

UNIVERSITY OF ZIMBABWE



An evaluation of the challenges that hinder business growth of MSMES in Zimbabwe. The case of cellphone accessories businesses in Harare (2010-2018).

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DEDICATION

I would like to thank the Almighty God for bringing me thus far.

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My special thanks go to Ms Tsikirayi, my supervisor and all lecturers who have taken me through this course for their assistance.

My sincere gratitude goes to my husband Lukas Chibwe and my family for their unwavering support and the sacrifice they made for the entire duration of this course. You were a great source of inspiration and I would not have done it without you.

ABSTRACT

The primary objective of the study was to evaluate the challenges that hinder business growth of MSMEs in Zimbabwe. The researcher used cellphone accessories businesses in Harare as the case study. A positivist research paradigm, a quantitative approach and a survey research design were employed in this study. There are about 541 456 MSMEs in Harare according to Bulls and Bears (2015). The population was made up of these MSMEs owners, managers and low level employees of those targeted cellphone accessories businesses in Harare. The sample size was 250 respondents comprising of 50 respondents from Gulf Complex, 50 respondents from Copa Cabana, 50 respondents from Cameroon Street, 50 respondents from Kwame Mall and 50 respondents from Post Office Mall. Quota, convenience and simple random sampling were used to come up with the sample size. Quantitative data was collected by questionnaires. A total of 250 questionnaires were distributed and 204 were returned, translating to 82% response rate. The data was analysed using Statistical Packages for Social Sciences (SPSS v. 16.0). The study revealed that lack of marketing skills, shortage of foreign currency, poor business plan, lack of capital, competition, Information Technology and legal issues, hinder business growth of cellphone accessories. In order to reduce these challenges MSMEs businesses should get training through seminars held by business experts, locate businesses at the proximity of many clients and borrow from MFIs in groups. The research revealed that locating businesses at the proximity of many clients is effective. The use of swipe machines, selling on credit to regular and known customers, organizing and attending training seminars held by business experts and recruiting skilled and learned workforce are lowly effective strategies. The study found that liberalization policy, preferential purchasing policies to allow market stalls in urban centres and technical and financial support are support systems put in place by the government. The study drew the following conclusions; Firstly, in cellphone accessories businesses both internal and external factors are affecting the business growth of cellphone accessories MSMEs in Harare. The study concluded that locating businesses at the proximity of many clients, use of swipe machines, recruiting skilled and learned workforce, selling on credit to regular and known customers, borrowing from MFIs in groups and organizing and attending training The study concludes that the government of Zimbabwe has ineffective support systems to support MSMEs. Future research may also consider different industries besides the technological industry in Zimbabwe. Large industries in Zimbabwe unlike the Micro, Small and Medium industries can be considered.

Key words: business growth, cellphone accessories businesses, Micro, Small and Medium Enterprises, technical support, financial support.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.0 Introduction

There is a general consensus that micro, small and medium enterprises (MSMEs) play a very crucial role in the economy of any country (Mashavira & Jubenkanda, 2013). This is so because of the contribution that the firms make to the general economy. MSMEs are a major employer and contribute significantly to the Gross Domestic Product (GDP) of many countries. MSMEs' growth therefore becomes a critical issue (Njaya, 2014). There are various challenges affecting the performance and growth of MSMEs and chief among them is the financial resources. Micro, Small to Medium-sized Enterprises (MSMEs) is facing unprecedented challenges in a changing business, political and economic environment which cannot be solved by policy interventions alone. There is need for businesses to chart their own destiny in order to prosper and survive in this challenging environment.

Microfinance Institutions are mainly focused on providing financial services to those that are normally excluded by the traditional financial institutions (Kamoyo, Muranda and Mavhima, 2014). Mobile phones accessories MSMEs need to be very innovative and embrace technology in coming up with new products as well as coming up with best ways to confront the challenges the face. Government should support MSMEs in their business so that they grow as they have an impact on the development of the country and become competitive in and outside Zimbabwe. This chapter introduces the study. It presents the background to the study, research problem, research objectives, and research questions, limitations of the study, delimitations and significance of the study.

1.1 Background of the Study

The Zimbabwean economy has faced a quagmire of challenges since early 2000, ranging from economic to socio-political issues and has been very unstable due to a number of factors, among them, political instability (Mashavira & Jubenkanda, 2013). This political instability further deteriorated after parties to the inclusive government ruling in Zimbabwe advocated for an early general election in 2009 to be held by 2013. The resulting political uncertainty resulted in financial institutions, both banks and microfinance institutions, being reluctant to extend loans to MSMEs (Chokuda, 2014). Since 2009, micro and macro-

economic environment has been characterized by shortage of hard currency, as the economy has struggled to match imports with exports, in an economy that has no currency of its own, relying on the Botswana Pula, South African Rand, and the United States of America Dollar as the medium of exchange. The consequential liquidity challenge in the financial sector meant that MSMEs were now regarded as risky and less attractive to lend to, as compared to their counterpart bigger companies (Gombarume and Mavhundutse, 2014).

Apart from that, MSMEs have been struggling to overcome the effects of currency change or dollarization of the economy (Mambo, 2010). Zimbabwean financial institutions have not been lending to MSMEs in this volatile and unpredictable economy. This is so, despite the fact that MSMEs are now driving the Zimbabwean economy in a country with unemployment estimated to be over 70%. According to Koushi (2008) there are various reasons to the significance of MSMEs that are enhancement of competition and entrepreneurship which brings about external benefits to the economy as a whole in terms of efficiency, innovation and productivity growth.

Chokuda (2014) states categorically that formal MSMEs contribute approximately 50% of gross domestic product (GDP) on average in high-income countries. In 2012, it was estimated that, of the currently employed population over the age of 18, 84% were in informal employment, 11% were in formal employment and 5% were in employment not classifiable (ZimStats Survey Report, 2012). According to this survey 52% of the informal sector employees were employed in the wholesale and retail trade, followed by other services and manufacturing at 14% each. These statistics demonstrate the contribution of the SME sector to national development and the world economy in general. As a result, the government of Zimbabwe has put in place a whole ministry of Medium to Small Scale Enterprises Development (MSED) to spearhead the growth of SMEs.

Considering the importance of MSMEs, such firms need special attention so as to ensure that countries' economies grow, as well as achieving some developmental goals, including equitable income distribution, poverty alleviation and economic growth (Kamoyo, Muranda and Mavhima, 2014). Technological innovation is a key factor in a cell phone firm's competitiveness and it is unavoidable for firms which want to develop and maintain a competitive advantage and/or gain entry into new markets. Technological innovation has the potential to spur growth of individual enterprises at the micro level and give a new dimension to industry growth at the macro level (Gombarume and Mavhundutse, 2014). The world has

shifted its focus and its now more technologically oriented hence the need to support cell phone accessories industry so as to realize the benefits of technological advancement in an economy.

Mensah (2016) says that many people believe that lack of finance is the only factor that constrains SMEs' growth. In most cases, small businesses fail to access finance and other complementary resources required in running businesses due to the risks involved with small enterprises. Financial institutions usually shun these enterprises as they fear they may not be able to get back their funds. According to Mashavira & Jubenkanda (2013) poor management is one major reason why small enterprises fail to get funding. The same is echoed by Kauffmann (2005) who says that high default risk inhibits SMEs from getting formal access to finance. Consequently, the bulk of such enterprises rely on non-bank sources like the informal sector, family and friends, as well as internally generated funds. Limited access or no access to financial services impacts negatively on the performance of MSMEs. It becomes difficult for MSMEs to acquire new technology, expand into other markets or even maintain the product and services range.

In Zimbabwe, a lot of work has been done towards supporting MSMEs. Strategies, policies and even the setting up of a specific ministry known as the Ministry of Small and Medium Enterprises and Co-operative Development are all meant to deal with MSMEs. There are policy frameworks that were devised to ensure development, stability and growth of MSMEs in Zimbabwe. For instance, the MSMEs Policy Framework (2002-2012) and the most recent one being the National Micro, Small and Medium Enterprises Policy Framework (2014-2018) were developed. The 2014-2018 one is run under the theme "MSMEs, The Engine for Economic Growth-Promoting Sustainable Economic Development and Growth. The Ministry even set up its own disbursement arm known as the Small and Medium Enterprises Development Corporation (SMEDCO) to ensure financial support to MSMEs. The Scientific Industrial Development and Research Centre (SIRDC) is also a crucial function meant to ensure MSMEs have access to technology, product design and development. MSMEs are also encouraged to establish MSMEs specific sector associations. Bomani, Fields and Derera (2015) stated that MSMEs in Zimbabwe have faced challenges since independence in 1980, hence, struggled for survival and development regardless of the strategies and policies implemented by the government.

The hyper-inflationary period of 2004-2009 in Zimbabwe left long term effects on the economy, resulting in a lot of companies suffering. This decline in the formal sector resulted in the proliferation of the informal sector and establishment of a lot of MSMEs. Zimbabweans are establishing their own small or micro businesses so as to deal with the harsh economy where unemployment rate is high. FinScope (2012) reported that MSMEs in Zimbabwe employ approximately 5.7m people and contributes over 50% to the country's GDP. MSMEs often perform poorly or fail to grow, with the bulk of them failing to go beyond infancy. Microfinance is believed by many to be the solution to some of the challenges that MSMEs face (Kamoyo, Muranda and Mavhima, 2014). This is so because it is believed to reach the lower end of the market. Microfinance involves a broad range of financial services which are not limited to finance only. Consequently, it is believed to solve the challenges since MSMEs challenges are not in monetary terms only. It is against such background that the researcher was motivated to conduct a research that seeks to investigate the challenges that hinder business of cellphone accessories MSMEs in Zimbabwe.

The SME sector in Zimbabwe

According to the Ministry of Small and Medium Enterprises Cooperative Development policy framework (2014-2018) MSMEs in Zimbabwe play a crucial role in the economy of Zimbabwe as they employ about 6 million of Zimbabwe's population. Most Zimbabweans lost their jobs due to the Structural Adjustment Program as well as the High Court Ruling of 2015 which saw many people losing their jobs but this sector seems to have managed to absorb a lot of Zimbabweans, thereby improving and increasing their means of sustaining themselves as well as their families. This sector has an advantage in that it is more flexible to invest anywhere, in town, in rural areas, or anywhere else, without much need to develop infrastructure (Chokuda, 2014). The sector can also meaningfully contribute to eradicating poverty, the development of an economy, as well as meaningfully improve the welfare of females, youths and other marginalized groups economically, which is quite important for Zimbabwe at the moment.

According to the Small and Medium Enterprises' Association (2015) an MSMEs Association was formed in 2011 in a bid to represent the sector, as well as try to address problems within the sector. The Association registered in February 2012, as it realized there was need to formalize in order to properly represent the sector. The association rose due to the fact that most of the organizations that were arising, claiming to represent the sector were mostly

interested in the micro sector and failed to fully establish themselves so they could be recognizable. On the other hand, there were also large business groups that also claimed to support the sector but were mainly interested in bigger businesses and had registration charges that were beyond the reach of many involved in the small scale businesses. Due to these reasons, the Association felt it could support everyone as no such registration fees were required and it was meant to support everyone (Chokuda, 2014). The Association offers capital, training and teaches business best practices, amongst other services, which is a positive step towards the development of the sector locally.

This sector, according to Kamoyo, Muranda and Mavhima (2014) is easy to enter and is usually family owned, small and makes use of simple technology, relying on home-grown resources, requiring less capital to take off. It is easy to enter as you do not require much money to invest in starting your business; you also do not need to be very educated in order to be able to start your own enterprise (Bomani, Fields and Derera, 2015). Due to the fact that it is usually family owned, it makes it easier even for other family members that are not very creative to continue operating within the family business, even with a limited educational background. The technology required is not too sophisticated which again makes it simple for those with limited education. This makes the sector easily accessible to those who are marginalized (Kamoyo, Muranda and Mavhima, 2014). Due to this, the government should not ignore the sector as it has the potential to alleviate poverty within the marginalized in society.

According to Bulls and Bears (2015) Harare has the largest number of MSME owners, which are approximately 541 456, with Matabeleland having the least, 136 841. Most of the owners are individual entrepreneurs whilst 31.6% employ people in their businesses. About 1% is medium enterprises, 4.1% small enterprises, 26.7% micro-enterprises whilst 68.4% are individual businesses. The majority of them seem to operate from their residential homes whilst others operate from undesignated areas in towns and growth points. The fact that the majority operates within their residential homes means the business is easier to be involved in, as not much money is wasted in paying rentals for offices to conduct business (Bomani, Fields and Derera, 2015). The majority involved within the sector could be operating from their homes because areas to conduct business are either limited or expensive to hire. This then brings the importance of creating business malls or other sites that are more affordable where people could conduct their businesses.

According to the FinScope survey of 2012 about 5.7million people in Zimbabwe are working within this sector. It was realized that most of the employees within the sector are male but those unpaid are usually female. The 2011 Labour force Survey indicates that 84% of those who are currently employed, aged between fifteen and above, are employed within this sector. It was also discovered that men tend to dominate the more complex activities within the industry including activities like welding, construction and carpentry (Bomani, Fields and Derera, 2015). About 43% are engaged in agricultural activities, mainly fruit and vegetable marketing, 9% in the manufacturing, mostly tailoring whilst 33% were involved in the non-tradable service sector as well as vending and selling food, clothes, newspapers or airtime. There is need to try and find out why it is that most of the women involved in the sector are unpaid as this should be an avenue that they use to sustain their families and what can be done to ensure they are involved in the sector as much as men.

1.2 Statement of the Problem

Poor performance has remained a major challenge that MSMEs face in Zimbabwe. Regardless of all the efforts that the government has put in place, strategies and policies, MSMEs still face survival, stability and growth challenges. A number of the MSMEs fail to go beyond the introduction stage; some make it to the next stage but still fail to survive. Just an insignificant number survive but still fail to perform well or grow. When MSMEs perform poorly and fail to grow, the economy and the owners of the businesses are deprived of the benefits they would have otherwise enjoyed. There will not be much to show for the effort that the entrepreneurs would have put into the business. With the world drifting towards technology, it is evident that for an economy to grow, technology must be embraced and this calls for cellphone accessories MSMEs to grow their business. However, these MSMEs are facing imminent challenges as a result of the moribund and melting Zimbabwean economy which is characterized by foreign currency shortage against its high demand, high inflation as well as high levels of unemployment, to mention a few. Given the novelty and importance of such MSMEs in Zimbabwe, this research sought to evaluate the challenges that hinder cell phone accessories MSMEs business growth in Zimbabwe, with special reference to Harare.

1.3 Research Objectives

1. To ascertain the factors that is hindering business growth of cellphone accessories MSMEs in Harare.

2. To determine the strategies adopted by cellphone accessories MSMEs to counter the challenges hindering business growth.
3. To find out how effective are these strategies in reducing the challenges encountered.
4. To determine what government has done to support the operations of MSMEs.
5. To recommend ways of facilitating the growth of cellphone accessories MSMEs.

1.4 Research questions

1. What are factors that are hindering business growth of cellphone accessories MSMEs in Harare?
2. What are the strategies adopted by cellphone accessories MSMEs to counter the challenges hindering business growth?
3. How effective are the strategies in reducing the challenges encountered by MSMEs?
4. What has been done by government to support the operations of MSMEs?
5. What can be done to facilitate the growth of cellphone MSMEs in Zimbabwe?

