The Effects of Infrastructure on Development of Small to Medium Enterprises (SMEs): (A Case of Small to Medium Enterprises in Mutoko Service Center)

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Abstract: **The objective of this research was to present an analysis of the effect of infrastructure on development of Small to Medium Enterprises (SMEs) at Mutoko. In pursuit of this broad aim, the study used SMEs, Residents of ward 20, District Development Officers, Council Chairperson and council staff in Mutoko Service Center, Mashonaland East, Zimbabwe as the key research informants. The work of authoritative writers anchored the study. The study methodology was mainly descriptive and a comprehensive data collection was done using questionnaires to assess the views of the respondents. Interviews were also used to compliment on the shortcomings of questionnaires to ensure that adequate data was collected. The infrastructure components was broken down into four elements; roads infrastructure; water, sanitation and hygiene (WASH) infrastructure; electricity infrastructure and serviced stands. The main study findings were that the availability of infrastructure was an effective way to foster world class growth and development for SMEs at Mutoko. SMEs in Mutoko have great growth potential in the granite industry and agriculture but infrastructure development was blocking the full growth of industries. There was very little adherence to town planning policies as enshrined in the RDC Act Chapter 29:13 resulting in a haphazard arrangement of workspaces for SMEs. This setup was notably an impediment to SMEs development since this directly affected SMEs access to roads, electricity and WASH infrastructure. The main study conclusion was that roads and parking infrastructure critically contributes towards the SMESs development in Mutoko growth point. Formalized work-spaces through serviced stands and developed structures form the pillars of SMEs development. Electricity and other sources of energy promotes mechanization and adoption of modern technology by SMEs, a move that promotes quality and quantity production. WASH infrastructure correlates with formal work spaces for SMEs and instrumental in the viability of day to day business operations for SMEs in Mutoko. The main study recommendations were that: Mutoko Rural District Council (MRDC) may need to construct shelter for leasing by SMEs to motivate growth and development of SMEs and to eliminate floating locations by those operating on non-formalized work-spaces. Schemes such as rent–to-buy may need to be encouraged to bring a lasting solution on issues to do with WASH, electricity and road infrastructure. The study also recommends that there should be full capacitation of local authorities and Parastatals by the central government as a means to steer up SMEs development.**

I. INTRODUCTION

At global level, Small to Medium Enterprises (SMEs) has taken a center stage in the social and economic development of many nations (UNDP, 2018). China is considered the world's fastest growing economy. Its SMEs are housed in story buildings and issues to do with road and parking infrastructure, electricity and communication, water, sanitation and hygiene (WASH) infrastructure are well addressed. Dubai SMEs operation were formalized and issues to do with infrastructure were effectively handled by the government, SMEs now count for 95% of the total enterprise population, employ around 42% of Dubai's workforce and contributes 40% of Dubai's value add (Mohammed Bin Rashid 2011). Small and Medium Enterprises (SMEs) occupy a place of pride in virtually every country or state.

The Indian government through its Micro, Small and Medium Enterprise Development (MSMED) Act in 2006 has managed to address infrastructural issues for SMEs and this has seen its economy boosting as reported by SMEs Chamber of India (2006), "The Small and Medium Enterprises (SME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades."

Regionally in Africa, the contribution of SMEs is very significant. According to Lutwama Joseph, "Small and medium enterprises (SMEs) make up over 90% of businesses units in the world and account for between 50 – 60% of the total worldwide employment." In developing countries, encouragement of an expanded private sector and the creation of local business opportunities is a crucial aspect of economic and industrial growth and the key to successful poverty alleviation activities. It is therefore more than imperative for government, corporate organizations and development partners to identify and pursue infrastructural development as one of the most strategic ways of boosting entrepreneurial culture in Africa (The Entrepreneurs Square of Nigeria 2016). SMEs have the capacity to ensure equitable distribution of income both regionally and internationally. The recent government planned business trips by SMEs to Kenya and Tanzania reveals that, amongst other things lacking locally, infrastructure and alignment of policy with reality on the

ground, remains a cause for concern for SMEs growth. SMEs reduce economic disparities between urban and rural areas through involving people into various productive business activities, hence the need to look into infrastructural issues since they have a direct link to productivity. The involvement of people into various economic activities generates income for people despite their position in the society (Rosen bloom, B. (2007).

