

An Assessment of the Role of Local Authorities in Promoting the Growth of SMEs in Zimbabwe

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DOI: <https://dx.doi.org/10.47772/IJRISS.2024.803103>

Received: 05 March 2024; Revised: 09 March 2024; Accepted: 14 March 2024;

Published: 10 April 2024

ABSTRACT

This paper explores the role played by local authorities in promoting the growth of SMEs in Zimbabwe. Gweru Urban is the case study. A review of the literature points more to the contribution of the central government and monetary institutions, and fewer studies have been done on assessing the contribution of sub-national governments. The study adopted an inductive qualitative approach and purposefully selected a sample from the SME operation in the Gweru CBD and Mtapa areas. Falleti's sequential theory of decentralisation informed this study as it acknowledges the existence of sub-national governments that also execute delegated roles from the centre. The study discovered several roles that, if implemented, can enhance the growth of SMEs.

INTRODUCTION

Small and Medium Enterprises (SMEs) are a critical component for most developing economies, for they have significantly contributed to economic growth and poverty alleviation by filling the gap left by well-established big companies. According to Damoah (2020), SMEs are seen as the engines of economic development in several countries across the globe. SMEs account for between 50-60% of global employment and they account for about 90% of businesses in Africa (Haraguchi, et. al, 2016). The growth of these SMEs is therefore also evident in Zimbabwe, mostly in urban areas. The growth of these SMEs in Zimbabwe's urban areas can be attributed to the economic decline that has been experienced since the turn of the millennium, coupled with the market gap that is in existence. In addition, Mavhiki (2020) notes that the growth in SMEs is being driven by a range of factors that include government policies and access to finance coupled with market gaps. However, SMEs in urban areas face several problems, among them inadequate infrastructure, uncondusive operating environments, regulatory barriers, insufficient capital, high operating costs, and financial illiteracy (Fiseha & Oyelana, 2015). Economic growth in Asian countries such as China, Korea, and Japan amongst others has significantly been attributed to SME activities. These SMEs operate in areas where there are local authorities mandated by the statutes to be the planning and regulatory authorities. China's economic growth has been credited to the creation of Special Economic Zones (SEZ) in small local authorities, giving them power and autonomy to conduct trade and investment without seeking authority from the central Government (Zheng & Zheng, 2011, Zheng, 2010). The study believes that local authorities have a role in the development and growth of SMEs. With that, this paper seeks to examine the role of the Gweru City Council in promoting the growth of SMEs in the Gweru Central Business District.

With the central government having adopted the Zimbabwe is open for business mantra, the space should also be open for the SMEs, with local authorities taking a leading role in creating, for they have delegated power from the central government, thereby complementing central government efforts.

Background

SMEs are viewed as an ideal way of promoting economic and sustainable development. According to (World Bank, 2021), SMEs represent more than 95% of registered firms worldwide, accounting for an estimated 50% of jobs, and contributing around 35% of GDP in emerging markets. Sharma (2008) attributes the rapid economic development of the Asian tigers (Malaysia, China, Hong Kong) to the recognition and support of the SMEs by the respective governments and their agencies including local authorities. Herr, and Nettekoven, (2018) noted that Germany has 60% of its industrial output, 55% of the Gross Domestic Product, and 75% of its employment comes from the SME sector. According to Kozarzewski et al.(2020), cooperation between local authorities and entrepreneurs is of paramount importance for the growth of SMEs. Local authorities have the right to establish simplicity and transparency of approval procedures, and to set levies, tax rates and rent charges amongst other responsibilities that have an impact on SMEs. Chakunda (2023) notes that the drive across the globe to devolve power to sub-national government is meant to facilitate development across several aspects at the local level. World Bank (2020) notes SMEs at the local level, help in delivering goods and services, boosting trade and investment, promoting innovation and assisting in integrating youth and women into the economic mainstream. Despite these benefits, not much research has been done on how sub-national governments can contribute to their development. Therefore this research sought to examine how these sub-national governments can contribute to the development of SMEs leading to Local Economic Development.