1.5 Significance of the study

The study contributes to the body of knowledge on the challenges that are faced by cellphone accessories MSMEs businesses in Harare. To the researcher, it will assist the researcher to attain a higher qualification in Masters in Business Administration and will broaden the researcher's knowledge and understanding of MSMEs issues. MSMEs are also likely to benefit from this study since they are most likely to become aware of the challenges they are facing and the possible solutions they might adopt so as to reduce the challenges. MSMEs will also align their business operations in a way that enhances access to funding from banks and microfinance service providers. Recommendations to be made from the study will also help MSMEs to perform better and eventually excel.

Relevant authorities, government included, are enlightened on the issues affecting MSMEs. This enables the government to come up with strategies and policies meant to enhance the performance of MSMEs, taking into account the importance of such firms in the country. Policies and laws can thus be made to enhance the operations of MSMEs, basing on the recommendations in this study. The study also forms a basis for future studies since it acts as a starting point.

1.6 Delimitation of the study

The study focused on MSMEs in Harare only. Harare is the capital city of Zimbabwe and has a relatively large population, as well as being the city with the most business activity, hence gives a better representation of MSMEs. The research covers MSMEs operating at Gulf Complex, Post Office Mall, Copa Cabana, Cameroon Street and Kwame Mall. These areas were considered since many cell phone accessories MSMEs operate in there. Respondents used were the owners, managers and low level workers of these MSMEs as they do much of the procurement of the various cellphone accessories products. The study covered nine years from 2010 to 2018. This is because the researcher wanted to focus on owner-managed MSMEs that have been in business for five or more years.

1.7 Assumptions

This case study of selected cellphone accessories MSMEs fairly represents all MSMEs in the industry, thus all the findings to be obtained from them are assumed to apply to all MSMEs in the industry. The sample group is also assumed to typify the whole target population. The study assumed that the data provided by respondents was correct and a true reflection of the MSMEs' information.

1.8 Organization of the study

The study was organized into five chapters. The first chapter (this) looked at the general introduction and background of the study, together with the problem statement and the objectives of the study. The second chapter focuses on literature review, both theoretical and empirical literature. The third chapter explains the methodology that the researcher employed in coming up with the data that was analysed to get the information that was used as answers to the research questions. Chapter four looked at data analysis and presentation. Chapter five gives a summary, conclusion and recommendations.

1.9 Chapter Summary

This chapter laid the background of the study. The background formed the basis for the problem statement. The research objectives were laid together with the research questions. The research limitations and delimitations were shown. The chapter concluded by giving the

importance of the study and the structure of the subsequent chapters. The next chapter is a literature review chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the researcher analysed and made an in-depth review of literature available concerning the challenges that hinder business growth of Micro, Small and Medium Enterprises (MSMEs). The literature review was based on conceptual, empirical and theoretical evidence. Also incorporated, is the work by various authors in order to come up with a concrete analysis on the extent of the challenges, what has been done so far and what can be done to address such challenges in Zimbabwe. The chapter starts by giving a brief overview of the MSMEs, goes on to explain the challenges that hinder business growth of MSMEs and the possible solutions and then provides empirical evidence to compliment the research. In addition, the conceptual framework is provided and the chapter is concluded by looking at the research gap as well as providing the chapter summary.

2.1 Theoretical Framework

2.1.1 Grand Unified Theory by Maxwell (2019)

The growth of MSMEs is premised on the work of Maxwell (2019) on the Grand Unified Theory. According to the Grand Unified Theory business is not all about making money in the quickest possible way, rather is about giving importance to more consequential factors like value, prestige and ethical means to grow a business (Maxwell, 2019). Businesses should not depend on factors such as making quick money or unethical tactics in order to achieve short term growth. Long term growth of the business depends on creating value that should be on top of your list for sustainable business development strategies. A business should always keep itself open to new markets by identifying new customers who may want a product that you are offering but not getting it (Maxwell, 2019). It should be the responsibility of business development personnel of any organization to identify new sources for their prospect buyers and tapping in the market before the competitors do. Customer is the king and you should do extensive research and development to develop products that are to the liking of the end-user. If the product does not have the features that appeal to a customer then the business will not flourish for long. To ensure that the business develops long term

value for the organization as a whole, the company needs to build relationships with clients, employees and customers that are based on trust and mutual respect. All in all, the Grand Unified Theory of business development thus implies the way a business should be carried out for maximum benefit.

2.1.2 Theory of Business Development by Einstein (2013)

According to Einstein (2013) when any of the factors of speed, energy, or teamwork are increased, a larger mass of matter(s) is generated. In businesses, energy producing tools include coaching, mentoring, personal business development planning, business development training and aligned compensation systems (Freeman, 2019). Stimulating and maintaining speed is a role for highly aware leaders. Often the most important thing they can do is to get obstacles out of the way so that organizational energy can flow freely and efficiently to the right places. In many cases, this involves getting speed bumps out of the way, like long decision-making cycles, misaligned compensation, unresolved conflicts, internal politics, poor communication and underdeveloped systems and processes. Well-trained, revenue-focused leaders can coax even more horsepower from lawyers. By understanding the four horsemen of culture, planning, implementation, and communication, they can build an organizational petri dish in which our MSMEs can thrive. Methods for increasing speed include revenue-focused leadership training for group, department, and team leaders, retreats and strategic planning sessions that result in defined outcomes, business development training focused on laterals and tracking and reminder systems (Freeman, 2019). It is the role of leadership in MSMEs to encourage and reward the formation and ongoing existence of teams so that they can symbiotically work with our clients to continue to maintain, and grow future matters. Additional techniques for enhancing the level of teamwork are cross-selling, CRM systems and cross-practice group and office meetings (Freeman, 2019).

2.2 Micro, small and medium enterprises (MSMES)

Beaver and Ross (2002) highlighted that it is easier to describe than to define a small business. Appleby (2019) states that a small business is independently owned and operated, has a capital contribution from a limited number of individuals, would operate in a local area and is probably not dominant in its field of operation. Fin Scope (2012) states that the Micro, Small Enterprises Development Corporation Amendment of 2011 defined micro, small and medium enterprises (MSMEs) by the number of employees, including individual

entrepreneurs (0 employees), micro businesses (1 to 5 employees), small businesses (6 to 30/40 employees – depending on the sector) and medium size businesses (31/41 to 75 employees). SEDCO observes that MSMEs employ up to 75 people and have a turn-over of up to 3 million USD. On the other hand, ADB (2004) states that an SME employs less than 50 people.

The same survey also argued that MSMEs also include agricultural activities if 50% or more of the produced goods are sold. The level of investment expenditure demand differs from each level of enterprises. The MSMEs refer to Small and Medium Enterprises and are sometimes referred to as micro, small and medium enterprises (MSMEs). Kessy and Urio (2016) defined MSMEs as any productive activity to produce and distribute goods and or services, mostly undertaken in the informal sector. However, different authors differ with the above definition, for instance, Kinimi (2014), in his study, defined MSMEs as the production of goods and services and their distribution formally or informally at a small scale.

2.2.1 MSMEs growth and development

MSMEs are often said to grow faster than large firms (Deribie, Nigussie and Mitiku, 2013). However, empirically it is observed that though they have high growth rates, as a group, they have a high death rate, that is, many firms do not last very long. This means that the total effect on the economy may not be much greater than that of relatively larger firms. The performance of the MSMEs at national level, which was evaluated in terms of parameters like number of units (both registered and unregistered), production, employment, and exports, helped to understand the role of economic development (Nyoni, 2010).

The Micro, Small and Medium Enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. With the growth and advancement in technology nowadays, cell phone accessories industry has the potential and capacity to grow due to the high demand for its products (Nyoni, 2010). The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports (Deribie, Nigussie and Mitiku, 2013). In countries like India, the MSMEs play a pivotal role in the overall industrial economy of the country. In recent years, the MSME

sector has consistently registered a higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession (Mkude and Ishumi, 2016). They also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. The socio-economic policies adopted by Zimbabwe since early 2000 have laid stress on MSMEs as a means to improve the country's economic conditions.

Government of Zimbabwe has undertaken measures to develop the growth of small industrial units through five year plans, as this sector demands labour and capital in proportion, corresponding more closely to their relative supplies than does a large scale industry. Instead of stressing merely labour intensive techniques of production and their contribution to economy in terms of production and employment generation and exports, the planners laid greater emphasis on the development of small industries. Many programmes were implemented by the governmental authorities to develop these industries in the country during the plan periods. That's given the labour intensive nature of these MSMEs and their capacity to contribute to GDP and national employment, it is clear that they tend to grow and develop very quickly.

Deribie, Nigussie and Mitiku (2013) assert that in every economy, MSMEs have an important role to play in the country's socio-economic development by contributing significantly to productive and efficient use of scarce resources, employment creation, asset accumulation, and improved income distribution, region dispersal of industry and development of dynamic private enterprises. Mkude and Ishumi (2016) agree with Deribie *et al.* (2013) in that, MSMEs play an important role in improving the contribution of the country's indigenous private sector. In countries like Tanzania, with regards to employment, there are over one million enterprises in the sector employing between 3 to 4 million people or 20-30% of the total labour force in the country (APDF Report, 2012). Mkude and Ishumi (2016) argue that these MSMEs' growth depends to a larger extent on the financial assistance they obtained internally and externally.

Du Toit and Motlatla (2001) observe that in developing countries with capital shortages and growing labour surpluses, MSMEs are generally more labor intensive than larger businesses and on average generate more employment opportunities per unit of capital employed. Cook and Nixon (2000) stated that notwithstanding the importance of MSMEs in the economies of

third world countries, the MSMEs still face serious financial constraints. Ross (2005) points out that MSMEs are usually self-financed as they find it difficult to meet stringent demands set by financial lenders who often demand collateral security which MSMEs do not readily have. Nyoni (2010) commented that MSMEs help in employment creation, poverty alleviation and contribute significantly to the GDP of an economy. The Reserve Bank of Zimbabwe (2007) indicated that MSMEs employed approximately 61% of the labour force in Zimbabwe. RBZ (2012) further states that MSMEs are contributing over 50% of GDP in Zimbabwe. MSMEs are usually financially weak in the developing world mainly due to lack of access to loans.

2.2.2 Types of micro enterprises

Adams (2020) highlighted that there are different types of Micro Enterprises categorised based on their prospects of growth, their level of development, the number of employees they employ as well as their motives in business. Amongst other Micro Enterprises include start-up micro enterprises, stable and unstable survivors, existing as well as growth micro enterprises to mention but a few. These are explained below.

2.2.2.1 Start-up micro-enterprises

Start-up micro-enterprises are an independently owned and operated, organized for profit, and not dominant in its field and are small in revenue and staffing, pursuing radically different business models and with vast differences in intent, function and funding arrangements. A start-up, according to Steve Blank (2015) is a temporary organization designed to search for a repeatable and scalable business model. A start-up is searching for answers to the product it will sell, the customer it will serve and the way it will make money from delivering value to its customers (Chidoko, 2011).

A start-up owner's intent is to scale and to grow into a large, disruptive company that has a significant impact on the existing market and may even be intent on creating new markets. They are also driven by making a profit and creating a business offering stable long-term value, but in most cases are focused on top-end revenue volume and growth potential (Bouman, 2015).

2.2.2.2 Existing enterprises

Apart from the start-up enterprises, there are also existing but struggling small enterprises and these existing MSMEs struggling for their survival are being supported for making them competitive with respect to process, product, and price, output and process waste utilization through modifying the existing process with respect to proper raw material selection, optimized formulation and waste minimization, indigenizing the manufacturing process with the aim to save the foreign exchange, exploring the possibility for conversion of industrial waste into a value added product, substituting the existing process with eco-friendly green manufacturing process and helping entrepreneurs to improve their products, processes and systems.

2.2.2.3 Stable and unstable survivors micro enterprises

According to Deribie (2013) MFIs provide their products and services based on the level of development of the businesses. Kinimi (2014), Gruber (2005) and Mago (2013) argue that MSMEs can be grouped into two main levels of business development that profit from access to financial services namely, stable survivors and unstable survivors.

Mago (2013) defined unstable survivors as groups that are considered not credit worthy for financial services to be provided in a sustainable way. Their enterprises are unstable and it is believed they will survive only for a limited time and when MFIs focus on time to revert the situation by providing them other extra services, it is noticed that costs increase and time is also wasted (Kinimi, 2014).

Stable survivors are those who benefit in having access to the financial services provided by MFIs to meet up with their production and consumption needs. Gruber (2005) refers to stable survivors as mainly women who engage in some sort of business activities to provide basic needs such as food, child health, water, cooking for the household, among others. Yuping (2007) describes these types of microenterprises as those that rarely grow due to low profit margins which inhibit them to reinvest and an unstable environment due to seasonal changes which makes them to consume rather than to invest in the business.

2.2.2.4 Growth micro enterprises

Kessy and Urio (2006) describe growth enterprises as MSMEs with high possibility to grow and MFIs focusing on these types of micro-enterprises are those that have as their objective to create jobs, and to move micro-entrepreneurs from an informal sector to a formal sector. Kinimi (2014) highlights that MFIs prefer to provide products and services to meet the needs of this group since they are more reliable and posing them the least risk.

2.3 Factors that are hindering business growth of MSMEs

Despite the important and far reaching roles the SME sector plays, as well as their huge potential to initiate and facilitate sustainable economic growth in the country, micro-small businesses face a variety of challenges owing to the difficulty of absorbing large fixed costs, the absence of economies of scale and scope in key factors of production, and the higher unit cost of providing services to smaller businesses (Schmitz, 1982, Liedholm and Mead, 2018, and Steel and Webster, 1990). A cursory perusal of the micro, small and medium sized enterprises shows the following set of constraints that are hindering their growth and development. A brief discussion of each is presented below.

2.3.1 Lack of capital sections

Lack of capital seems to be the primary reason for business failure and is considered to be the greatest problem facing small and micro business owners. This was supported by Shafeek (2009) where he said; from a business viewpoint, without adequate financing, the business will be unable to maintain and acquire facilities, attract and retain capable staff, produce and market a product, or do any of the other things necessary to run a successful operation.

Lack of capital is also caused by MSMEs' failure to secure loans from banks and MFIs due to poor institutional viability of micro enterprises. Armendariz (2013) argues that MSMEs are faced by poorly constructed business ideas, with a lack of consideration of demand and costs which render the micro venture unsustainable and microfinance may incorrectly get the blame for it. For example, in the case of micro crop farming, farmers often fail to account for their personal consumption between the sowing and harvesting periods and realize they face shortage of money. Armendariz (2013) further stresses that MSMEs end up using the loan for personal matters. Chidoko (2011) accentuate that the problem arises when it is time to pay

back the loan; the farmer is forced to take up a second loan to pay the original loan. This may lead to a vicious cycle where the farmer gets inundated with debt.

Furthermore, MSMEs' inability to offer marketable collateral for loans is also cited as another reason for lack of access to funding. Kinimi (2014) stated that microfinance clients are either very small businesses or poor individuals who usually have few assets, poor to non-existent credit histories, and low-income levels. This is a problem because it means these clients cannot offer any collateral to microfinance providers against loans. ZAMFI (2014) supports that argument since it states that microfinance institutions (MFIs) may either raise their interest rates (which are already high for small loan transactions) or reject hundreds of applications.