In the local arena, SMEs in Zimbabwe contributes to employment and Gross Domestic Product. Bhoroma (2018) gave the Zimbabwean context of the registered and formalized few SMEs by saying, "SMEs contributed $8.58 billion to the Zimbabwe's GDP in 2016 and employ more than 5.9 million people. Furthermore, SMEs now make up over 70% of ZIMRA's database of registered tax payers while contributing only 20% in taxes." Strategic efforts to support small, sometimes informal, businesses offer many people a way to work toward improving their own livelihoods and building a secure future for their families as well as contributing towards economic development of Zimbabwe. In both urban and rural areas of developing countries SMEs are often constrained by lack of infrastructure, communications, and financial investment resources. SMEs are an important sector in the Zimbabwean economy due to their provision of employment (Manuere et al. 2012), contribution to the GDP (Dumba and Chidamoyo 2012), alleviation of poverty (Government of Zimbabwe (GoZ) 2012) and provision of an opportunity for women and youth to participate in the mainstream economy (GoZ 2012). Being that as it may, SMEs are confronted with a plethora of obstacles to growth. Such obstacles include financial, managerial, taxation, infrastructural and access to markets.

Fig1. Work spaces for some SMEs at Mutoko Service Centre. Photos captured by author on 07.04.2019

It is a common feature to see under- the- tree vending, road side vehicle workshops, veranda product and service selling, touting, etc. in the area under study as well as many other small towns and service centers. Without proper infrastructure, SMEs cannot function effectively, and their contribution to economic and social development is limited.

According to SEDCO (2004), about 60% of the SMEs in Zimbabwe fail in the first year of establishment, 25 fail within the first three years and only 15% likely to survive. This analysis indicates that approximately 85% of the SMEs in Zimbabwe will eventually collapse. The high rate of failure of SMEs makes it vital to understand the support that can be given in order for SMEs to succeed. The Entrepreneurs Square of Nigeria (2016) argues that SMEs need infrastructural support to survive. A large body of theoretical and empirical literature suggests that infrastructure and human capital investment play a central role in fostering and sustaining economic growth (IMF on Zimbabwe 2010). In the local arena, Glenview home industry in Harare can be sited as an example where SMEs growth and development is noticeable.

Terms

Infrastructure development, Small to Medium Enterprises, SMEs capacitation.

1.1 The main study objective:

- To establish the effects of infrastructure on SMEs development in Mutoko district, Zimbabwe

1.2 The main study question

- What is the effect of infrastructure on SMEs development in Mutoko district, Zimbabwe?

1.2.1 The study hypothesis

- **H_0** There is an association between infrastructure and Small to Medium Enterprises (SMEs) development in Mutoko service center.
- **H_1** There is no association between infrastructure and Small to Medium Enterprises (SMEs) development in Mutoko service center.

II. LITERATURE REVIEW

The following details relates to literature related to the study

2.1. The governance of Rural District Councils in Zimbabwe

Section 58 of the RDC Act Sub section (3) gives the council a mandate to appoint a committee for the construction and maintenance of roads in its area. In a addition, Section 59 of the same act (RDC Act) provides that every ward should have a Ward Development Committee which is chaired by the ward

councilor whose mandate is, according to sub section (3) to plan and present ward development plan to the Rural District Development Committee (RDDC).These development plans are then submitted to the Rural District Development Committee (RDDC) which is chaired by the District Administrator which comprises of various heads of ministries and department and other stakeholders whose mandate in terms of growth and development of Mutoko are to accept/evaluate and monitor implementation of the plan of development (Section 60 subsection 5). The servicing and allocation of stands for both residential and commercial purposes are the mandate of the Council (Section 86 under Estate Development section 1)

2.2 The Governance effort on infrastructure development for SMEs in Zimbabwe

In 2002 the government established The Ministry of Small Medium Enterprises and Community Development (MSMECD) for the purpose of creating and maintaining a conducive environment that promotes the development of SMEs in order to facilitate economic growth and provision of employment (Chivasa 2014; Mushanyuri 2014). To this end, the MSMECD would deal with issues negatively impacting the growth of the SMEs and develop policies to enhance the development of the sector. In 2007, the Ministry purported to have done a lot of activities including marketing and trade promotions, training workshops, the SME study, the construction of infrastructure and relocation of SMEs to the infrastructure and the construction of factory shell in Gwanda and Bindura, but most of the achievements were on paper and there was no evidence on the ground (ZPPCSMEs 2007). This shows that there have been efforts by the government of Zimbabwe to address infrastructure challenges to SMEs but not enough has been done to all districts since the exercises ended at pilot-project-stages. Also there is need to align the available policies on SMEs with what is actually on the ground.

