GROWTH CONSTRAINTS OF SMALL AND MEDIUM ENTERPRISES (SMES) AT GLENVIEW FURNITURE COMPLEX (GFC) IN HARARE (ZIMBABWE)

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Abstract:

Small and Medium Enterprises (SMEs) are regarded as the seedbed of entrepreneurship development. The government and other support institutions are making efforts to support the growth of the sector. Despite all these efforts and initiatives, there has been an insignificant corresponding growth of SMEs in terms of size. This study adopted both qualitative and quantitative approaches. The research used random sampling focusing on owner/managers. Primary data was collected using questionnaires. The Statistical Package for Social Scientists (SPSS) was used to analyse the data. The results show that the main factors constraining the growth of SMEs at Glenview Furniture Complex are limited access to finance, limited access to infrastructure, competition, limited access to markets, HIV/AIDS and lack of access to appropriate technology. It was also found that SMEs at GFC grow through joint ventures, product differentiation, focus strategy and low cost strategy. The study recommended that SMEs at GFC should pull their resources together in acquiring raw materials as a group and selling their products through cooperative shops in town where they can display their products.

Key words: Small and Medium Enterprises, support institutions, factors constraining growth

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1. INTRODUCTION

Small and Medium Enterprises (SMEs) play a major role in both the developing and developed world. They are regarded as the engine of economic growth in all economies of the world (Amin and Banerjee, 2007). Madsing (1997) states that small and medium enterprises (SMEs) are responsible for 65% of employment and 57% of Gross Domestic Product (GDP) within the UK. Many countries have special policies and programmes on SMEs because they make a major contribution which appears to be increasing over time to private sector output and employment (Storey, 1994). They play tremendous roles in provision of goods and services, employment generation, enhance competition and entrepreneurship. They contribute to the Gross Domestic Products (GDPs) of many countries and creating a better standard of living (Beck, Demirguç-Kunt, and Maksimovic, 2005).

Government, Non-Governmental organisations (NGOs) and the private sector support the SMEs in Zimbabwe with the objective of developing and growing them. Some support institutions, including the government offer support in training, infrastructural and financial assistance to promote the growth of SMEs. Other SMEs even get support in marketing their products locally and regionally with the hope of growing them into large organisations. The problem of the current study is that SMEs, including those at Glenview Furniture Complex continue to show insignificant growth despite all the support received.

The objectives of this study are; to investigate the factors that constrain or determine the growth of SMEs and to identify what institutional and government support is being given to SMEs to promote their growth. The study is organised as follows, the next section looks at the background of the study, then literature review, methodology, results, conclusion and recommendations.

2. BACKGROUND

2.1. SMEs in Zimbabwe

2.1.1Definition of SMEs in Zimbabwe

Small Enterprise Development Cooperation (SEDCO) defines an SME as a business with not more than 100 permanent employees (SEDCO, 2011). According to SEDCO (2011), small businesses are those employing less than 50 permanent employees and registered, medium businesses those employing less than 100 permanent employees and registered and micro businesses are those employing less than 5 employees and is not registered. SEDCO has actually dropped the use of capital and turnover base after the adoption of multi-currency system due to valuation challenges.

The Confederation of Zimbabwe Industries (CZI) Newsletter (2010, April) currently defines a small business as a business with an employment capacity of one to twenty hired employees and an annual turnover below US4million dollars. A medium scale enterprise is defined as a business with an employment capacity of twenty one to thirty five hired employees and an annual turnover of US4million dollars to US4.5million dollars.

2.1.2 Development of SMEs in Zimbabwe

SMEs in Zimbabwe have grown since the introduction of the Economic Structural Adjustment Program (ESAP) (Bhalla, Davies, Chitiga Mabugu, and Ramos Mabugu, 1999). The introduction of ESAP in 1991 resulted in loss of employment and the shrinking of the formal job market, impoverishment of people, thereby creating conditions for the mushrooming of the SMEs. The mushrooming of Zimbabwe's SMEs sector coincides with the country's economic slide and internal political conflict resulting in shrinking of the formal productive sector, a rise in unemployment and the growth of informal economic activities (CZI Business Intelligence Report, 2010). Rural to urban migration in Zimbabwe also resulted in cities and towns becoming overpopulated with people looking for employment in an economy with decreasing formal employment resulting in them joining the SME sector.