In their book, "Small Business Management and Entrepreneurship", Stokes and Wilson (2006) stated, among others, that financial difficulties of MSMEs arise, either because of an inability to raise sufficient funds to properly capitalize the business, or a mismanagement of the funds that do exist or a combination of both. They further explain that, access to external funds may be difficult to achieve for new or young, small and micro businesses with no track record, especially for owners without personal assets to offer as security. Stokes and Wilson (2006) go on to stress that many new owner managers, having received funds, misuse them; small businesses are notorious for their lack of proper financial controls and information. Access to finance remained a dominant constraint to micro-small businesses in Ghana. Micro-small businesses tend to face greater financial constraints than larger firms do.

Across the world, entrepreneurs typically start businesses primarily through their own savings because of limited access to start-up capital (Mason, 2016). Credit constraints pertaining to working capital and raw materials, were cited by respondents in Parker *et al.* (2017) survey (between 24% and 52%). Aryeetey *et al.* (2019) reported that 38% of the micro-small businesses surveyed mentioned credit as a constraint. In the case of Malawi, it accounted for 17.5% of the total sample (Daniels and Ngwira, 2017). This stems from the fact that micro-small businesses have limited access to capital markets, locally and internationally, in part because of the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller businesses. As a result, micro-small businesses often cannot obtain long-term finance in the form of debt and equity.

2.3.2 Competition

Cell phone MSMEs businesses also face stiff competition and market acceptance challenges. Competition is mainly from well-established local and foreign businesses which operate in Zimbabwe such as Huawei, Gtel, Samsung as well as other big cell phone accessories companies. In this case, these small business entrepreneurs who have little skill and experience may usually bring to market unpolished goods which are highly priced to cover up the production costs (Mukora, 2017). These are usually out-competed by imported cell phones or products, especially those from Chinese and Indian owned businesses which are lowly priced. To make matters worse, the local market itself has low regard for local products and services offered by MSMEs who are locally termed ‘vana Museyamwa’, a description given to indigenous entrepreneurs. This results in the monopolistic behaviour of some foreign companies and businesses, thereby inhibiting the entry of small enterprises without critical mass (Mukora, 2017).

2.3.3 Shortage of foreign currency

Given the fact that most cell phone accessories operators import their parts and or finished products, the crippling and acute shortage of foreign currency in Zimbabwe, notably the United States Dollar, South African Rand and Pula, has hindered business growth of these MSMEs. In addition, due to the introduction of bond notes in Zimbabwe, it has also greatly affected small entrepreneurs some of whom source their raw materials or products across the borders. This makes it difficult to sustain or expand their enterprises (Mukora, 2017).

2.3.4 Human resources management

The competence of the SME owner/manager is the ultimate determinant of survival or failure. The root cause of either SME failure or poor performance is almost invariably a lack of management attention to strategic issues such as human resources management. Moreover, the SME founder’s personal competence in selecting the right business and running it will be crucial, as the firm is likely to be indistinguishable from the owner. Therefore, as the business develops, growth can be partial due to unwillingness or inability to draw others to help with the management of the MSME (Pasanen, 2006).

In addition, the management of people (human resources management) is particularly important as it includes, not only the personnel issues of dealing with employees, but also of

managing people outside of the organization who are also critical to its success, such as key customers, suppliers, banks and investors (Stokes and Wilson, 2006). There is an over-reliance on the single owner/manager in most small and micro business firms and reluctance to move away from this managerial tendency on the part of the SME owner/manager. As a result, this translates into poor human resources practices where no new qualified staff is hired or authority and responsibility delegated to other employees (Nieman, 2006).

2.3.5 Legal issues

High start-up costs for businesses, including licensing and registration requirements, can impose excessive and unnecessary burdens on micro-small businesses. In the case of Ghana, the cumbersome procedure for registering and commencing business are key issues often cited. Copyright and patent issues are other legal issues affecting MSMEs. This is because cutting edge companies in the cell phone industry often face aggressive patent litigation. Companies often sit on patents for years, hoping that another company inadvertently violates them, to get easy money through patent and copyright lawsuits. In the product development phase at a company, they need to make sure research and development teams thoroughly research the patents and copyrights of the current product, to avoid a messy legal battle should they step on a competitor's toes. In addition, dissatisfied customers can file class action lawsuits against the company, in which they gather in large consumer groups and attack the company over faulty products, services or promises. With enough dissatisfied customers, class action lawsuits can do more damage than any individual or corporation and irreparably tarnish the brand's image. Other common legal issues facing small businesses today include tax litigation and legal disputes with competitors and contractors.

2.3.6 Information technology

Technological innovation has long been a chief contributor to progress in the MSMEs industry, particularly with cell phone business where more advanced cell phones with advanced features and applications are continuously developed and will continue to influence the growth and survival of the cell phone MSMEs businesses (Baloyi, 2010). Micro, Small and Medium Enterprise firms in developing countries like South Africa are poor and, as such, have no access to information technology. It is this lack of access to information technology that also bear a negative effect on the MSMEs firms' ability to survive and grow even in the communal area (Baloyi, 2010).

Cell phone MSMEs in Zimbabwe have limited access to the state of the art equipment and infrastructure to use to run their businesses. Some businesses are operated from dilapidated buildings and in worst scenarios under trees or plastic made shades and a notable place is Magaba Market in Mbare which is one of the oldest and dirtiest suburbs of Harare (Mukora, 2017). Although these small businesses which operate in these areas are skilful and innovative, they tend to lose part of their market share since customers usually develop a negative perception and attitude about the products and services which are being produced and marketed in these areas (Mukora, 2017).

2.3.7 Lack of marketing skills and market information

According to Shafeek (2009) marketing is the one and only functional area that links the products or services of a business to its customers. The author points out that, it is vitally important to ensure that this function is properly performed. To have a good chance of survival, cell phone MSMEs businesses need to answer the basic strategic questions: “what markets are we targeting, with what products?” A common weakness in the cell phone MSME businesses lies in their failure to understand key marketing issues (Stokes and Wilson, 2006). Stokes and Wilson (2006) uphold that, product or service concepts and standards often reflect only the perceptions of the owner, which may not be mirrored in the market place. They add that, minor fluctuations in markets can topple a newly established small/micro firm or new product, particularly where it is reliant on a small number of customers.

Another challenge is that of poor access to market information regarding access to capital. Small entrepreneurs find it difficult to get information on the available investment funds. Even for those who would have had access to such information, the processing itself is usually too long and characterized by bureaucracy and corruption. Thus, by the time loans were processed some economic opportunities would have been lost (Mukora, 2017).

2.3.8 Business plan

According to Nieman and Nieuwenhuizen (2009) a business plan is a written document that carefully explains the business, its management team, its products/services and its goals, together with strategies for reaching the goals. It is a living document that forms part of the formal planning done by firms, and serves as a tool for reducing the risk of venture failure, a

benchmark for a firm's internal performance, as well as a tool for accessing funds (Nieman and Nieuwenhuizen, 2009).

MSMEs businesses, by nature, avoid formal planning, and as such do not have proper business plans. This, in turn, makes them unable to assess the firm's internal performance, fail to access funds such as loans, and also become exposed to the higher risk of venture failure. A business plan, as a living document, needs to be constantly updated in order for it to increase the cell phone MSMEs' businesses' chances of growing and surviving in the market.

Arinaitwe (2006) stated that, despite the potential for growth shown by MSMEs in the developing world, a number of militating factors have had a negative impact on their growth performance, resulting in most of them failing. These factors include, unfavorable economic conditions, gross under-capitalization, poor infrastructure, high operating costs, corruption and lack of government support. MSMEs sector development is also hampered by lack of managerial skills, equipment, technology and access to international markets (Gockel and Akoena, 2002). According to Lall (2001) MSMEs in general tend to face three sets of competitive challenges and these are related to their size, distortions in markets and government policy interventions.

Lewis Paul Jnr (2008) postulates that management mistakes accounted for 88.7% of MSMEs' failures, such as being in business for the wrong reasons. Lack of adequate managerial skills has been associated with new business failure (Shane and Stuart, 2002). Inkoun (2017) discovered that MSMEs' performance is closely linked to the entrepreneurial skills of the proprietor. He further argues that those entrepreneurs with a management qualification have a 30% better chance for survival in business, compared to those with none. Katindi *et al.* (2007) reckons that unsubstantiated business information provided by MSMEs to potential funders for analysis before making a decision, whether to fund a certain project or not, is a cause for concern. As a result, a comprehensive business plan reduces risk perception and the likelihood of obtaining capital increases.

A negative perception by potential lenders has negatively impacted on the growth of MSMEs (Green *et al.* 2002). Beck *et al.* (2005) argue that although business environmental indicators refer to business, previous research has shown that financial and institutional under-development constrains MSMEs significantly more in their operations and growth than larger firms. This has mainly been attributed to lack of networking in the developing world (Atieno,

2009; Coulth and Loos, 2007, Nyoni, 2010). Djankov *et al.* (2002) found out that high entry costs prevent informal MSMEs to turn formal whilst Nyoni (2016) observed that, in Zimbabwe in particular, bad publicity of the country impacted negatively on the MSMEs development. Thus, overall, all the challenges faced by MSMEs negatively impact on the growth of these businesses, as indicated by increasing operation costs and falling profitability levels.

2.4 Strategies adopted by MSMEs to address challenges hindering business growth

The Organisation for Economic Cooperation and Development (OECD) (2016) stated that, if the MSME sector were to thrive, there is a need to make use of cross-cutting strategies. These strategies should take into consideration many areas such as, government involvement in its own capacity, through helping provide policies that support their development, providing a legal environment that is friendly towards MSMEs' development; stakeholders involved who are capable of producing a conducive environment for the development of the sector.

According to Gono (2006) the proposed strategies above by the OECD, (2016) have been tailor made to MSMEs in Zimbabwe. He contends that in order to reduce the challenges that the MSMEs sector faced, the government, through the Reserve Bank of Zimbabwe, developed support strategies that were specifically aimed towards this sector. This was more successful in addressing their challenges, for instance, in terms of financial support; they developed a variety of loan programs that assisted entrepreneurs in the sector, as well as credit guarantee schemes specifically for MSMEs. Saleem (2006) argued that there is a need of developing country specific strategies, especially towards the developing countries. Finance strategies for each and every country need to be made, as challenges probably differ according to country and how one country addresses its challenges might not work for the next country.

In an attempt to overcome some challenges, cell phone MSMEs have located their businesses within the proximity of many clients like at Ximex Mall, Kwame Mall, Gulf complex so that they extend their reach to customers. In addition, they have resorted to selling even on credit to regular and known customers, as well as the recently introduced use of swipe machines such as Kwenga and KaGwenya which tapped the most revenue from clients. This enabled them to compete with bigger customers since the use of swipe machine was lacking to these entrepreneurs.

Moreover, the Government of Zimbabwe had set up a bank to cater for the youth called Youth Empower Bank. This was a move done to curtail capital challenges to small enterprises without collateral security required by banks and other Microfinance institutions. Small and medium enterprises are now eligible and able to borrow from the bank so as to counter the challenge of lack of funding. There is also a need for a certain degree of peace and stability within the environment. Peace is very important within a country if it is to thrive in its development process. Peace is essential as it would also assist in luring foreign direct investment which is crucial for the success of the sector. This, according to International Finance Corporation (IFC) (2011) is defined as improving the investment climate. The OECD (2016) also notes the importance of investing in infrastructure development to support the sector. Road networking should be improved; airports need to be developed as these assist the transportation of products to and from other areas which are a vital contribution towards the sector.

According to IFC (2011) cutting the red tape is also vital for the development of the MSME sector. The red tape process refers to the cumbersome bureaucratic process involved when registering one's MSME business. The government, through the responsible Ministry, had cut the red tape, that is, it will no longer hold back the MSMEs in the registration process, thereby making it easier for MSMEs to join the formal sector. The process for applying and having one register his/her company should be shortened, although corruption will still mar the process. This made a lot of MSME owners to register their ventures, which they had avoided doing because of the cumbersome processes which were involved. Tax simplification also helped ease the process. At times, there are a lot of taxes involved which have to be paid like income tax, employee's tax, amongst others (IFC, 2011). These, in some cases, have made business owners abandon their businesses as they fail to keep up with the taxes required. There is need to ease the burden in calculating, as well as in paying taxes. Some taxes could also be removed or at least MSME business holders should be exempted from paying some of these taxes or for at least in the initial stages of development (Edinburgh Group, 2012). Saleem (undated) contends that there is need to develop legal as well as regulatory frameworks that promote a sense of competing, as well as avoiding licensing requirements that are restrictive.

The Ministry of Women, Community, Small and Medium Enterprise Development engaged in education and training as a move that can assist in promoting the development of the MSME sector (Edinburgh Group, 2012). Under-investment in people has led to a poor

distribution of craft skills and workplace experience. It has also been pointed out that people who usually venture into this sector were not so much trained or experienced within the field, especially on how to run the business, but are mostly people that simply have a passion for that particular business. As a result they might not be very successful as they lack the competence. However, training enabled and equipped entrepreneurs with some of the vital skills unknown to them which could have helped them become more successful. According to the Edinburgh group (2012) internationalizing MSMEs is one of the ways of improving MSMEs world over and helping their survival. This is important as it creates a sense of competition in the sector, forcing them to improve their service delivery mechanisms in order to out-manoeuvre other enterprises and gain in clientele. Internationalizing can be done through creating partnerships with MSMEs from other countries or simply opening branches that operate in other countries (Edinburgh Group, 2012). MSMEs that are active internationally have been seen to have higher rates of employment.

According to the Edinburgh group (2012) corruption is another factor that really needs to be addressed to help the survival of the sector. Some entrepreneurs, with intent to register their companies, fail to do so due to the fact that, at times, in order for the process to be shorter, they are required to bribe certain officials. This becomes a challenge to those who do not have the money to do so and thus fail to register their companies. Therefore, it is essential that corruption is eliminated for all entrepreneurs to be able to conduct their business well, without facing challenges of having to raise money to bribe officials so they can be registered.

2.5 Government policy and support on the operations of MSMEs

Ramis (2002) discovered that MSMEs faced with stiff competition are three times more prone to failure than those without competition. There is need for government policies that protect MSMEs from both internal competition (from large corporate) and from external competition. Kaufman *et al.* (2017) opined that in Africa, MSMEs are weak because of very difficult business conditions, which include cumbersome official procedures and unattractive tax regimes. Imports competition is negatively impacting on MSMEs (Koush, 2008). Regulatory constraints also pose a serious threat to MSMEs. These include start-up points and licensing and regulatory requirements. World Bank (2016) states that, in Zimbabwe for example, it takes quite a long time to deal with licensing issues. It is recognized that although various initiatives have been put in place to support the MSMEs sector, there is need for an

integrated and coherent policy and strategy for the development of the MSME sector in Zimbabwe (Nyoni, 2008).

To show government's support towards the sector, Small Enterprise Development Corporation (SEDCO), which is now under the Ministry of Women, Community, Small and Medium Enterprise Development was established in 2002 to support MSMEs in Zimbabwe. The government also came up with measures such as the liberalization policy, preferential purchasing policies to allow market stalls in the urban centres, as well as establishing green markets in high density suburbs in Harare, for example, Mupedzanhamo in Mbare, Gulf Complex in the central business district (CBD) and Glen View 8 Complex, to mention a few (Gono, 2010). It was also the Reserve Bank of Zimbabwe's intent to provide an MSME development seed fund (Gono, 2006). As a result, various arms, such as the above-named SEDCO and others, such as EMPRETEC, were providing support to this sector, both technically and financially. The government has also made efforts to ensure the sector has access to loans by capacitating institutions such as Small Enterprises Development Corporation (SEDCO) to make loans available to the majority.

