

Zimbabwe's Indigenous SME policy Framework, a tool for black empowerment

Godfrey Tambudzayi Musabayana (✉ musabayanagt@gmail.com)

University of KwaZulu-Natal School of Social Sciences <https://orcid.org/0000-0002-9827-5533>

Emmanuel Mutambara

University of KwaZulu-Natal School of Life Sciences

Research

Keywords: indigenisation, black empowerment, SME development, policy framework

Posted Date: November 11th, 2020

DOI: <https://doi.org/10.21203/rs.3.rs-33126/v3>

License: © ⓘ This work is licensed under a Creative Commons Attribution 4.0 International License.

[Read Full License](#)

Abstract

Zimbabwe embarked on the policy to empower its local people through enacting into law a policy that targeted the empowerment of its citizens. The 'Indigenisation and Empowerment Act' (IEP) of Zimbabwe was made into law when the state President, Robert Mugabe signed the Act on March 7, 2008. It is stated in the (IEP) that the foreign-owned companies should offer at least 51 percent of their shares to indigenous Zimbabweans, and also provide for the creation of an empowerment fund to finance the acquisition of working capital, shares, and other forms of finance for indigenous people. The indigenisation process mainly focus on Small and Medium Enterprises (SMEs) as the key drivers of the new economic dispensation hence their performance is of great significance to this cause. This development was viewed by the citizens as the best strategy to implement in order to empower the nation to participate in the economic development of the country. Methodologically, the study critically analysed the literature of indigenisation policies that were applied by some regions of the world and how they impacted on the disadvantaged groups. The researcher went on to analyse the Zimbabwean indigenous policies and how they impacted the SMEs and drew insights from the findings of other researchers.

Introduction

Before its independence in 1980, Zimbabwe was ruled by the British Colonial Government. The main features of the colonial system were a clear separation of power, wealth and status between the whites and the blacks. This demarcation was evident in every sphere of life. The colonial government perpetuated the economic status of black people at a level below that of white people in the then Rhodesia. The sharp contrast in entrepreneurship development between white and black people were caused by the colonial policies that were biased towards the whites.

The colonial policies favoured the white minority population and did not consider the development of the black people. Strict laws and regulations such as the Town and Country Planning Act of 1946, the Vagrancy Act of 1960, the Urban and Council Act of 1973 and the Vendors and Hawkers by-laws of 1973 restricted growth of the SMEs before independence (Dhemba, 1999). In all these historical developments the blacks were not considered as equal partners in the development of the economy, in fact their participation was restricted to provision of manual labour and this promoted the colonial agenda. It is against this backdrop that the post independent Zimbabwe embarked on black empowerment policies aimed at addressing racial, economic and social imbalances hence the crafting of the Zimbabwe Industrial Development Policy (IDP) (2012 -2016) and the Indigenisation and Empowerment Policy (IEP) (2008) became the benchmarks of black empowerment through SME development.

Zimbabwe's policy environment does not support the growth and development of SMEs in order to achieve high performance. The government does not have any programmes in place to support the SMEs. There are no capacity building programmes, monitoring and evaluation programmes, research and development and financial assistance given to SMEs. These sentiments were echoed by Majoni etl (2016) who state that:

Zimbabwe's policies are less supportive resulting in higher failure rate of SMEs. SMEs lack the access to business finance, skills and technology shortage, inadequacy or improper infrastructure, lack of managerial skills and SME failure is high in Zimbabwe because of poor training and monitoring of the sector by Government. The registration process for one to be considered an official SME in Zimbabwe is hectic and the requirements are difficult to meet.

In this regard, Zindiye et al (2008) further laments that there is urgent need to address the challenges faced by SMEs and an effective implementation of effective measures will result in an increased performance of SMEs which will lead to the achievement of both economic and social objectives of SMEs. If such a policy environment is not addressed, SMEs will not realise their goals hence the need to refocus on the strategic framework that can be implemented by Zimbabwe in order to turn around the economy.

The economy of Zimbabwe has drastically deteriorated and Zimbabwe is a country with a failed environment for the establishment of SMEs. No policy studies have been recorded to unpack the challenges being faced by SMEs which are the prime target of the government to turn around the economy through the indigenous policies as a tool for the black empowerment. Therefore, this study aims to evaluate the extent to which the Zimbabwean indigenous policies have empowered the local people to improve the economy of the country.

The Objectives of this paper are to determine the extent at which the Zimbabwean indigenous policies supported the local people to participate in the growth and development of the economy and how the indigenous policies impacted the performance of SMEs. The primary research question in this study is stated as follows: Have the government policies and resources improved the performance of SMEs in Zimbabwe?

Literature Review

Government Policies Support SMEs

Nurul (2016) advocates that Government policy constitutes the blueprint that emphasizes the government plan and initiative to their course of action and the effective government policy therefore, would facilitates the access towards tangible and intangible economic open innovation. The government therefore has the power to craft policies that support the performance of SMEs. Mac an Bhaird (2010) adds that the realization of the significant economic contribution of SMEs has resulted in increased attention to the sector from policy makers, as well as academics. Policy-makers appreciating the benefits associated with more internationalizing SMEs support initiatives that reduce barriers to SME development (OECD, 1998; Bridge et al., 2003; DTI, 2004). The Asian Development Bank (2016) acknowledges that Government policy and the government itself exert a strong influence on the innovation capacity of SMEs and the government has a critical role to play in every sphere of innovation including access to finance and technology, capacity building and human resources, market linkages,

availability of research facilities, and access to key information, among others, via different policies and schemes.

