtful move to draw the entire sample from one representative city which in this case was Harare although the target population is spread over the entire nation. A total of 244 self-administered questionnaire were sent to respondents who were either the owners, managers or supervisors of the SMEs in Harare. The respondents in this research were identified by their job title within their organizations. A brief description of the aim of the research was explained to the respondents through the cover letter on the self-administered questionnaires.



### **3.7 Questionnaire administration**

A questionnaire is a research instrument used to secure answers by using a form which the respondents fill by themselves (Lenz, 2013). The researcher administered the questionnaire personally through hand delivery and emails in order to increase the response rate and contact with the respondents. The design of questionnaire is critical to ensure that the correct research questions are addressed and that accurate and appropriate data for statistical analysis is collected.

### **3.8 Data Analysis procedures**

According to Cooper and Schindler, (2003), data analysis includes the interpretation of research findings in light of the research questions and determines if the results are consistent with the research hypotheses and theories. The researcher collected data, organized it to identify errors before it was coded and stored in appropriate form. The completed questionnaires were carefully checked to ensure completeness and to enable coding and tabulation. The collected data was analysed to establish the association between various independent variables and a dependent variable.

The analysed data was in accordance with technology, cost of remitting, accessibility, government policies and financial infrastructure. It was presented in the form of tables, bar charts, pie charts and graphs. The tables, graphs and charts were labelled and presented for readers to easily understand them. Quantitative data was collected in this study and Statistical Package for Social Sciences (SPSS) version 23 and Microsoft Excel were used for data capturing and analysis. SPSS enabled the researcher to perform various data analysis procedures including correlation, regression model, reliability test, normality test, ANOVA, Independent Samples test multicollinearity test and hypothesis testing.

### **3.9 Research limitations**

The limitations faced during conducting the research included late returns of questionnaires because of the COVID-19 pandemic. The research study also encountered limitation during data collection from respondents who viewed the study as a form of obtaining business ideas such that it will be used by their competitors operating in the same line of business. However, this problem was minimized by the researcher as full explanations and intentions of the research study were presented to respondents emphasizing on confidentiality of sensitive information provided.

### **3.10 Validity and Reliability**

Saunders et al. (2009) define validity as the ability of the research instrument (questionnaire) to measure what the researcher intends to measure. The researcher conducted a pre-test to identify flaws, weaknesses and limitations of the questionnaire. The necessary improvements were made to the questions.

#### **Reliability**

Saunders et al (2009), defines reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability can also be defined as the extent to which measurements are repeatable when different individuals perform the measurements on different occasions and under different conditions with supposedly alternative instruments which measure the same thing (Drost, 2011). For this study, internal consistency reliability was used to measure the extent to which items on the questionnaire were measuring the same construct consistently. Cronbach's coefficient alpha was used to measure the internal consistency.

### **3.9 Ethical Considerations**

According to Saunders et al (2009) ethics refers to the appropriateness of the researchers' behaviour in relation to the rights of those who become the subject of your work or are affected by it.. The researcher had the responsibility to protect the rights and welfare of the participants. The researcher took the responsibility to ensure that participants were not harmed as a result of their taking part in the research. Bryman, (2008) adds that, ethical issues are important in conducting research and they must include notifying the participants about the aim of the study. The researcher ensured confidentiality of responses.

In this research the researcher also adhered to the following ethical considerations as outlined by Maldonado (2009). Participants were advised of the voluntary nature of their participation and that they can withdraw from the study at any time without penalty. They were also advised that at any time during the process they could decline to answer any question. The research objectives were clearly outlined and articulated to the participants. The participants were informed of all data collection methods and activities. The final decision regarding participants' privacy was fully with the participant.

### **3.12 Chapter Summary**

The research used the descriptive research design that incorporated quantitative techniques for purposes of data analysis. The study samples were selected using simple random sampling from the qualifying employees of the various SMEs who include the owners, managers and

supervisors who have some managerial responsibility at either the strategic level, middle or even lower levels of management as these are responsible for the crafting of the strategy as well as operations. The next chapter presents the study's findings. In addition, the results are discussed and interpreted linking these findings to the literature reviewed in Chapter two.

## CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

### 4.1 Introduction

The previous chapter focused on the methodology used for the study. The main point of this chapter is to establish how the collected data addressed the research objectives and this was facilitated by the analysis, presentation and interpretation of the collected data using the statistical package SPSS version 23. The chapter will then present response rate, descriptive analysis, reliability, normality tests, correlation analysis, regression analysis and hypothesis testing. In an attempt to ensure clarity and simplicity, tables and graphs were used in presenting, analysing and interpretation of the collected data.

### 4.2 Discussion of the response rate

A total of 244 questionnaires were administered to owners, managers and supervisors of SMEs in the Harare Metropolitan Province. The sampled SMEs were categorised into 7 strata in accordance with their economic activities. Questionnaires were either hand-delivered or sent electronically via email to each sample element with the specific request that they be completed by the owner, manager or supervisors as the study sought to establish the perceived drivers of remittances and their impact on SME development. Owners, managers and supervisors were targeted because they are conversant with the operations of SMEs.

**Table 4. 1: Response rate by Respondent Category**

Category	Questionnaires distributed	Questionnaires successful	Response rate
Owner	88	72	81.82%
Manager	58	44	75.86%
Supervisor	98	86	87.76%
Total	244	202	

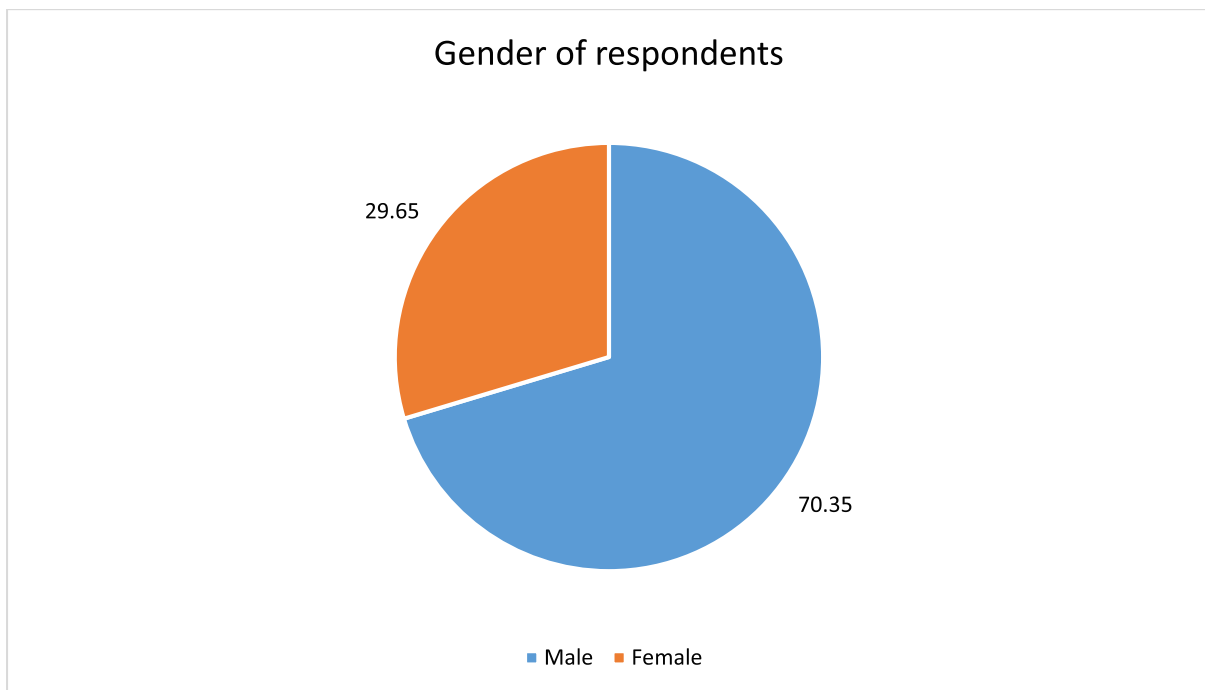
Table 4.1 above shows the response rate. At 70%, the response rate was satisfactory. The highest responses were from supervisors at 78.30% followed by owners at 72.73 and lastly managers at 70.97.

### 4.3 Descriptive analysis

This section covers the demographic characteristics of the respondents as indicated in the questionnaire, which are gender, years of experience, level of education and professional qualifications attained. The results of the categorical variables are presented as follows:

#### Gender of respondents

From Fig 4.1 below, 70.35% were male respondents while 29.65% were female respondents. The male respondents were 40.70% more than female respondents. It seems that mainly male managers or owners lead most SMEs in Zimbabwe and this is also an indication that the society under which the study was conducted is patriarchal.



**Fig 4. 1: Gender of respondents**

#### Level of industry experience of respondents

Years of experience of respondents	Frequency	Percent	Cumulative Percent
0 - 5	88	43.56	43.56%
5 - 10	54	26.73	70.29%
10 - 15	31	15.34	85.63%
15 - 20	29	14.37	100
<b>Total</b>	<b>202</b>	<b>100</b>	

#### Table 4. 2: Level of industry experience of respondents

Table 4.2 above is a depiction of the distribution of respondents by their level of experience. It is clear that the majority of respondents 88 (43.56%) were in the range of 0-5 years, followed by range of 5-10, which accounted for 54 (26.73%), 10-15 which accounted for 31 (15.34%). In addition, only 29 respondents (14.37%) of the sample indicated that they were in the age category of 15-20 and there were no respondents that fell in the range of greater than 20 years of industry experience.

#### Position in the organisation

The respondents that were mainly targeted by this research study comprised of the owners, managers and supervisors considering that they are the ones conversant with the operations in SMEs. In this research study, majority of SMEs positions were occupied by owners, 40.3 % followed by managers 37.7% and 22% were supervisors. The distribution of the positions held by the respondents is shown in Fig 4.2 below.

