

**ASSESSMENT OF GOVERNMENT POLICIES ON THE PROGRESS OF SMALL AND MEDIUM ENTERPRISES IN BULAWAYO PROVINCE IN ZIMBABWE**

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**Abstract**

Small and medium enterprises (SMEs) are important pillars of the world economy, and they form a significant percentage of businesses across all countries. However, unfavorable government policies negatively affect their progress. The study assessed the influence of government policies on the progress of SMEs in Bulawayo Province in Zimbabwe. The study adopted a descriptive design. The study population involved the entrepreneurs and managers operating SMEs in Bulawayo Province. The sample size for the study was 229 participants who were purposively chosen. Data was collected through a self-developed closed-structured questionnaire that was provided to the participants through a drop-pick method. Data was keyed into SPSS program to derive statistical measures. Data was displayed in frequencies, means and standard deviations. On Pearson's correlation coefficients the findings on government policies were: taxation  $r(227) = -0.593$ ,  $p = 0.000$ , licensing  $r(227) = -0.733$ ,  $p = 0.000$  and bank rate policy  $r(227) = -0.735$ ,  $p = 0.000$ . The results gave a negative correlation between government policies and SMEs progress to infer that an increase of unfavorable government policies unfavorably affects the progress of SMEs. The study recommended formulation of sustainable policies by the government including viable taxes, affordable licensing charges, reduced licensing bureaucracies and favorable bank rates to enhance progress of SMEs.

**Key words:** *Government Policies, Taxation, Licensing, Bank Rate Policies and SMEs Progress.*

**INTRODUCTION**

SMEs are important pillars of the world economy, and they form a significant part of businesses across all countries. In the developing countries, SMEs form 90% of the private business and constitute for over 50% of employment in their respective economies (Runde, Savoy & Staguhn, 2021). In the sub-Saharan Africa context, the 44 million SMEs offer approximately 80% of all jobs in the entire region, representing an important driving force of economic progress. Available statistical data indicate that SMEs are more prolific compared to huge enterprises because they not only create employment but are also labor intensive (Monyau & Bandara, 2014). This is further supported by the fact that in 2014, it was approximated that out of the 7.1 million economically powerful citizens in Zimbabwe, about 80% of them worked in the SMEs sector

(Marima, 2018). It is therefore evident that no world economy (especially third world countries) can grow without the contribution of the SMEs.

A crucial factor for the growth of SMEs to create jobs and stimulate economic growth is a favorable business environment. However, a plethora of barriers in sub-Saharan Africa pose serious barriers for the progress of SMEs. In the Zimbabwean context, SMEs confront unfavorable government policies which affect their growth (Nyoni & Bonga, 2018). According to Edmore (2017), the barriers obstructing progress of SMEs are harsh legal frameworks, registration bureaucracies, heavy taxation and high licensing costs. Even with the perceived benefits associated with SMEs, all these obstacles exacerbate progress of SMEs in various ways. Adcorp (2014) indicates that the death rate of SMEs in Africa is alarming with 5 from every 7 new businesses collapsing soon after they are started. Therefore, there is need to put measures to increase the success rate of SME startups because the lost capital not only inhibits creation of jobs and economic growth but can lead to abject poverty due to foreclosure by financial institutions.

Despite the fact that there are various benefits associated with SMEs sector in Zimbabwe, there is insufficient data to demonstrate the effect of government policies including taxation, licensing and bank rate policies on the progress of SMEs. Based on the above backdrop, it is apparent that there is a gap on the impact of government policies on the progress of SMEs. Therefore, the study purposed to assess the influence of government policies on the progress of SMEs in Bulawayo Province in Zimbabwe. The study's independent variable is government policies while the dependent variable is SMEs progress. The intervening variable is economic growth.