The government support policies for SMEs vary from country to country and from advanced nations to developing countries due mainly to the level of industrialization, cultural context (Eniola & Entebang, 2015; Quy, 2016). Governments of most countries, especially developing nations have invested so many efforts and resources in establishing policies geared toward improving and SMEs (Oni & Daniya, 2012; Quy, 2016; Shariff et al., 2010). Cases in point are Brazil, China, Malaysia, Nigeria, and Saudi Arabia (World Bank, 2014). Eniola & Entebang (2015) found government support policy as having a significant impact on the competitiveness of SMEs. Equally, Hadiyati (2015) suggested government support policy on SMEs for efficient performance, and (Shariff et al, 2010) confirmed government policy as having an important role as a full moderator on SMEs performance.

The creations of Government policies for SMEs vary from advanced economies to developing countries and from country to country attributed to variations in social and custom values, the extent amount industry and business settings (Naudé, Szirmai, & Goedhuys, 2011). Sathe (2006) in particular argues that Government regulations and their bureaucratic procedures can hinder as well as facilitate entrepreneurship activity such as new business origination. The Government can occur up with policies that can boost and support the growth of novel technologies, products, and solutions and on the other hand, Government can likewise seem to hinder SME firm performance when it introduces policy which can restrict the autonomy, as well as the entrepreneurial freedom of some variety (Eniola: 2015). The Zimbabwean government in coming up with an indigenisation policies, had the empowerment of the blacks through promotion of the SME performance as the main agenda hence this study seeks to establish the extent to which this broad objective was achieved.

The Indigenisation Policy – the tool to empower the disadvantaged people

The indigenisation policy has been adopted worldwide as a process of correcting the political, economic and social imbalances that have been caused by the colonial settlers. Scholars acknowledge that the colonial settlers disempowered the indigenous people and indigenous policy was a means of addressing these imbalances. McNeil and Shauneen (2014) state that indigenisation acknowledges that the oppression through colonial domination and subordination prevailed for some time and should be eradicated through positive transformation. Gang et al (2014) argues that many countries have introduced policies that aim to improve the relative economic, political or social position of disadvantaged groups and examples include “Affirmative Action” in the United States, “Reservation” in India, and “Indigenisation” policies across the newly independent nations across Africa. Affirmative Action (AA) policies are used to combat differences in groups in earnings and employment (Coate & Loury, 1993). The rationale behind these policies is that they redress past discrimination by giving preference in hiring and promotion to members of groups that have been discriminated against in the past (Mor Barak, 2016). With respect to affirmative action policies in the United States, Holzer and Neumark (2005:471) note that “there seems to be little doubt that racial or gender preferences redistribute

certain jobs in the labour market away from white men toward minorities and women". While the degree, speed, and intensity of indigenisation have varied greatly across the post-Soviet states, it usually involved a move away from the Russian language (Pavlenko, 2008), the reorientation of foreign policy towards the West or more recently towards China (White, McAllister, Light, and Löwenhardt, 2002), and a replacement of ethnic Russian elites by "local" ones (Kuzio, 2002).

Columbia Centre on Sustainable International Investment (2014) states that, motivated by the increase in local content from 49% to 63% between 2009 and 2010, Indonesia modified its legislation from an initial target of 35% to higher rates. For example, the offshore oil and gas drilling, local content targets have been raised from 35% to 45% and for land drilling to 70%, to be implemented in 2016. Companies offering shipping services have seen an increase in the sourcing of their components from 35% to 75% (Global Business Guide Indonesia (2014). Esteves et al. (2013) states that in its 2014 Law on Hydrocarbon, Mexico has fixed a domestic content target of 25% for 2015, to be gradually increased to 35% by 2025 for shallow water projects. CCSI (2014; 2015; 2016) confirm that in Bolivia, the National Constitution guarantees preference in acquisition of materials from micro and small enterprises and productive community organisations. In this view the principle of indigenisation has been successfully implemented by the cited nations hence the adoption of the indigenisation and empowerment policy by Zimbabwe was a noble idea to empower its local people. The Black Economic Empowerment (BEE) provides a successful example where the indigenous policies were used to empower the black people.