Zimbabwe's education system which expanded rapidly after independence produces thousands of job seekers every year with little chance of finding work in an economy that saw 400 companies shut down in 2000 (Kumbawa, 2002, June 12). Another factor that gave rise to the SME sector growth is the HIV/AIDS pandemic. Many people particularly women and children have suddenly acquired new roles of being bread winners after their bread winners got sick or die of AIDS. They are forced to find employment in SMEs mainly in the informal sector to earn a living (Bhalla *et al.*, 1999).

SMEs in the retail and commerce sector in Zimbabwe constitute the highest number of SMEs at 40%, followed by service and manufacturing sectors each constituting 19% of the SMEs respectively. Agriculture constitutes 7% of the total SMEs, construction 5%, mining 5% and others 5% (Government of Zimbabwe, 2003).

From the year 2000, there was an economic downturn, resulting in companies closing down or downsizing their operations. Foreign companies left the country and invested in South Africa (Kumbawa, 2002, June 12). Many people in Zimbabwe lost their jobs and started their own businesses resulting in a high proliferation of SMEs in the different sectors of the economy. Bhalla *et al.* (1999) stated that the growth of SMEs in Zimbabwe represented annual growth in turnover of 28 per cent between 1991 and 1995. SMEs in Zimbabwe play a bigger role in the manufacturing sector where they contribute about 10.1% to gross output, 10.9% to net output, about 13% to employment and 11% to wages and salaries. The informal and micro-enterprises sector accounts for an estimated 15-20% of Gross Domestic Product (Reserve Bank Monetary Policy Statement, January 2005, p.48).

2.2 Support of SMEs in Zimbabwe

Since independence in 1980, the Zimbabwean government has made efforts to promote the development and growth of SMEs in the country. In 1981 the government introduced the Zimbabwe Conference for Reconstruction and Development (ZIMCORD) which aimed at rehabilitating rural businesses destroyed by the war and promoted cooperatives in an attempt to control the economy. The Transitional National Development Plan (TNDP) was introduced in 1982 focusing on the decentralisation and formation of small businesses in the rural areas (Government of Zimbabwe, 2003). It gave birth to Small Enterprise Development Corporation (SEDCO) in 1984 which offers extension services and financial support to SMEs (SEDCO, 2003).

The introduction of ESAP transformed the economy to a free market economy and a more competitive market. With ESAP, SMEs were to benefit by accessing once restricted markets, expedite investment approval, tax reductions and reduced labour costs. Tariffs were to be reduced thereby benefiting SMEs through reduced prices and increased access to imported inputs. In the year 2000 the Zimbabwe Millennium Economic Recovery Plan (MERP) was introduced to alleviate poverty, sustain investment capacities and to enable real incomes to be realised. The Ministry of SMEs was created with the objective of promoting the development and growth of SMEs in the country (SEDCO, 2003).

Apart from the government support for SMEs, other agencies like the non-governmental organisations for instance, Practical Action, European Union, HIVOS and the International Labour Organisation also assist SMEs. The private sector, especially banks, like Kingdom Micro-king assist SMEs financially and also with business advisory services. Inorder to promote and help those SMEs that had no work stations, SEDCO and Ministry of SMEs in collaboration with the City/Town councils constructed work places for SMEs in different areas and sectors of the economy including the Glenview Furniture Complex (GFC).

2.3 Background of Glenview Furniture Complex

In the period before 2005, furniture manufacturers used to do business along the road sides and in homes in Glenview and other surrounding areas. They operated in informal structures and had no work places to do their business. The government embarked on an operation called 'Operation Murambatsvina', (operation remove rubbish/ clean up) in 2005 when all buildings constructed without the local authority's approval were destroyed (Glenview Furniture Complex Association Report, 2010). Most SMEs lost their work stations.