However, despite the positives that have contributed towards the economic development of the African continent, SMEs are still facing several challenges. These obstacles are impeding the long-term survival and contribution to development by SMEs within African countries. African Development Agency (2022) notes approximately 70% of start-up businesses die within their first year of operation in Africa. The centralised government system that is in use in most African countries is failing to support the entrepreneurial spirit, especially in smaller cities where SME challenges are not quickly addressed. Thus it is imperative to enact policies that give local local authorities power and autonomy to grow SME businesses in their locality as in the case of Asian countries. Such local autonomy could be the panacea to the high mortality of SME businesses as well as eradicate poverty and unemployment in Africa (Mandivhandila & Musara, 2020). Local authorities should be proactive in the development of SMEs in their jurisdictions and eliminate Institutional and market inefficiencies that have a disproportional bearing on the growth of SMEs (Mandivhandila & Musara, 2020). Devolution enables local authorities to realise their economic potential and good governance in local authorities has a positive effect on SME performance because SMEs will be able to efficiently forecast their resource needs and availability (Nguyen, 2023). Del Giudice et. al, (2020)observed that local authorities only supported SMEs up to the growth stage in China, thus SMEs were still susceptible to challenges thereafter. The challenges that mostly hamper the growth of SMEs in African countries include inadequate institutional and physical infrastructure, unstable political environment, a rigid burdensome regulatory framework, exploitation, and access to affordable finance (World Bank, 2020).

According to (Masimba, Rajah, and Mutema, 2022), in Zimbabwe, there is a thin line between SMEs and the informal sector due to the lack of properly established firms. This subtle difference between SMEs and informal sectors has worsened the challenge of access to finance for most SMEs from financial institutions in Zimbabwe. African Development Agency (2023), notes only a fifth to a third of SMEs in Sub-Saharan Africa have access to financial instruments, and these are mostly SMEs that have managed to grow by creating a suitable operating environment and increased productivity. Furthermore, an estimated 28.3% of SMEs in SSA are entirely credit-limited. This is particularly a significant concern for African SMEs because

this impedes their capacity and ability to develop and grow without sufficient operating capital coupled with harsh regulatory and operating environments. The above amplifies the need for the sub-national government to be part of the solution to address some of the problems which therefore this paper seeks to establish.

According to Obokoh et al (2016), the rise of SMEs is a crucial component of growth strategy for the Sub-Saharan countries. In Nigeria, the relationship between entrepreneurial attitude and the modern market performance of SMEs is moderated by local and central government developmental policies. The central and local governments in countries such as Nigeria have created a conducive economic environment and programs to influence and effect decision-making processes that support economic growth. The Nigerian plan for SMEs has placed a high priority on the production of goods and services, extensive marketing and protecting the sector from stiff competition from imports. The Nigerian Customs Services specifically forbade the import of goods that could be obtained and produced in Nigeria (Wakili, 2016), to boost the potential of their markets and, as a result, work to boost their performance and productivity (Omonobi and Bivbere, 2016). Manzoor, et al, (2021) concluded that SMEs had a positive effect on rural development and access to finance had a mediating effect on SMEs evolution in Pakistan. If natured well SMEs can eradicate poverty, reduce unemployment, and help countries in achieving sustainable development. This is because SMEs use locally found resources in their operations.