On another end, there are other service centers which through the local authority's efforts to avail infrastructure have seen SMEs doing well and growing tremendously. Murewa rural district council has designated places for SMEs operations and vending sites. Sheds with numbered tables and standard shelter and sanitary facilities are there. This has enabled even the council to establish a systematic way of revenue collection and support systems.

Glenview area eight home industries and Mupedzanhamo of the City Of Harare can also be sited as an example of how infrastructure can impact growth and development of SMEs. The carpentry sector of the SMEs is organised through planned stands, roads access, water and sanitation facilities and electricity. This place has emerged one of the largest manufacturers and suppliers of furniture in Zimbabwe and there is a greater potential of even exporting to neighboring countries.

2030 Vision for infrastructure development for SMEs.

Local authority leadership in Zimbabwe is expected to establish the vision to develop world class infrastructure throughout the country (Mararike, 2012). The success of local authority performance is largely determined by the vision and values of the leadership to grow world class SMEs. Vision is the bigger picture and alignment is the activity involved to fulfill the vision (see pictures below).

Figure 2 visionary Infrastructure for SMEs

Fig 2 depicts visionary infrastructure for SMEs of today. Roth, (2016) holds that the vision to grow Cities today is an amalgamation of shopping facilities, food fair and entertainment, business facilities, recreational facilities and social space aimed at reaching all possible markets. The vision to grow small towns and cities is a trendsetting development associated with speed and quality of construction as well as the state-of-the–art facilities. Morden towns have mega-shops, business and recreational facility attraction as shown of figure 2 above.Cities of today are guided by principles to avoid overcrowding, congestion, cultural and environmental problems, furthermore, Hernon and Whitman, (2017) established that vision and alignment ensures that the leadership of local authorities must establish the creation of hospitality facility which is more than just a place to eat and drink; the design is a reaction to the mediocrity and dreary uniformity of conventional mall designs.

2.3 Empirical evidence

Kenneth Odero (2016) points out nine key strategies and areas of intervention crucial for the development of viable SMEs. These are: creation of an enabling legal and regulatory environment; investment promotion; financial assistance;

market promotion; technology and infrastructure support; entrepreneurship, management and skills development; targeted support; relationships and partnerships; and institutional reform. The results were consistent with those of Ryan (1993) cited the impediments related to lack of infrastructure in the informal sector as absence of toilets, clean water points and benches.

This same view is evidenced in Dubai in which the economy is largely backed by SMEs. The government has taken great strides in addressing issues affecting their development. According to Mohammed Bin Rashid Establishment For SME Development (2011), SMEs count for **95%** of the total enterprise population in Dubai, employ around **42%** of Dubai's workforce and contribute **40%** of Dubai's value add. In the context of the current study, a detailed understanding of the effects that infrastructure has to SMEs development could bring out the critical role that Local Authorities in Zimbabwe have towards SMEs development.

III. THE STUDY METHODOLOGY

The study used a mixed approach to combine both the qualitative and quantitative methods to collect information from respondents. Questionnares were used to collect quantitative information whilst interviews were used to collect qualitative information. The study targeted SMEs operating at Mutoko growth point to provide information. A population of 70 SMEs were used in the study and this included hair dressers, sculptures, tyre service operators, flea markets, shops, buffer zones and bus terminus fruit stalls. The response rate was very encouraging with more than 90 percent targeted respondents participating in the study.

The main study findings:

Hypothesis Testing

- **H_0** There is an association between infrastructure and Small to Medium Enterprises (SMEs) development in Mutoko service center.
- **H_1** There is no association between infrastructure and Small to Medium Enterprises (SMEs) development in Mutoko service center.

The hypothesis of the study stated that there is a significant association between infrastructure and development of Small to Medium Enterprises (SMEs) in Mutoko service center. The Spearman Rank Correlation coefficient was used to measure the relationship between the key elements of infrastructure: Namely: Electricity infrastructure, roads infrastructure, stand allocation and WASH infrastructure. The Spearman's Rank correlation coefficient is a non-parametric technique which can be used to measure whether there is a positive or negative relationship between two variables (Northouse, 2014). In addition, to the direction of the relationship, the correlation coefficient (ρ, also signified by r_s) also measures the strength of the relationship between two variables. Table 4.13 present the Spearman's Rank correlation coefficients.