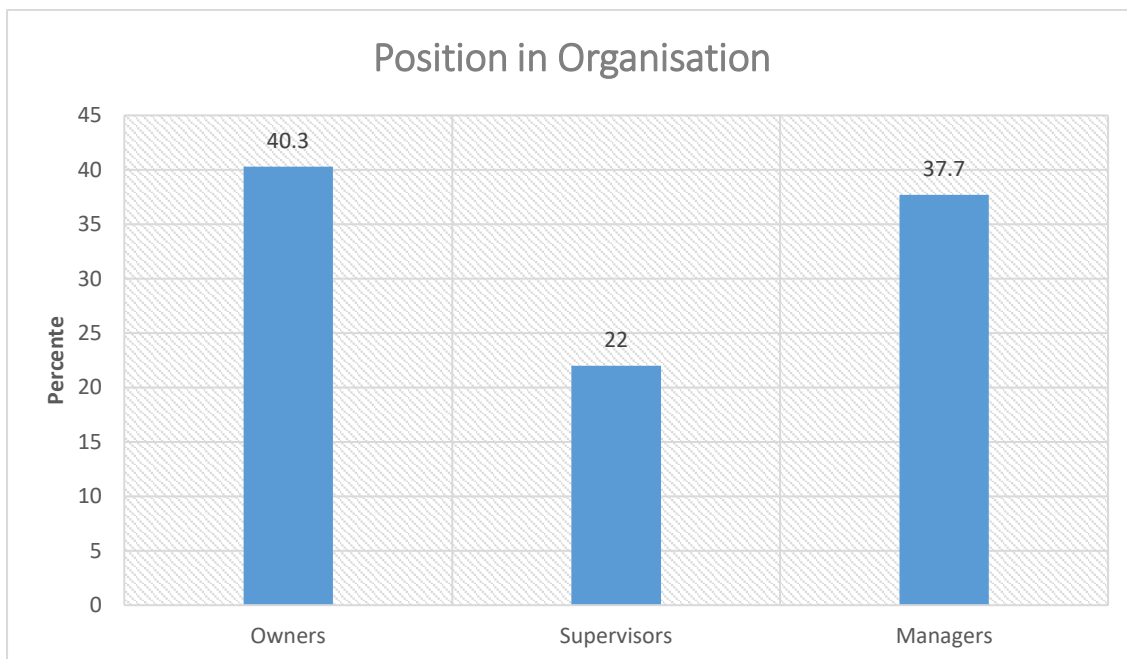
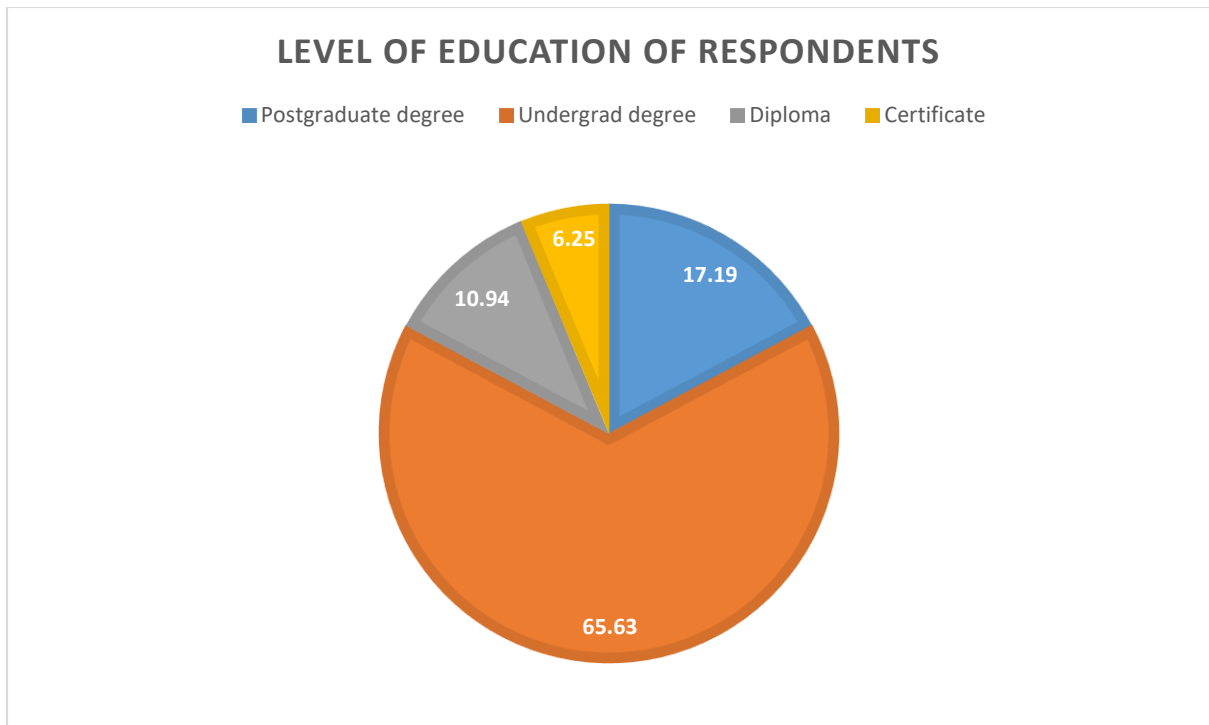


Figure 4.2: Position of Respondents

#### Level of Education of respondents

The respondents were asked to show the highest level of education attained. The 65.63% highlighted that they attained up to undergrad degree, 17.19% confirmed that they attained up to postgraduate degree. The 10.94% of participants confirmed that they attained up to diploma level and the least education attained was certificate at 6.25% as depicted by Fig 4.3 below.



**Fig 4.3: Level of education of respondents**

**Distribution of respondents by sector.**

Guided by the information obtained from the Ministry of Small and Medium Enterprises and Cooperative Development in Zimbabwe, seven sectors were represented in the sample. The bulk of SMEs participated in the study operated in the Manufacturing sector 37.77%, followed by Financial and Business services 17.71%. The moderately represented sectors were Health Care and Education which constituted 11.46%, Agriculture which consisted 10.94% and Tourism and Hospitality which also constituted 8.85%. The least represented was the Transport and Telecommunication services sector comprising of 6.25%. From the results below, it can be shown that most of Zimbabwe’s SMEs are concentrated in Manufacturing and Financial and Business sectors.

Figure 4.4 below illustrates the distribution of the respondents by sector.

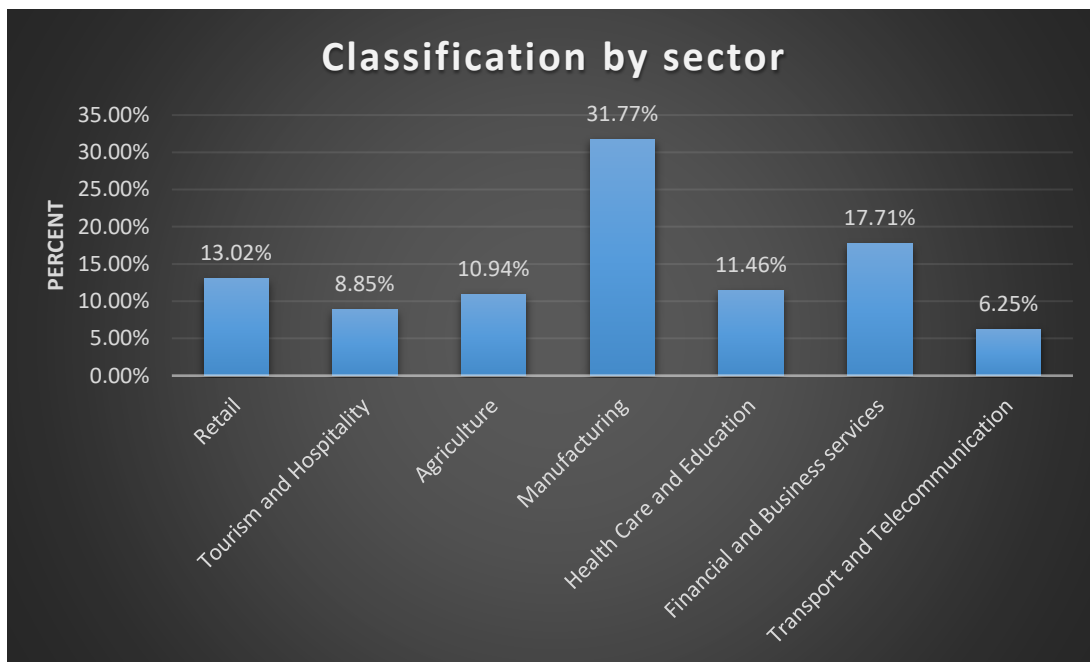


Fig 4.4: Distribution of respondents by sector.

#### 4.4 Factor analysis and Reliability tests

Reliability test was conducted to ensure that the questionnaire could be depended upon to secure consistent results upon repeated application in future research studies. The validity of the questionnaire was ensured through consulting the supervisor and academicians in the field of remittances and SMEs in order to check for relevancy or ambiguity in the wording of the questions.

Furthermore, pilot study was conducted where 20 questionnaires were distributed randomly to selected SMEs owners and managers. The pilot study exercise assisted in fine tuning the questionnaire so as to eliminate ambiguity and unnecessary questions. At first the pilot test gave a reliability of 0.758, which led to redesigning and fine tuning of the questionnaire with the help of subject experts and the final reliability improved to 0.839 which was ideal for conducting the research and produce results that answered the research questions.

The summarized tables below show the final reliability scores that were obtained after all the 202 questionnaires had been captured in SPSS for analysis.



#### 4.5 Reliability test

**Table 4. 3: Reliability Test Table**

Variables	Number of Items	Cronbach's Alpha value
Technology	5	.810
Government policies	5	.837
Cost of remitting	5	.810
Accessibility	6	.804
Remittances	5	.782
Total scale of reliability	26	.839

The table indicates that the reliability scores for all the variables under study were perfectly above 0.70 which imply that the scores were acceptable and the research instrument was reliable.

#### Reliability Statistics

Cronbach's Alpha	No of Variables
.839	5

**Table 4.4: Reliability statistics**

The overall reliability score as indicated in table 4.4 above was **0.839** and this implies that the research questionnaire had a good level of internal reliability such that the instrument was acceptable for data collection

.After establishing that the questionnaire which was used was valid and reliable, the study proceeded by carrying out a normality test. The results of the normality test are presented in the next section.

#### 4.6 Normality Test

The normality test can be conducted through either the Shapiro-Wilk test or Kolmogorov-Smirnov test and the decision on which test to use between these two is based on the sample size of the research study. The Shapiro-Wilk test is usually appropriate for small sample sizes

(<1000 samples) whilst the Kolmogorov-Smirnov handle sample sizes greater than 1000 samples.

The normality test establishes how data is distributed. On a normality test, a p value greater than 0.05 (**p>0.05**) indicates that the data is normally distributed signifying that the sample selected does not differ significantly from the population of the study and Parametric statistical tests can be performed using this data. On the other hand, if the p value is less than 0.05 (**p<0.05**), then the data is not normally distributed as a result sample differs significantly from the population

The sample size of this research study constituted of 202 respondents and the Shapiro-Wilk test was deemed the most appropriate for normality analysis.

**Tests of Normality**

	<b>Shapiro-Wilk</b>		
	<b>Statistic</b>	<b>df</b>	<b>Sig.</b>
<b>Technology</b>	<b>.889</b>	<b>202</b>	<b>0.061</b>
<b>Cost of remittances</b>	<b>.892</b>	<b>202</b>	<b>0.102</b>
<b>Government policies</b>	<b>.870</b>	<b>202</b>	<b>0.067</b>
<b>Accessibility</b>	<b>.984</b>	<b>202</b>	<b>0.121</b>

**Table 4.5: Test of Normality**

From the analysis, the p-values in the Sig. column showed that all the four variables under study were above 0.05 (**p>0.05**). In this case, with significance levels greater than 0.05 (**p>0.05**) it meant that the data was normally distributed and the Researcher had to use Parametric statistical tests in analysing the data.

**4.7 Correlation**

Pearson`s product-moment correlation coefficient was adopted in testing the correlations amongst the above stated perceived drivers and remittances. Correlation analysis portrays direction, statistical significance and magnitude of relationships. The sign of the correlation coefficient indicates the direction of the relationship whilst the direction itself describes whether there is a positive or negative relationship between the variables.

Table 4.6 illustrates the correlation analysis between the five perceived drivers and remittances.

**Table 4.6 Correlation Analysis-Perceived drivers and Remittances**

Correlations						
		Technology	Cost of Remittances	Government Policies	Accessibility	Remittances
	R Sig.2-tailed	1				
Cost of remittances	R Sig.2-tailed	.517** .000	1			
Government Policies	R Sig.2-tailed	.576** .000	.523** .000	1		
Accessibility	R Sig.2-tailed	.426** .002	.465* .001	.432** .005	1	
Remittance	R Sig.2-tailed	.531** .000	.647** .000	.299* .035	.503** .000	1
<p>**Correlation is significant at the 0.01 level (2-tailed)</p> <p>*Correlation is significant at the 0.05 level (2-tailed)</p>						

In this study all the four perceived drivers of remittances (Technology; Cost of Remittances Government Policies and accessibility) which were under investigation proved to be positively correlated with Remittances and all the four associations were also statistically significant.