The Zimbabwean government has made frantic efforts to recognise the importance of SME development. The central government has put in place various policies and programs to support their growth, including the SME and Microfinance Policy, the SME Development Strategy, and the Zimbabwe Investment Authority Act (Government of Zimbabwe, 2019). All these efforts have yielded results to a certain extent but less research has been done on the extent to which then sub-national governments have assisted. The Constitution of Zimbabwe Amendment 20 Act of 2013, Section 264 provides for the establishment of sub-national governments. According to the act, whenever appropriate, governmental powers and responsibilities must be devolved to provincial and metropolitan councils and local authorities that are competent to carry out those responsibilities efficiently and effectively. To narrow it further, Section 274 (1) notes there are urban local authorities to represent and manage the affairs of people in urban areas throughout Zimbabwe. With an increase in urban informality and the emergency of start-ups, it is upon the local authorities to also take a leading role in assisting these SMEs as they are also part of the affairs of people in urban areas contributing to different sustainable livelihoods. Therefore the objectives of the research will be to investigate the role of local authorities in promoting the growth of SMEs, and to analyse the relationship in existence between the Gweru City and the SMEs. In addition, the research sought to examine the challenges faced by SMEs and how local authorities can address them. Lastly, the study will recommend measures to improve the role of urban local authorities in promoting the growth of SMEs in Gweru Urban.

SMEs play an important role in the growth of the local economy and therefore local authorities need to come up with robust strategies that aim to promote the growth of the sector. According to (Chidoko et al, 2011), local economic development has contributed towards poverty reductions, creating employment and an increase in ownership of local resources. This is against the background of the economic hardships that have been experienced by the country since the turn of the millennium. The growth of the SME sector presents a solution to the economic problems bedevilling the Zimbabwean economy including the high rate of unemployment caused by the downsizing and collapse of industries. The sector has so much potential and capacity to absorb the unemployed labour force. According to RBZ, (2019), the SME sector provides a solution to the employment problems facing the country as the majority of the labour force is employed in this sector of the economy. With the support from the central government, the sector is contributing significantly to the growth of the economy by creating new jobs and providing different goods and services and it has become an epitome of technology and innovation.

Problem Statement

Despite the central government's various initiatives to enhance the expansion of SMEs, local governments in Zimbabwe are not very visible in promoting the growth of SMEs. Efforts by the central government are evident amongst other the existence of a stand-alone ministry responsible for the SMEs and the Micro-Finance Act Chapter 24:19. The researcher therefore intends to examine the role of local government apart from the policies and efforts of the central government, in accelerating the growth of SMEs.

RESEARCH METHODOLOGY

The study adopted both qualitative and quantitative research approach. For qualitative, an inductive qualitative research approach was adopted as the researcher built from the bottom, using selected participants' views to formulate broader themes on assessing the role of local authorities in promoting the growth of SMEs in Gweru. Cresswell (2009) states that qualitative researchers collect data for the study by examining documents and interviewing participants. The researcher collected primary data for the research by interviewing the targeted participants and carried out observations of the SMEs in Gweru Urban and Mtapa areas. The researcher sought authority to carry out the research from the responsible authorities. As a way to maintain confidentiality during interviews, the researcher first got informed consent by fully informing participants the purpose of the research, why I was collecting data through interviews and how I wanted to use it. Less personal data was also asked to participants and anonymity was maintained in the presentation of data. All this was done to encourage participants to provide candid responses. Qualitative research is carried out when there is a need for a complex, well-detailed understanding of an issue prevailing in society. Researchers can obtain this detail by discussing it with people naturally (Cresswell 2007). In light of the need for an understanding of how local authorities can assist in the growth of Small to Medium Enterprises, the researchers had direct interactions with those operating small businesses in Gweru CBD and Mtapa areas, City of Gweru officials, Ministry of Small to Medium Enterprises Development Midlands Provincial office and SMEs representatives.

The researcher also adopted the quantitative approach to collect numerical data for statistical analysis. This was done so as to aggregate the data, compare them, or show relationships among the data. According to Cresswell (2007), quantitative research methods are more scientific and rational. They use quantifiable data leading to objectivity in the results and avoid any chances of ambiguity. To gather statistical primary data, structured observations were done on the SMEs in Gweru. The researcher also made use of statistics in secondary sources of data amongst them council lists of SMEs registered, areas they are operating from and if they have formalised with responsible authorities or operating illegally and the SMEs representative associations. The adoption of quantitative was done measured values, facts, and verifiable information so it can be easily checked or replicated by other researchers leading to continuity in scientific research.