Section 2G of the MSMEs Act (2017) also makes available a fund for this sector, which is provided by the government. This shows that the government is supporting the continuity and survival of this sector, which is important towards fostering the development of the groups marginalized in Zimbabwe. However, SEDCO required movable property as collateral, which might be a hindrance for some, as they might lack the required collateral in order to be eligible for the loans. According to Gono (2006), the Reserve Bank of Zimbabwe also formed an MSMEs revolving fund, in a bid to improve the access to finance by people operating within this sector, in 2006. However, only registered MSMEs qualified to access these loans. This means the majority that is not able to register cannot benefit from the funds. Most people are also not benefitting from the revolving fund as those who borrowed money in the first place have not yet returned it and so the funds are not revolving. More needs to be done to create funding for the sector to ensure those within the sector can access loans.

According to Gono (2006) the Reserve Bank of Zimbabwe also issued a Z\$16 trillion SME fund to help activities and projects in the SME sector. These were meant to support people within the sector, accumulating an interest of 70% per annum. Though this was a good move in supporting people within the sector by providing them with funding, it was not a very useful move as the majority within the sector failed to benefit from the scheme due to the fact

that the interest rates were far beyond their reach and they therefore did not apply for them. The fund was aimed at supporting activities in the construction industry, mining sector, as well as agro sector. There is need therefore that when government decides to bring up loans to support people within the sector, interest rates that are realistic and acceptable to those intended to benefit be put so that people can participate and benefit from them as well. Recently, the Government has set up the Youth Empowerment Bank and Women's Microfinance Bank in a bid to empower young entrepreneurs and women in businesses. All these frantic efforts by the government were to assist MSMEs counter the funding challenges they are facing in Zimbabwe, which are limiting their growth.

2.6 Indicators of business growth of MSMEs

Lipsey (2015) indicated that reduced operating costs, profitability, number of employees and high turnover are regarded as measures of business growth. This study uses reduced costs and profitability as indicators of business growth of MSMEs in the cell phone industry. Profitability in this case will be measured by Return on Assets and Return on Equity. Different literature suggests that if small enterprises grow in their business, they start to enjoy economies of scale and scope and as a result operating costs start to fall. This denotes business growth as the reduction in costs will ultimately lead to profitability (Lipsey, 2015). Demircuc-Kunt and Huizinga (2019) pointed out that increased number of workers employed by an enterprise is an indication of business growth. This means that such enterprises grow from being micro to small, from small to medium and finally graduating to larger companies.

2.6.1 Return on asset (ROA)

Pasiouras and Kosmidou (2007) argued that Return on Assets, or Return on Average Assets (ROAA), is the key ratio and most common measure of profitability in today's company operations. They defined the Return on Asset as an indicator of efficiency and operational performance by presenting the return on each dollar of invested assets. The major drawback of this as a measure of company's profitability is that it is heavily affected by Off Balance Sheet (OBS) activities such as derivatives, research and development partnerships, joint ventures, and operating leases. Ommeren (2011) stated that, "returns generated by OBS activities are incorporated in companies' net income while the accompanying assets of OBS are not incorporated into companies' assets, reflected by the denominator of the ROA ratio". Hence, the ROA ratio is biased upwards due to an exclusion of OBS assets.

2.6.2 Return on equity (ROE)

To counter the drawbacks of ROA and NIM, ROE is used as it is not affected by OBS activities since it only measures the return on owners' equity (Ommeren, 2011). Traditionally, ROE is the most practiced measure of profitability for all the sectors (European Central Bank, 2010). However, Dietrich and Wanzenried (2011) argued that this measure has a weakness in that it is sensitive to leverage. This is because assuming that proceeds from debt financing can be invested at a return greater than the borrowing rate, ROE will increase with greater amounts of leverage. In addition, the authors stated that because the numerator (Net Income) is not always reliable, it can be inflated by accounting practices, the value of ROE alone is also not completely reliable. ROE alone cannot be used to judge a company, but it can be used in conjunction with other measures.

2.7 Empirical Evidence

2.7.1 Global and regional perspective of the MSMEs sector

According to Edinburgh group (2012) governments world over have tried to assist solving MSME challenges by easing the availability of finance and improving their regulatory systems to encourage MSMEs to invest better. MSMEs employ the majority world over and account for more than 95% of enterprises. Kushnir (2010) adds that MSMEs are usually more common in economies that have high incomes but also seem to be rising faster in countries with low to medium incomes. It has also been realized that MSMEs that have not been formalized seem to outnumber those that are registered. This is mainly because of the challenges that come with the registration process. In 2007, in India for instance, there were less than 1.6 million MSMEs that were registered and yet approximately 26 million MSMEs existed that were not registered. This supports the point that the registration process for MSMEs is either usually quite cumbersome, or expensive beyond the reach of many, which results in many taking the risk of operating without licenses and conducting the proper registration process. This is not only true to Zimbabwe, but is a challenge that has been observed world over.

Gono (2006) notes that Nigeria is amongst the countries that have made efforts to ease the burden of funding within the MSME sector. Since 2001, the Nigerian government made it compulsory for all banks that are based in Nigeria to put aside 10% of their profits before

removing tax to assist financing the sector. This has seen the sector being boosted as funding has been improved for them. According to Gono (2006) the government of Canada also formulated financing programs that support the formation, as well as the growth of MSMEs through a loan guarantee program, as well as through financing institutions that are owned by the state.

According to Saleem (2006) South Sudan has tried improving its legal framework in order to assist MSMEs development. It passed six (6) new laws which cover contracts and limited partnerships. Initiatives have also been put forward that strengthen the business registry process, helping make it possible to finish the registration process of registering a company within a day. It seems a lot of companies in Zimbabwe fail to register due to the problems associated with the registration processes.

The performance of the SME sector in Botswana is still limited with their role towards the development process of Botswana also still being very limited. According to Sentsho *et al.* (2009) the contribution of the sector towards the development process of Botswana is affected by a number of factors which include a lack of information on programs for MSMEs because of limited publicity on the works of the sector. There is also a lack of effective implementation of the activities that are supposed to support the sector, which has a negative effect on the development of this sector (Sentsho *et al.* 2009). Furthermore, there is very limited support of the sector from commercial banks, making the government the sole supporter of the sector, which results in limited assistance as there is an overload on the government. MSMEs in Botswana are also affected by their inability to produce larger products, thus lack access to bigger and more reliable markets. Despite all these challenges, the sector in Botswana does have a lot of institutional support which is affected by a lack of coordination, which results in the duplication of efforts in some cases (Sentsho *et al.* 2009). Botswana is, therefore, an example of one country which has a lot of institutional support for the sector but all the same has failed to thrive in the development of this sector.

The MSMEs sector in Botswana still fails to thrive despite efforts being made to support its development (Sentsho *et al.* 2009). In 2017 for instance, a Small Business Act was endorsed, establishing the Local Enterprises Authority and the Small Business Council intended to foster the growth of the sector. All these attempts, however, seem to be failing as the data collection, dispensation, as well as preservation on the MSMEs in the country, seem to be weak. The local MSMEs also face a lot of competition from items from other countries. All

these could also be true for Zimbabwe, making the need to ensuring information on the sector is collected, preserved and disseminated well, so that the majority can benefit from the information that has been recorded (Sentsho *et al.* 2009). This makes it clear that institutional support is not the only support that is required in order for the sector to become a success but a level of commitment on the part of those operating within the sector is also critical for the development of the sector.

According to ILO (2012) the MSMEs' sector in South Africa is not performing very well due to reasons such as their past apartheid policies, amongst other reasons. The performance of the sector towards employment creation is also perceived to be dismal. Failure of the sector has been attributed to a lack of training and management skills. In addition, the majority of South Africa's black population has not been trained to become entrepreneurs. There is also limited literature on the sector that is available, limiting the availability of documented best practices. There is a limited collection of data on the sector which makes it difficult for those who would want to invest in the sector. There are also high rates of crime, as well as brain drain which are affecting the sector. This is the second time the lack of available literature on past ventures has been highlighted as causing the failure of the sector. This shows that documentation on past endeavours within the sector is quite useful for its development. An environment that is stable also seems to be critical as the levels high of crime are affecting the sector's development in South Africa.

Statistics from 2004 and 2007, however, show that the sector has grown significantly in South Africa (ILO, 2012). This was mainly because a lot more companies were formalizing. What prompted people to register was mainly that only properly registered MSMEs could access State aid. South African Breweries and other companies also launched programs that promoted smaller companies to register as their supply chain which also resulted in many small enterprises registering. Other efforts have also been made to improve the sector. The process of registration has also been improved; before 2001, it took 176 days and 18 procedures to have a business registered, this has continuously been changed until 2009 when it reduced to 22 days involving 6 procedures. Quite a number of support programs exist for MSMEs, such as, Ntsika, SEDA, and Kula agency, amongst others. However, very few people have benefitted from these and the majority have never heard of them. There is therefore a need to make the public aware of the existence of such groups if they are to aid the sector.

2.8 Conceptual framework

The conceptual framework in this study shows interconnections of the perceived challenges affecting business growth indicators of MSMEs. The framework was designed into dependent and independent variables to aid with easy investigation even though the degree of precision with which they can be investigated varies from scale to scale. The conceptual framework was designed to find out how the different challenges (independent variables) will affect indicators of business growth (dependent variables). The conceptual framework is shown in Figure 2.1.

Factors affecting SMEs

Indicators of business Growth

Independent variables

Dependent variables

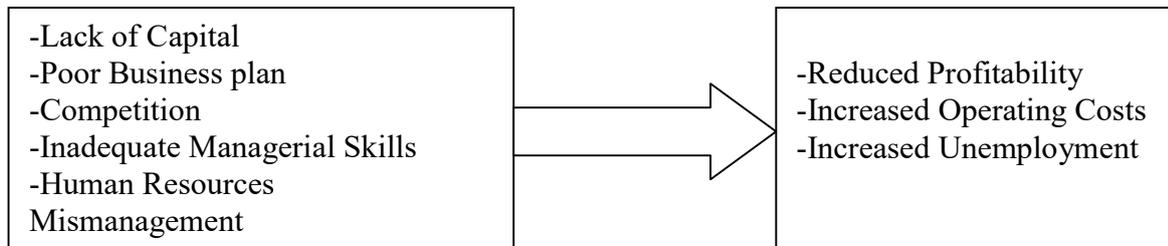


Figure 2. 1: Conceptual Framework

Source: Researcher (2019)

The conceptual framework of the study shown on Figure 2.1 depicts MSMEs businesses growth as indicated by reduced operating costs and improved profitability as measured by Return on Assets (ROA) and Return on Equity (ROE). Macro-economic factors are used to promote development of MSMEs in the country, especially when MSMEs are adequately connected on business infrastructures and the government- reduced tax rate, as well as operates at economic transaction costs. However, despite the constraints faced by small businesses to achieve growth, funding seems to be a major driving factor for the business to succeed. The study focused on reduced operating costs, increased employment levels and profitability as measured by Return on Asset and Return on Equity as indicators of cell phone MSMEs business growth. This is because according to Posner, (2012), Jacobson and Aaker (2015), Rumelt and Wensley, (2008) indicate that when measuring business performance, accounting ratios such as ROA and ROE are good indicators that capture business operations in relation to assets and shareholder investments.

2.9 Research gap

An investigation from the previous research results shows that the findings could not completely cover the issues surrounding this subject because these researches were conducted in totally different economies. The studies shown in the literature review section was carried out in developed and some developing economies, whilst this research has been carried out in Zimbabwe which is a developing economy currently experiencing economic meltdown. Those that were carried out in Zimbabwe focused on different subject matter. For example a study by Njaya (2014) in Mutoko and Murehwa Districts of Zimbabwe mainly focused on Fruit and Vegetable Marketing by Smallholder Farmers and using different scope which is rural area base and with purely quantitative techniques. Again, this research has been done on different time frames from these other studies. The literature reviewed mostly covers the challenges that hinder business growth of agribusiness MSMEs and other MSMEs in other sectors of the economy but not covering the cell phone MSMEs businesses. The nature of MSMEs covered and that of cell phone industry in Zimbabwe differs quite a lot hence the researcher felt that the literature did not cover all aspects. Some researches targeted general performance of MSMEs, some profitability only, whilst others focused on strategies that can be implemented by MSMEs to improve performance. This left a big gap in terms of the research on the issue of challenges that hinder cell phone MSMEs business growth.

2.10 Chapter summary

The chapter has presented a review of the literature both theoretical and empirical. The theoretical framework was constituted by the Maxwell (2019) on the Grand Unified Theory and the Theory of Business Development by Einstein (2013). This includes the approaches to MSMEs, the characteristics and the role of MSMEs and the state of the MSME sector in Zimbabwe. It also presented the empirical studies undertaken in other economies on MSMEs and the challenges affecting them. The next chapter looks at the methodology of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter documents the research design and methodology used in collecting data for this study. It examines in detail the research design and its justification, sample population and sampling method, data collection procedures, the data presentation and analysis plan and finally concludes the chapter. This chapter therefore is aimed at transmitting the detail procedures that is showing the steps that were taken by the researcher in collecting data, the methodological foundations and the reasons behind the researcher's choice of the research methods used.

3.1 Research philosophy

According to Saunders, Lewis and Thornhill (2016) research philosophy are the set of assumptions that underpin a research strategy and the method chosen as part of that strategy, that is the way the researcher views the world. This research adopted a pragmatism philosophy which depended purely on quantitative methods. Quantitative data was necessary as each step is standardized to reduce bias when collecting and analyzing data. Also, the approach was suitable since the results are valid, reliable and generalizable to a larger population (Saunders, Lewis and Thornhill, 2016). Tashakkori and Teddlie (2015) as quoted in Saunders *et al.* (2016) also support that pragmatism philosophy enables the researcher to study anything that is of value to him/her, studying in different ways deemed appropriate, and then using the results in the ways that can bring about positive results within the researcher's value system.

3.2 Research design

Creswell (2013) defines a research design as the method that justifies how information is going to be gathered. According to Rajasekat, Philominathan and Chinnathi (2013), a research design usually includes both the qualitative and quantitative analysis and a systematic plan outlining the study is offered, the methods of gathering data by the researcher and the compilation as well as the drawing of conclusions is outlined. Contrary to that, the researcher adopted purely quantitative research paradigm. According to Creswell (2013) a

good research design must be able to solve the problem statement hence the approach to be taken by the researcher is very important as it determines the whole outcome of the research. According to Wyk (2012) there are three types of research designs which are; exploratory study, descriptive study and explanatory study. Exploratory research deals with discovering new information where little research has been done and explanatory research deals with identifying reasons behind the relationship of the variables under study that is why certain variables relate the way they do (Wyk, 2012). Descriptive research aims to give an accurate presentation with more detail of the variables under study that is why the variables are not relating as expected (Wyk, 2012). The researcher therefore used descriptive study as it is deemed appropriate since it accords the researcher to adopt quantitative methods.