**Technology and Remittances**

The results showed that there is a moderate, positive and statistically significant relationship between Technology and Remittances among SMEs [**r=0.531, p<0.01 (p=0.000)**].

**Cost of Remittances and Remittances**

Cost of remittances reported a moderate, positive and statistically significant association with Remittances among SMEs [**r=0.647, p<0.01 (p=0.000)**].

**Government Policies and Remittances**

The results portrayed that there is a weak, positive and statistically significant relationship between Government Policies and Remittances among SMEs [ $r=0.299$ ,  $p<0.05$  ( $p=0.035$ )].

### **Accessibility and Remittances**

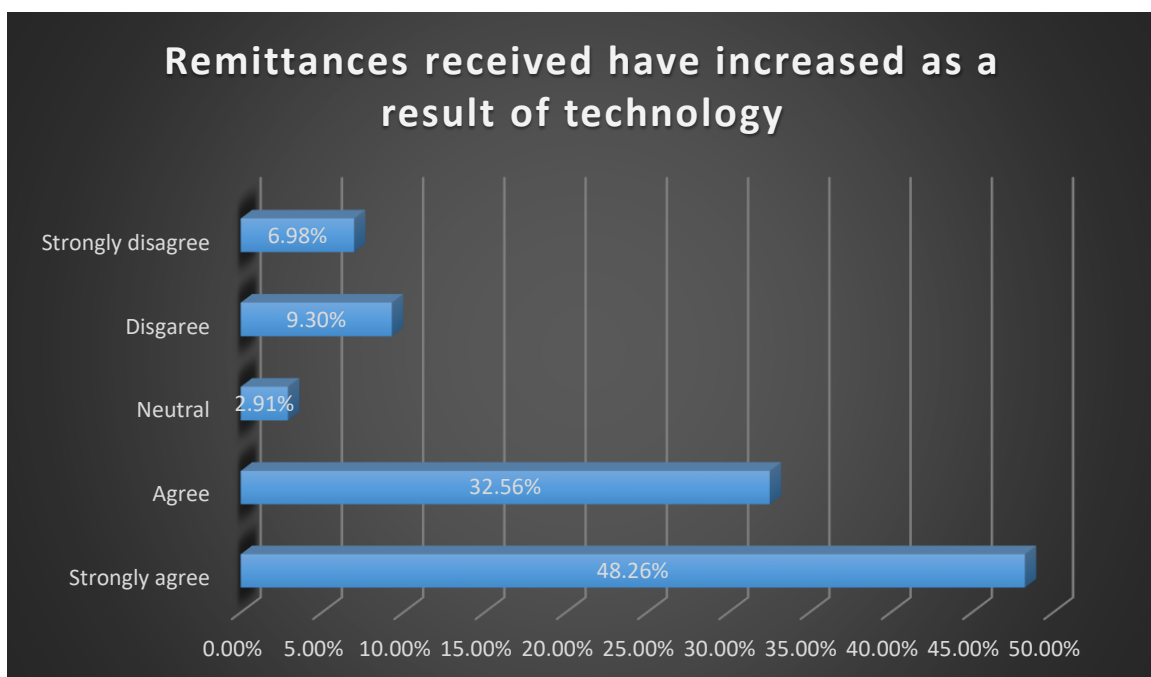
The results indicated that there is a moderate, positive and statistically significant relationship between Accessibility and Remittances among SMEs [ $r=0.503$ ,  $p<0.01$  ( $p=0.000$ )].

Having established the strength of the relationships between the four perceived driving factors and remittances on SMEs, the study progressed to conduct a regression analysis as correlation analysis measures the strength of a relationship only but fails to define predictive relationship between the variables.

### **Drivers of remittances**

The first objective of the study was to determine the impact of technology on the volume of remittances received by SMEs. The writer sought to know how the respondents rated the use of technology in SMEs as a way to improve access to remittances. An overall assessment was sought and the results were as shown below

### **Remittance received have increased as a result of Technology**

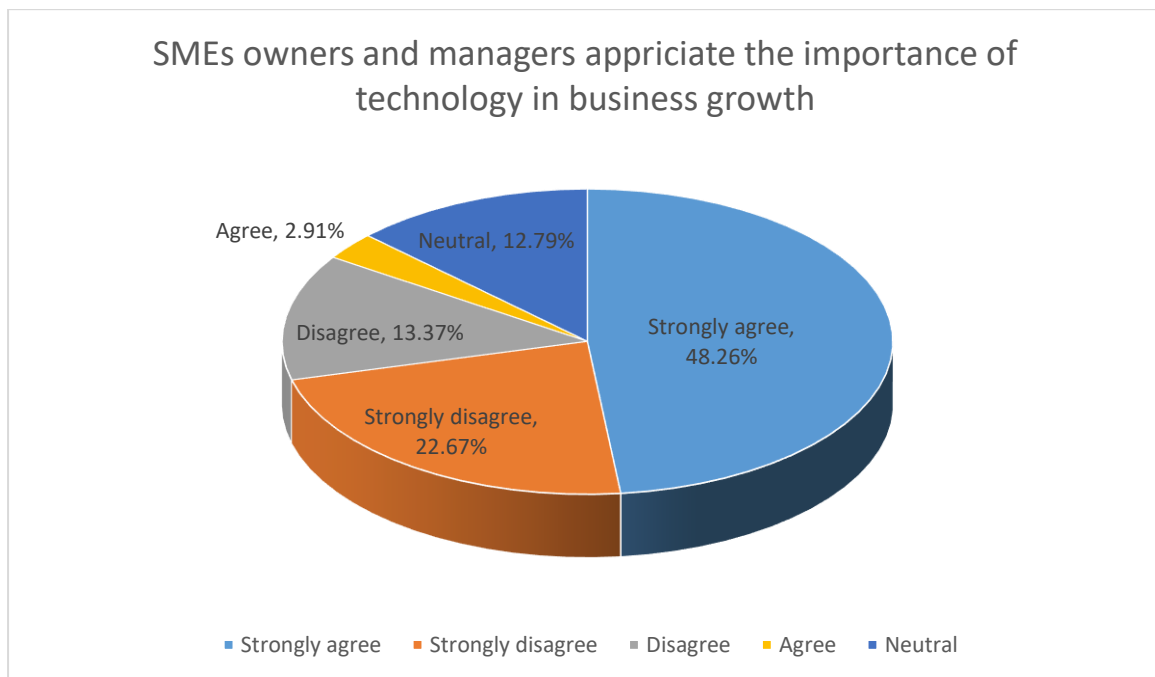


**Fig 4. 5: Remittance received have increased as a result of Technology**

From the graph in Fig 4.6 above, 48.26% respondents strongly agreed that technology is a key variable in the volume of remittances received by SMEs in various sectors. The 32.56% also agree whilst 2.91% were neutral.9.30% disagree and 6.98% strongly disagree that technology

is a key variable in the in the volume of remittances received. The study results are in line with what Ratha and Mahopatra, (2002) highlighted that rapid adoption of innovative money transfer and branchless banking technologies is transforming the landscape for remittances and potentially broader financial services. In addition to this, the World bank report (2013) indicated that ‘electronic payment systems which involve the use of technology and other innovative mechanisms in the financial services arena is on the increase within Africa, but still represent a very minor fraction of the overall flows to the region’.

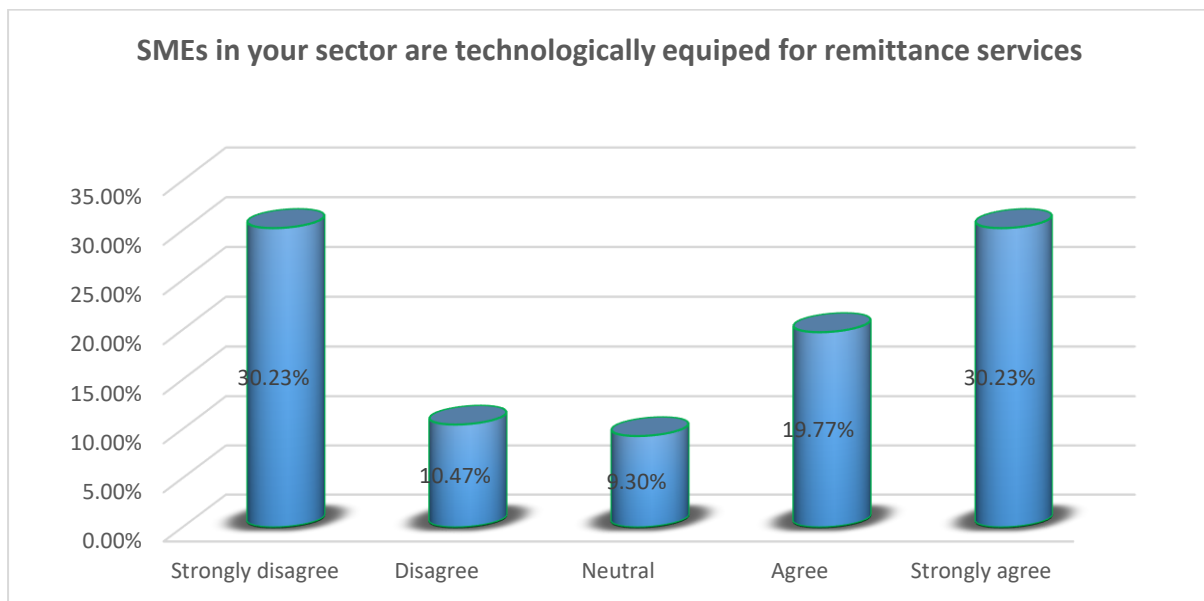
**SME owners and managers appreciate the importance of technology in business growth**



**Fig 4.6: SME owners and managers appreciate the importance of technology in business growth**

The study also sought to determine if the owners of SMEs appreciate the importance of technology in business growth and development. From Fig 4.6 above, the results of the study shows that 48.26% of the respondents strongly agreed that SME owners and managers appreciate the importance of technology in business growth. The 2.91% of the respondents also agreed to the assertion whilst 12.79% were neutral. However, 22.67% had a different view and strongly disagree to that notion and a further 13.37 disagreed. The higher percentage of the respondents who strongly agreed to the assertion possibly explains why there is intensification of new communication and information technologies and innovative mechanisms for delivering financial services.