The Indian car industrial policy supported the domestic market and this policy helped the development of basic capabilities in manufacturing and laid foundations of the auto component supplier industry Kale (2012). The protection policies of the 1980s and 1990s encouraged acquisition of basic production capabilities (Saripalle, Madhuri (2012), The indigenisation which favoured the support of local content of up to 70% forced the Original Equipment Manufacturers and their suppliers to make significant capital investments and created a chain of world-class component suppliers. The process of indigenisation has also been recognised as a key regulation responsible for enhancing technological capabilities in India (Sagar & Pankaj, 2004). In Africa indigenisation policies were developed by a number of nations to empower the local people. At independence in October 1964, Zambia adopted the socialist mode of economic development, specifically to redress colonial imbalances and bring about a more equitable distribution of wealth (OECD Investment Policy Reviews: Zambia (2012). Ramdoo (2015a) states that Nigeria's indigenisation policy based on the local content Act (LCA) of 2010 provides for specific categories of activities to be procured locally and local content targets for some goods and services are set between 80 and 100%. Udah (2010) notes that import substitution industrialization policy was the first industrial strategy embarked upon by the Nigerian Government immediately after attaining independence. The objectives of this policy among others include to lessen overdependence on foreign trade and to save foreign exchange by producing those items that were formerly imported like detergents, household appliances, to mention but a few. Olayiwola and Adeleye (2005) stated that a general commitment to a policy of increased national economic control and the commitment was made in the Second National Development Plan, 1970-74. The Plan declared:

The government will seek to acquire, by law of necessity, equity participation in a number of strategic industries that will be specified from time to time. In order to ensure that the economic destiny of Nigeria is determined by Nigerians themselves, the Government will seek to widen and intensify its positive participation in industrial development.

The implementation of this policy increased the participation of the local people in the economic activities of the country and this has been viewed as a positive indicator of the implementation of the indigenisation policy. At independence the government of South Africa put in place policies that empower the black people. To accelerate the participation of the black people into the economic activities, the government introduced policies such as the preferential procurement policy framework Act of 2000, (RSA, 2000) which was a means to promote the support of SMEs. The Broad-Based Black Economic Empowerment (B-BBEE) Policy was introduced to address inequality amongst other socio-economic issues that exist in South Africa (Arya, Bassi, & Phiyega, 2008). In terms of BBEE, one of the objectives is to improve SMEs' access to finance (DTI, 2007) The B-BBEE Act (53/2003b:4) defines this term as: "...the economic [empowerment] of all black people including women, workers, youth, people with disabilities, and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

- a) increasing the number of black people that manage, own and control enterprises and productive assets;
- b) facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
- c) human resource and skills development;
- d) achieving equitable representation in all occupational categories and levels in the workforce;
- e) preferential procurement; and
- f) investment in enterprises that are owned or managed by black people

The policy was adopted by the government to empower its citizens. Black Economic Empowerment is the key transformation tool of the South African Government's effort to overcome the legacy of the apartheid's racial discrimination and was a necessary government intervention to redress the programmed exclusion of the majority of South Africans from full involvement of the economic development of their country (Department of Trade and Industry, 2003: 6). This was in an effort to alleviate any imbalances of the poor masses that have been kept from any economic uplifting and engagement (; Sanchez, 2011). All these B -BBEE aims were established under the umbrella of indigenisation and empowerment of the black people.

Zimbabwe Indigenous Policies

Evolution of SMEs in Zimbabwe since 1980

It can be argued that Small and Medium Enterprises (SMEs) in Zimbabwe have evolved through three phases from the time it attained its independence in 1980 to date. The first period is between 1980 and 1990, during this period the policy environment on which SME sector was operating was highly restrictive. During this period Majoni et al, (2016) states that the government made some effort to address some of the institutional concerns through the establishment of the Small Enterprise Development Corporation (SEDCO), Venture Capital Company of Zimbabwe (VCCZ) and the Credit Guarantee Company of Zimbabwe (CGCZ). During this era the SMEs were overshadowed by the large scale manufacturing industries that were the backbone of the manufacturing sector. The multinational companies like the Anglo American, Lever Brothers and American Motor Industry were set up by the British colonisers and dominated the industrial sector.

The second phase is characterised by the advent of the Economic Structural Adjustment Programme (ESAP) in 1991 which mainly focused on employment creation. When government launched the Economic Structural Adjustment Programme (ESAP) in 1991 it introduced policies that were meant to attract investment in the country. In this regard the SMEs were an integral part of ESAP and were earmarked to contribute to the creation of employment. The major policy statement of ESAP was to improve the status of SMEs as it clearly mentions that the informal and the small to medium scale formal business sectors of the economy together have the potential to make a major contribution to wealth and to employment creation (GOZ, A Framework for Economic Reform 1991-1995) This drive proposes the positive intention of the government to push forward the agenda of the SMEs but not much was achieved. This was caused by the fact the government focused more on the existing industries which had over a century of existence and had long developed a culture, strategy and vision which could not be easily changed over a short period of time.

The third and final phase of the SMEs which was born out of the Indigenisation policies shifted all the economic focus to the SMEs which were seen as the vehicle of black empowerment. Gukurume (2018) states that these policies were anti-investor economic policies as they led to the closure and downsizing of the manufacturing sector which was followed by a decade-long economic crisis (1999–2008). This view was echoed by Manyati (2015) who state that the indigenisation policies led to unprecedented growth of SMEs. It is important to note that at this point the SMEs were now considered as a major industrial institution that would replace the multi-national companies that had since relocated to the neighboring countries.