## **LITERATURE REVIEW**

### **The Concept and Scope of SMEs**

The concept SMEs involves small and medium firms/businesses/companies employing a number of employees to generate revenues for developing businesses with a maximum of 250 workers. In Zimbabwe an SME refers to any business institution that employs less than 75 workers (Finscope MSME Survey Zimbabwe, 2015). The micro, small, and medium-sized enterprises (MSME) categorizes businesses into micro businesses, small businesses (employing 1-50 persons) and medium enterprises (employing 51-75 persons) and large enterprises (employs more than 75 workers) (Agwu & Emeti, 2014; Amoako et al. 2014). The related problems and other aspects are the differentiating characteristics of SMEs from big organizations and comprise of poor access to crucial market information, labor intensive, small size, use of outdated technology, family business, high production costs, poor access to international market, poor managerial proficiency, over-reliance on imported goods, low quality products, poor documentation, poor record keeping and poor research and development.

The SME sector plays a significant role to address unemployment problems in Zimbabwe by engaging millions of young people and ordinary populations. Available data indicates that an overall of 5.7 million citizens working are employed by the SMEs (Zimbabwe - FinScope MSME survey 2012, 2015). SMEs create numerous job opportunities as shown in the provided data: (in high income nations, SMEs together with informal businesses contribute more than 60 percent of GDP and 70 percent of entire employment in low income nations and form more than 95 percent of the entire employment and over 70 percent of GDP in average income nations (Amoako et al. 2014; Agwu & Emeti, 2014; Mabonga & Daniel, 2015). In addition, the sector is effective in alleviating poverty (Fatoki, 2014). Even though the impacts of wealth creation are scarce considering the low level of income amongst majority of SMEs, they undertake an

important role as cushion against poverty and lessening both household and individual susceptibility.

### **Progress of SMEs in Zimbabwe**

The SMEs sector is viewed as the locomotive of an economy because of its potential to absorb a significant number of jobless people. Globally, SMEs are considered as breeding parks for multinational corporations and the pillars of nationwide economic progress (Agwu & Emeti, 2014). In actual fact, SMEs have become a focus of discourse in different settings by various stakeholders because they influence growth of GDP, national economy and poverty alleviation (Amoako et al. 2014). Reviewed literature show that SMEs play indispensable roles in creating jobs, source of income, decentralizing economy, generating revenue by paying taxes and contributing vastly to economic growth (Edmore, 2017; Matsongoni & Mutambara, 2021). In other words, SMEs are catalysts of economic growth, effective job inventors, the breeding ground for large businesses and the drivers of economies of countries. Researchers highlight that most SMEs encounter various barriers notwithstanding their multifaceted benefits to hasten progression and improve national economies. SMEs confront various challenges including taxation, regulatory frameworks and licensing costs (Moyo & Moyo, 2017; Nyoni & Bonga, 2018).

Because of the vast influence of SMEs in the progress of world economies, the regulatory systems on economic growth have created the interest of policymakers (Mabonga & Daniel 2015; Parliament of Zimbabwe, 2010). On realizing the growth potential of SMEs in the economy, various countries introduced numerous policies for promoting SMEs progress (Yoshino & Taghizadeh-Hesary, 2016). These policies were purposed to help SMEs access finances, train entrepreneurs, and develop technologically.

Zimbabwe, similar to other developing nations in Africa provided high importance to SMEs early enough and followed support policies to ensure that these businesses become viable and over the years SMEs have become key contributors to GDP. It is in this sense that SMEs are regarded as potential forces to resuscitate a plummeting economy (Gono, 2013). In this regard, any government that wants to improve its sinking economy has to provide for the progress of SMEs and invest in them.

The Zimbabwean regime has presented numerous initiatives to encourage progress of SMEs. Even though there are many intervention and protection policies; for instance the creation of the Small Enterprise Development Corporation (SEDCO), Ministry of SMEs and Cooperatives, and Venture Capital Company of Zimbabwe (VCCZ) and the prioritizing of SME sector is emphasized in all economic blueprints in the country, it is apparent that most SMEs are still confronting operational challenges revolving around legal system and tax preferences (Edmore, 2017; Matsongoni & Mutambara, 2021).