Understanding the importance of SMEs contributing to solving both economic and social problems for the country, the Ministry of SMEs lobbied the City of Harare for land to build shelters for SMEs to work in. The ministry got the land and constructed workstations like the Glenview Furniture Complex to accommodate mainly SMEs who had lost their premises due to the clean-up exercise and those who were manufacturing and selling furniture along the streets. Also accommodated at the furniture complex are those who were retrenched from companies and those who left employment during the inflationary period who have ventured into furniture manufacturing (Glenview Furniture Complex Association Report, 2010). The SMEs manufacture and sell their products at the complex and they pay rates to the City of Harare.

The SMEs are accommodated in buildings with some operating in shades and tents. There are four hundred and eighty (480) business units at the complex which are all into furniture manufacturing (Glenview Furniture Complex Association Report, 2010). From the time the complex was constructed in 2005, the number of business units at the centre has remained basically the same at 480 business units. These business units have employees that range from two (2) to less than thirty (30). The SMEs manufacture kitchen units, kitchen chairs, wardrobes, cupboards, lounge suites, dinning room suites, room dividers, coffee tables, bedroom suites, beds and wall units.

The SMEs at the complex get cheap timber from timber merchants who supply from Nyanga. They also get the cotton staff that they use to manufacture lounge suites, dinning room suites and also beds from different informal traders. Most of the raw materials used by the SMEs at the centre are sold just outside the complex, mostly by the informal traders at cheap prices. SMEs at the complex have a higher bargaining power since they demand much of the same products, so they can negotiate for lower prices. Raw materials are delivered to SMEs at the complex by the suppliers.

The SMEs produce high quality furniture with a ready market in Harare and surrounding areas including some furniture shops like Callans, Modern furniture, Downtown furniture and Station Furniture. They advertise their products on their own and can even negotiate to lower the prices. SMEs from the Glenview Furniture Complex also exhibit their products at the Zimbabwe International Trade Fair (ZITF) and at the Zimbabwe Agricultural Show (ZAS) thereby widening their market. The Ministry of SMEs also initiates some business training for SMEs through SEDCO. SEDCO offers loans to SMEs in all sectors of the economy including those at the Glenview Furniture Complex. Table 1 shows the assistance advanced to Glenview Furniture Complex SMEs.

Table 1: Assistance Advanced to Glenview Furniture Complex SMEs

Form of Assistance	2006	2007	2008	2009
SMEs that received business management and marketing training	133	145	112	182
SMEs that received marketing assistance	132	124	88	156
SMEs that received funding assistance	78	67	36	88
SMEs that received work stations	480	480	480	480

Source: Glenview Furniture Complex Association Report (2010)

3. LITERATURE REVIEW

SMEs are most vulnerable in terms of survival because of their newness and smallness (Kangasharju, 2000). Kapour, Mugwara and Chidawaenzi (1997) observed that 48% of SMEs close business in the first three years of operation. Lussier and Pfeifer (2001) argue that only a small percentage stay in business in the long term, with many of the survivors achieving only marginal performance.

A study carried out in Zimbabwe by McPherson (1991) on micro and small enterprises revealed that 81% of Zimbabwean SMEs that were under consideration did not experience any growth, instead they either shrank or remained stagnant during the period since they were established. Figure 1 below shows the relationship between business constraints and performance of SME business.