## SMEs in your industry are technologically equipped for remittance services



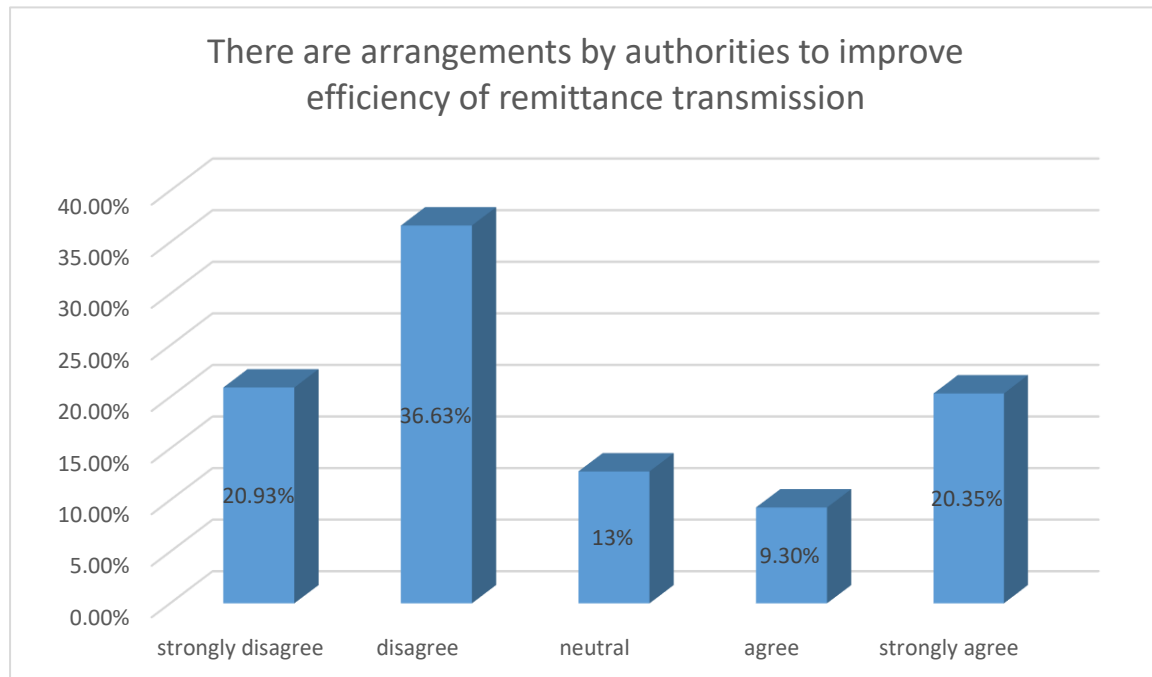
**Fig 4.7: SMEs are technologically quipped for remittance services.**

The study further sought to establish whether the SMEs have suitable technology to enhance their access to remittances. Those who strongly disagree and strongly agreed that SMEs have adequate technology were tied at 30.23% whilst 19.77% agreed that SMEs have enough technology to increase their access to remittance flows. 10.47% disagreed to this claim and 9.30% were neutral. This outcome possibly explains why several businesses now offering online services at the first mile of the transaction. The findings also explain why new remittance transfer systems have been developed in recent years such as mobile phone transfers, card-based transfers, and Internet transfers.

## Cost of Remitting and Remittances

The second objective of the study was to determine the impact of cost of remitting on the volume of remittances received by SMEs

**There are arrangements by authorities to improve efficiency of remittance transmission.**

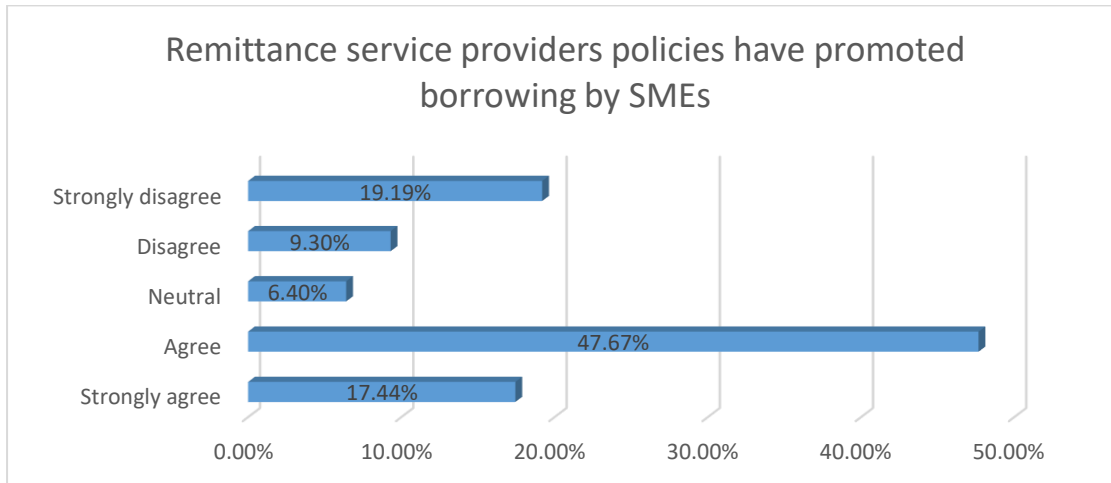


**Fig 4. 8: There are arrangements by authorities to improve efficiency of remittance transmission**

From Fig 4.8 above, 20.35% of the respondents strongly agree and 9.30% also agreed that there are arrangements by authorities to improve efficiency of remittance transmission. However, 20.93% strongly disagree and 36.63% disagreed as well to the claim that there are arrangements by authorities to improve efficiency of remittance transmission. 13% remained neutral. The higher percentage of respondents disagreed to the claim. This possibly explains why there are no visible efforts by the authorities to boost the volume of remittance flows although attempts have been made through the Homelink Facility Scheme which however failed to yield results

### Remittance service providers' policies have promoted borrowing by SMEs

The writer sought to find out if remittance service providers' policies have promoted borrowing by SMEs. The results obtained were as shown in Fig 4.9 below



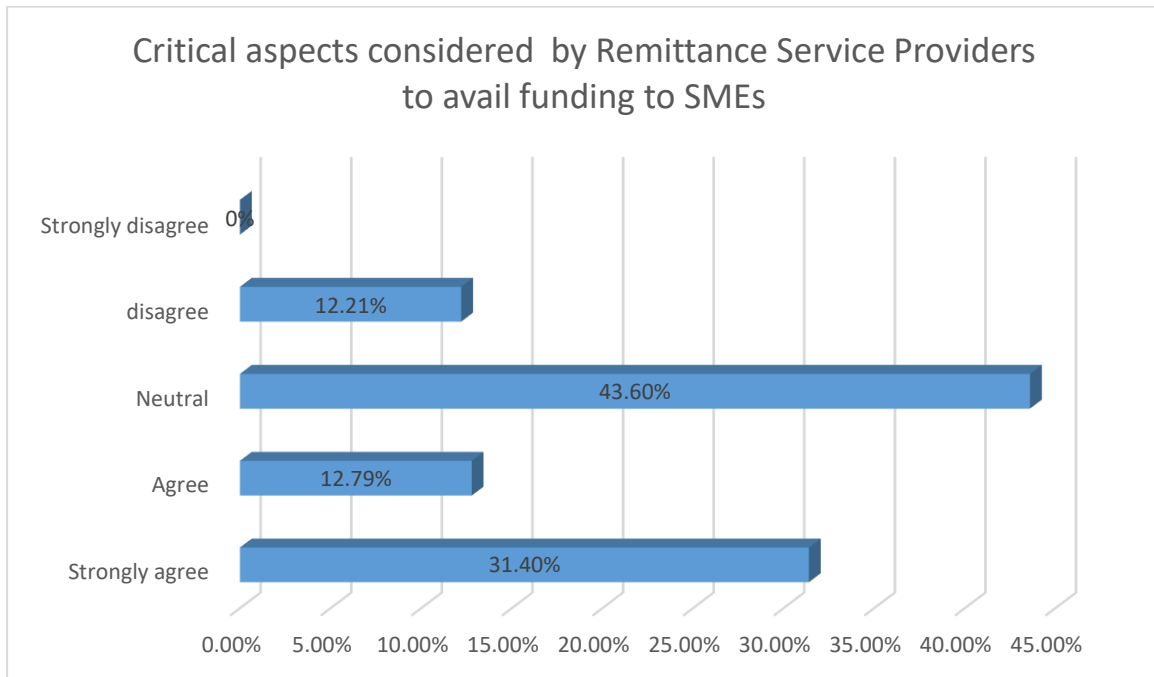
**Fig 4.9: Remittance service providers' policies have promoted borrowing by SMEs.**

From the graph in Fig 4.9 above, 47.67% respondents agreed that remittance service provider policies have promoted borrowing by SMEs. Also, 17.44% strongly agreed to the claim. This possibly explains why there is a rapid surge in the number of registered SMEs as supported by Chundu et al, (2020) that SMEs are increasingly becoming the dominant players in the economies of most countries. However, 19.19% strongly disagreed and 9.30% also disagreed to the claim. The respondents who were neutral constituted 6.4%. The access to appropriate sources of financing for SMEs enables their creation, survival and growth.



### **There are critical aspects considered by Remittance Services Providers (RSP) to avail funding to SMEs**

The study further sought to know if there are critical aspects considered by remittance service providers to avail funding to SMES.



**Fig 4. 102: Critical aspects considered by Remittance Services Providers (RSP) to avail funding to SMEs**

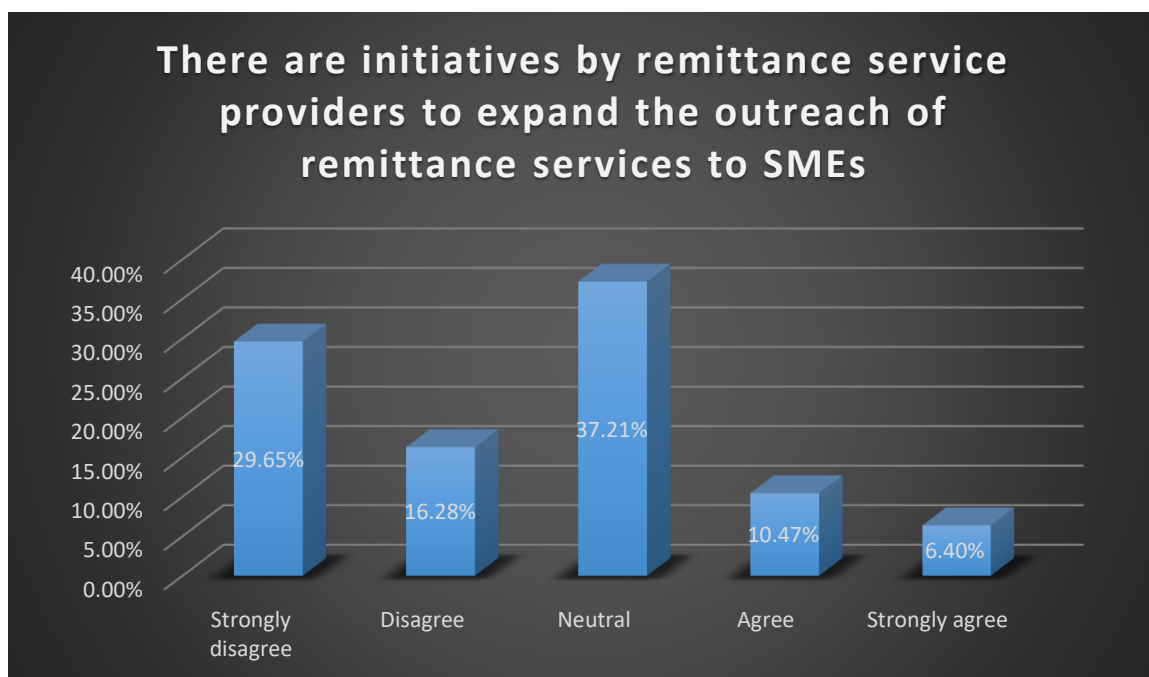
As shown in Fig 4.10 above, 31.40% of the respondents were of the notion that there are critical aspects considered by remittance service providers to avail funding to SMEs. The 12.79% also agreed t to that asseertion.43.60% remained neutral, whilst 12.21% strongly disagree to critical aspects being considered for SMEs to access funding. The outcomes of the study probably suggest that small and medium enterprises are usually considered high risk business because they lack collateral to serve as a security for loans. This has been a major problem to SMEs and have always find it difficult to get enough support to operate and as a result they resort to personal savings and support from family and friends.