3.2.1 Descriptive research design

According to Farthing (2015) a descriptive research helps to ascertain the current situation better that is what has really transpired in a given scenario. This approach is also helpful in that it adds more flesh to ideas that were put forward by previous researchers (Farthing, 2015). This is also supported by Hale (2011) who said a descriptive research helps to bring out information regarding the factors underlying a research problem. This method therefore suited the research, where the researcher sought to evaluate the challenges that hinder business growth of MSMEs in Zimbabwe, using the case of cellphone accessories businesses in Harare. Descriptive research meant that the researcher was going to gather information in such a way that was going to demystify the challenges that hinder business growth of MSMEs in order to come up with effective solutions that will go a long way in alleviating such challenges in Zimbabwe. The study adopted a quantitative approach.

3.2.1.1 Justification of descriptive research design

The researcher preferred descriptive research design because it was the best in explaining if two variables (business challenges and business growth) are related or not which was the major objective of this study; which variable was dependent and which was independent and determining cause and effect relationship hence it was the best method for collecting information that demonstrates impacts, effects and relationships (Kambua, 2015).

Descriptive research design allowed the researcher to give enough provision for protection against bias and maximizes reliability because it determined and reported the way results were (Kothari, 2016). The researcher preferred this research design because the research was

descriptive in nature and it accorded the researcher to obtain primary data through questionnaires (Morgan, 2013). The researcher chose to use questionnaires as the research instrument because the research findings obtained using questionnaires was quickly and easily quantified using software package such as SPSS Version 20.0 and the analysis was objectively presented compared to other different research instruments (Hale, 2011). Also, questionnaires afforded the researcher to maintain high level of confidentiality of data collected from MSMEs owners, managers and low level workers since it offered greater anonymity.

3.2.2 Quantitative research approach

The researcher adopted causal and correlational research approach which depends on secondary data and the researcher deeply explored books, articles, journals, MSMEs' financial statements and business newspapers. There are two traditional approaches to research design which are quantitative and qualitative (Hale, 2011). According to Saunders (2016) quantitative research design is defined as a scientific and deductive approach which seeks to develop a hypothesis which is then subjected to a rigorous test. It employs cause and effect thinking (causal research), hypothesis testing and other methods to yield statistical data (Saunders, Lewis and Thornhill, 2015). The researcher used quantitative research design because of the following advantages.

Advantages of quantitative research

Quantitative approach has the advantages of generating data in quantitative form, which can be easily analysed statistically (Hale, 2011). Analysis of data was made easier since the researcher had a reasonable knowledge of using E-Views and SPSS which are statistical packages mostly used in quantitative research. Replication of data makes it possible for data to be compared with similar studies (Saunders, Lewis and Thornhill, 2015). This enabled the researcher to make a good analysis of the findings and as a result the findings can be relied on. Establishment of the relationship between variables is possible thereby making it possible to deduce a cause and effect in different circumstances.

3.2.2.2 Disadvantages of quantitative research design

However, it is important to highlight that despite having several advantages the methodology also has its disadvantages and these include; model performance monitoring that has to be

done regularly as to ensure compliance with the original hypothesis and this in most cases is time consuming. The results of a quantitative research are mostly numeric descriptions and difficult to interpret rather than narrative description produced by a qualitative method (Saunders, Lewis and Thornhill, 2015). This has however been made easier by augmenting the researcher's better mathematical background alongside constant assistance from the supervisor.

3.2.3 Descriptive statistics analysis

Under quantitative research, the researcher adopted descriptive statistics analysis which depended on measures of central tendency. Under measures of central tendency, the researcher made use of sums and means to analyse data. Mean of variables or arithmetic or geometric mean refers to the average of a set of quantities calculated equally far from the two extremes (Hale, 2011). Arithmetic mean also refers to a condition, quality or course of action equally removed from two opposite extremes. A mean value is used to compare the actual results to the expected results or pre-defined (Saunders, Lewis and Thornhill, 2015). Usually the researcher codes the data in accordance to his or her way of analysing and if the value of the mean is close to a certain code, this means that the actual result will be close to the finding enshrined in that coding (Saunders, Lewis and Thornhill, 2015). The mean is usually complimented by the standard deviation which shows the dispersion or deviation of the actual mean from the expected results and the greater the standard deviation, the higher the risk or the far will be the actual mean from the expected results and the vice versa is true.

Justification of descriptive statistics analysis

The researcher adopted this method because it is fast, cheap, and easy that is researchers can collect large amounts of data in a relatively short amount of time, it is more flexible than some other methods and the researcher cannot introduce changes in participant behavior (Saunders, Lewis and Thornhill, 2015). In addition, the use of arithmetic mean enable the researcher to analyse a lot of data with precision and large amounts of data provide a better view of trends, relationships, and outcomes and often less expensive than other study methods (Hale, 2011). A mean value also assisted the researcher to see if the results of the study are far or close to the expected results and this makes comparison of the actual findings to the past findings easier.

3.3 Target population

Research population refers to the pool of elements in which a research is based (Morgan, 2013). It can also be defined as the group of people with common knowledge from which a sample can be taken from. A target population is described by Saunders, Lewis and Thornhill (2015) as a cluster of individuals or cases in which conclusions are generalized and the population usually has visible distinctiveness. Daas and Ossen (2013) defined the target population for a survey as the entire set of a group for which the data that is used for the survey is to be used to draw conclusions. All cellphone accessories MSME businesses were used as the target population, particularly those operating in Harare Central Business District (CBD). The respondents such as, the MSMEs owners, managers and low level employees of those targeted cellphone accessories businesses in Harare also comprised the target population of this research study. Given the widespread and listless number of cellphone accessories MSME businesses in Harare and lack of a document that lists their numbers, it made it difficult for the researcher to identify the exact number of respondents to target. Thus different sampling techniques were used to come up with a sample size of the study as explained below.

3.4 Sampling

There are two types of sampling methods, probabilistic methods where the population elements have equal chances of being selected to be included in the sample, and non-probabilistic methods whereby the population elements have no equal chances of being selected to be included in the sample (Van Nederlper, 2015). The researcher mainly used probabilistic methods to maintain objectivity of findings. A probability sampling scheme is one in which every unit in the population has a chance of being selected in the sample, and this probability can be accurately determined.

3.4.1 Simple random sampling

This is a sampling technique in which every item under target population has an equal chance of being selected. In a simple random sample of a given size, all such subsets of the frame are given an equal chance. The method is suitable to ensure that there is no bias in the selection of the identified categories of the sample. Hesse-Biber (2013) suggested that with simple random sampling (with or without replacement) each member of the target population has an

equal chance of being included in any given sample. The researcher chose to use sampling because it saves time and money. Sampling is also known for producing results which are accurate that can be used for mathematical computations. Random sampling was used in a bid to reduce bias since the respondents were given an equal chance of being selected (Saunders *et al.*, 2009).

3.5 Sample size

A sample size is the numerical number of elements or cases that represent a stratum being observed in a research (Sakaran, 2015). The researcher selected a sample of two hundred and fifty (250) respondents who completed the questionnaire at different data collection points in Harare. Kothari (2014) said that a sample should be at least 1% of the population (if known) or should exceed 30 respondents (if unknown). Since the researcher had a sampling frame, a sample size of above 30 respondents was chosen. Table 3.1 shows the sample sizes.

Category (Data collection points)	Sample Size
Gulf Complex	50
Copa Cabana	50
Cameroon Street	50
Kwame Mall	50
Post Office Mall (Ximex)	50
Total	250

Table 3. 1: Sample size

According to Kothari (2017) a good sample size should be at least 30 respondents. This is because for an unknown sample population, a large sample has a reduced sampling error, thus 250 people could reasonably represent the population of cellphone accessories MSME businesses in Harare.

3.6 Sources of data

The researcher relied on both primary and secondary data where questionnaires were used as the primary data collection instrument to gather data from the respondents.

3.6.1 Primary data

According to Hox and Boeije (2013) primary sources are documents that have data which is directly linked with the situations and people under an area of study. High credibility can be

placed on this data because of its authenticity (Hox and Boeiji, 2013). Mackey (2013) defines primary data as the original source material or the first-hand information usually produced by a participant or a witness in an event. The researcher used primary data to come up with first-hand information with regards to the challenges hindering cellphone accessories MSME businesses' growth in Harare.

Justification of primary data

Primary data makes the information collected dependable because the data is not diluted by means of passing through other channels of communication (Morgan, 2013). The data collected was therefore not biased since its sources were authentic and the participants in the sample were the ones experiencing the research problem under study (Mackey, 2013). Primary data are original and relevant to the topic of the research study, so the degree of accuracy is very high, it can be collected from a number of ways like questionnaires, telephone surveys, focus groups and it can include a large population and wide geographical coverage (Morgan, 2013). Moreover, primary data is current and it can better give a realistic view to the researcher about the topic under consideration. Reliability of primary data is very high because these are collected by the concerned and reliable party.

3.6.2 Secondary data

The researcher also obtained some data or information from secondary sources such as newspapers, journals, magazines, websites and other internet sources. According to Daas and Ossen (2010) secondary data can be defined as an analysis of data that is already in existence and has been collected by other people. This data is examined to provide answers for the study in question. Meyer, Kay and French (2015) stated that secondary data can be classified according to the terms of the source from where it is derived, that is, either being internal or external. Internal secondary data which can also be called in-house data is secondary information that is gathered and acquired from within the organization where the research will be carried out from, whereas data collected from outside sources is called external secondary data and is obtained from outside sources (Bryman, 2013). Secondary data used in this study was collected from journals, textbooks, websites, newspapers and the internet. This was done so as to compare the findings of this research to the findings made elsewhere.

Justification of secondary data

The purpose of secondary data was to help the researcher gain an initial overview of the research problem. Secondary data proved to be cheaper in accessing and less time consuming as compared to sources of primary data (Easterby-Smith, Thorpe, Jackson, and Lowe, 2008). The internet provided the bulk of literature including journals, electronic books and other publications by different authors on the challenges hindering business growth of cellphone accessories MSMEs. Secondary data provides a way to access the work of the best scholars all over the world. Secondary data save time, efforts and money and add to the value of the research study.

3.7 Research instruments

Daas and Arends-Tóth (2012) stated that research instruments are measurement tools that are used for gathering data, for example, questionnaires designed to obtain data on a topic of interest from research subjects. As determined by the research design where descriptive research design was used, the research adopted questionnaires as the research instrument.

3.7.1 Questionnaires

William (2014) defined a questionnaire as a list of predetermined questions, to which all the respondents are subjected. The term questionnaire stems out from collection of questions and statements designed to provide answers to the area of study under review (William, 2014). Questionnaires can be used to gather data and information from a large sample (Kothari, 2014). The questionnaires comprised both open-ended and closed-ended questions to ensure that they capture as much information as required by the study. On the part of the closed-ended questions, the researcher used Likert scale questionnaires to ensure collection of data from many respondents within a short time. Open-ended questions were used because the researcher required that the respondents respond in their own words in brief. Formal questionnaires consisting of structured and semi-structured questions were used to collect data from different respondents within the selected cellphone accessories MSME businesses in Harare. The formal survey questionnaire was self-administered to ensure total response as there is a chance for probing the questions. Two hundred and fifty (250) questionnaires were distributed to cellphone accessories MSME owners, managers and low level employees operating at Gulf Complex, Copa Cabana, Cameroon Street, Kwame and Post Office Mall.

The selected respondents were given a time lag of 5 to 7 days to complete the questionnaire from the day of dropping and thereafter the researcher went and collected the completed questionnaires.

Advantages of using questionnaires

The researcher preferred using questionnaires in data collection because they were objective and convenient to both the respondents and the researcher (Creswell, 2017). Questionnaires afford the researcher the ability to maintain high levels of confidentiality of data collected from MSME owners, managers and low level employees, since it offers greater anonymity. Questionnaires are practical and a lot of data will be collected in a short period of time, from a large number of respondents. They were also a relatively cost-effective way of collecting data which the researcher employed with little to no affect to its validity and reliability (Mugenda and Mugenda, 2017).

The researcher thought that the use of this data collection method would be suitable due to the resource restriction that hindered the exclusive use of other methods. Another advantage was that the answers that were given to the questions could easily be expressed in terms of the quantity and data could be analysed efficiently and quickly with the use of computer software packages, Microsoft Office packages and IBM's SPSS packages.

Disadvantages of questionnaires

Sometimes the respondents could not complete the questionnaires due to reasons including reluctance, being busy or undisclosed reasons. To overcome some of these challenges, the researcher collected data not only in one day, but in several days, so failure to complete the questionnaires with reasons to do with absenteeism and being busy would be overcome. Another disadvantage was that some respondents were illiterate; therefore they had challenges in responding to the questions. However, by properly designing the questionnaire, by using simple terms and other qualities as recommended by Kothari (2014) the researcher managed to reduce the effects of illiteracy. Also, the researcher would welcome questions for clarification, and would sometimes ask the question, get the answer and then use the response to complete the questionnaire on his own.

3.8 Reliability and validity of data

Validity of data refers to the extent to which a research instrument measures what it is intended to measure (Thomson, 2015). Validity refers to the quality of the data. Thomson (2015) goes on to say that the validity of the research instruments or data is broken down into content validity and face validity. Content validity has to do with the relevance of actual data collected by the research instrument compared to the research problem and objectives (Sekaran, 2015). Face validity refers to the consistency, structure and related aspects of the instruments (Sekaran, 2015). Reliability of data is defined as the extent to which data obtained for the study can be trusted and based on (Thomson, 2015). Reliability refers to the quality of the methods used to collect data.

3.8.1 Pilot study

In a bid to improve the validity of the research instruments, a pilot study was carried out before the actual study was commenced. A pilot study is also recommended by Lohr (2013). The questionnaire was administered to just twenty five (25) respondents to determine if the questionnaire was properly structured. A pilot study sought to determine if the questions were understandable to the respondents, and whether the responses given would be relevant to the research objectives and questions. Thus, the researcher would refine the questionnaire if it was found to be improperly designed such that expected answers would not be gotten.

The researcher also sought for the services of statisticians, the supervisor and other colleagues in designing the research instruments, so that she could validate the data better. Minimization of errors also helped the researcher in data sorting, presentation and analysis.

In a bid to improve the reliability of the data, Cronbach's Alpha was used as a measure of reliability and internal consistency. This is a reliability coefficient which shows how items in a set are positively correlated. It measures the inter-correlations among test items, with a measure of 1 being higher in terms of internal consistency and reliability and 0.7 to 0.9 being acceptable (Johnston, 2009).

3.9 Ethical considerations

According to Cooper and Schindler (2014) ethics are the standards or the norms of behavior that help to guide one's moral choices concerning the behavior and the relationships towards

others. Saunders *et al.* (2016) regard research ethics as the extent to which one's behavior is appropriate regarding the rights of the persons that become the subjects of the research work. Thus, ethics guide how the researcher formulates the research topic, design the research instruments, collect data and analyse the findings.

The researcher, throughout the project work acknowledged the authors of anything that she might have wanted to borrow, by properly citing using the Harvard style of citation, thereby avoiding plagiarism. The researcher also designed her research instruments in such a way that the identity of the respondents was not required (the respondents were anonymous throughout the research) and that private information of the respondents, where it was necessary, was kept confidential and was used only for the purposes of this research, such as the highest levels of education of the respondents. Any quotations to be made were only after the permission of the respective respondents was sought.

The researcher also gave the respondents an introductory letter so that she could gain both access and the consent of the respondents. The researcher also obtained a letter from the University to use for gaining permission from the respondents to carry out her research. The participants were not coerced to participate. Each respondent was free to withdraw at any time. The researcher also made sure that each respondent was independent from any influence from either the researcher or from other respondents. The researcher assured the respondents that there was no right or wrong answers, so that each respondent could feel free to express their suggestions, feelings and other aspects. The researcher also did not pay the respondents for participating in the research, but just thanked them by word of mouth.