## **THEORETICAL REVIEW**

### **Resource Dependency Theory**

Resource dependency theory (RDT) is focused on the organization's capacity to create relationships in efforts to acquire resources (Van Witteloostuijn & Boone, 2006). The RDT holds that the firm makes active priorities towards achieving goals. A key principle of RDT is resource scarcity, leading in many firms to compete for these resources. According to Barney and Arikan (2001), resources are the assets that an organization can use to implement their strategies. From the perspective of RDT, organizations depend upon other players in the proximate environment to get resources. For survival, organizations have to get resources from players in the macro

environment. The justification to use RDT for this research is for the reason that it provides an understanding of how SMEs are affected by external uncertainties and constraints including government policies and bank policies. By stating that SMEs are not self-reliant and must get resources from other firms to progress, the theory underscores the need for inter-organizational affiliations.

Resource dependency model can as well be used to understand an organization's needs to acquire resources required for their growth. In this sense, and as applied in this study, RDT explains how SMEs acquire resources to implement their strategies for growth. According to Hessels and Terjesen (2010) SMEs have inadequate organization resources, especially when likened with big businesses and they therefore depend on financial institutions to get resources for their progress.

The SMEs require resources for various operations including starting capital, research and development, market development, improving skills, acquiring raw materials and technology to be competitive in the business. SMEs acquire human resources from the environment for the reason that they need people with managerial skills to run the business. The SMEs benefit when these resources are usually available and easily accessible. For instance, if lending policies are complicated and credit costs are high, they negatively affect SMEs operations. On the converse, if finances are easily accessible propensity for growth of SMEs may be better. Lack of accessibility to finances for investment is a major impediment for the progress of SMEs. The model holds that credit accessibility facilitates SMEs to spend in productive businesses that can boost their production resulting to their expansion in productivity and hiring new, more and competent workers.

#### **Government Policies and Progress of SMEs**

The actions of a government can either encourage or discourage the growth of SMEs. As such, the execution of effective government policies towards SMEs progress is an important element of the strategies of many governments to enhance growth of businesses (Ifekwem, 2019). It then follows that SMEs who lack government supporting policies have limited growth opportunities. It is in this line of argument that Musabayana, Mutambara and Ngwenya (2022) affirm that the progress of SMEs in the advanced countries has been realized through policies that encourage the advancement of the SME sector. Government policies have great significance on the growth of SMEs. Government establishments can as well impact the rate of growth of SMEs. For instance, public policies may influence the entrepreneurial patterns of a nation by presenting particular policies that enhance business activities and by establishing institutional structures favorable to entrepreneurship.

Musabayana, Mutambara and Ngwenya (2022) reiterate that it is important for governments to have good structures to make sure that their policies are executed and examined through the instruments they have established. The government's role to support SMEs is therefore important as it can create a favorable or detrimental environment for entrepreneurship growth. This is particularly harmful when the regime gives little responsiveness to SMEs sector implying that these businesses are susceptible to suffer resulting to their inability to grow and survive. These sentiments are similar to those echoed by Musabayana, Mutambara and Ngwenya (2022) who stated that a regime that fails to support SMEs injures the sector besides experiencing stunted economic growth. The environment promoted by a government in form of licensing and taxation and technological support can create the way for growth or death of the SMEs.

The above postulations were further supported by Kamunge, Njeru and Tirimba (2014) who described the role of government in business by highlighting that the regulatory structures established by the regime can easily encourage or frustrate SMEs economy. It is further noted that harsh tax system, complex rules and regulations, and unstable environment adversely impede SMEs growth. The legal obligations differ between countries and they influence the operations and growth of SMEs. For instance, in Nigeria it takes 350 days to acquire business licenses while in Kenya, it takes about three months to start a business (Benzing & Chu, 2012). Further, the taxes paid to the government vary with Nigeria getting 30% of aggregate profit while Ghana gets 33%. In addition, SMEs operating in African market go through lengthy and expensive delays because of the many processes and clearances required by various regulatory structures. These tough procedures established by government frustrate and negatively affect growth potential of SMEs.

The differences in the registration processes certainly imply that enthusiasm to SMEs business and sustained growth varies across countries. Some countries including Nigeria and Kenya have created measures for supporting SMEs particularly in the informal business. The countries have also minimized government intrusions in entrepreneurial activities (Benzing & Chu, 2012). For instance, Kenya puts various mechanisms to augment access to women and youth associations and SMEs by allocating some finances available through financial organizations and public initiatives (Musabayana, Mutambara & Ngwenya, 2022). It can then be inferred that positive growth of SMEs is a sign of the government’s support and involvement in business activities.