#### **4.13. Accessibility and remittances**

The third objective of the study was to determine the impact of accessibility on the volume of remittances received by SMEs.

### **There are initiatives by remittance service providers to expand the outreach of remittances services to SMEs**

Under this section, the author sought to understand if there are initiatives in place by remittance service providers to expand the outreach of remittance services to SMEs. The respondents picked from five options and the findings were presented graphically as shown below.

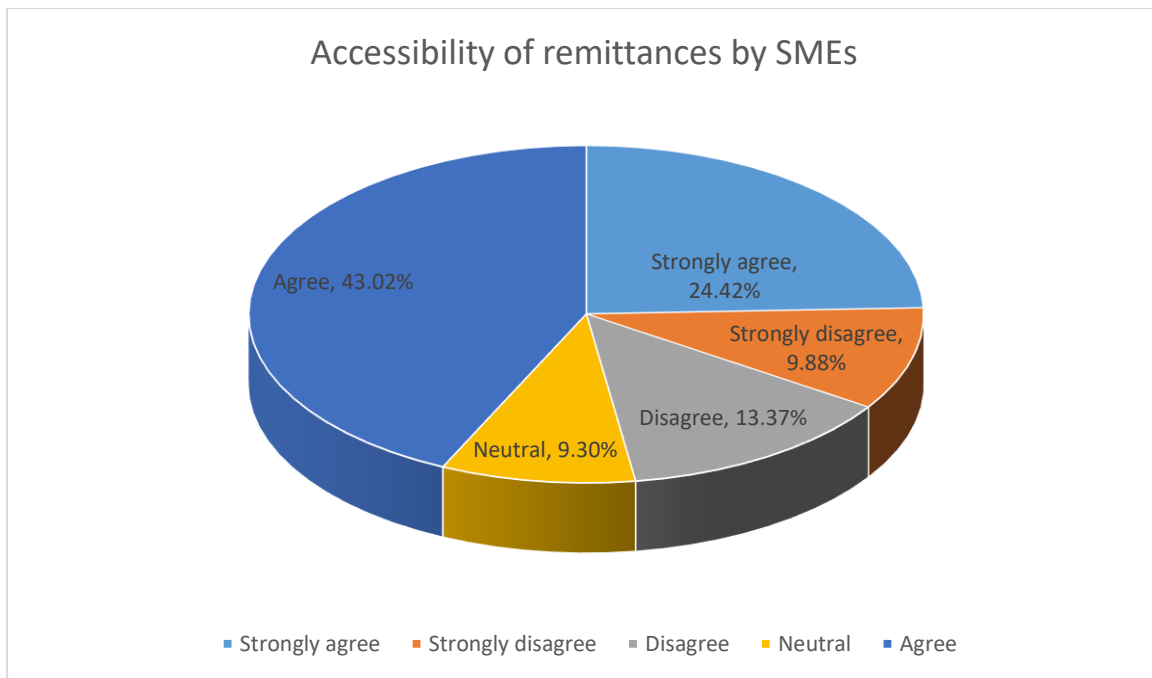


**Fig 4. 11: There are initiatives by remittance service providers to expand the outreach of remittances services to SMEs**

As shown in Fi4.11 above, 29.65% of the respondents strongly disagreed that there are initiatives by remittance service providers to expand the outreach of remittances. Also, 16.28% disagreed to that assertion. The majority of the respondents (37.21%) were neutral about the claim. However, 10.47% agreed and 6.4% disagreed to the notion. This outcome probably explains why there is still a large number of underserved remote areas. This is also supported by Stanton et al, (2004) who argued that many people face higher costs and weaker access to remittance monies. This is because there is a lack of branch networks amongst banks and money transfer companies owing to the extra cost of operating in rural areas.

### SMEs have faced challenges in accessing remittances

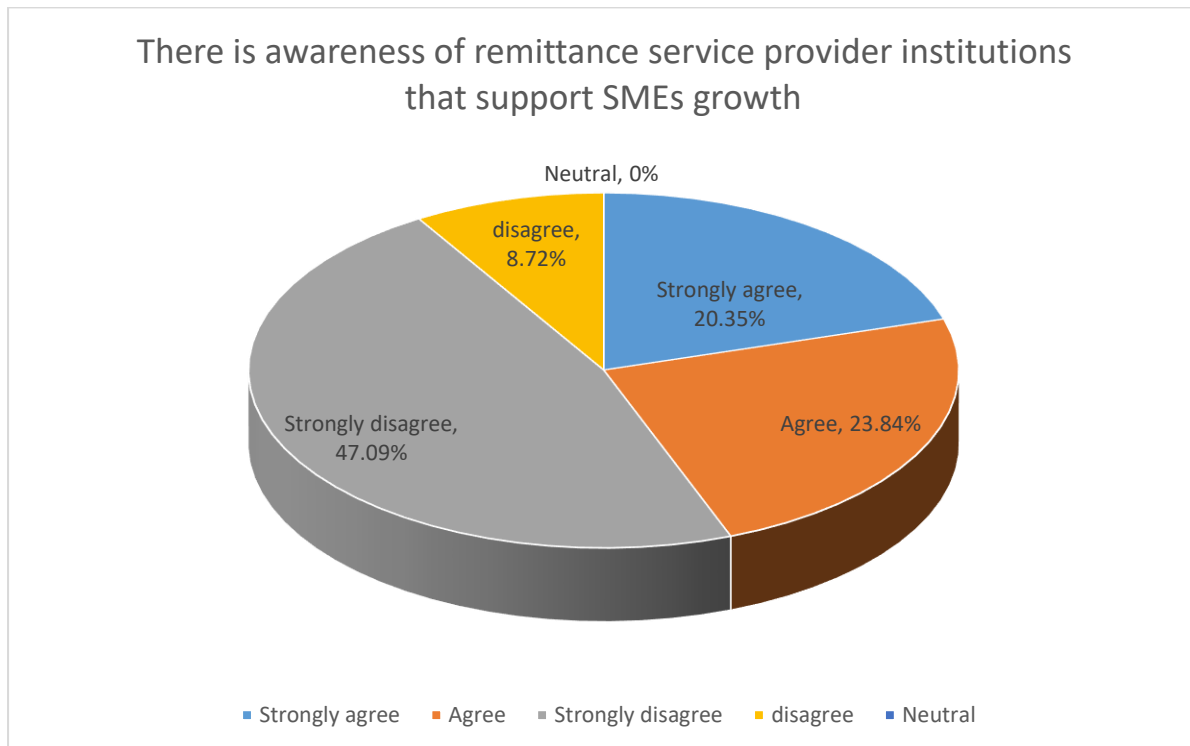
The study also sought to establish if the SMEs have faced challenges in accessing remittances as a source of finance. The findings of the study are shown in Fig 4.12 below.



**Fig 4.12: Accessibility of remittances by SMEs**

As shown in Fig 4.12 above, the majority of respondents (43.02%) agreed that they have faced challenges in accessing remittances and 24.42% have strongly agreed to the claim. 9% were neutral about the assertion. However, 13.37% disagreed to the idea and 9.88% strongly disagreed. This justifies why most of the financial institutions do not prioritize doing business with small business customers since they consider them to be high-risk clients. This is supported by FSB report, (2018) which states that banks still perceive the remittance sector as high risk, and that the closing of bank accounts continued into the first half of 2017. This position is also in line with a study by AL-Herwi, (2019) when he argued that micro-enterprises, innovative ventures, start-ups and young firms tend to face more difficulties in accessing finance.

**There is awareness of remittance service provider institutions that support SMEs growth in your sector.**



**Fig 4.13: There is awareness of remittance service provider institutions that support SMEs growth**

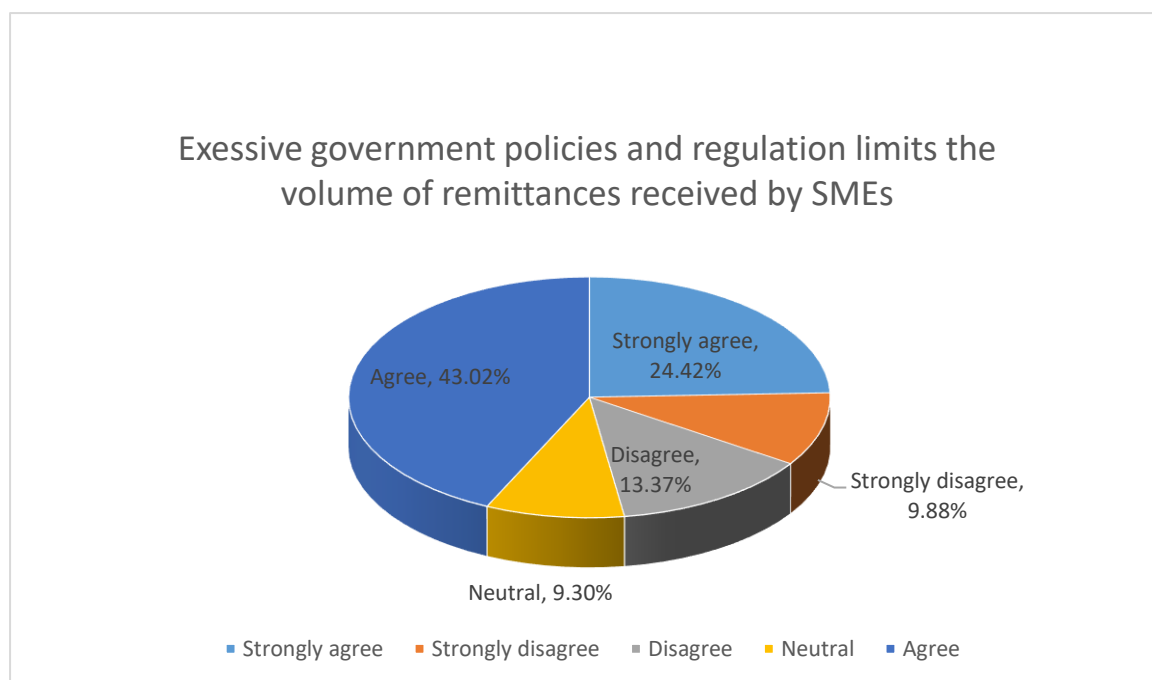
The researcher sought to understand if there is awareness of remittance service provider institutions that support SMEs growth. The results shows that the majority of the respondents (47.09%) strongly disagreed with the notion that there is awareness of remittance service provider institutions that support SMEs growth. Also 8.72% disagreed. This could possibly explain why remittances are not being harnessed fully for production purposes and not being given priority as a potential source of development finance in Zimbabwe.