Zimbabwe Indigenisation Policies

The Zimbabwe Industrial Development Policy (IDP)

The Zimbabwe Industrial Development Policy (IDP) (2012 -2016) was enacted in order to improve the economy of the country by supporting the SME sector. The IDP is the government's blue print of what the government intends to implement in order to develop the SMEs. The Zimbabwe Industrial Development Policy (IDP) (2012 -2016) states the following key strategies for the development of SMEs:

- The Government will priorities the promotion and support to Small Micro Medium Enterprise (SMEs) which are viewed as an important engine for employment creation and economic growth. Given the sector's high labour to capital ratio there will be need to use the sector as strategy for quick turnaround of the economy at a relatively cheaper cost than that of conventional larger industries.
- The Government intends to develop and strengthen existing parastatals like the Small Enterprises Development Corporation (SEDCO) to be able to offer more support to SMES.
- Other strategies to be adopted by Government during this period include Infrastructural support; Technology upgrades; Quality Control and Improvement; Research and development, Market access and Financing facilities.
- Cluster development including the provision of capacity building for skills training of employees and setting up of common facilities e.g. testing laboratories, common use machinery e.g. lathes, grinders and industrial saws

These policies were deliberately enacted in order to empower the SMEs. The Zimbabwe's new economic era was now targeting the black entrepreneurs to drive the economy. It implies that a lot was expected from the SMEs in terms of job creation, production of goods and services and improving the economy of the country.

The Indigenisation and Empowerment Policy (IEP) of Zimbabwe

The IEP of Zimbabwe was enacted into law in order to empower the Zimbabweans to control the economy of the country. The Indigenisation and Economic Empowerment Act (IEEA) Chapter14:33, Act 14/2007 provides the blueprint of the indigenisation process of the Zimbabwean natives. The aims of the IEP are as follows:

- At least fifty-one *per centum* of the shares of every public company and any other business shall be owned by indigenous Zimbabweans;
- promote equitable access to the wealth of the economy by indigenous Zimbabweans through establishment of SMEs;
- To nurture and develop a skills base for the economic empowerment of indigenous Zimbabweans;
- Promote the use of local raw materials and value addition in economic activities;

- To provide financial assistance to indigenous Zimbabweans for any of the following

purposes—finance for business start-ups, rehabilitation and expansion

The concept of empowerment which was adopted by both Zimbabwe and South Africa is based on the idea that resources and opportunities should be deliberately made available to the local people so that they can participate in the growth and development of the economy. There are a lot of similarities between B-BBEE and IEP which are essential to this study. Both policies focus on economic empowerment of black people, increased access to financial and human resources, access to economic activities, land, infrastructure, business ownership and skills development of indigenisation people whose past has been disadvantaged by the colonial settlers. The indigenisation policies of the two countries mainly focus on economic empowerment hence Zimbabwe can draw a lot of lessons from the B-BBEE programme.

The same principle that was applied by the policy makers in other African states to come up with the indigenisation policy was adopted by Zimbabwe when the IEP was made into law on March 7, 2008. The policy carries the same mandate and objective as those carried by the indigenisation processes of Columbia Indonesia, Bolivia. Canada, USA, India, South Africa, Russia and China as examples. However, the differences are in the periods of implementation, the timing of the programme and the performance of SMEs hence this research will investigate how such a noble cause of helping the local people who have been disadvantaged to participate in the building of their economy through SMEs can be harnessed into a productive development in Zimbabwe.

Methodology

Methodologically, the study critically analysed the literature of indigenous policies globally and narrowed down the literature to the African context and Zimbabwe in particular. Therefore, the researcher implored a desk research approach. The analysis of literature was done through the extensive reading of the indigenous policies and all the related factors of the implementation of indigenous policies. The researcher drew insights from the Zimbabwe indigenous policies and the findings of other researchers.

Results And Discussion

The implementation of the Zimbabwe's indigenous policies saw the new era of SMEs being ushered in as the main economic drivers of the new economic dispensation in the absence of the multinational companies. The SMEs took the centre stage and their value was stated by Wang, (2016) who pointed out that in developing countries such as in Zimbabwe, SMEs are important for driving the growth and economic development. This view was shared by Zvarivadza (2016) who states that most SMEs are born out of the people or groups of people with the visions to operate and run prosperous businesses (Zvarivadza, 2018). The implementation of the indigenous policies produced some notable results as reported by the Fin Scope Survey (2012) as cited by Majoni (2016) that in Zimbabwe the SMEs sector

contributes over 60% to the country's GDP and employs about 5.8 million people. The positive role of SMEs is an indicator of the success story of the implementation of the indigenous policies, however the success is embedded in the numbers only since the SMEs are still struggling.

The other side of literature has it on record that the SMEs are still struggling despite the great expectation from the government. Chigora & Zvavahera (2015) discussed the challenges bedeviling the SMEs in Harare, Zimbabwe, which include (a) lack of access to affordable finance, (b) cumbersome processes of setting-up the business, (c) poor infrastructure, (d) poor institutional structures, (e) limited formal avenues for pursuing interest-bearing investment options, and (f) shallow stock market. This is a clear indicator that the SMEs in Zimbabwe are struggling in their everyday operations.