The Monetary Policy Committee of the Reserve Bank of Zimbabwe has been changing interest rate often. For example, the bank increased its main policy rate to a record of 200% from 80% in June 2022, stating that the rise in inflation was destabilizing consumer demand and confidence and if not monitored, it would deteriorate the important economic gains achieved previously. The inflation rate in the country rose to 191.6% in June 2022 from 131.7% in May (Trading Economics, 2022). As it is indicated in Figure 1, the Zimbabwe interest rate has been constant at 200% from June to the current period. Compared with the other African countries, the interest rate in Zimbabwe is exceedingly high and according to Trading Economics (2022) the increasing inflation, depreciation of the domestic currency and high interest rates have adversely affected investment and consumption.



Figure 1 Zimbabwe Interest Rates in Year 2022  
Source: Trading Economics, 2022

Even though there have been many policy and protection interventions (for instance, the Ministry of Small and Medium Enterprises and Cooperatives, Small Enterprise Development Corporation (SEDCO) and VCCZ), it is unfortunate that most of SMEs still experience operational challenges that are related to legal system, tax preferences and financing system (Edmore, 2017). Edmore (2017) reiterates that institutional, regulatory and policy framework reforms have suppressed growth potential of SMEs. According to Samudzimu and Munkumba (2022) the harsh regulatory framework contributes to weak performance of SMEs in Zimbabwe.

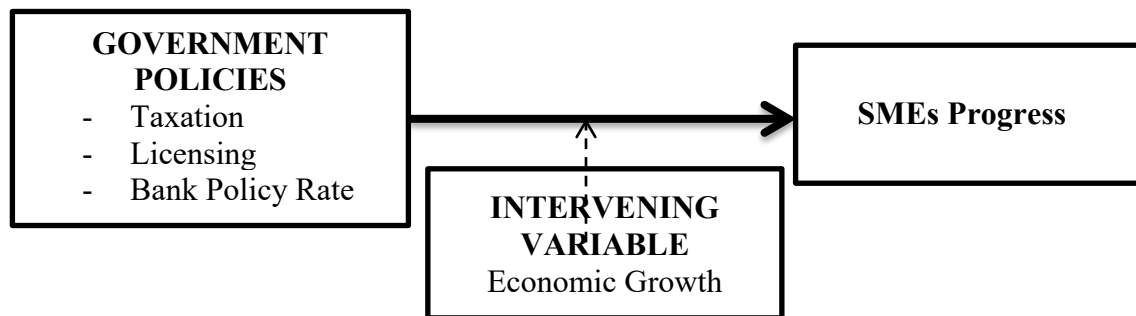
Compared with previous researchers, Dumbu and Chandamoyo (2012) opine that the regulatory and internal environment in the country with regard to government SMEs funding, has been unattractive to the performance and development of SMEs sector. Lack of accessibility to loans, together with constraining legal structures, quality products, access to markets and registration bureaucracies jointly affect SMEs growth and performance. In a similar vein, the empirical facts from the study carried out by Samudzimu and Munkumba (2022) reveals that effectiveness of government-supported firms in SMEs funding is demoralized by policy and regulatory frameworks in financing processes of SMEs.

### Research Gaps

Even though there are plentiful government initiatives and policies that support SMEs (Edmore, 2017; Gono, 2012; Musabayana et al. 2022) there lacks sufficient evidence to show the impact of government policies including taxation, licensing and bank rate policies on the progress of SMEs sector in Zimbabwe. From the analysis of the available literature, the researcher found a gap on the growth or performance of SMEs which called for an interrogation of the determinants that influence growth and progress of SMEs. Therefore, it is in light of this framework that the study purposed to explore the influence of the study's variables on the progress of SMEs.

### Conceptual Framework

The conceptual framework shows the determinants that influence the progress of SMEs. This is presented in Figure 2 below. The determinants for progress of SMEs are government policies including taxation, licensing and bank rate policy. The independent variable is government policies while the dependent variable is the progress of SMEs. Economic growth is one of the intervening variables which influence intensely the progress of SMEs in a similar way the progress of SMEs influences economic growth. Therefore, there is mutual connection between the two, that is, economic growth and SMEs growth.