## Government Policies and Remittances

The last objective of the study was to determine the impact of government policies on the volume of remittances received by SMEs

The writer wanted to know if government policies and regulation is a deterrent to the volume of remittances received by SMEs in their respective sectors. The respondents were asked to pick from five options and the results are shown in Fig 4.10 below

**Excessive government policies and regulation limits the volume of remittances received by SMEs.**



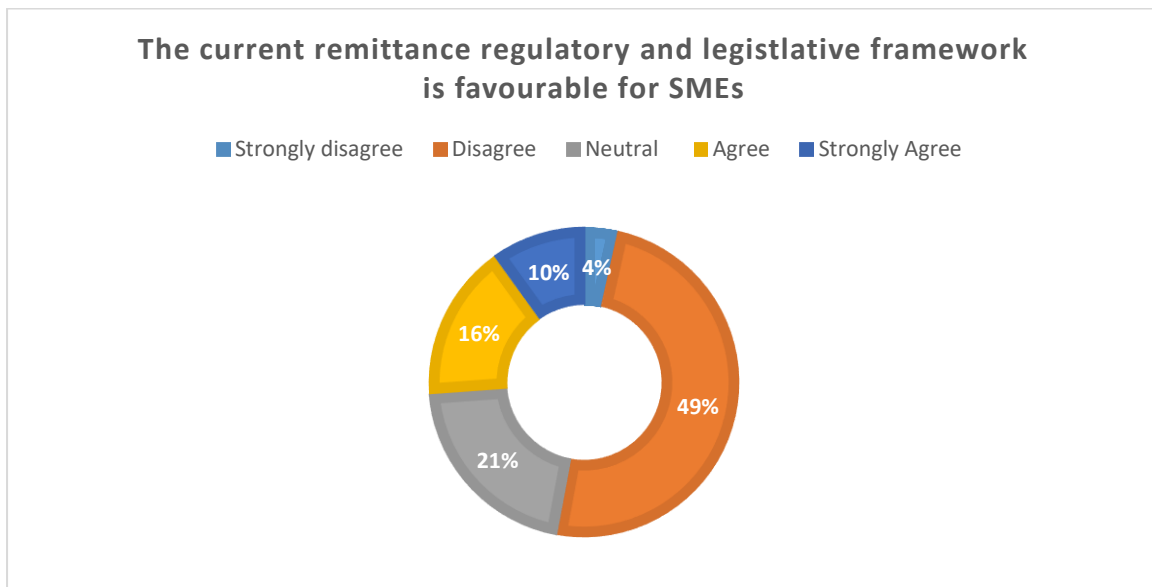
**Fig 4. 14: Government policies and regulation limits the volume of remittances received by SMEs.**

The researcher sought to determine if government policies and regulation affects the volume of remittances received by SMEs. As figure 4.2 shows, 43.02% agreed to the claim that excessive government regulation limits the volume of remittances received by SMEs, 24.42% of the respondents strongly agreed to the assertion and 9.30% remained neutral. However, 24.42% strongly disagreed and 13.37% disagree. This is in line with what Kalaj, (2013) indicated that government policies affect migration or remittance flows by altering the factors that determine peoples' movement. It is therefore important that governments should come up

with a inclusive approach that seeks to set clear and aligned policy goals and priorities, establish adequate mechanisms to enable remittances flows and channel them into investment.

### **Current regulatory and legislative framework is favourable for SMEs**

The study further sought to examine if the current remittance regulatory and legislative framework is favorable for SMEs

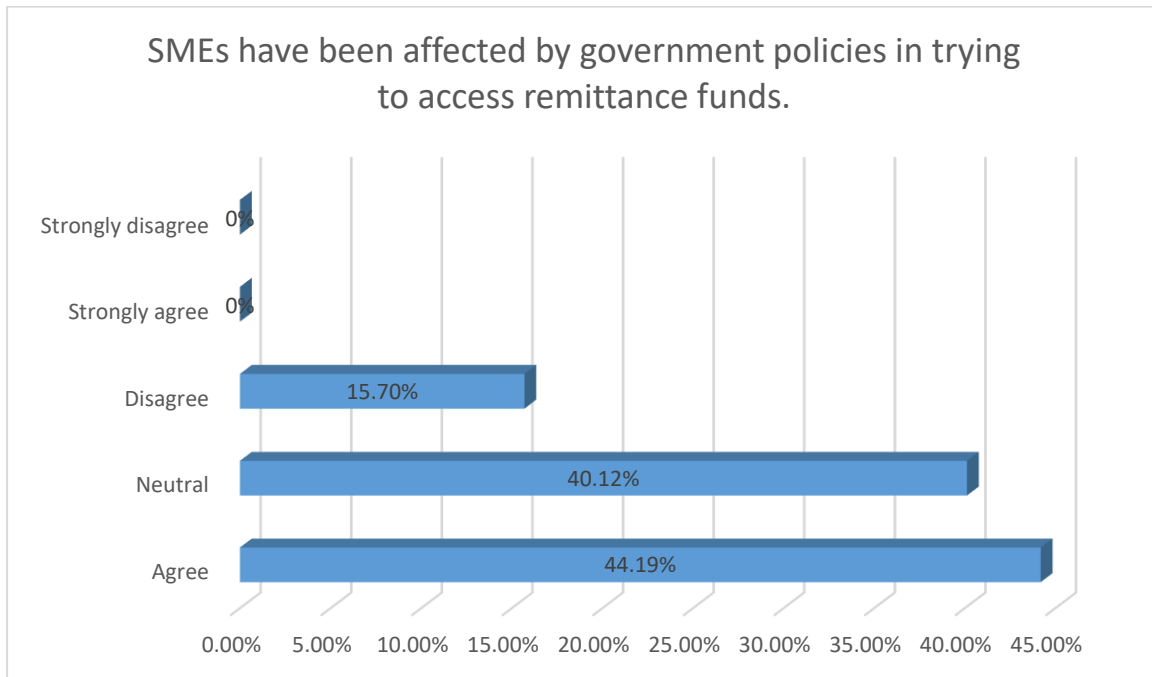


**Fig 4.15 Current regulatory and legislative framework is favourable for SMEs**

From figure 4.15, the majority of the respondents (49%) disagreed to the assertion that the current regulatory and legislative framework on remittances is favourable for SMEs, 4% strongly disagreed and 21% were neutral. However, 16% agreed and 10% strongly agreed to the claim. This outcome possibly explains why most remittance senders and recipients use informal channels as opposed to the formal ones where it is highly regulated. This position is reinforced by Spatafora, (2005) where he argued that flows of informal remittances constitute the single largest source of foreign exchange and clearly dwarf formal transfers in various developing countries.

## Your organisation has been affected by government policies in trying to access remittances

The writer sought to know if SMEs have been affected by government policies in trying to access remittances.



**Fig 4.16. SMEs have been affected by government policies in trying to access remittance funds**

From the graph above, 44.19% indicated that they have been affected by government policies in trying to access remittances. 40.12% were neutral about the assertion. 15.70% totally disagreed to the notion that SMEs have been affected by government policies. The high percentage of the respondents who agreed to the notion that government policies have affected their access to remittances possibly explains why the bulk of remittances comes through informal channels. This outcome is in line with a survey result conducted by Makina, (2007) in South Africa in which he found that only 2% of Zimbabwean migrants utilize formal channels and 98% use a variety of informal channels.

#### 4.8 Regression Analysis

Regression analysis was performed to test the predictive relationship between two sets of constructs; namely, perceived driving factors and remittances. The four perceived driving factors of remittances were used as independent variables and remittance itself was used as a dependent variable.

#### Model Summary

**Table 4.7 Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
<b>1</b>	<b>.734<sup>a</sup></b>	<b>.538</b>	<b>.507</b>	<b>.32944</b>

**Predictors: Accessibility, Cost of remitting, Government Policies, Technology**

As indicated in Table 4.7 of the model summary,  $R=0.734$  showing that the overall correlation among the independent variables (technology, cost of remitting, government policies and accessibility) is strong and they are moving in the same direction, in this case they are all converging to the prediction of the impact they have on remittances. The adjusted R Square of 0.507 shows that the independent variables (technology, cost of remitting, government policies and accessibility) predict 50.7% of the variance in the dependent variable (remittances). The remaining 49.3% of variance is explained by other latent variables that affect remittances that are not included in this current study

The researcher went on to analyse the results on model fitness as indicated by Table 4.8 below

#### Statistical significance of the regression model

**Table 4.8: Regression Model Validity**

#### ANOVA

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>f</b>	<b>Sig.</b>
<b>1</b>	<b>Regression</b>	<b>5.696</b>	<b>4</b>	<b>1.424</b>	<b>13.121</b>	<b>.000<sup>b</sup></b>
	<b>Residual</b>	<b>4.884</b>	<b>45</b>	<b>.109</b>		
	<b>Total</b>	<b>10.580</b>	<b>49</b>			



**a. Dependent Variable: Remittances**

**b. Predictors: (Constant), Accessibility, Cost of remitting, Government Policies, Technology**

From table 4.8 F (Model fitness) .For model fitness, F must be positive and Sig should be less than 0.05. This therefore means that the model is statistically significant and fit enough to explain the model as given by **F=13.121 and Sig=0.000**. Therefore, the regression model was a good fit for analysing the effect of perceived drivers on remittances among SME.

**Table 4.9: Model Coefficients**

**Model Coefficients**

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
		B	STD Error	Beta			Tolerance	VIF
1	(Constant)	2.000	.499		4.007	.000		
	Technology	.251	.107	.309	2.344	.024	.589	1.699
	Cost	.351	.090	.503	3.892	.000	.613	1.630
	Gvt Policies	-.212	.0113	-.249	-1.872	.068	.582	1.719
	Accessibility	.205	.100	.244	2.042	.047	.716	1.397

**a. Dependent Variable: Remittances**

The coefficient analysis gives the beta values (regression coefficients) which measure the extent of contribution of independent variables to the dependent variable. In this study the focus was on ascertaining the extent to which Technology, Cost of Remitting, Government Policies and Accessibility contributed to the amount of remittances received by SMEs. The p-value for each coefficient was also used to determine whether the relationship between the independent and dependent variable was statistically significant.

### **The results showed that:**

- a) Cost of remitting makes the most statistically significant contribution to remittances received by SMEs [ $\beta = 0.503, p < 0.05$  ( $p = 0.000$ )]. This means that the higher the cost of remitting funds, the less likely that SMEs will access them for investment hence affect their growth.
- b) Technology makes the second most statistically significant contribution to remittances received by SMEs [ $\beta = 0.309, p < 0.05$  ( $p = 0.024$ )]. This means that the improvement and utilisation of technology in SMEs will improve the flow and their access to remittances as a source of finance..
- c) Accessibility makes the third most statistically significant contribution to the volume of remittances that SMEs can receive [ $\beta = 0.224, p < 0.05$  ( $p = 0.047$ )]. This means that an increase in accessibility of remittances through remittance service provides by SMEs will boost their growth and development.
- d) Government Policies makes the least statistically insignificant weak negative contribution to remittances that can be received by SMEs [ $\beta = -0.249, p < 0.05$  ( $p = 0.068$ )]. The more stringent the government policies on remittances, the less likely that SMEs will access them for investment.

### **Multicollinearity Test**

Collinearity diagnostics was conducted to establish whether the predictors are not highly correlated with one another. Table 4.9 shows the coefficients tolerance and variance inflation factors (VIF). Since the tolerance for all predictor variables were greater than 0.1 or 10%, the study concluded that there is no problem of multicollinearity among them and therefore all the predictor variables were maintained in the regression model. As Cooper and Schindler (2014), stated that when the tolerances lean towards 0 than to 1, there is high multicollinearity amongst the variables and the standard error of the regression coefficients will be inflated, but in this study, all the tolerances lean towards 1 than to 0.

From the above it follows that with regards to the predictor variables:

- Technology[TL]
- Cost[CS]
- Government Policies[GP]
- Accessibility[ACC]

Remittances [RM] can be quantified as:

$$\mathbf{RM} = \mathbf{k} + \mathbf{\alpha CS} + \mathbf{\beta TL} + \mathbf{\delta ACC} + \mathbf{p GP}$$

Where,  $\alpha$ ,  $\beta$ ,  $\gamma$ ,  $p$  are regression coefficients and  $k$  is a constant.

$$RM = 3.713 + (.503 \times CS) + (.309 \times TL) + (.224 \times ACC) + (-.249 \times GP)$$

It can be concluded that Cost of remitting is the most significant driver to remittances among SMEs, followed by, Technology, Accessibility and last but not least Government Policies.