Table 3. Spearman Rank Correlation Coefficient

	Electricity Infrastructure t Values	Roads Infrastructure t values	Stand allocation t values	Sanitation infrastructure t values	SMEs development
Electricity Infrastructure t Values	1.000				
Roads Infrastructure t values	0.546	1.000			
Stand allocation t values	0.618**	0.544**	1.000		
Sanitation infrastructure t values	0.417	0.134	0.508	1.000	
SME development	0.410**	0.374**	0.475**	0.226**	1.000

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

The results shown in Table 4.10 shows that there is a positive correlation between the key elements of infrastructure namely: Electricity infrastructure, roads infrastructure, stand allocation and WASH infrastructure with SMEs development. The study results are Accept **H_0 and Rejects H_1**

The findings are consistent with the findings of Uddin and Kanti (2013:166) who explains that Rural entrepreneurship is faced with the challenges of shortages, deficiencies and lack of finance, networking, electricity, equipment and marketing, with small and distant markets, poor transport systems, as well as corruption (Ngorora and Mago, 2013) and the need for policy makers and entrepreneurs to work together in addressing these challenges. The results are also in line with Lekhaya (2017:68) who highlighted that the growth of small and medium (SMEs) within economic development need public administrations from all political ideologies and from all administrative levels to develop policy favoring and stimulating growth as well as the creation of new enterprises. The results also tally with the findings of (Egbide, Samuel and Samuel, 2013:6) of Nigeria which stresses that poor infrastructural facilities such as roads and technology are major obstacles for SMEs' development and growth. Gopaul *at el* (2015:307) highlights that the assistance provided by national and local governments to SMEs is crucial in not only decreasing the SME failure rate as proposed, but also ensuring the success of new and growing SMEs. The research results also agrees with Kenneth Odero (2006) who stresses that policy formulation is perhaps the most important service in development of SMEs in any country. This research findings are also consistent with (Bouazza, Ardjouman and Abada, 2015) who indicates that the growth of SMEs is hampered by several interrelated factors, which include business environmental factors that are beyond the SMEs' control, such as infrastructure.

IV. THE MAIN STUDY CONCLUSIONS

The study conclusion was that infrastructure such as road, electricity,buildings roads and parking space where very critical elements towards SMEs growth and development. Roads provide access to SMEs by suppliers and customers thereby motivating business growth. However, there is very little being done by MRDC in terms of implementing section 58 and 59 of RDC Act to motivate SMEs development through roads infrastructure. The modern equipment for processing and preserving SMEs produce needs electricity. The results of the study also showed that SMEs were operating under a clustered electricity meter which proffered viability challenges in terms of determining individual consumption as well as payment contribution per member. The study showed that flea market areas where most SMEs operate are not accessible by cars and that there was no drainage system in place leaving the area water- logged and muddy. 80% of the respondents cited this as a critical issues hindering business growth. The study results revealed that the ward development committee was dormant in development issues at ward 20 of Mutoko Service Center.

The study results are Accept **H_0 and Rejects H_1**

The study holds the conclusion that there is an association between infrastructure and Small to Medium Enterprises (SMEs) development in Mutoko service center.

Main study recommendation

The study recommends that Mutoko Rural District Council should construct shelter for leasing to SMEs as a way to motivate growth and development of their business. This will eliminate the road side work spaces and could go a long way towards the elimination of floating location by SMEs through the creation of a fixed and reliable business location. Schemes such as rent to buy can also bring a lasting solution towards provision of descent and formalized work spaces for SMEs which are homogenous with world class standards. The study also recommends that there be a database of SMEs by MRDC in partnership with the relevant government ministry as a way to have planned infrastructural intervention as well as skills inventory for marketing promotion purposes. Good shelter will go a long way in enabling long working hours cushioning the changes in atmospheric conditions and also towards safety and preservation of goods being produced by SMEs. Addressing this issue would see Mutoko having a granite cutting and polishing industry, agro processing plant and many world class standards and which would lead to exports given Mutoko's proximity to Nyamapanda boarder post.The study also recommends that the government put measures to promote access to electricity through capacitating the national power utility with the necessary resources for SMEs electrification. Electricity infrastructure plays a significant role in SMEs development. SMEs in the manufacturing sector and service sector can only meet world class standards if they have access to electricity. SME development demands the use of modern and standard equipment and machinery which are mostly electric powered.

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