The researcher also did an extensive secondary sources review. Secondary data is defined by Kothari (2004) as that which has already been collected by someone else and which has already been passed through the statistical and analytical process. The researcher made use of newspapers, journals, reports, newsletters and publications. Also, the researcher consulted unpublished data found in council policies, minutes, and letters concerning the SMEs. The target population was purposefully and conveniently selected, comprising the Gweru City Council officials and the SMEs operating both in the Gweru CBD and Mtapa areas, where they are mainly concentrated. Qualitative and quantitative data was gathered from five SMEs categorised into Agriculture produce, Food and Food Products, Fruits and Vegetables, Clothing and Textile, Motor Mechanics and Engineering and Transport Services, having three representative from each category. In addition, the researcher interviewed three Gweru City Council officials to make up a sample of 27 participants. Data were analysed thematically where themes were established to deduce meaning guided by

the research objective of assessing the role of local authorities in the growth of SMEs. Thematic analysis was highly beneficial as it allowed for the categorisation of large amounts of data making it easier to digest. The following five steps were adopted in analysing the qualitative data gathered through interviews and observations, (i) gathering and collecting your qualitative data, (ii) organising and connecting into your qualitative data, (iii) coding your qualitative data, (iv) analysing the qualitative data for insights, and (v) reporting on the insights derived from your analysis.

Theoretical Framework

This research is guided by Falletti's (2004) sequential theory of decentralisation in assessing the role of sub-national governments in promoting the growth of SMEs. The theory has three main characteristics the first one being decentralisation as a policy reform process aimed at the transfer of power, responsibilities and resources from the national government to the sub-national government. This points to the view that indeed sub-national governments have to take up the responsibility for enhancing the growth of the SMEs as stated by this first characteristic. The second characteristic of the theory is that it takes into account the territorial interests of bargaining actors. Territorial interests are defined by the level of government (national, regional/state, or municipal) and the features of the territorial unit like resource endowments. In this regard, territorial interests include the interests of small businesses that operate in urban local authorities that need the recognition and support of sub-national governments. Interests of the SMEs have to be recognised as they have become a force not to be ignored considering the sector's contribution to economic development. In some instances, these SMEs will be making use of the resources found within their localities and local authorities need to recognise and support them. The third characteristic of the theory is that it incorporates policy feedback effects in the analysis of bargaining situations. From this, local authorities should come up with policies that accommodate and promote the growth of SMEs. The policies should be informed by the SMEs and this should be done through wide and robust consultation processes. The Urban Council's Act mandates these urban local authorities to constantly carry out engagement meetings with residents and stakeholders to establish their needs and guide the local authorities on how they do their business.

Challenges encountered by the SMEs

Economic Challenges – A weak economy, high taxes, high exchange rates and decreasing purchasing powers are some of the economic challenges affecting negatively the informal sector. According to Doan et al. (2020), SMEs perform worse when there is more economic uncertainty. Developed nations cite lower financial and economic barriers to the expansion of SMEs than less developed nations due to their higher GDP per capita and robust banking systems (Moder and Bonifai, 2017). The government's tax rate has a detrimental effect on the expansion of SMEs. Previous research has demonstrated that a high tax rate inhibits the development of an unregulated economy. Due to the nature of the tax system, Austria has a similar complex tax structure that has a significant impact on taxpayer behaviour. According to Venter et al. (2003), the biggest barriers to SME performance were the unemployment rate, interest rate, and inflation rate.

Volatile Political Environment – Political instability and uncertainty in the Zimbabwean political environment have created a challenging operating environment for SMEs. This has made it difficult for the SMEs to make long-term planning and investments. According to Zimbabwe Lawyers for Human Rights, (2018) in the past, Zimbabwe has experienced episodes of political turmoil and the SMEs are often affected negatively. Events such as demonstrations that have been carried out by certain political parties have left a trail of destruction to these SMEs with some suffering huge losses. Elections. Zimbabwe Lawyers for Human Rights (2018) notes that SMEs are forced sometimes to close business by some political parties when they conduct their rallies.