**Figure 2 Conceptual Framework of the Relationship between the Variables**

Source: Researcher, 2024

## **RESEARCH METHODOLOGY**

### **Research Design**

The study adopted a descriptive quantitative research design which is simply a quantitative research method. A descriptive research design gets quantitative data to methodically define the study's population, phenomenon or situation and it is usually quantifiable data (Khalid, 2017).

### **Target Population**

The population for the study composed of 2,600 owners and managers operating SMEs in Bulawayo Province in Zimbabwe (Kazunga, 2020).

### **Sampling Criteria and Techniques**

The study relied on purposive sampling for the reason that it intended to involve entrepreneurs and managers who operate SMEs in Bulawayo Province in Zimbabwe. Purposive sampling enabled the investigator to employ cases that possessed the needed information while taking into consideration the objectives of the study. The motive to use purposive sampling was derived from the assumption that owners involved in SMEs were privy of the variables that influenced progress of SMEs.

The study followed the inclusion and exclusion criteria. It included the entrepreneurs and managers in the small enterprises (employing 1-50 persons) and medium enterprises (employing 51-75 persons). Enterprises with more than 75 workers were excluded because they did not fall in the grouping of SMEs but classified as large enterprises in the Zimbabwean context.

### **Sample Size**

The study involved 2,600 registered SMEs in Bulawayo Province in Zimbabwe comprising of a total of 2,600 owners/managers (Kazunga, 2020). Therefore, the population for the study was 2,600 participants. The survey used Slovin's (1960) formula to determine the sample size which is provided below.

$$n = N / (1 + Ne^2)$$

Where:

N is the population size or total population

n is the sample size

e is the margin of error

A 95% confidence level and  $\pm 5\%$  margin of error was assumed in the study and the sample size computed as follows:

$$n = 2600 / (1 + 2600 (0.05)^2)$$

$$n = 347$$

Thus, the sample for the study composed of 347 entrepreneurs and managers of the registered SMEs in Bulawayo Province in Zimbabwe.

### **Research Instrument**

A self-developed close-structured questionnaire was employed to collect data from a representative sample of entrepreneurs and managers in the SMEs sector.

### **Data Collection Methods and Procedures**

The researcher adopted drop and pick method to collect data. The participants who needed more time to answer the questions were allowed to remain with the questionnaires while the researcher ensured that they were filled within the planned time. Before data collection all the questionnaires were assigned numbers to know how many were returned.

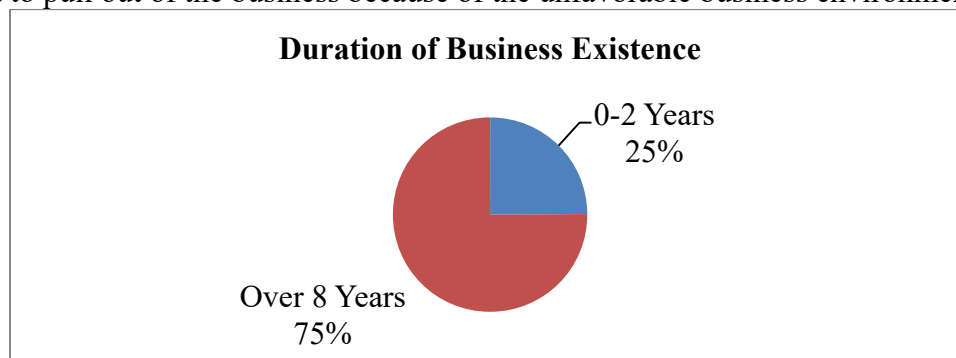
### **Data Analysis**

Data analysis was quantitative and the ranks on the 5-point Likert scale enabled the researcher to assign statistical values to the variables during data analysis process. Likert scale was used because it produced equal range data to facilitate application of the latest statistical package on the research questions. Correlation analysis was applied for this research to quantify and develop associations between variables. Data was processed through SPSS software and visualized in frequency distribution tables and charts.