3.10 Data presentation and analysis

This section sets out how the research study aimed at presenting and analyzing the gathered data from the respondents on the following chapter.

3.10.1 Data presentation

The first step towards presentation of the data was to group and classify responses from questionnaires according to the research questions they were relating to. Mugenda (2009) stated that data must be cleaned, coded and properly analyzed. In order to obtain a meaningful report, the researcher cleaned, coded and properly presents data. The researcher used graphs, pie charts and tables to enable summarisation and communication of the

meaning of data. According to Potter (2013) the use of diagrams to present data enhances better understanding of the information gathered. Visual aids such as bar graphs, pie charts and tables were used to illustrate the data collected. The researcher also made use of tabulations, frequencies, means, as well as standard deviations to present data. The researcher adopts tabulation because it enables easy summarisation of findings. Tabulation simplifies complex data by arranging them systematically in a meaningful manner; it converts confusing information into understandable form.

3.10.2 Data analysis

Statistical procedures were used for analysing quantitative data. The researcher made the data ready for analysis through editing of the completed questionnaires in order to detect errors, omissions and rejects. Editing is a process of manually checking and perusing through the questionnaires to see if they were completed per expectation and to detect any errors and omissions (Kothari, 2016). It is also done to check for physical completeness and other aspects to help the researcher decide whether it can be used for analysis or not. The researcher used the Statistical Package for Social Sciences (SPSS Version 16.0) to analyse quantitative data. Under this package, the researcher made use of the Cronbach's Alpha and the Correlation Coefficient analysis tools to analyse data.

Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability and a high value for alpha does not imply that the measure is one-dimensional. The value of α (alpha) is acceptable when it is greater than 0.7 and if the value is less than 0.7, the result will be questionable. The researcher chose to use Cronbach's Alpha because it assisted in measuring reliability of the results. The correlation coefficient was adopted because it is a statistical measure that calculates the strength of the relationship between the relative movements of two variables. The values range between -1.0 and 1.0. A calculated value which is greater than 1.0 or less than -1.0 means that there was an error in the correlation measurement.

3.11 Summary

This chapter outlined the methodology and research instruments used in the research. It covered critical areas such as research design, population and sampling, data gathering

instruments' validity and reliability and also data presentation and analysis. The next chapter focuses on data analysis and presentation.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents the research findings, as well as analysing and interpreting them. The chapter provides an analysis of the response rate as it is of great significance to this study due to the strong orientation on the validity of the results obtained by the study. It also analyses and interprets the collected data in line with the research objectives and research questions.

4.1 Response rate

A total of 250 questionnaires were distributed to Gulf Complex, Copa Cabana, Cameroon Street, Kwame Mall and Post Office Mall (Ximex) with each area given a total of 50 questionnaires each. Table 4.1 below shows the actual number of questionnaires administered and those that were completed and returned as well as the response rates. Response rate was calculated using formulas suggested by Saunders et al., (2009) that is a quotient after dividing the actual respondents by targeted respondents.

Table 4. 1: Response rate

Category (Data collection points)	Sample Size	RR	RR %ge
Gulf Complex	50	46	92%
Copa Cabana	50	43	86%
Cameroon Street	50	39	78%
Kwame Mall	50	44	88%
Post Office Mall (Ximex)	50	32	64%
Total	250	204	82%

Source: Primary Data (2019)

From Table 4.1, questionnaires that were distributed to Gulf Complex yielded a response rate of 92% (46/50), Copa Cabana 86% (43/50), Cameroon Street 78% (39/50), Kwame Mall 88% (44/50) and Post Office Mall (Ximex) 64% (32/50). The total response rate was 82% (204/250). The remaining 18% (46/250) not interested and were busy to assist in the research. The response rate for the questionnaire was impressive to the researcher and besides, it was in congruency with scholars such as Shirley and Sushanta (2006) who state that for

questionnaire to have a positive impact to the research, its response rate should have at least 70%.

4.2 Reliability statistics

To validate the questionnaire used, the research ran a scale-reliability test on SPSS. The coefficient used is called the Cronbach's Alpha. According to Johnston (2009) the Cronbach alpha is a scale value that measures the inter-correlations among test items. A measure of 1 is regarded as the highest in terms of reliability and a measure that exceeds 0.7 is regarded as acceptable (Johnston, 2009).

Table 4. 2: Reliability and validity Test

Cronbach's Alpha (α)	Number of items
.779	35

Source: Primary Data (2019)

Table 4.2 shows results from the test for consistency of the questionnaire used for collecting data from five categories of respondents using Cronbach's Alpha. The obtained Cronbach's Alpha (α) is acceptable 0.779, which means the data collected was reliable.

4.3 Demographic information of respondents

The first part of the questionnaire comprised of the demographic information of the respondents. This data was gathered to enable the researcher to link the nature of respondents to the findings of the research. Aspects such as age, gender, experience of the respondents with the bank and level of education of the respondents were included. This section presents the findings of the demographic data section of the questionnaire. The researcher presents demographics of the respondents in form of graphs and charts.

4.3.1 Gender of respondents

In this section, the respondents were asked to indicate their gender. The following figure is a chart that shows the gender mix of the different groups of respondents.

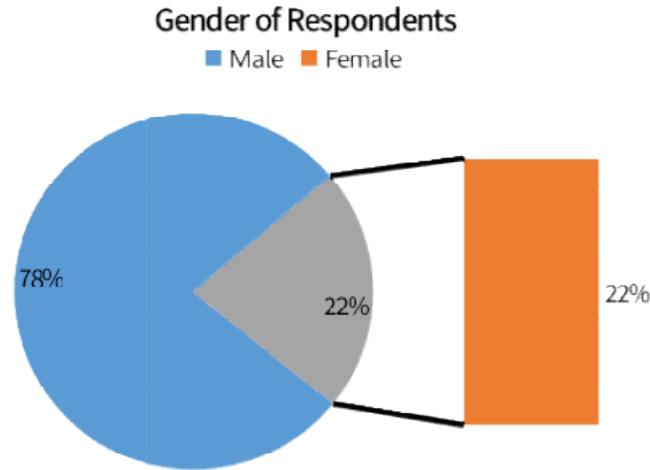


Figure 4. 1: Gender of respondents

Source: Primary, 2019

Figure 4.1 shows that the majority of respondents, that is 78%, were male respondents and the remaining 22% were female respondents. This shows that gender distribution in this survey was in favour of males. The indication is that Micro, Small and Medium Enterprises (MSMES) have more males than females. According to Munyanyi (2016) when commenting about Zimbabwean population statistics, generally women are technologically backward and do not want to be associated with technologically demanding aspects.

4.3.2 Age of respondents

The respondents were asked to state their ages. The age groups were below 30 years age group, 30 to 40 years age group, 41 to 50 years age group and above 50 years group. The diagram below shows the age of respondents.

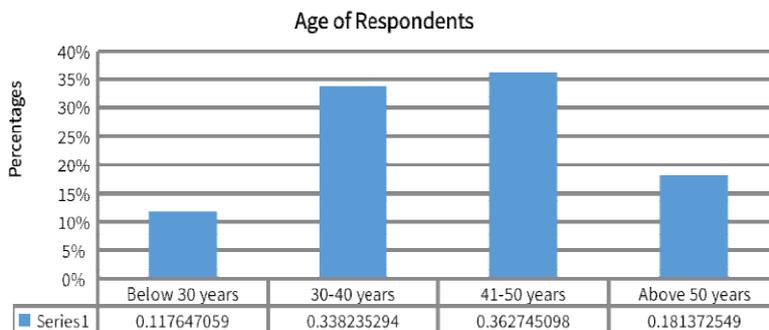


Figure 4. 2: Age of respondents

Source: Primary, 2019

Figure 4.2 shows that the modal age group was 41 to 50 years which constituted 36% (73/204) respondents, followed by 30 to 40 years age group with 34% (69/204) of the respondents. The least category was below 30 years which had 12% (25/204) and second least was above 50 years with 18% (37/204) respondents. The age shows that the data gathered was generally normally distributed. All categories had representatives. This helped the research study in the sense that, since all categories were represented, the findings from the research are a hybrid. A hybrid of findings shows a clear picture with the subject of concern without any bias of age. As well, with the modal age being 41 to 50 years, the researcher was guaranteed that the responses were mature both age wise and psychologically. This is supported by Cauffman & Steinberg (2000) who states that maturity is a function of age. Where a participant is of above 25 years, their maturity is undoubted. This was also supported by Chapell & Overton (2016) who in their research established that there is a relationship between age and maturity. Maturity of the respondents assured the researcher that the research findings were reliable and valid since they were gotten from mature respondents. In relation to MSMEs, the data reflect that MSMEs are mainly constituted by people in the mid to late 40s.

4.3.3 Education level of respondents

The next question asked respondents about their level of education. Respondents were also asked a question on their highest level of education in an attempt to establish their highest qualifications as well as the level of literacy. The figure that follows presents the results.

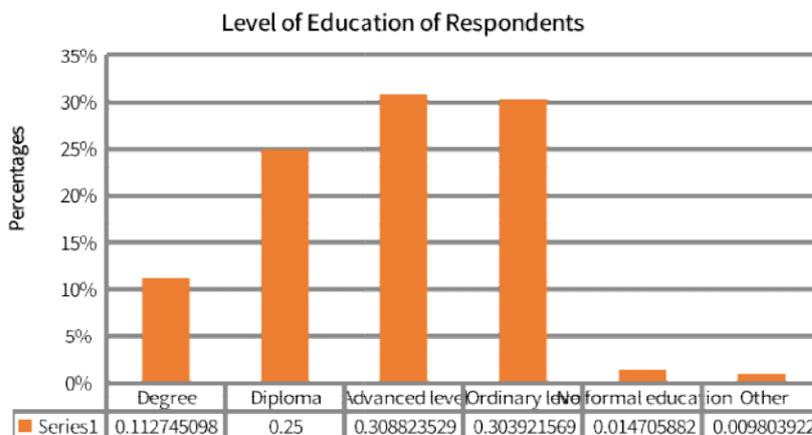


Figure 4. 3: Education level of respondents

Source: Primary, 2019

Figure 4.3 shows that from the survey conducted, the majority 31% (63/204) of respondents who responded had advanced level as their highest education level. The second highest frequency was those with ordinary level, with 30%. Twenty-five percent (51/204) of the respondents had diploma as their highest level of education. Eleven percent (23/204) of the respondents had degree as their highest level of education and 1% (2/204) of the respondents had no formal education. Other educational qualifications constituted 1% (2/204) of respondents. Generally, the MSMEs operators are educated. The reflection is that to run a business, there is need for formal education. Regardless of the level of education, there is need for education. Apparently, the fact that majority of the operators have A level as their highest level of education shows that people after completing A level, majority run around to sustaining their lives and become financially independent. This agrees with what Munyanyi (2016) says in relation to means of survival in Zimbabwe. According to Munyanyi (2016) once a Zimbabwean finishes school in rural areas, some move to urban areas to look for employment and others proceed to tertiary education.

4.3.4 Experience level in MSMEs

Figure 4.4 presents the respondents' experience with cell phone accessories businesses in Harare. This experience was regarded as necessary in showing whether owners and employees had any history sufficient enough for them to have testimonies to share with respect to challenges that hinder business growth of MSMEs in Zimbabwe.

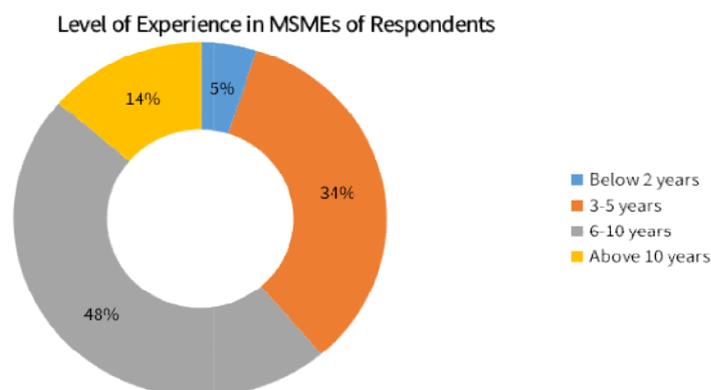


Figure 4. 4: Experience level in MSMEs

Source: Primary, 2019

The results in Figure 4.4 show that the modal class of the level of experience of the respondents with cell phone accessories businesses in Harare was the 6 to 10 year class with 47% (96/204). Respondents with 3 to 5 years made up 34%. The experience shows a generally negative skewness, implying that most of the values are to the right; hence this shows that generally, the majority of the respondents had higher experience with cell phone accessories in Harare. Those below 2 years had 5% (10/204) respondents and those above 10 years experience had 14% (29/204) respondents. As a result, the researcher found the level of experience of the respondents high enough for them to contribute reliable data for the research.

4.4 Factors that hinder business growth of cellphone accessories MSMEs

The section that followed was now soliciting responses that answer the research questions that were derived from the research objectives. The first objective sought to ascertain the factors that are hindering business growth of cellphone accessories MSMEs in Harare. The respondents were asked to show the level of agreement or disagreement with the following statements that reflect the factors affecting business growth guided by literature reviewed on a five-point Likert Scale, ranging from 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree. Where the mean is closer to 1, it shows that respondents were generally disagreeing on a given situation, and where the sample mean is somewhere close to 3, it shows that respondents were neutral and in the last scenario, where the mean is close to 5, it shows that respondents were agreeing to the statement.

Table 4. 3: Factors that hinder business growth of cellphone accessories MSMEs

Factors that hinder cellphone accessories business growth	1	2	3	4	5	Mean	Sum
Lack of Capital	47	49	1	63	44	3.04	204
Shortage of Foreign Currency	44	36	2	87	35	3.16	204
Competition	81	27	3	65	28	2.67	204
Lack of marketing skills	21	39	4	72	68	3.62	204
Information Technology	71	63	6	28	36	2.49	204
Poor Business Plan	53	51	4	25	71	3.05	204
Human Resources Management	49	39	2	53	61	3.19	204
Legal Issues	96	41	7	41	19	2.25	204

Key: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree

Source: Primary, 2019

Table 4.3 presents the findings with respect to the factors that hinder cellphone accessories business growth in MSMEs in Harare. According to the table, lack of marketing skills yielded a mean of 3.62. This shows that respondents were in agreement that cellphone accessories businesses in Harare are affected negatively as a result of lack of marketing skills. This was followed by human resources management which had a mean of 3.19. This shows that respondents were agreeing that the management of people in this type of business is important so as to succeed. Shortage of foreign currency also was considered by the respondents as an inhibiting factor which is shown by a mean of 3.16. Yielding a mean of 3.05 is poor business plans. It can therefore be said that respondents are neutral about the relationship between poor business plans and the failure of cellphone business. Further, respondents were not sure if lack of capital can be attributable to the failure of businesses. This is shown by a mean of 3.04. The respondents were also neutral about competition and information technology as factors affecting cellphone businesses of MSMEs in Harare and these yielded means of 2.67 and 2.49 respectively. Yielding the least mean of 2.25 are legal issues that were considered as a factor affecting cellphone businesses. Again the respondents were neutral about the view.