Competition – Large businesses are a constant source of rivalry for SMEs. SMEs are less effective than

large businesses and have higher costs per unit of revenue (Ishengoma and Kappel, 2008). SMEs are unable to service international markets due to weak technology, market competition, and insufficient financing. Additionally, they are unable to obtain credit ratings which attract investors (Kumar et al. 1999; Park 2006). Competition on a national and worldwide level is another obstacle to the success of SMEs, (Madavanhu et al. 2011). The market is oversaturated with imports from nearby nations, which puts locally manufactured goods under intense rivalry. International SMEs are affected by industrial forces such as competition (Sharfael et.al, 2022) on the other hand firms with greater competition exposure adopted better managerial practices than SMEs with less competition (Farooq, 2022).

Electricity and power supply shortages – Like any other Southern African country, Zimbabwe faces acute power shortages leading to long hours of load-shedding. The power cuts often last for more than 12 hours leading to loss of productive hours for the SMEs, especially in the manufacturing sector. Those in welding, sewing and carpentry are mainly affected with some SMEs resorting to working at night when there is power and thus incurring overtime and also adding to the cost of production. Some SMEs resorted to the use of solar and alternative sources of energy such as generators leading to an increase in the cost of operating their business. Local authorities need to come up with innovative initiatives for the power crises. This includes establishing solar farms that can generate electricity to feed into the national grid. More so, local authorities can forge partnerships on behalf of SMEs with private players that are into power and energy production. Such will contribute significantly towards alleviating the problem of electricity and power supply shortages. Local authorities on their own also need to invest in renewable energy to assist in reducing the effects of power and electricity supply shortages. Local authorities such as Harare City Council and Bulawayo City Council need to upgrade their power stations to increase electricity generation.

Lack of Business Management Skills

Sound human capital management and skills development are prerequisites for the sustainability of any business, particularly for SMEs. The ability of SMEs to develop through getting funding, skills development and awareness of business possibilities is hampered by the lack of human capital, (Nandan, 2010). As a result, SMEs have low human capital, which leads to poor marketing and financial planning, a lack of solid business plans, subpar financial performance, and poor corporate governance (King, 2016). Poor financial and human capital management in SMEs leads to the underutilization of resources and in most instances, the collapse of these SMEs. SME business is uncertain, but success can be achieved with effective managerial knowledge and abilities.

Role of Local Authorities in promoting the growth of SMEs

Several challenges are encountered by the SMEs. It is upon these problems that are being faced that local authorities need to come up with solutions as a way to enhance the growth of SMEs. The following discussion will focus on how local authorities can contribute toward the growth of SMEs.

Amending Archaic Neo-liberal By-laws

As the informal sector is exponentially growing, local authorities and the government need to develop relevant frameworks or modify by-laws to entrench SMEs and the informal sector (Chiwenga, 2022). Most of the local authorities' by-laws are archaic. Due to the ever-changing environment, most of the urban local authorities' by-laws are now restrictive to the growth of SMEs. The by-laws are restrictive to the ease of doing business. Ruswa (2022) notes that local authorities needs to offer temporary reprieve for these business by issuing temporary operating license and permits and registering backyard SMEs. Local authorities need to take into account the changing business environment and globalisation. The archaic by-laws have presented many obstacles that comprise high taxes and rates, long registration and licensing

processes, and policy adjustments. Chikara (2020) notes that there is a plethora of facilities that were left idle in cities that could house many SMEs owing to the restrictive by-laws such as change of use. The archaic by-laws have portrayed local governance in a bad picture as local authorities are viewed as regulating for revenue and not for business growth, creating a perception of local authorities not being favourable to support SMEs' growth. Therefore local authorities must formulate regulations that promote a conducive environment for SME growth by amending the by-laws. The process of amending the archaic by-laws should involve all the stakeholders.