The indigenous policies were regarded by the government as a best tool to empower the black people in order for them to participate in the economy of the country and eventually control the economy. As a result, local authorities have taken a firm stance in implementing government policy to stimulate SME growth, which will ultimately result in economic growth (Simbi, 2004). In Zimbabwe, the atmosphere in which SMEs operate is characterized by economic challenges that impact the costs and production of the business (Wadesango, 2015). The successful implementation of the indigenisation policy is facilitated by the government support. This was demonstrated in India where the government helped in the development of basic capabilities in manufacturing and laid foundations of the auto component supplier industry Kale (2012). In Nigeria, the *government widened and intensified its positive participation in industrial development and provided the resources to the indigenous people* (Olayiwola and Adeleye 2005)

The rate of SME failure in Zimbabwe is very high. Mudavanhu et al. (2011) states that three fifth of SMEs in Zimbabwe fail to function within the first year of registration, a quarter of SMEs fail to continue operating within three years and only a fifth of them have a longer life span. Majoni et al. (2016) further stated that most SMEs operate in the informal sector, and the business environment is not conducive to entrepreneurship. These results concur with the research findings of ThinkTank (2015) who classified Zimbabwe as the worst country in Africa in terms of SME operating environment. The table below shows the results of the research carried out by ThinkTank Company (2015) and it showed Zimbabwe as a country with a failed environment for the establishment and operation of SMEs.

% of favourable environment for Small to Medium Scale Enterprises (SMEs) to start and operate a business

Country	% of favourable environment to start and operate SMEs	Position
Zimbabwe	25	12
Ethiopia	30	11
Uganda	31	10
Nigeria	40	9
Kenya	47	8
Zambia	51	7
Ghana	57	6
Rwanda	59	5
Namibia	62	4
Botswana	65	3
South Africa	78	2
Mauritius	79	1

Adapted from ThinkTank Consulting — in conjunction with Microsoft (2015)

The given table illustrates the challenge of establishing and operating SMEs in Zimbabwe, and the statistics show that there are difficulties of operating SMEs in Zimbabwe. In the past 12 years, Zimbabwe experienced a 50 percent decline in economic growth, 60 percent closure in factories, an 80 percent formal unemployment rate, and a near 100 percent decline in foreign currency reserves (Zindiye, 2008). The other route cause of failure in SME performance in Zimbabwe is the lack of government commitment to support its policies. This point of view was shared by Makanyeza & Dzuke (2015) who state that in Zimbabwe, the approach to SME development and promotion lacks government commitment on funding research and promoting technological innovation efforts. The government commitment is key to the success of SMEs and this was demonstrated that in Bolivia where the National Constitution guarantees preference in acquisition of materials from micro and small enterprises and productive community organisations (Columbia Centre on Sustainable International Investment, 2014; 2015; 2016). Wadesango (2015) lamented that in Zimbabwe, the small businesses have shown resilience and continued to operate and held on in sustaining livelihoods and the economy when the bigger corporates were in distress and most of them closed down businesses due to economic challenges.

Analysis of SME performance

The implementation of the Zimbabwe's indigenous policies saw the new era of SMEs being ushered in as the main economic drivers of the new economic dispensation in the absence of the multinational companies. The SMEs took the centre stage and their value was stated by Wang, (2016) who pointed out that in developing countries such as in Zimbabwe, SMEs are important for driving the growth and economic development. This view was shared by Zvarivadza (2016) who states that most SMEs are born out of the people or groups of people with the visions to operate and run prosperous businesses (Zvarivadza, 2018). The implementation of the indigenous policies produced some notable results as reported by the Fin Scope Survey (2012) as cited by Majoni (2016) that in Zimbabwe the SMEs sector contributes over 60% to the country's GDP and employs about 5.8 million people. The positive role of SMEs is an indicator of some contributions of the indigenous policies, however the success is embedded in the numbers only since the SMEs are still struggling and fall short of achieving the intended

outcomes. In India the government set a target of 93% indigenisation within 5 years, and the Suzuki company started to develop local vendors from scratch and the company attracted entrepreneurs by offering them land at its complexes and supplied electricity from its own power station (Kale, 2017). These successful results are anchored on the commitment of the government to support the indigenous people which shows that Zimbabwe can take a leaf from the good practices.

The other side of literature has it on record that the SMEs in Zimbabwe are still struggling despite the great expectation from the government. Chigora and Zvavahera (2015) discussed the challenges facing SMEs in Zimbabwe, which include

- lack of access to affordable finance,
- cumbersome processes of setting-up the business,
- poor infrastructure,
- poor institutional structures,
- limited formal avenues for pursuing interest-bearing investment options, and
- shallow stock market. This is a clear indicator that the SMEs in Zimbabwe are struggling in their everyday operations.

The indigenous policies were regarded by the government as a best tool to empower the black people in order for them to participate in the economy of the country and eventually control the economy but they currently face a host of challenges. The SMEs in Zimbabwe lacked the policy support and lessons can be drawn from the Studies done in the USA on the influence of government financial support on new firms' performance examined the impact of government financial support measures like government loans, guarantees and government equity on firms' overall performance and results reveal that government financial guarantees and government equity have a direct impact on new firms' performance (Fernando et al., 2014).