The finding is that most of the factors that hinder business growth of cellphone accessories MSMEs namely lack of capital, competition, foreign currency shortages, human resources management, legal issues, information technology, lack of marketing information and marketing skills are mostly contributing to the failures of cellphone businesses in Harare. This can be traced from Schmitz (1982), Liedholm and Mead (2018) and Steel and Webster (1990) are of the opinion that micro-small businesses face a variety of challenges owing to the difficulty of absorbing large fixed costs, the absence of economies of scale and scope in key factors of production, and the higher unit cost of providing services to smaller businesses.

4.4.1 Business growth indicators

The respondents were asked to rank the factors affecting the business growth indicators whether negatively or positively in relation to the cellphone business of MSMEs in Harare. The table below presents the results.

Table 4. 4: Business growth indicators of cellphone accessories MSMEs

Business Growth Indicators	Positively	Negatively	Not Sure	Mean	Sum
Profitability	69	89	46	1.89	204
Reduced operating Costs	86	68	50	1.82	204
Increased employment levels	109	49	46	1.69	204

Key: 1 – Positive, 2 – Negative, 3 – Not Sure

Source: Primary, 2019

From the results given in the table above, profitability yielded a mean of 1.89 and this shows that respondents are generally of the view that factors affecting cellphone businesses hinder the profitability of businesses negatively since the mean is close to 2. It can be said that profitability is affected negatively by negative changes in the environment. This was followed by reduced operating costs which had a mean of 1.82. This shows that respondents are of the opinion that operating costs are negatively affected by the factors identified in the previous question namely lack of capital, competition, poor business plans, foreign currency shortages, human resources management, legal issues, information technology, lack of marketing information and marketing skills. The finding is that operating costs increase due to disturbances in the business environment like competition. Yielding the least mean of 1.69 is increased employment levels and this shows that the respondents are of the opinion that employment levels are affected negatively by factors hindering the growth of cellphone businesses in Harare.

Overall, the finding is that the factors affecting business growth in cellphone business hinder all the factors which are lack of capital, competition, poor business plans, foreign currency shortages, human resources management, legal issues, information technology, lack of marketing information and marketing skills. This is in line with Lipsey (2015) who is of the view that business growth as the reduction in costs will ultimately lead to profitability and Demirguc-Kunt and Huizinga (2019) pointed out that increased number of workers employed by an enterprise is an indication of business growth.

4.5 Strategies that can be adopted by cellphone accessories MSMEs to counter the challenges hindering business growth

The second objective sought to determine the strategies adopted by cellphone accessories MSMEs to counter the challenges hindering business growth. The respondents were asked to show the level of agreement or disagreement with the following the statements that reflect the challenges that hinder business growth of MSMES in Zimbabwe guided by literature reviewed on a scale ranging from 1– No, 2 –Yes, 3 – Not Sure. The responses yielded the information in table 4.4. below.

Table 4. 5: Strategies to counter business challenges

Strategies to counter business challenges	Yes	No	Not Sure	Mean	Sum
Locating businesses at the proximity of many clients	94	21	89	1.98	204
Use of swipe machine	146	19	39	1.48	204
Recruiting skilled and learned workforce	123	23	58	1.68	204
Selling on credit to regular and known customers	96	89	19	1.62	204
Borrowing from MFIs in groups	89	90	25	1.69	204
Engaging training seminars held by business experts	77	40	87	2.05	204

Key: 1–No, 2 –Yes, 3 – Not Sure

Source: Primary, 2019

Table 4.5 presents the findings with respect to the strategies that can be adopted to curb business challenges. According to the table, engaging training seminars held by business experts yielded a mean of 2.05 which shows that respondents were generally agreeing that training seminars can be a good strategy to reduce business failure in cellphone businesses in Harare. This was followed by the strategy of locating business at the proximity of many clients, showing also that respondents were agreeing that getting nearer to customers reduces the business challenges. This was shown by a mean of 1.98. Respondents were also of the opinion that business owners borrowing from MFIs in groups can be a good strategy to reduce the chances of business failing and this yielded a mean of 1.69. Recruiting skilled and learned workforce had a mean of 1.68 which was almost the same as the prior strategy. This shows that respondents are agreeing that the right type and number of workforce is an excellent strategy to reduce the challenges of business growth in Harare. Selling on credit to regular and known customers yielded a mean of 1.62, showing that the respondents are in

agreement that regular and known customers can be offered cellphones on credit as a way of retaining them. Use of swipe machines yielded the least mean of 1.48. The mean was close to 1 than 2, showing that respondents are of the view that use of swipe machines is not a good strategy to overcome the challenges of business growth in cellphone business in Harare.

The finding therefore is that the strategies to counter business challenges limiting business growth are present in cellphone business in Harare and affect business growth positively. This is in line with Gono (2006) who contends that in order to reduce the challenges that the MSMEs sector faced, the government, through the Reserve Bank of Zimbabwe, developed support strategies that were specifically aimed towards this sector.

4.6 Effectiveness of strategies used to counter business challenges – objective three

The third objective sought to find out how effective these strategies are in reducing the challenges encountered in cellphone business in Harare. The respondents were asked to rank the effectiveness of the strategies presented in the previous question in reducing the challenges encountered in cellphone businesses in Harare. The results are presented in Table 4.6.

Table 4. 6: Effectiveness of strategies used to counter business challenges

Strategies to counter business challenges	Not effective at all	Least effective	Not Sure	Effective to some extent	Very effective	Mean	Sum
Strategy 1	34	31	15	45	79	3.51	204
Strategy 2	42	35	26	87	14	2.98	204
Strategy 3	31	58	19	77	19	2.98	204
Strategy 4	54	19	48	68	15	2.86	204
Strategy 5	58	41	78	12	15	2.44	204
Strategy 6	43	48	33	44	36	2.91	204

Key

- Strategy 1: Locating businesses at the proximity of many clients
- Strategy 2: Use of swipe machines
- Strategy 3: Selling on credit to regular and known customers
- Strategy 4: Recruiting skilled and learned workforce
- Strategy 5: Borrowing from MFIs in groups
- Strategy 6: Involvement in training seminars by business experts

1 – Not effective at all, 2 – Least effective, 3 – Not Sure, 4 – Effective to some extent, 5 – Very effective

Source: Primary, 2019

The results from Table 4.6 show that locating businesses at the proximity of many clients yielded a mean of 3.51, showing that respondents are of the view that this strategy is effective. The finding is that businesses should be located near the customers to increase the chances of success. This was followed by use of swipe machines and selling on credit to regular and known customers, which yielded a mean of 2.98 respectively. In this scenario, respondents are of the opinion that they are not sure if the implementation of these two strategies is effective in reducing the challenges that businesses are facing. The finding is that selling on credit and using swipe machines cannot be an effective strategy in reducing challenges that businesses are facing. Yielding a mean of 2.91 is organizing and attending training seminars held by business experts, showing that respondents are also neutral about this view. It can therefore be said that seminars have not been seen to be solving the challenges in cellphone businesses in Harare. Recruiting skilled and learned workforce had a mean of 2.86, showing that the respondents are not sure if skilled workforce can be useful in reducing the challenges they are facing in business. Yielding the least mean of 2.44 is borrowing from MFIs in groups, revealing that from the opinion of the respondents it is the least effective. The finding is that borrowing funds cannot be considered a solution to the challenges that are being faced by businesses.

Therefore, the overall finding is that the strategies presented by the researcher from the literature review like locating businesses at the proximity of many clients, use of swipe machines, recruiting skilled and learned workforce, selling on credit to regular and known customers, borrowing from MFIs in groups and organizing and attending training Seminars held by business experts are not as effective as they should be but are useful to some extent. Kaufman *et al.* (2017) opined that in Africa, MSMEs are weak because of very difficult business conditions, which include cumbersome official procedures and unattractive tax regimes which can be traced to the finding attributed to this objective.

4.7 Efforts by the government to support the operations of MSMEs

The fourth objective sought to determine what government has done to support the operations of MSMEs. The respondents were asked to rank listed government efforts used to support the operations of cellphone accessories MSMEs businesses and in achieving the required results. The results are presented in Table 4.7.

Table 4. 7: Efforts by the government to support the operations of MSMEs

Government efforts to support MSMEs businesses	Not effective at all	Least effective	Not Sure	Effective to some extent	Very effective	Mean	Sum
Setting up of the Ministry to look after MSMEs	42	39	7	73	43	3.18	204
Technical and financial support through EMPRETEC	41	15	9	55	84	3.62	204
Offering loans at concessionary interest rates	66	55	8	32	43	2.66	204
Ensuring access to capital through the creation of Youth Empower Bank and MSMEs revolving fund	69	89	13	19	14	2.12	204
Liberalization policy, preferential purchasing policies to allow market stalls in urban centers	23	10	9	59	103	4.02	204

Key: 1 – Not effective at all, 2 – Least effective, 3 – Not Sure, 4 – Effective to some extent, 5 – Very effective

Source: Primary, 2019

Table 4.7 presents the finding relating to the challenges that hinder business growth of MSMEs in Zimbabwe. According to the table, liberalization policy and preferential purchasing policies to allow market stalls in urban centers had a mean of 4.02. This shows that the respondents are of the view that this effort by the government is effective to some extent, showing that it is useful in cellphone business in Harare. This was followed by technical and financial support through EMPRETEC which yielded a mean of 3.62. This also shows that EMPRETEC as a support system is effective to some extent and it is being used to support cellphone businesses in Harare. Respondents were not sure about the effectiveness of the support system of setting up of the Ministry to look after MSMEs, showing that this has

not been performing very well in terms of its support in MSME businesses. This was shown by a mean of 3.18. Yielding a mean of 2.66 is, offering loans at concessionary interest rates. This reveals that the respondents are not sure if favourable interest rates can be considered an effective support system by the government. It can be said that interest rates are not enough to support the cellphone accessories businesses in Harare. The least mean was yielded by, ensuring access to capital through the creation of Youth Empower Bank and MSMEs' revolving funds. The respondents however ranked this support system as least effective in supporting the cellphone businesses. The finding is that the Youth Empowerment Bank and MSMEs have been implemented by the government as support systems but have not been very effective. The finding, therefore, is that, the support systems identified by the researcher from the literature review are present in Zimbabwe but a few of them are effectively supporting the cellphone accessories businesses in MSMEs in Harare. The government provide funding for this sector as given in section 2G of the MSMEs Act (2017) which also makes available a fund for this sector. This shows that the government is supporting the continuity and survival of this sector, which is important towards fostering the development of the groups marginalized in Zimbabwe. Even though the government provides funding for these firms, however organisations like Small Enterprise Development Corporation (SEDCO), which is now under the Ministry of Women, Community, Small and Medium Enterprise Development which was established in 2002, require movable property as collateral, which might be a hindrance for some MSMEs as they might lack the required collateral in order to be eligible for the loans.

The researcher asked an open ended question in line with the fourth objective which sought to determine what government has done to support the operations of MSMEs. The respondents were asked to highlight other efforts by the government to support the operations of cellphone accessories MSMEs businesses apart from those given by the researcher from the literature review. The respondents highlighted that the government opened a Women's Bank through the ministry that supports women in business by borrowing funds from there. Also, the 'Zimbabwe is open for business' mantra presented by the President to encourage foreign investment was put in place as a support system by the government to boost their successes. This is in line with Small Enterprise Development Corporation (SEDCO), which is now under the Ministry of Women, Community, Small and Medium Enterprise Development, established in 2002 to support MSMEs in Zimbabwe.

4.8 Recommendations to enhance the growth of cellphone accessories MSME businesses

The fifth objective sought to recommend ways of facilitating the growth of cellphone accessories MSMEs. The researcher asked an open ended question which asked the respondents to list additional possible strategies by MSME businesses and government to facilitate the growth of cellphone accessories MSME businesses in Zimbabwe. The respondents recommended that MSMEs should diversify economic activity and make a significant contribution to exports and trade and contribute to employment. This will attract government support and even charity and donor funding. The following factors have to be considered when seeking a location for their business: their target market, transportation access, neighbouring mix, competition, neighbourhood security/safety, labour pool, services, access and municipal business regulations.

From the views of the respondents, political unrest and effects of disputed elections in the country can be solved when the captain of the industries join up hands with the leaders of political parties in dialogues that set apart political differences. The global political agreement of 2009 between Robert Mugabe and the late Morgan Tsvangirai of the MDC party improved the success of MSMEs (Munyanyi, 2016). The same can happen between Emmerson Mnangagwa and Nelson Chamisa whose hands have the onus to turn around economic fortunes of the country. This will help MSMEs in the cellphone business to succeed.

The respondents also recommended MSMEs that entrepreneurship education should be seen as a key prerequisite for raising the levels of managerial skills of MSMEs leaders. From the educational impact of the home, academic institutions can be regarded as the place where the most profound innovation can be brought about in the development of leaders of MSMEs. Therefore, entrepreneurship education is one of the initiatives that can be designed to enhance innovation in MSMEs.

4.9 Chapter summary

Chapter 4 focused on presentation, analysis and discussion of findings. Analysis was done using SPSS package version 22.0. The presentation of data was done in the form of tables, charts and figures using Microsoft Office packages of Word and Excel. Chapter 5 that follows presents the summary, conclusions and recommendations of the study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the summary of findings, conclusions and recommendations. The chapter is arranged as follows: Section 5.1 is a summary of the research. Objectives are revisited in Section 5.2. Summary of findings and conclusions, objective by objective, are written in Section 5.3. In Section 5.4 are recommendations. The limitations of the study are given in Section 5.5. In Section 5.6 and 5.7 are areas of further research and the chapter summary respectively.

5.1 Summary of the research

The research was organised into five chapters. The first chapter provides an introduction to the study. The chapter constitutes the background to the study, the statement of the problem, purpose and significance of the study, the objectives and research questions, the limitations, delimitations and assumptions of the study. The same chapter gives definitions of key terms and abbreviations, layout of the study and the chapter conclusion.

The second chapter looked at the review of related literature, to the topic under study. Both theoretical and empirical literature on the challenges that hinder business growth of MSMEs in Zimbabwe was reviewed. This formed the basis for the researcher to come up with a conceptual framework and also made the basis for discussion of findings. The main sections of the second chapter are the theoretical framework which is a section of literature on the theories that shape up the study and the conceptual framework that is a presentation of an evaluation of the challenges that hinder business growth of MSMEs in Zimbabwe. The last section gave the conclusion of the chapter.

The third chapter looked at the research methodology, which stipulated how the research was conducted. This chapter focused on the methodology used to carry out the research. It looks at the research approach, the research design, the population of the study, sampling methods, research instruments used, data collection methods, regression model adopted, data validity and reliability enhancements, data analysis methods and data presentation aspects.

The fourth chapter looked at the analysis, presentation, interpretation and discussion of findings. Data analysis was done using SPSS package version 16.0 and was presented, showing the factors contributing to the failures of cellphone businesses in Harare. The Strategies adopted by MSMEs to address challenges hindering business growth are also presented. These strategies affect business growth positively and are not as effective as they should be. Further the support systems are present in Zimbabwe but a few of them are effectively supporting the cellphone accessories businesses in MSMEs in Harare. On the other end, the government has not been helping much in growing the MSMEs business and the MSMEs have been striving to grow their businesses for survival without much support from the government.

The fifth chapter focuses on the summary of findings, research objective revisited, summary of empirical findings and recommendations, limitations of the study and the areas for further research. The contribution made by the study to the body of knowledge is given. The last section shows areas of further research and the chapter conclusion.