Creation of Conducive Operating Environment

Local authorities need to allocate space in central business districts and offer commercial and industrial stands to SMEs as a way to enhance accessibility to land as they are the responsible authorities for land administration and spatial planning. Council has an obligation to religiously review and implement SMEs Sector infrastructure development. The SMEs sector infrastructure development, entails upgrading and constructing appropriate infrastructure for the various SMEs activities across the City including the attendant service delivery infrastructure. This infrastructure will be complemented by the uplifted social services infrastructure and the Traffic and Transportation infrastructure which includes transport hubs and business centres. According to (Karedza, 2014) lack of a conducive operating environment is one of the major problems affecting the smooth operation of SMEs. The cost of acquiring business and commercial stands in urban local authorities is beyond their reach. This has left most of them operating illegally on lands and open spaces not allocated by the local authorities, and often in conflict. Chilembo (2021) cites that the huge shortage of physical infrastructure such as buildings, land, equipment and machinery has hampered the growth of the sector as it is affecting negatively their business activities. Samudzimu et al. (2019) observed that most SMEs operate in open cramped and illegal spaces, limiting their potential to produce more goods and services. According to (Chakunda, 2023) as they operate in these illegal spaces, they are mostly found in conflict with law enforcement resulting in a cat-and-mouse game. The solution to this problem lies with the local authorities to re-plan the urban spaces and incorporate the SMEs. Local authorities should allocate space in central business districts and offer commercial and industrial stands to SMEs as a way to enhance accessibility to land as they are the responsible authorities for land administration and spatial planning.

Mobilise Funding and Capacity Building

To assist the sector to secure funding, local authorities should increase access to land to the SMEs on favourable terms that then can be used as collateral. In addition to that, local authorities can create SMEs fund. The fund can be used for SME infrastructure development, maintenance and for the Revolving Fund for SME registered traders. Local authorities can use the bulk of the SMEs fund for infrastructure development, in addition to devising mechanisms that promotes accountability and transparency in the management of the SMEs fund. As discussed earlier, local authorities are responsible for land administration, and facilitating easy access to land, this will also ensure and facilitate access to financing. SMEs require capital injections to acquire capital assets to increase production, goods and services. Securing financing to inject into their businesses is one of the problems faced the SMEs in Zimbabwe. Samudzimu et al. (2019) attribute the exorbitant cost of capital as one of the challenges making it difficult to secure funding. The financing institutions are mostly not interested in financing the sector due to the lack of collateral security and the high risk associated with the sector. SMEs barely have the prerequisite information such as credit history that is necessary for lending, limited financial statements and reports, and inadequate land and building ownership for collateral purposes. Most of the micro-finance institutions and banks charge an average of 50% interest rates for short borrowing by SMEs, (RBZ, 2020). The few financial institutions that would have opted to assist the sector mostly then hike their interest rates as a way of dealing with the risks associated with the sector. However, (Dumbu et al, 2014) note due to the volatile economic environment in Zimbabwe, these SMEs end up losing the assets that they would have used as collateral as

they fail to pay back the loans.

Legal and Regulatory Framework Reform

Local authorities need to work together with other departments such as ZIMRA to establish a one-stop shop for ease of registering business. This will contribute significantly towards the ease of registration by the SMEs. In addition, local authorities need to amend the by-laws for most of them are outdated, (Masimba et al., 2022). Local authorities must put in place mechanisms that promote transition of informal businesses to formal SMEs businesses. The existing laws have stifled the growth of SMEs. The restrictive laws have made the SMEs operate underground and illegally and that has contributed negatively. The restrictive laws have seen local authorities with the support of the state security apparatus responding violently leading to forceful evictions, beatings and destruction of goods and services for these SMEs who operate illegally. According to (Masimba, Rajah and Mutema, 2022) there are cumbersome processes at the local authority level that make the ease of doing business very difficult. Karedza (2014) is of the view that the legal framework is not favourable towards the establishment of SMEs in Zimbabwe. According to (World Bank, 2022) Zimbabwe is ranked number 140 among 190 economies in terms of ease of doing business. Therefore it is upon the local authorities to reduce the timeframe for one to register business.