## RESEARCH FINDINGS AND DISCUSSIONS

### Business Existence

Fifty seven (24.9%) participants stated that their businesses had existed between 0-2 years while 172 (75.1%) indicated over 8 years as presented on Figure 3. For those who indicated that their business had existed for over eight years, their level of persistence in business can be associated to the fact the economy has not been performing to the expected levels of creating jobs. Therefore, those operating as SMEs opt to persevere in this sector to support their livelihood. Others opt to pull out of the business because of the unfavorable business environment.



**Figure 3 Duration of Business Existence**

**Source: Research Data 2024**

The study assessed the influence of the government policies on the progress of SMEs in Bulawayo Province. Three forms of government policies including taxation, licensing and bank rate policy were involved. The variables were developed on 5-point Likert scale where statistical values were allotted as indicated: 5 =Very Great Extent, 4 = Great Extent, 3 =Moderate Extent, 2 =Little Extent and 1 = No extent. The data was displayed in percentages, means and standard deviations (Std. Dev).

### Forms of Government Policies on the Progress of SMEs

The data on Table 1 presents the views of the participants in relation to the extent in which the selected government policies negatively influence the progress of SMEs in Bulawayo Province in Zimbabwe. With reference to taxation 24.9% reported very great extent, 49.8% great extent, 12.7% moderate extent and 12.7% no extent. The mean score and standard deviation for this variable were (M =3.74, SD=1.21) respectively. In relation to licensing 24.9% indicated very great extent, 37.6% great extent, 24.9% moderate extent and 12.7% little extent; where (M =3.74, SD = 0.97).

**Table 1 Forms of Government Policies on the Progress of SMEs**

Forms of Government Policies	Very Great Extent	Great Extent	Moderate Extent	Little Extent	No Extent	Mean	Std. Dev
Taxation	24.9%	49.8%	12.7%	0%	12.7%	3.74	1.21

Licensing	24.9%	37.6%	24.9%	12.7%	0%	3.74	0.97
Bank Rate Policy	37.6%	24.9%	12.7%	0%	24.9%	3.50	1.58

**Source: Research Data, 2024**

Pertaining to bank rate policy 37.6% reported very great extent, 24.9% great extent, 12.7% moderate extent and 24.9% no extent while on a five-point Likert scale the scores were (M =3.50 and SD = 1.58). With reference to taxation on the progress of SMEs as indicated on Table 1, the scores for the variable were: (M = 3.74, SD =1.21). The findings indicate that the dispersion trend (Std. Dev) was below the mean score to infer consistency and stability of the variable on the progress of SMEs. Therefore, it is deduced that to great extent taxation unfavorably influence the progress of SMEs.

Favorable government policies including taxation are indispensable factors for the progress of SMEs and the converse also holds. In the perspective of Nyoni and Bonga (2018) some SMEs in Zimbabwe confront market environment which negatively affects their growth. Even with the benefits tied with SMEs, heavy taxation worsens the progress of SMEs. The taxes paid to the government vary with countries where Nigeria gets 30% of aggregate profit while Ghana gets 33%. It can then be stated that positive growth of SMEs is an indication of the support from the government and involvement in business activities and this is achievable through sustainable taxation in a country.

In relation to licensing on the progress of SMEs as shown on Table 1, the scores for the variable were: (M =3.74, SD = 0.97). The findings demonstrate that the variable had a consistent and stable pattern taking in account that the standard deviation scored lower than the mean value. For that reason, it is inferred that to great extent licensing unfavorably influenced the progress of SMEs in Zimbabwe. Some of the barriers frustrating progress of SMEs are harsh legal requirements including licensing and registration bureaucracies (Edmore, 2017; Musabayana, Mutambara & Ngwenya, 2022). World Bank considers licensing as one of the factors that hinder SMEs attain their utmost potential (Yoshino & Taghizadeh-Hasary, 2016). If licensing charges are high they adversely affect growth of SMEs.