The environment under which the SMEs are operating have serious negative effects on their performance. These sentiments were echoed by Wadesango, (2015) who states that in Zimbabwe, the atmosphere in which SMEs operate is characterized by economic challenges that impact the costs and production of the business. The SMEs are facing shortages of resources, power cuts, lack of service roads, research and development, market challenges and the government financial support which was stated in the Indigenisation and Economic Empowerment Act (IEEA) Chapter14:33, Act 14/2007. Even the government conceded defeat in this aspect. The South Korea government for example invested one trillion Korean won (approximatelyUS\$750 million) in the Industrial Bank of Korea to expand that bank's investment foundation and increase the amount of SME lending up to 12 trillion Korean won (approximately US\$9 billion) (Liang et al., 2017). The huge support provided by the Korean government on the SMEs explains the reasons behind the SME sector. The government of Zimbabwe needs to duplicate such type of commitment to support its SME policy and will reap great dividends. A robust resource mobilisation programme need to be set up to maintain a continuous supply of the resources.

In its own view, the Government of Zimbabwe acknowledges that it has failed to sustain its economy and affirms that it is facing huge challenges to improve its economy. Government of Zimbabwe (2009) asserts that the economy had been facing severe challenges, with the annual real GDP growth suffering declines averaging -5.9% since 2004, cumulatively output declined by more than 40% during that period. The crisis state of the economy of Zimbabwe was confirmed by the report published by the Zim Asset (2013) which ascertains that Zimbabwe experienced a deteriorating economic and social environment since 2000 and this resulted in a deep economic and social crisis characterised by a hyperinflationary environment and low industrial capacity utilization, leading to the overall decline in Gross Domestic Product (GDP) by 50% in 2008. These sentiments expose the challenges facing the SMEs and the economic environment they are operating in hence the government approach failed to address the economic challenges and the black empowerment route did not yield positive results.

Recommendations

The crafting of the indigenous policies to redress the dominance of the multinational companies was a noble idea. It brought up some positive results which include an increase in the number of SMEs establishment and the involvement of the black people in entrepreneurship programmes. To a greater extent the policy framework failed to establish SMEs as the backbone of the Zimbabwean economy. SMEs failed to improve the economy of the country as the economic situation of Zimbabwe has drastically deteriorated since the establishment of the indigenous policies. This was alluded by Block (2013) who states that empowerment policy has negatively affected the ability of Zimbabwean economy to attract foreign direct investment. These sentiments show that effects of the indigenous policies on the economy of Zimbabwe which has greatly deteriorated. It is against the backdrop of this policy implementation gap that the findings recommend that Zimbabwe need to come up with a strategic framework that aims to improve the performance of SMEs. The development of home grown strategic framework that can be used by SMEs in Zimbabwe is therefore one of the key economic drivers being recommended for the improvement of the performance of SMEs.

Conclusion

From the presented facts it can be concluded that the indigenous policies in Zimbabwe to a lesser extent managed to empower the black people, but to a greater extent failed to achieve their major objective of turning the SMEs into an economic hub of Zimbabwe. There is need for the government to rethink and come up with a practical strategy that is easily accessible to all the existing and potential entrepreneur stakeholders. Zimbabwe should come up with a new home grown strategy that is all inclusive and incorporate the following activities:

The government has to craft a new policy through a rigorous consultative process of all the stakeholders involved in the SME sector. The government has to go to the communities, carry out the needs assessment, hold meetings in each region with SME implementers, employees and other stakeholders like the community leaders, suppliers and incorporate their findings in the new policy framework. This

process will produce a Zimbabwean home grown SME policy which would be owned by both the government and the SME stakeholders

The resource mobilisation process has to be extensively done by the government in order to provide financial resources for the SMEs. Through its structures, the government can come up with different ways of securing the financial resources through sustainable fund raising programmes. The government can introduce an SME levy programme which supports the growth and development of the SMEs which would be administered by the Ministry of SMEs. The national budget of the country need to allocate some resources specifically for the SME sector to ensure continuous flow of the funds to the sector

Capacity development should for all stakeholders should cascade from the national offices down to the local implementers. This should include advocating, sensitising and training stakeholders including SME implementing partners, policy makers and decision takers at all levels in order to improve the performance of SMEs.

The Zimbabwe SME sector has to develop a research and development department that keeps in touch with the changing world. This department will help the SME sector to grow following the endogenous growth theory which states that research and development investments and knowledge spill-overs are capable of generating high degree of innovation, increased productivity and higher growth (Romer, 1990). The research and development programme will usher in new horizons in the performance of SMEs.

A national Monitoring and Evaluation framework need to be developed and a set of core indicators have to be identified and described. In addition, a comprehensive M & E Plan for the SME activities need to be developed. The overall goal of the national M&E system is to provide a comprehensive tracking system to collect, enter, analyses and share information on SME performance that will enhance decision making at all levels in the implementation of interventions under the national SME strategic framework.