#### 4.9 T-tests

T-tests are used when comparing the values on some continuous variable for two groups, or on two occasions. Pallant, (2005) stated that when conducting the T-tests if the value in the **Sig (2-tailed)** column is less than 0.05, there is a significant difference in the mean scores of the dependent variable for each of the two groups and if the value is greater than 0.05, then there is no significant difference between the groups.

#### Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Remittances	Male	142	4.7000	.553498	
	Female	60	4.9000	.30779	

**Table 4.10: Group Statistics**

#### 4.10 Independent Samples T-test

An Independent Samples T-test was conducted to compare access to remittances for males and females operating in the SME sector. The results of the T-test are shown in tables 4.11 below

#### Independent Samples Test for Remittances and Gender

	Levene's Test For Equality of Variances		t	df	Sig.(2tailed)
	F	Sig.			
Equal variances assumed	.824	.369	-1.510	170	.040
Equal variances not assumed			-1.674	122.78	.026

#### **Table 4.11: Independent Sample Test**

The results shows that there was a statistically significant difference in scores for males [M=4.7000, SD=0.553498] and females [M=4.9000SD=0.30779;  $t(170) = -1.510, p=0.040$ ]. In this research, there was a statistically significant difference in the mean remittance scores for males and females. This claim is shown in table 4.10 above where the Sig. (2-tailed) value is 0.040 indicating that the value falls within the required cut off of less or equal to 0.05. Therefore, it can be concluded that males and females operating within SMEs access remittances differently.

#### **4.11. Discussion of findings**

This study confirmed the validity of the four perceived drivers of remittances among SMEs (Technology, Government Policies, Cost and Accessibility) that were found in literature. From the study's results it can be deduced that of the four perceived driving factors which were investigated, cost of remitting [ $\beta = 0.503, p < 0.05 (p = 0.000)$ ] posed the greatest impact on the volume of remittances that can be received by SMEs. This is in line with the findings of the research done by Ahmed and Martinez (2016). The duo conducted a study using bilateral data on remittance flows to Pakistan and finds a significant effect of transaction cost on the remittance inflows suggesting that higher transaction costs result in either a greater use of informal channels for money transfer or the remitters desisting from sending money to their homes. In a similar manner, Kakhkharov et al (2017) investigated remittance flows to former Soviet Union countries and found that a reduction in transaction cost and depreciation of the currency in the sending country are the key factors that influence the growth of recorded remittances.

.The results also demonstrated that technology [ $\beta = 0.309, p < 0.05 (p = 0.024)$ ] had the second most contributing influence on the volume of remittances that can be received by SMEs. This is similar to what Stanton et al, (2004) stated that "increased competition and the introduction of technology is lowering costs and making transfers more rapid and reliable". They also added that as in all financial services, new technology offers potential for greater efficiency, lower costs and extended outreach.

This outcome is also supported by what Porter, (2009) indicated in his study that new transacting technologies have increased the affordability and accessibility of remittances thus fostering a broader inclusion in financial services of 'unbanked' recipients and marginalised

people. Stanton et al, (2004) also stated that “increased competition and the introduction of technology is lowering costs and making transfers more rapid and reliable”.

The outcome of this research also revealed that accessibility [ $\beta = 0.224, p < 0.05 (p = 0.024)$ ] plays a significant role in the amount of remittances that can be received by SMEs. This is in line with what Maimbo and Ratha (2005) suggested that ready access at both the sending and receiving ends is a deciding factor in the choice of transfer services and lack of outreach of services especially into rural areas poses a great barrier.

Government policies have proved to have a negative impact on the remittances received by SMEs [ $\beta = -0.249, p < 0.05 (p = 0.068)$ ]. This outcome is consistent with the UNCTAD report of (2013) which suggested that government taxes on remittances are not recommendable as they could raise transaction costs and incentivise informal channels

From the findings of this research it can be inferred that remittances through their drivers have a direct impact on the growth of SMEs. **4.17. Hypotheses testing**

**The outcomes of the Hypothesis Testing are depicted in Table 4.10 below:**

<b>Hypotheses</b>	<b>Decision</b>
<b>H1:</b> Technology utilisation have a positive impact on the volume of remittances that can be received by small-medium enterprises.	Accept
<b>H2:</b> Cost of remitting positively affect the amount of remittances received by SMEs	Accept
<b>H3:</b> Accessibility of remittance services positively affect the amount of remittances received by SMEs.	Reject
<b>H4:</b> Government policies on remittances have a positive on SME development	Accept

**Table 4.12: Hypothesis Testing and Outcomes**

**Overall hypothesis decision**

Since out of four dimensions, three were accepted and only one was rejected, it therefore follows that we accept the null hypothesis that Technology, Cost of remitting, Government policies and accessibility positively impact the volume of remittances received by SMEs with a total percentage of 75% acceptance and only 25% rejection

#### **4.12. Chapter summary**

The chapter has analysed, presented and discussed the findings. Analysis was done using SPSS package. This was done in the form of frequencies, percentages, statistical analysis of mean, standard deviation and correlation and regression analysis. This study found that there is positive and statistically significant relationship between the perceived drivers (technology, government policies, cost and accessibility) and remittances among SMEs. All the four perceived drivers of remittances were found to be relevant although they portrayed a varying magnitude of contribution.

## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The previous chapter focused on presentation, analysis and interpretation of the findings of the study. This chapter conclusions from the main findings that were discussed in the previous chapter. Conclusions will be discussed based on the study`s objectives which were set out in chapter one and on the basis of a conceptual framework that was modelled from the literature review. The conclusions will be followed by policy and managerial recommendations whose primary focus is on improving key areas which were identified in the findings.. Last but not least, the chapter presents the limitations of the current study together with areas that warrant further research.

### **5.2 Achievements of research aim and objectives**

The primary objective of this study was to determine the driving factors of remittances and their impact on SME growth in Harare. To achieve this broad objective, the researcher formulated four objectives which include: to determine the impact of technology on the volume of remittances received by SMEs. To satisfy this objective, the study revealed that the use of technology in SMEs has improved the volume of remittances received by SMEs. **H1** predicted that technology utilisation have a positive impact on the volume of remittances received by small-medium enterprises. The study results confirmed this claim.

To address the second objective which was aimed at examining the impact of costs in sending and receiving remittances, the study founded out that cost of remitting funds has a significant impact on the volumes that are received by SMEs. **H2** predicted that cost of remitting positively affects the volume of remittances received by SMEs, The research findings also confirmed this claim in a significant way.

To satisfy the demands of the third objective which aimed to assess the effect of accessibility of remittances as a source of finance for SMSs, the study findings established that accessibility positively affect the volume of remittances received by SME in a statistically significant way. **H3** predicted that accessibility positively affect the amount of remittances received. The study outcomes confirmed this assertion.

To address the last objective which was aimed at determining the impact of government policies on the size of remittances received by SMEs, the study revealed that government policies have a negative impact on the volume of remittances received by SMEs. **H4** predicted that government policies have a positive impact on the amount of remittances receive by SMEs. The study results confirmed otherwise which led to the rejection of the hypotheses.

### 5.3 Conclusion

The study's findings bring the following conclusions:

#### **Impact of Cost of remitting on the volume of remittances received by SMEs.**

From the study's results it can be deduced that of the four perceived driving factors of remittances which were investigated, cost of remitting, [ $\beta = 0.503, p < 0.05 (p = 0.000)$ ], posed the greatest positive impact in the volume of remittances received by SMEs. This outcome is consistent with Ahmed and Martinez (2016) who conducted a study using bilateral data on remittance flows to Pakistan and finds a significant and negative effect of transaction cost on the remittance inflows suggesting that higher transaction costs result in either a greater use of informal channels for money transfer or the remitters desisting from sending money to their homes.

#### **Impact of Technology on the volume of remittances received by SMEs**

The results also demonstrated that technology [ $\beta = 0.309, p < 0.05 (p = 0.024)$ ] had the second most contributing impact on the volume of remittances received by SMEs. This is also supported in the study conducted by Porter, (2009) who reinforced the idea by stating that new transacting technologies have increased the affordability and accessibility of remittances thus fostering a broader inclusion in financial services of 'unbanked' recipients and marginalised people.

#### **Impact of Accessibility on the volume of remittances received by SMEs.**

The outcome of this research also revealed that accessibility [ $\beta = 0.224, p < 0.05 (p = 0.047)$ ] plays a significant role on the volume of remittances received by SMEs. This is in line with what Maimbo and Ratha (2005) suggested that ready access at both the sending and receiving ends is a deciding factor in the choice of transfer services and lack of outreach of services especially into rural areas poses a great barrier.

#### **Impact of Government policies on the volume of remittances received by SMEs.**

Lastly, this research study demonstrated that government policies [ $\beta = -0.249, p < 0.05 (p = 0.068)$ ] have a negative and insignificant impact on the volume of remittances received by SMEs. This evidence is also in line with the World Bank report, (2006) which stated that remittance industry, like any other, is likely to flourish best when the general legal framework in which it operates is sound, predictable, non-discriminatory and proportionate.



#### **5.4 Answer to research Questions**

The research findings managed to answer the research questions adequately. The study examined the impact of technology on the size of remittances received by SMEs. The study revealed that technology has significant impact on the amount of remittances received by SMES and that new transaction technologies have increased the affordability and accessibility of remittances.

The second research question was on the impact of the cost off remitting on the volume of remittances that can be received by SMES. The study also revealed that cost of remitting funds plays a significant role in the volume of remittances received by SMEs and that the reduction in transaction cost increases the volume of remittance and enhance financial inclusion by redirecting remittances flows from informal to formal channels.

The third research question was on the impact of accessibility on the volume of remittances that can be received by SMEs. The study outcomes indicated that accessibility has positive and significant impact on the amount of remittances received by SMEs. It also established that ready access at both sending and receiving ends is crucial for the smooth flow of transfers. The last question was on the impact of government policies on the volume of remittances received by SMEs. The study found a negative and statistically insignificant impact of government policies on the volume of remittances received by SME.

#### **5.5 Contributions**

The study makes significant contributions to various stakeholders in the field remittances SMEs and other related areas. Outlined below are theoretical contributions, methodological contributions, empirical contributions and practical contributions.

##### **5.5.1 Theoretical contribution**

The research study attempted to provide both academic and practical contributions to the existing body of literature on remittances and SMEs. This piece of work makes a contribution intended to inform policies and help create an environment conducive for the flow of transfers and effective use of remittances received by SMEs for sustainable investment

On the academic side, the study contributed fundamentally to the often neglected research area of remittances among SMEs within a developing country like Zimbabwe. The study also sought to provide empirical evidence to confirm other researches that were conducted especially in the developed countries. The study substantiated the findings from other researches concerning the validity of four perceived driving factors of remittances among SMEs. The four driving factors of remittances whose validity was confirmed are technology, government policies, cost of

remitting and accessibility. Furthermore, the research advanced a conceptual framework illustrating the relationships amongst the perceived driving factors, remittances and SMEs in Zimbabwe

### **5.5.2 Methodological Contribution**

The researcher made use of only quantitative methods in concluding the research. Data was collected through the use of a structured questionnaire. Probability sampling techniques were employed to come up with a representative sample among the SMEs in Harare Metropolitan. The use of SPSS to present and analyse the data assisted the researcher in interpreting the results objectively with less effects of subjectivity that comes with qualitative data.