5.2 Research objectives revisited

The primary objective for undertaking this study was to evaluate the challenges that hinder business growth of MSMEs in Zimbabwe. The study used cellphone accessories businesses in Harare.

The following secondary objectives were formulated to support the primary objective.

- i. To ascertain the factors that are hindering business growth of cellphone accessories MSMEs in Harare.
- ii. To determine the strategies adopted by cellphone accessories MSMEs to counter the challenges hindering business growth.
- iii. To find out how effective these strategies are in reducing the challenges encountered.
- iv. To determine what government has done to support the operations of MSMEs.
- v. To recommend ways of facilitating the growth of cellphone accessories MSMEs.

5.3 Summary of empirical findings and conclusions

The first objective sought to ascertain the factors that are hindering business growth of cellphone accessories MSMEs in Harare.

The research found that lack of marketing skills, availability of Human Resources Management, shortage of foreign currency, poor business plan, lack of capital, competition, Information Technology and legal issues, hinder business growth of cellphone accessories of MSMEs in Harare. These factors contribute to failures of cellphone business in Harare..

The study concludes that in cellphone accessories businesses both internal and external factors are affecting the business growth of cellphone accessories MSMEs in Harare.

The second objective sought to determine the strategies adopted by cellphone accessories MSMEs to counter the challenges hindering business growth.

The research found that in order to reduce that challenges that are being faced by MSMEs, businesses should engage training seminars held by business experts, locate businesses at the proximity of many clients and borrow from MFIs in groups. Included also in the list of strategies in line with this objective is, recruiting skilled and learned workforce, selling on credit to regular and known customers and use of swipe machines, though not very effective. In summary, the strategies like locating businesses at the proximity of many clients, use of swipe machines, recruiting skilled and learned workforce, selling on credit to regular and known customers, borrowing from MFIs in groups and organizing and attending training Seminars held by business experts are present in cellphone business in Harare and affect business growth positively.

In conclusion, the study gathered that locating businesses at the proximity of many clients, use of swipe machines, recruiting skilled and learned workforce, selling on credit to regular and known customers, borrowing from MFIs in groups and organizing and attending training Seminars held by business experts can boost the chances of cellphone businesses in terms of growth, thereby reducing the challenges hindering business growth.

The third objective sought to find out how effective these strategies are in reducing the challenges encountered in cellphone businesses in Harare.

The research found that locating businesses at the proximity of many clients is a very effective strategy. It was also found that use of swipe machines, selling on credit to regular and known customers, organizing and attending training seminars held by business experts and recruiting skilled and learned workforce cannot exactly be attributable to the reduction of

challenges encountered in cellphone business in Harare. Borrowing from MFIs in groups was considered least effective. In short, strategies like locating businesses at the proximity of many clients, use of swipe machines, recruiting skilled and learned workforce, selling on credit to regular and known customers. The study concludes that the strategies used in reducing the challenges faced in cellphone businesses in Harare are less effective given the environment that the cellphone business in MSMEs is operating in.

The fourth objective sought to determine what government has done to support the operations of MSMEs.

The study found that liberalization policy, preferential purchasing policies to allow market stalls in urban centers and technical and financial support through EMPRETEC are support systems put in place by the government of Zimbabwe and are effective to support MSMEs. Setting up of the Ministry to look after MSMEs and offering loans at concessionary interest rates are support systems that cannot be traced to be supporting operations of MSMEs. Ensuring access to capital through the creation of Youth Empower Bank and MSMEs revolving fund is the least effective government support system. In short, the support systems identified by the researcher from the literature review which are setting up of the Ministry to look after MSMEs, technical and financial support through EMPRETEC, offering loans at concessionary interest rates, ensuring access to capital through the creation of Youth Empower Bank and MSMEs revolving fund and liberalization policy, preferential purchasing policies to allow market stalls in urban centers are present in Zimbabwe but offering loans at concessionary interest rates and ensuring access to capital through the creation of Youth Empower Bank and MSMEs revolving fund are less effectively supporting the cellphone accessories business in MSMEs in Harare.

The study concludes that the government of Zimbabwe has support systems to support MSMEs but are not very effective in helping reduce the challenges in cellphone business.

The fifth objective sought to recommend ways of facilitating the growth of cellphone accessories MSMEs.

The respondents recommended that MSMEs should diversify economic activity and make a significant contribution to exports and trade and contribute to employment. This will attract government support and even donor funding. MSMEs leaders have to seriously consider the

ideal marketing strategies. The following factors have to be considered when seeking a location for their business: their target market, transportation access, neighbouring mix, competition, neighbourhood security/safety, labour pool, services, access and municipal business regulations.

From the views of the respondents, political unrest and effects of disputed elections in the country can be solved when the captain of the industries join up hands with the leaders of political parties in dialogues that set apart political differences. The global political agreement of 2009 between Robert Mugabe and the late Morgan Tsvangirai of the MDC party improved the success of MSMEs. The same can happen between Emmerson Mnangagwa and Nelson Chamisa whose hands have the onus to turn around economic fortunes of the country. This will help MSMEs in the cellphone business to succeed.

The respondents also recommended MSMEs that entrepreneurship education should be seen as a key prerequisite for raising the levels of managerial skills of MSMEs leaders. From the educational impact of the home, academic institutions can be regarded as the place where the most profound innovation can be brought about in the development of leaders of MSMEs. Therefore, entrepreneurship education is one of the initiatives that can be designed to enhance

5.4 Recommendations

The recommendations that are presented here are emanating from the conclusions of the research. The recommendations are mainly directed to the owners and employees of cellphone businesses in MSMEs in Harare.

The research concluded that cellphone accessories business both internal and external factors are affecting the business growth of cellphone accessories MSMEs in Harare. It is recommended that the organisations cultivate a culture that is flexible to any changes in their business environment for example change can be a core value in their businesses. This can help in reducing the chances of business failure in that the business becomes more proactive than reactive. This can be done by encouraging employees to be innovative by coming up with new ideas, making sure that the whole organisation is aware of the mission, vision and values that build up a culture of the business. Innovation in employees can be made possible by allowing them to come up with ideas in any business meetings. Also, in terms of securing their financial security, they can invest in other businesses in the form of diversification so

that given that when one business suffers, the other one will be thriving and hence the business grows despite the challenges that are within their operating environment.

Furthermore, the research concluded that the strategies given can boost the chances of cellphone businesses in terms of growth thereby reducing the challenges hindering business growth. The recommendation is that in order to implement the strategies adopted by MSMEs to address challenges hindering business growth, there is need to acquire expert knowledge through training and workshops to implement the most effective strategies. Strategies depend on the type of businesses being operated. For example, the strategy of adopting the use of swipe machines for cellphone business in Zimbabwe can be a challenge if the owner of the business is importing the cellphones from other countries in foreign currency. Also strategies like selling on credit to customers cannot be very effective in Zimbabwean situation given the hyperinflationary environment that the businesses are operating in. It is therefore recommended that the cellphone business owners and employees use the best strategy that suits the current situation. This can be done through the training workshop on strategic management, engaging employees in decision making and coming up with a research and development team that builds innovation. This can therefore help in curbing the challenges that are being faced by MSMEs in Zimbabwe.

In addition, the study concluded that the strategies are less effective given the environment that the cellphone businesses in MSMEs are operating in. Saleem (2006) argued that there is a need of developing country specific strategies, especially towards the developing countries. Since Zimbabwe is a developing country, the recommendation therefore is that cellphone businesses should adopt strategies like exporting their goods in other countries, online selling and marketing of their products, investing in other businesses that are profitable to increase synergy and benchmarking their operations against those of other businesses operating globally.

In addition, the study concluded that that the government of Zimbabwe has support systems to support MSMEs but some of them are not effective in helping reduce the challenges in cellphone business. According to the Edinburgh group (2012), corruption is another factor that really needs to be addressed to help the survival of the sector. The public sector is characterised by gross inefficiencies as a result of corruption. It is recommended that the government put in place measures to curb corruption like the Anti-corruption action groups because the support systems are less effective mainly as a result of corruption. Also, the

government should engage the business owners so that they come up with the best support systems that are effective. The procedures in licensing businesses not be cumbersome but easy enough for business owners to buy their licenses. These can work well in the support by government to support MSMEs in Zimbabwe.

The study recommends that MSMEs should diversify economic activity and make a significant contribution to exports and trade and contribute to employment. This will attract government support and even charity and donor funding. MSMEs leaders have to seriously consider the ideal marketing strategies. The following factors have to be considered when seeking a location for their business: their target market, transportation access, neighbouring mix, competition, neighbourhood security/safety, labour pool, services, access and municipal business regulations.

In line with political unrest and effects of disputed elections in the country can be solved when the captain of the industries join up hands with the leaders of political parties in dialogues that set apart political differences. The global political agreement of 2009 between Robert Mugabe and the late Morgan Tsvangirai of the MDC party improved the success of MSMEs. The same can happen between Emmerson Mnangagwa and Nelson Chamisa whose hands have the onus to turn around economic fortunes of the country. This will help MSMEs in the cellphone business to succeed.

It is also recommended within MSMEs, entrepreneurship education should be seen as a key prerequisite for raising the levels of managerial skills of MSMEs leaders. From the educational impact of the home, academic institutions can be regarded as the place where the most profound innovation can be brought about in the development of leaders of MSMEs. Therefore, entrepreneurship education is one of the initiatives that can be designed to enhance the performance of MSMEs.

5.5 Limitations of the study

The researcher had very limited time to do the research, therefore in order to meet the deadlines; the researcher had to work after hours, or during weekends and public holidays. Also, balancing the time between project work and life commitments was a challenge, mainly because the researcher is the breadwinner, a problem which was overcome by proper scheduling of activities. The researcher faced financial challenges, whereby she needed

money to print questionnaires and the money for transport to relevant places for the completion of the project work. The researcher had to resort to borrowing from friends to cover the project work. On data collection, some respondents would refuse, or indicate that they were too busy to respond; hence most of them were suggesting that the researcher would come some other time.

5.6 Areas for further research

Future researchers can also conduct their studies with the research topic, an evaluation of the challenges that hinder business growth of MSMES in Zimbabwe. Future research may also consider different industries besides the technological industry in Zimbabwe or beyond the borders. Large industries in Zimbabwe unlike the Micro, Small and Medium industries can be considered. Future researchers may also use the research to identify research gaps or best methodologies to use basing on this research.

5.7 Chapter summary

The chapter looked at the summary of findings, conclusions and recommendations. The chapter gave a summary of the research by juxtaposing brief summaries against each and every objective. The conclusions made the basis of the recommendations given to the owners and employees of cellphone business in MSMEs in Harare. The contribution made by the study to the body of knowledge was also given and limitations of the study. Areas of further research have been indicated lastly.

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APPENDICES

Appendix 1: Research Questionnaire

Dear Respondent

My name is Nyasha Primrose Chinyowa (R174057P). I am a post graduate student at University of Zimbabwe undertaking a Master Degree in Business Administration. In partial fulfilment of my studies, I have to carry out a research study. In compliance with this requirement, I have chosen to do a research titled **“An evaluation of the challenges that hinder business growth of MSMEs in Zimbabwe. The case study of cellphone accessories businesses in Harare”**.

I would appreciate your assistance by answering the questions provided in the attached questionnaire. All the information that you may provide shall be used in aggregated form for academic purposes only and shall be treated with strict confidentiality.

My contact details:

Cell: +263 78 324 7444

Email: chibwenyasha6@gmail.com

Instructions

1. Please do not write your name or contact details on this questionnaire.
2. Please respond by ticking [] the appropriate boxes where applicable and write in full in the spaces provided where specified.

Section A: Demographic information of the respondents

Please tick the appropriate box

1. Indicate your gender.

Male	
Female	

2. Indicate your age group.

Below 30 years	
30-40 years	
41-50 years	
Above 50 years	

3. Indicate your highest level of education.

Degree	
Diploma	
Advanced level	
Ordinary level	
No formal education	
Other	

If other, *please specify*.....

4. How long have you been in the cellphone accessories MSMEs business?

Below 2 years	
3-5 years	
6-10 years	
Above 10 years	

SECTION B: Factors that hinder business growth of cellphone accessories MSMEs

6. Show your level of agreement or disagreement with the following factors that are hindering business growth of cellphone accessories MSMEs in Harare. **Key:** 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree

Factors that hinder cellphone accessories business growth	1	2	3	4	5
1. Lack of Capital					
2. Shortage of Foreign Currency					
3. Competition					
4. Lack of marketing skills and market information					
5. Information Technology					
6. Poor Business Plan					
7. Human Resources Management					
8. Legal Issues					

7. Apart from the above mentioned factors, what are the other factors that are hindering business growth of your cellphone accessories? *Indicate your responses on the space provided below.*

.....

8. Do these factors mentioned in 5 and 6 above affect the following business growth indicators negatively or positively?

Business Growth Indicators	Positively	Negatively	Not Sure
1. Profitability			
2. Reduced operating Costs			
3. Increased employment levels			
Other: 1			

2			
3			

Section C: Strategies adopted by cellphone accessories MSMEs to counter the challenges hindering business growth

9. Does the following represent some of the strategies that you have adopted as cellphone accessories MSMEs to counter the challenges hindering business growth in Harare?

Strategies to counter business challenges	Yes	No	Not Sure
1. Locating businesses at the proximity of many clients			
2. Use of swipe machine			
3. Recruiting skilled and learned workforce			
4. Selling on credit to regular and known customers			
5. Borrowing from MFIs in groups			
6. Organizing and attending training Seminars held by business experts			

10. In addition to the above mentioned, what are the other strategies that you have adopted as cellphone accessories MSMEs to counter the challenges hindering business growth in Harare and how effective were these strategies in reducing the challenges encountered in your businesses? *Tick in the box below your perceive extent.*

Strategies to counter business challenges	Not effective at all	Least effective	Not Sure	Effective to some extent	Very effective
1. Locating businesses at the proximity of many clients					
2. Use of swipe machines and					
3. Selling on credit to regular					

and known customers					
4. Recruiting skilled and learned workforce					
5. Borrowing from MFIs in groups					
6. Organizing and attending training Seminars held by business experts					
Others; 1					
2					
3					

Section D: Efforts by the government to support the operations of MSMEs

11. How effective were the following listed government efforts to support the operations of cellphone accessories MSMEs businesses and in achieving the required results? *Tick in the box below your perceive extent.*

Government efforts to support MSMEs businesses	Not effective at all	Least effective	Not Sure	Effective to some extent	Very effective
1. Setting up of the Ministry to look after MSMEs					
2. Technical and financial support through EMPRETEC					
3. Offering loans at concessionary interest rates					
4. Ensuring access to capital through the creation of Youth Empower Bank and					

MSMEs revolving fund					
5. Liberalization policy, preferential purchasing policies to allow market stalls in urban centers					
Others; 1					
2					
3					

12. Apart from the above mentioned efforts, what are the other efforts by the government to support the operations of cellphone accessories MSME businesses? *Indicate your responses on the space provided below.*

.....

.....

.....

.....

Section E: Recommendations to enhance the growth of cellphone accessories MSME businesses

13. In the space provided below, list additional possible strategies by (a) MSME businesses and (b) Government to facilitate the growth of cellphone accessories MSME businesses in Zimbabwe

(a).....

.....

.....

.....

(b).....

.....

.....

---END OF QUESTIONNAIRE---