With regard to bank rate policy on the progress of SMEs (Table 2) the scores for the variable were: (M =3.50, SD = 1.58). The data indicates that the variable had a consistent and stable trend considering that the standard deviation score was lower than the mean. It is thus concluded that bank rate policy has an unfavorable impact on the progress of SMEs. The Monetary Policy Committee of the Reserve Bank of Zimbabwe has been changing interest rate often. The bank increased its main policy rate to a record of 200% from 80% in June 2022 (Refer Figure 1) pointing to a rise in inflation that destabilized consumer demand and confidence (Trading Economics, 2022). Compared with the other African countries, the interest rate in Zimbabwe is exceedingly high and according to Trading Economics (2022) the increasing inflation, depreciation of the domestic currency and high interest rates have adversely affected investment and consumption.

**Correlation between Government Policies and Progress of SMEs**

The data on Table 2 reported the relationship between government policies and progress of SMEs. On Pearson’s correlation coefficient there was a moderate negative correlation between taxation and progress of SMEs,  $r(227) = -0.593, p = 0.000$ . A high negative correlation was established between licensing and progress of SMEs where  $r(227) = -0.733, p = 0.000$ . Bank rate

policy also showed a high negative correlation with progress of SMEs where  $r(227) = -0.735, p = 0.000$ .

**Table 2 Correlations between Government Policies and Progress of SMEs**

		Taxation	Licensing	Bank Rate Policy	SMEs Progress
Taxation	Pearson Correlation	1	.782**	.858**	-.593**
	Sig. (2-tailed)		.000	.000	.000
	N	229	229	229	229
Licensing	Pearson Correlation	.782**	1	.899**	-.733**
	Sig. (2-tailed)	.000		.000	.000
	N	229	229	229	229
Bank Rate Policy	Pearson Correlation	.858**	.899**	1	-.735**
	Sig. (2-tailed)	.000	.000		.000
	N	229	229	229	229
SMEs Progress	Pearson Correlation	-.593**	-.733**	-.735**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	229	229	229	229

\*\* . Correlation is significant at the 0.01 level (2-tailed).

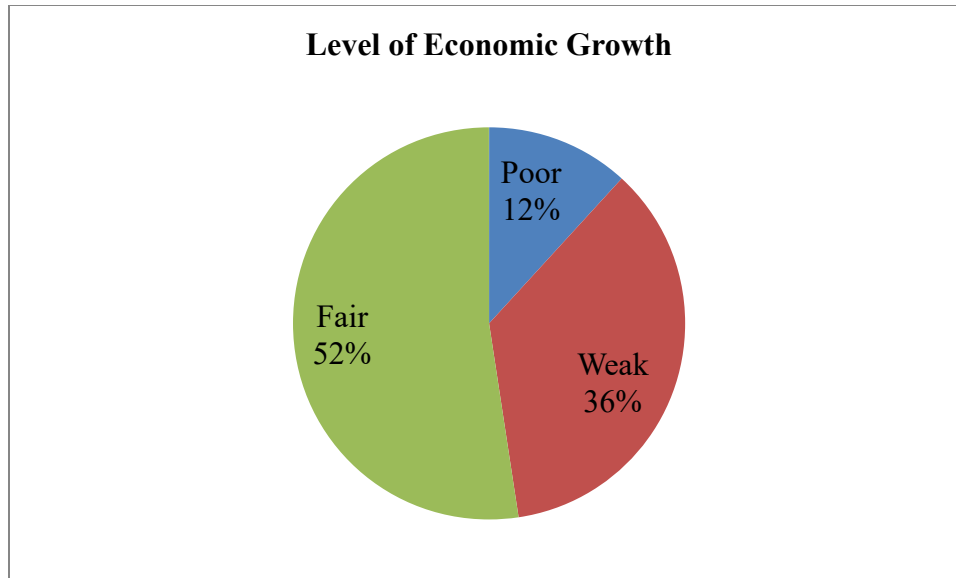
**Source: Research Data, 2024**

This section discussed the correlation between the variables of the study. The independent variables were taxation, licensing and bank rate policy while the dependent variable was progress of SMEs. The correlation was derived through application of Pearson’s correlation coefficients. Table 2 reported the finding for taxation  $r(227) = -0.593, p = 0.000$ , licensing  $r(227) = -0.733, p = 0.000$  and bank rate policy  $r(227) = -0.735, p = 0.000$ . All the variables demonstrated a negative correlation and  $p$ -values of less than 0.001. This implies that an increase in any of the independent variables had significant negative effect on the progress of SMEs in Zimbabwe.