Zimbabwe has great potential to improve the performance of SMEs if a more logical and well planned implementation strategy is implemented. Zimbabwe is rich in natural resources like minerals, wild life, soils and the Savannah Climate which provides excellent farming conditions hence it was once dubbed 'the bread basket of Africa', but this has since vanished from Zimbabwe. It can be revived through a positive development and implementation of the policies.

Abbreviations

B.E.E : Black Economic Empowerment (BEE)

B.B.B.E.E : Broad-Based Black Economic Empowerment

C.G.C.Z : Credit Guarantee Company of Zimbabwe (CGCZ).

E.S.A.P : Economic Structural Adjustment Programme (ESAP)

G.D.P : Gross Domestic Product (GDP)
L.D.P : Industrial Development Policy (IDP)
I.E.P : Indigenisation and Empowerment Act'
S.M.E : Small and Medium Enterprises (SMEs)
S.E.D.C.O : Small Enterprise Development Corporation (SEDCO),
V.C.C.Z : Venture Capital Company of Zimbabwe (VCCZ) and the

Declarations

Availability of data and material

The data that support the findings of this study are available from Thinktank, Southern Times, 16 March 2016 Windhoek, Namibia

Competing interest

"The authors declare that they have no competing interests" in this section.

Funding

The authors funded the research process

Authors' contributions

All authors read and approved the final manuscript."

Acknowledgements

"Not applicable"

Authors' information

N/A

References

Arya, B., Bassi, B., & Phiyega, R. (2008). Transformation charters in contemporary South Africa: The case of the ABSA Group Limited. *Business & Society Review*, 113(2), 227-251

Asian Development Bank Institute (2016). *Disaster Risk Management in Asia and the Pacific: Issues Paper*. Tokyo: Asian Development Bank Institute

Block, E. (2013). The Zimbabwean situation latest headline news-Zimbabwe. Available online http://www.zimbabwesituation.com/aug20_2013.html Accessed March 2014

Chigora, F., & Zvavahera, P. (2015). Be green and you are branded: A case of small to medium enterprises in Zimbabwe tourism sector. *Journal of Entrepreneurship and Business Innovation*, 2(2), 1-13. doi:10.5296/jebi.v2i2.7963

Coate, S. & Loury, G.C. (1993). Will affirmative-action policies eliminate negative stereotypes? *The American Economic Review*, 83(5):1220-1240, December

Columbia Centre on Sustainable Development. (2014). *Local Content*. Ghana, Petroleum, Columbia University.

Department of Trade and Industry. (2011). *Tourism Sector Code* (online). Available: http://www.dti.gov.za/economic_empowerment/bee_sector_charters.jsp (Accessed 30 September 2015)

Dhemba, J. (1999). Informal sector development: A strategy for alleviating urban poverty in Zimbabwe. *Journal of Social Development in Africa*, 14, 5–20.

DTI (2003). *South Africa's Economic Transformation: A strategy for Broad-Based Black Economic Empowerment*. Department of Trade and Industry. Pretoria [ww.info.gov.za/otherdocs/2003/dtistat.pdf](http://www.info.gov.za/otherdocs/2003/dtistat.pdf).

Eniola, A. & Entebang, H. (2015). Government Policy and Performance of Small and Medium Business Management. *International Journal of Academic Research in Business and Social Sciences* 2015; 5(2): 237–248.

Esteves, A. M., Coyne, B. & Moreno, A. (2013). *Local Content Initiatives: Enhancing the Subnational Benefits of the Oil, Gas and Mining Sectors*. Briefing. Natural Resource Governance Institute.

Government of Zimbabwe. (2013) *Zimbabwe Agenda for Sustainable Socio Economic Transformation (ZIMASSET)*. Printflow: Harare.

Gang, I. N., & Schmillen, A. (2014). Sometimes, winners lose: Economic disparity and indigenization in Kazakhstan, IOS Working Papers, No. 345, <http://nbn-resolving.de/urn:nbn:de:101:1-2014101419545>.

Gukurume, S. (2018). *Strengthening Small and Medium Enterprises to Address Youth Unemployment Crisis in Zimbabwe*. IDS Policy Briefing 154. Brighton: IDS ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) (1998) *Fostering Entrepreneurship*. OECD Publication Service, Paris.