### **5.5.3 Empirical Contribution**

The researcher focused on the drivers of remittances and the study was conducted in The SME sector operating in Harare Metropolitan. The research helped to enlighten authorities and organizations on the need to boost remittance flows through identified driving factors. The study also obtained unique findings which are going to be useful in future researches.

### **5.6 Policy recommendations**

The authorities should develop policies and programs that nurture and promote growth of the SME sector through remittances and devise strategies to enhance more access to remittance services. Also, improved implementation of standards and policies in the remittance sector by the government and other relevant authorities must be prioritised. The authorities may resort to tax breaks for migrants' funds so as to create a conducive environment for the remittances market. For instance in the case of Egypt, migrants remitting through banks receive tax holidays for up to ten years. Also, regulators can create incentives to attract diaspora investments through savings accounts in foreign currency and diaspora bonds. Again, remittance service providers should invest in financial literacy campaigns to empower remittance senders and recipients so that they make the most out of the hard-earned funds.

### **5.7 Managerial recommendations**

Technological and innovative models to deliver remittance services:

In view of the evidence from the study, remittance service providers such as MoneyGram and Western Union should introduce distinguished services and develop remittance-products through technological innovation. Widespread use of innovation and technology enables remittance firms' (SMEs) access to banking services Innovative products, online and automation in payment systems are needed to reduce the cost of handling international money transfers. While this may require huge capital outlay, service providers must appreciate the

considerable long-term paybacks from such investment projects. This is because remittance inflows are less negatively affected by economic downturns and can cushion banks in periods of recession. Policymakers can drive the initiatives by implementing policies that utilize these new technologies.

Better coordination among stakeholders and best practices in the remittance sector must be encouraged. Cost effective measures should be put in place to improve the outreach and accessibility of remittance services. Also, investment in financial infrastructure must be considered to improve accessibility as evidenced by research outcomes.

Other recommendations are as follows, financial education campaigns for remittance senders and recipients. The fact that migrants and their families are keen to save and invest their resources in small and medium enterprises but often lack knowledge, financial education will broaden their understanding and enable them to use their funds to their maximum benefit. Furthermore, an assessment of existing prospects for investment, which remittance senders and recipients might not be aware of needs to be undertaken.

The study also recommends the implementation of a longitudinal study on the drivers of remittances and their impact on SME growth where some of the assistance programs proposed in this study are offered to the SMEs. If they are seriously considered by the relevant authorities, they might bring the necessary changes which will improve migrant's incomes and consequently SMEs growth and development.

### **5.8 Generalisation of findings**

From the evidence of the research conclusions above, it is clear that more needs to be done to maximise the volume of remittance flows as they can transform the economy of Zimbabwe if well managed. This study focused on the drivers of remittances and their impact on the volume of remittances that can be received by SMEs. Further researches can be carried out on how best to motivate migrants to channel transfers through the formal channels.

### **5.9 Research limitations**

Despite the fact that the current research study offers fruitful insights in respect of the remittances and SMEs growth and development, it is not void of its own confines. The research only focused on Zimbabwean SMEs operating within the Harare Metropolitan Province and this could present a potential shortcoming in terms of generalising the results to other SMEs in the country as they could have different views about drivers of remittances and their developmental impact. Furthermore, the study only utilised owners, managers and supervisors

of SMEs as the key informants during data collection and this is considered a limitation in that the research could have yielded subjective results.

The fact that quantitative approach was adopted for this study also present some limitations in the form of the research (questionnaire) that was used to collect information from respondents. In addition, the research was carried out within a limited time frame (six months) such that cross-sectional survey data was employed to test the proposed hypotheses yet a deeper understanding of the relationships among the identified scale dimensions could have been obtained if longitudinal survey data was used.

Another restraint was that some respondents were not comfortable to issue out information which they categorised as private in their operations. The difficulty was by-passed by assuring respondents that all information gathered would be kept confidential and was for academic purposes only. Furthermore, no identification information was required on the questionnaire as a means to assure respondents' their privacy is guaranteed.

#### **5.10 Areas of further study**

From the results and research limitations, it is recommended that future researches should conduct similar studies in other provinces in Zimbabwe or in other developing countries in order to check the similarities and differences. Duplication of this study is therefore necessary within the SME industry in order to test the validity and reliability of the scales which were adopted.

In addition, future research may also consider conducting studies on other latent variables that affect the volume of remittances received by SMEs that are not included in this current study as the study predicted that 50.7% of the variance in the dependent variable is explained by the four driving factors as discussed above

It is clear from the content of this report that with the right policies by the authorities, as well as proactive actions by migrants and recipients, economic growth and development is possible.

#### **5.11 Chapter summary**

This research study examined the perceived driving factors of remittances and their impact on SMEs operating in Harare Metropolitan Province. The results point out that the four driving factors of remittances in their order of importance are cost of remitting, technology accessibility and government policies. The study also confirmed that of these four factors only three of them make a statistically significant impact on remittances that can be received by SMEs. Therefore, it is important for remittance service providers and regulators to prioritise scanning of the environment in order to enhance inflow of remittances for sustainable

development particularly in SMEs. It is therefore important for the government of Zimbabwe to develop policies and programs that nurture and promote growth of the SME sector and facilitate ease of access to remittances as a source of development finance.

However, for the developmental potential of remittances to be fully realised both in the SMEs and overall economy of Zimbabwe, there is need for collective effort comprising the government, migrant groups, the local community and service providers to seek ways of encouraging the flows and creating an environment for more sustainable investment of remittances.

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## **APPENDICES**

### **Appendix A: Letter to Respondents**

Dear Sir/Madam

RE: Research Questionnaire

I am a final year Masters in Business Administration student working under the direction of Dr. Bara in the Faculty of Commerce's Graduate School of Management at the University of Zimbabwe. The purpose of my research is to determine the driving factors of international remittances and to ascertain the impact of remittances on small-medium enterprises in Harare. You are being asked to voluntarily participate in this study by completing the attached questionnaire. Your honest participation is very important to the researcher and information obtained from this study will enhance the learning process. The outcomes of this study will assist policy makers and SMEs to better understand the importance of remittances and their potential developmental impact.

Yours sincerely,

**Tatenda Chidziva**

**Student No. R182874W**

APENDIX B: Questionnaire

**Questionnaire on "The impact of international remittances on Small and Medium-Sized Enterprises in Zimbabwe)".**

**June 2020**

**Dear Respondent,**

**This is an academic survey questionnaire which is aimed at exploring the drivers of remittances and their impact on SMEs in Harare Metropolitan. Your kind assistance and objective response as the manager/owner of an SME will be greatly appreciated to ensure that accurate and relevant information are obtained to assist the researcher to make the correct conclusions and recommendations.**

**In order to ensure confidentiality do not put down your personal and company name on the questionnaire but please kindly answer all questions honestly and objectively so as**

**to come with a genuine tool that can assist SMEs as well as the Government of Zimbabwe.**

**INSTRUCTIONS TO ANSWER THE QUESTIONS**

- i.** Kindly tick the appropriate box and fill the blanks where appropriate
- ii.** Kindly attempt to answer all questions

**SECTION A**

This section deals with information pertaining to **YOURSELF** and **YOUR ORGANISATION**. Please be assured that this information is **CONFIDENTIAL** and will only be used to compare groups of respondents.

1. Gender:                      Male                      [ ]    Female [ ]

1. What is your position in your firm?

Owner [ ]                      Manager [ ]                      Supervisor [ ]

2. How long is your industry experience?

Less than 5 years [ ]                      5-<10 years [ ]

10-<15 years [ ]                      >15 years [ ]

3. Please indicate your highest qualification.

Post-Graduate Degree (Masters/ Doctorate) [ ]

Undergraduate Degree [ ]

Diploma [ ]

Certificate [ ]

Other (Please Specify)

.....

**4. What is the main role of your position?**

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**5. Please indicate the sector in which your organisation operate.**

**Manufacturing** [ ]

**Private Health Care/ Private Education & Entertainment Services** [ ]

**Private Financial Services** [ ]

- Travel/ Accommodation & Catering [ ]
- Agriculture [ ]
- Retail [ ]
- Transport, Storage and Telecommunication [ ]

**6. How many years of business operation?**

- Less than 3years [ ]      3years or more but less than 6years [ ]
- 6years or more but less than 10years [ ]      10years or more [ ]

**7. Ownership of the firm**

- Individually owned [ ]      Family owned [ ]
- Partnership [ ]      Venture capital firm [ ]

**8. What is the organisation’s average annual turnover since dollarization?**

- \$0 - \$500,000 [ ]
- \$500,001 – \$1m [ ]
- More than \$1m [ ]

**SECTION B**

**This section deals with statements about Rremittances and SMEs**

**Below are statements about drivers of remittances and their impact in your organization where you are required to indicate the extent to which you agree or disagree to each of the following statements by ticking the appropriate box with the number that corresponds to your answer from the given choice set:**

<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

<b>Section B1-Technology</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>	Technology utilization in SMEs like yours improves access to remittances as a source of funding					

2	SMEs in your industry are technologically equipped for remittance services					
3	Representative organisations have been providing support in technological services					
4	Small and medium scale business owners appreciate the importance of technology in business growth and development.					
5	Remittance flows have been increasing as a result of advancement in technology in your industry					
6	Technology and new business processes improves business operations in your organization					
<b>Section B2-Cost of remittances</b>		1	2	3	4	5
6	There are arrangements between remittance service providers and small enterprises to improve the efficiency of remittance transmission.					
7	Remittance service providers policies have been promoting borrowing by SMEs					
8	Remittance service providers have supported SMEs enough to obtain their desired results					
9	Remittances provide a cheaper source of finance for SMEs compared to other sources of debt finance					
10	The bulk of your business operations are financed by remittances					
<b>Section B3-Government policies</b>		1	2	3	4	5
10	Excessive government policies and regulation is a hindrance to the volume of remittances received by SMEs in your industry					

11	The government has undertaken targeted measures to help SMEs access remittance services					
12	Your organization has been highly affected by government policies in trying to access remittance services					
13	There are government incentives in place by the government for SMEs funded by international remittances like tax holidays					
14	Government policy on remittances support the use of remittances as a source of financing in SMEs					
15	The current remittance regulatory and legislative framework is favorable for SMEs in your sector					
<b>Section B4-Accessibility</b>		1	2	3	4	5
16	SMEs in your industry have faced difficulties in accessing remittances as a source of funding					
17	There is awareness of remittance service provider institutions that support SMEs growth in your sector					
18	Apart from providing funding, there are other forms of assistance offered by remittance providers to SMEs					
19	There are initiatives by remittance service providers to expand the outreach of remittances services to SMEs in your industry					
20	There are critical aspects considered by remittance services providers to avail funding to SMEs					

**SECTION C**



**This section deals with YOUR PERCEPTIONS of the drivers of remittances in your organisation.**

**Please indicate the extent to which you agree or disagree with the following statements by using the scale prescribed below:**

<b>Section C-Remittances</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Creativity and new product development are among the outcomes of technology in small enterprises					
2	Mentorship and technical assistance from remittance s service providers can be of much help in promoting SMEs					
3	The government has played a vital role in promoting remittance inflows					
4	SMEs have limited access to financing from other financial institutions					
5	The cost of remitting money and goods has increased over the past years					

**End of Questionnaire**

**A Thank you!!!**