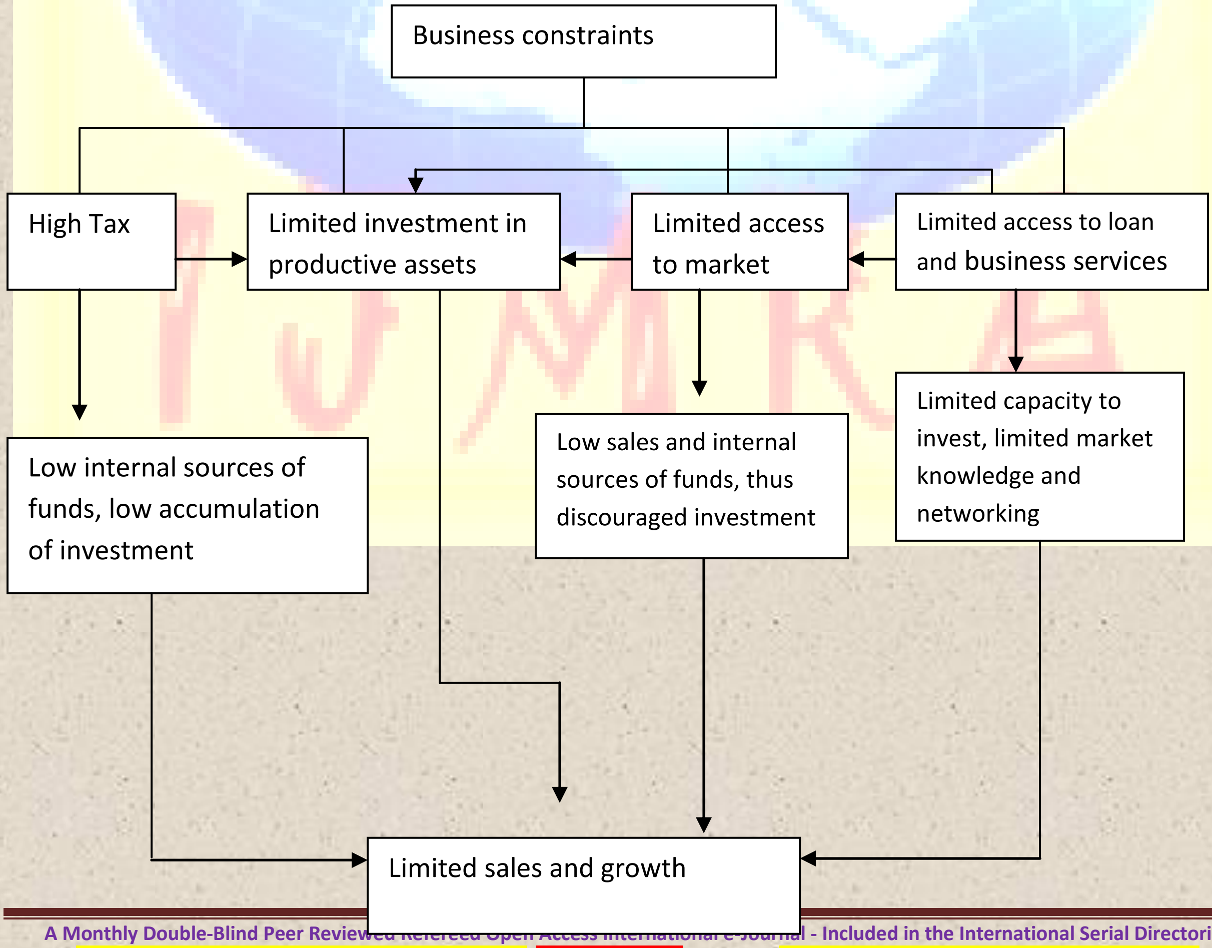

Figure 1: The conceptual relationship between business constraints and growth of SMEs.

Source: Ishengoma and Kappel (2008:12) Business Constraints and Growth potential of Micro and Small Manufacturing enterprises in Uganda

Viviers, Van Eeden and Venter (2001) state that the factors that affect the growth of SMEs can be internal or external to the organisation. The success and growth of the business depends on the ability of management to deal with the external factors. Kangasharju (2000) notes that internal factors are firm based and are potentially controllable. They involve the actions, decisions and behaviour of the entrepreneurs and his or her team. Vicziany, Navaratnam, Thornton and Wong, (2001) groups the constraints to doing business into five categories. These are: factors related to information; cultural issues, human resources issues, unavailability of infrastructure and government policies, inability to adopt technology and lack of information on potential markets. Saleh and Ndubisi (2006) claim that high levels of international competition due to globalisation, high levels of bureaucracy in government, difficulty in obtaining funds from financial institutions as well as from the government and limited access to better technology are the major constraints faced by SMEs.

A study by Barton (1997) cited by Ishengoma and Kappel (2008) of small business growth in Uganda found out that small business growth is constrained by human resource development and management problems, regulatory compliance and harassment, access to raw materials, supplies and equipment, technical/production, access to infrastructure and business facilities and affordable transportation that is accessible. The constraints likely to be faced by micro-enterprises are identifying sources of demand, adapting products and services to meet buyer requirements, developing business linkages and finding customers.