In Zimbabwe, some SMEs continue to experience operational challenges that are associated with taxation, legal system, financing structure and financing system (Edmore, 2017). According to Samudzimu and Munkumba (2022) the harsh regulatory system influences weak performance of SMEs in the country. Affirming the same assertions, Edmore (2017) opines that regulatory, institutional and policy framework reforms have unfavorably influenced growth potential of SMEs.

**The Effect of the Intervening Variable – Economic Growth on Progress of SMEs**

Figure 4 shows the participants’ opinion on the level of economic growth in the country. On a 5-point Likert scale, the levels were assigned as follows: 5 = very well, 4 = good, 3 = fair, 2 = weak and 1 = poor. Twenty seven (11.8%) indicated poor performance of the economy, 82(35.8%) stated weak performance. One hundred and 20(52.4%) indicated fair performance of the economy. The mean score and standard deviation were (M = 2.41, SD = 0.69).



**Figure 4 Level of Economic Growth**

**Source: Research Data, 2024**

The results indicate a weak performance of the economy. In a growing economy where the citizens are involved in economic activities the households and firms are assured of recurrent income that translates to high purchasing power and consequently high demand for goods and services produced by firms. Under such circumstances, the SMEs have the opportunities for growth and operate effectively.

The chart indicates a weak performance of the economy and this affects SMEs progress. SMEs are affected by a country's economic factors. For instance, national interest rates as well as fiscal policies are created in consideration of the economic situations. As such, interest rates affect a businesses' cost of finance and therefore the level at which a business thrives. The environment of the economy commands how consumers, suppliers and creditors behave in the market. Economies in recession cycles experience low investor confidence, low purchasing power and high unemployment. On the converse, a growing or booming economies experience high employment, high purchasing power and high investor confidence. For example, in a growing economy where the level of employment is high the households are assured of recurrent income that translates to high purchasing power and consequently high demand for goods and services produced by firms. Under such circumstances, the SMEs have the opportunities for growth.

Government fiscal and monetary policies can have direct effects on businesses. With regard to fiscal policy, tax rates can influence how households and firms spend and borrow money. Likewise, it can also influence consumers' purchasing power. Monetary policy refers to interest rates as well as access to credit, which impacts entrepreneurial decision making and decision making. Favorable monetary policy can in this case fuel the economy because of the variations in consumer spending trend, borrowing and among other factors.

### **Conclusion**

SMEs have significant roles in steering economic progress of nations. In this regard, the government's role to support SMEs is important as it can create a favorable or detrimental environment for the progress of businesses. The situation usually becomes harmful when the governments provide little or no support to SMEs. This implies that businesses become

susceptible to suffer resulting to their inability to grow and survive. The government policies including taxation, licensing and bank rate policy have affected growth potential of SMEs in the country. In other words, an increase in any of the government policies has a significant negative impact on the progress of SMEs.

### **Recommendations**

The actions of a government can either encourage or discourage the progress of SMEs. To enhance more growth opportunities for SMEs, the government can formulate sustainable policies on taxation, licensing and bank rate policies. In this regard, the government can reduce the lengthy and expensive delays in the registration process of businesses. The analysis of the literature together with the study's findings established that interest rates in Zimbabwe are exceedingly high when compared with other developing nations. This policy negatively affects investment and consumption decisions. The policies that the government can reform to encourage SMEs growth include sustainable taxation, affordable licensing charges, and reduced bureaucracies on licensing and reasonable bank rate policies. Likewise, the government should periodically review its policy and regulatory frameworks to make finances affordable to many investors.

### **Suggestions for Further Research**

The study was conducted in one geographical region and this limited the generalizability of the research findings. Further studies can consider more provinces to have a large sample size of the participants. This would enable the studies to have more generalizable results on the influence of government policies, finance accessibility, managerial competency and market information on the progress of SMEs in Bulawayo Province in Zimbabwe. The study adopted a quantitative method for collecting and analyzing data. A study adopting a mixed method can be more productive where a qualitative research compliments the quantitative findings.

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