Provision of efficient and effective service delivery

To promote the growth of SMEs, there is need for improvement in service delivery. Some of the services that the local authorities provide are raw materials for the SMEs and their unavailability has had a detrimental effect on their operations. SMEs such as those into Fast foods, Fruits, and Vegetables heavily depend on water from the local authorities. Also, the goods and services that are produced by the SMEs require good roads and the poor road network in most urban local authorities has affected the growth of the SMEs. Poor service delivery by local authorities has also affected negatively the SMEs. Water shortages, poor refuse collection, and bad road network among others are some of the challenges that are hampering the growth of the SMEs. According to Savedoff and Spiller (cited in Herrera and Post 2014), notes that the cause is low tariffs and non-payment of service charges, which lead to low quality and limited expansion of services, operational inefficiency and corruption, which in turn lead to low consumer willingness to pay, leading to the erosion of public confidence, which then serves to finally block any funds that might be earmarked for further reinvestment in services delivery. The inadequate service delivery has made the SMEs operative in an uncondusive and environmentally hazardous environment. Congestion has become a norm in urban centres. Local authorities need to deliver efficient and effective service delivery as a way to assist the growth of SMEs. In addition, local authorities are supposed to improve the road network so that these SMEs can move their goods and services, efficiently and effectively which will also reduce operating costs.

FINDINGS

The Gweru City Council has assisted in the development of infrastructure for the SMEs in the city. The council has made provision for land for the development of Mtapa Market where markets have been constructed with different activities taking place. One of the Gweru City Council respondents noted that;

“As a way to complement government efforts to promote SMEs growth, as a council, we have managed to provide land for SMEs for infrastructure development at the Kombayi and Mtapa markets. The council managed to construct vending stalls though not yet complete which accommodate around 1200 vendors and SMEs.”

However, from the observations made by the researcher, the place lacks basic infrastructure for the SMEs operating in makeshift sheds. The researcher observed the unavailability of sheds and ablution facilities,

exposing the traders to an unsafe working environment. This points to the little effort being made by the local authority to promote the growth of the SMEs in the city. From the observation, there is a huge shortage of conducive infrastructure, with one of the respondents noting that,

“The trade markets are inadequate, as you see us operating in overcrowded spaces. In this shade that is supposed to be accommodating five but if you look we are more than ten and we are squeezed here. The council is also failing to provide us with sanitation infrastructure, there are no toilets here and this exposes us and our customers to the outbreak of cholera. We also can’t protect our products against the rain and sun as we operate in the open.”

This above is in line with Karanja, et al (2014) findings that one of the major problems facing SMEs in Africa is access to land and conducive infrastructure, particularly in metropolitan areas, which prohibits local authorities from engaging in the expansion of SMEs. Therefore, lack of land and infrastructure has hindered local authorities’ capacity to support the growth of SMEs. Several studies reviewed have shown that these SMEs need easily accessible land, which is unusual in most CBDs. However, the Gweru City Council is making efforts to accommodate these SMEs close to the CBD because these two marketplaces are close to the CBD, the city council is playing an important role in infrastructure and land provision to foster the growth of SMEs. However, one of the limitation to this effort by Gweru City is the ever increasing size of the informal sector and the SMEs as a result of economic meltdown that have led to massive labour being laid off from the formal employment. The space is failing to accommodate the numbers.

On financial support, respondents noted that the local authority with the help of the central government once offered financial support to assist the SMEs. One of the respondents noted that,

“the local authority in partnership with VISET and SMEDCO, a government department responsible for capacitating SMEs have educated us on basic financial and business management so that we can properly manage our businesses”

This was also concurred by the council official who cited that,

“The local authority does not finance SMEs, but we create platforms and partnerships with financiers for the financing of the SMEs.” As of the year 2021, about 15 SMEs got capital injection from a local bank and as a local authorities we assisted with the processes.