- Holzer, H. J. & Neumark, D. (2005). Affirmative Action: What Do We Know? *Journal of Policy Analysis and Management*, 25, 2: 463–490.
- Kale, D. (2017). Sources of innovation and technology capability development in the Indian automobile industry. *Institutions and Economies*, 121–150.
- Kuzio, T. (2002). History, Memory and Nation Building in the Post-Soviet Colonial Space. *Nationalities Papers*, 30, 2:241–264.
- Mac an Bhaird, C. (2010). The Modigliani–Miller proposition after fifty years and its relation to entrepreneurial finance. *Strategic Change* 19: 9–28.
- Madhani, P.M. (2010). Resource based view (RBV) of competitive advantage: an overview. *Resource Based View: Concepts and Practices*, Pankaj Madhani, ed, pp.3-22.
- Majoni, T., Mutunhu, J., & Chaderopa, B. (2016). SME's policies and challenges: A comparative analysis of Zimbabwe and South Korea. *International Journal of Scientific and Research Publications*, 6, 377-384. Retrieved from <http://www.ijsrp.org>
- Manyati, T. (2015). "Agro-based Technological Innovation: A Critical Analysis of the Determinants of Innovation in the Informal Sector in Harare, Zimbabwe." *African Journal of Science, Technology, Innovation and Development* 6 (6): 553–561
- McNeil, B., & Shauneen, P. (2014). *Self-study of a journey of indigenization 2014* Tenth International Conference on Self-Study in Teacher Education Practices. Auckland, New Zealand: The University of Auckland.
- Mor Barak, M. E. (2016). *Managing diversity: toward a globally inclusive workplace*. 4th ed. London: SAGE
- Mudavanhu, V., Bindu, S., Chigusiwa, L. & Muchaiwa, L. (2011), Determinants of Small and Medium Enterprises Failure in Zimbabwe, *International Journal of Economics Research*, vol 2 No 5, pp.83-89
- Nurul, I. & Marja, L. (2005). A Study of Factors Affecting Business Success among SMEs: Empirical Evidences from Indonesia
- [OECD] Organisation for Economic Co-operation and Development. 2012. *Investment policy reviews: Zambia 2012*. OECD Publishing.
- Oni, E.O. & Daniya, A. A. (2012). Development of Small and Medium Scale Enterprises: *The role of Government and other Financial Institutions. Arabian Journal of Business and Management Review (OMAN Chapter) 2012; 1(7): 16–29*

Olayiwola, L. M., Adeleye, O., & Ogunshakin, L. (2005). Urban housing crisis and responses in Nigeria: The planners' view point.

Makanyeza, C., & Dzvuke, G. (2015). *The influence of innovation on the performance of small and medium enterprises in Zimbabwe. Journal of African Business, 16, 198-214. doi:10.1080/15228916.2015.1061406*

Pavlenko, A. (2008). Russian in post-Soviet countries. *Russian Linguistics 32: 59–80.*

Ramdoo, I. (2015). Unpacking local content requirements in the extractive sector: what implications for the global trade and investment frameworks. by International Centre for Trade and Sustainable Development (ICTSD) 7 Chemin de Balxert, 1219 Geneva, Switzerland Tel:+ 41 22 917 8492–E-mail: ictsd@ictsd.ch–Website: www.ictsd.org Publisher and Chief Executive: Ricardo Meléndez-Ortiz World Economic Forum 91-93 route de la Capite, 1223 Cologny/Geneva, Switzerland Tel:+ 41 22 869 1212–E-mail: contact@weforum.org–Website: www.weforum.org Co-Publisher and Managing Director: Richard Samans.

RSA (Republic of South Africa). (2004). *Broad-based Black Economic Empowerment Framework Act 53 of 2004*. Pretoria: Government Printers.

Saripalle, M. (2012). Learning and Capability Acquisition: A Case Study of the Indian Automobile Industry, Working Papers 2012–065, Madras School of Economics, Chennai, India.

Sanchez, D. (2011). The Economic Empowerment of African Descendants; Lessons from South Africa's Black Economic Empowerment Strategy (online). Conference on 'Equity, Justice, Development: People of African Descent in Latin America.

Tangri, R. & Southall, R. (2008). *The politics of black economic empowerment in South Africa*. *Journal of Southern African Studies, 34(3):699-716.*

Thinktank, Southern Times, 16 March 2016 Windhoek, Namibia

Udah, E. B. (2010), Industrial Development, Electricity Crisis and Economic Performance in Nigeria. *European journal of Economics, Finance and Administrative Services. 18, 105-121.*

Wadesango, O. V. (2015). The importance of record keeping to the growth of small and medium scale enterprises (SMEs) in Zimbabwe. *Corporate Ownership and Control, 12, 744-754. doi:10.22495/cocv12i4c7p5*

White, S., McAllister, I., Light, M. & Löwenhardt, J. (2002). "A European or a Slavic Choice? Foreign Policy and Public Attitudes in Post-Soviet Europe." *Europe-Asia Studies, 54, 2:181–202.*

World Bank. (2016). 'World Bank Data'. Available online at: <http://data.worldbank.org/> (accessed on 10 March 2016).

World Bank. (2014). 'Republic of Zimbabwe: Zimbabwe economic policy dialogue'. Policy Notes for the New Government – 2013. Washington DC: World Bank.

Zimbabwe Government. (2009). *Income Tax Act Chapter 23.06*. Printflow: Harare,

Zimbabwe Government (2008). *Industrial Development Policy (2012–2016)*. Printflow: Harare.

Zimbabwe Government. (2008). *Indigenisation and Economic Empowerment Act [Chapter 14:33]*. Printflow: Harare.

Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset). (2013). *"Towards an Empowered Society and a Growing Economy"* Harare: Government of Zimbabwe Printers.

Zvarivadza, T. (2018). Artisanal and Small-Scale Mining as a challenge and possible contributor to Sustainable Development. *Resources Policy*, 56, 49-58.

doi:10.1016/j.resourpol.2018.01.009