The above therefore points to the fact that local authorities have a significant role in assisting SMEs to get financial support. Through partnerships with financing institutions, local authorities can help these SMEs to access financing which is critical in expanding their businesses. However, the researcher established that the hyper-inflationary environment being experienced was undermining the financial support initiatives as the value of the local currency continue to depreciate.

The researcher further established that in terms of financing, the financial sector favours established large corporates. A respondent operating a small grocery shop in the Gweru CBD highlighted that

“We mostly face development challenges due to lack of collateral, high transaction expenses, and inability to deal with sophisticated financial institution procedures. As SMEs we incur higher costs compared to big companies when getting loans from private finance institutions, which makes it difficult for us to access credit which was much needed especially after the COVID-19 pandemic, they regard us as high-risk enterprises.”

The above points to the difficulties that are faced by the SMEs in Gweru in acquiring loans. This can be attributed to the SMEs not having collaterals and financial institutions’ hesitancy to credit small businesses,

mostly those that are starting. One of the officials said,

“Access to finance is an enabling factor for the success of SME businesses. Finance is provided by the government and banks because as a council we can’t do so. However, accessing these funds is not easy as they are viewed to lack collateral security and this leads to frustration as they struggle to offer such guarantees to get cash to finance their commercial endeavours.”

Therefore not having access to funding has become a huge barrier to SMEs’ growth since public financial institutions are more likely to lend to state-owned or large businesses. The findings are compatible with what Mazanai and Fatoki (2012), noted as a significant barrier to the expansion and survival of South African start-up SMEs is access to financing.

It was also established that SMEs encounter challenges in marketing their goods and services. As a solution to this problem, the Gweru City Council has come up with several initiatives to assist these SMEs. Respondents at Gweru City Council noted that

“We as a local authority have made it a priority to participate in annual events such as Agricultural Shows, and Trade fairs as a way of marketing Gweru, goods and services that are available. In addition, we have assisted in organising networking seminars, and other collaborative events as well as trade exhibits in which SMEs may participate at a far cheaper cost than a typical commercial event.”

To cement the above another respondent from the Gweru City Council highlighted that,

“The local authority has come up with initiatives that have assisted the SMEs to join local and international markets through our twinning arrangements with other cities. It is very risky for a nation to rely on just one or a few dominating firms. As a result, we managed to assist the SMEs in expanding through marketing their goods and services.”

The above concurs with Gangata, and Matavire, (2013) who contended that local authorities in an attempt to stimulate the growth of the SMEs have come up with initiatives to support the growth of the SMEs. As evidenced from the above, the local authority has made use of the different platforms to market Gweru and also create market linkages which can go a long way in assisting the growth of the SMEs within Gweru.

The researcher also established that the local authority was in the process of revisiting the city by-laws which are now archaic and stifling the growth of the SMEs. One of the respondents operating in Gweru CBD made the following contribution,

“The local authority needs to review their archaic neo-liberal by-laws which were crafted during the colonial era and are no longer relevant to this ever-changing economic environment where SMEs have become dominant. The Gweru City Council still have old by-laws that impede formalisation leading to the growth of the SMEs.”

The above finding are comparable to Wang (2016) who notes that laws governing how businesses are founded are incredibly complex and conflicting. The results of the current study were also in conflict with Wang’s (2016) observation that many SMEs do not comply because doing so would be expensive and time-consuming, as described in the literature review.

CONCLUSION

SMEs are now a force to reckon with and cannot be ignored in third-world countries. The sector is therefore the most crucial plan of action for regional economic development. The emergency of SMEs in literature is

attributed to rapid urbanisation and limited employment opportunities as a result of economic meltdown and retrenchments. The SME sector has therefore significantly increased as various players continue to come in to support the growth and survival of these small businesses. There are government policies that have been formulated as a way to promote SMEs but there is a deficiency on the role of local authorities in literature. Findings point to the need for the Gweru City Council to provide adequate infrastructure and efficient, effective service delivery. There is also the need for the review of council by-laws to speak and apply to the ever-changing economic environment. Lastly, ease of doing business should also be extended to SMEs to facilitate the growth of small businesses.

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