3.1.1. Competition

Man, Lau, and Chan (2002) believe that sustainable competitive advantage is a factor in the survival, success and growth of an enterprise. SMEs growth is constrained by offering unknown brands, uncompetitive products or a limited product offering. A company fails to reach its sales targets if the products on offer are failing on the market. This concurs with Bhalla et *al*. (1999) who said that due to globalisation, SMEs face stiff competition from international competitors and they fail to make an analysis of their competitors which is important to an enterprise if it is to succeed and grow. Limited international marketing experience, poor quality control, product standardisation and little access to international partners impede expansion into international markets by SMEs (Bhalla *et al.*, 1999). According to CZI Business Intelligence Report (2010, p.3), the opening up of boarders allowing free movement of goods has resulted in increased competition for Zimbabwean businesses including SMEs. This now call for businesses to be innovative in their productive processes to remain with high quality products and high price competitiveness. Failure by SMEs to be innovative causes them to be uncompetitive on the markets. Low demand means low sales, this constraint the growth of the SMEs.

3.1.2. Limited Access to Markets

Kotler (2002) states that there is need for companies to measure the profitability of their segments, products, trade channels, territories and order sizes so that they would determine whether any market activities or products should be reduced, eliminated or expanded. Sustainability of a firm depends largely on its performance in the market. Marketing capabilities are required to make the product available and attractive to the buyer. Unfortunately, many SMEs face problems of marketing due to poor quality products, poor packaging, inadequate marketing skills and stiff competition. SMEs have limited access to markets because of the excessive control of the distribution channels by larger firms and the inefficient distribution systems. Pedersen (1997) cited by the Economic Commission for Africa (ECA, 2001) stresses that the poor distribution networks in East and Southern Africa are a major factor in accounting for the inferior growth performance of small producers. Market heterogeneity, limited market size with poor growth prospects and market imperfections negatively affects the growth of an organisation. Businesses rely on market for survival and growth (Man *et al.*, 2002).

Sengendo *et al.* (2001) cited by ECA (2001) state that market problems that are usually faced by SMEs are too few customers and too many competitors. SMEs in general do not have the resources to explore their own markets. They depend heavily on their trading partners for marketing of their products, either within the framework of local production networks and subcontracting relationships or orders from customers. SMEs with limited access to markets end up operating in low income segments. They compete for the same customers resulting in low sales and profits which discourage firm's future investments and therefore limit their growth.

Tustin (2001) says that limited export opportunities negatively affect the growth of SMEs. Kapour *et al.* (1997) and Bhalla *et al.* (1999) agree that Zimbabwean SMEs find it complicated to export because of poor quality of output, failure to meet delivery deadlines, low technology levels, limited new investment and the bureaucratic requirements. They rely on the local market where competition is high especially in urban areas. They have limited access to public contracts and subcontracts due to the cumbersome bidding procedures and lack of information.

Lack of customer relations negatively affects the growth of SMEs. Gartner, Starr and Bhat (1999) say that the knowledge of customers and how to sell to them is important for SMEs. SMEs lack new product features, special promotions, and daily contact with customers and price changes.

3.1.3. Lack of Access to Finance

Growth potential can only be realised if a firm has sufficient financial resources to support the expansion process. Bari *et al.* (2005) say that lack of capital and limited access to finance constrains the growth and development of SMEs. SMEs have difficulties in obtaining finance and the price of money is not affordable to them. The informal credit market which lends to the SME sector usually does so at very high rates thereby negatively affecting the growth of investment and increasing the cost of access to credit by SMEs (ECA, 2001). Lack of adequate start-up funds is a constraint to the development and growth of SMEs since it has a knock-on effect by reducing funds available for activities such as acquiring suitable premises, advertising and publicity (Perren, 2000). Credit rationing is an SME specific growth constraint that is not binding on large firms. Bari *et al*. (2005) add that SMEs fail to get credit because of their weak reputation, poor financial systems and higher per unit cost of SME lending. Limited access to finance is due to the sector being perceived as high risk. Most SMEs fail to access finance from financial institutions due to lack of collateral and lack of a guarantee scheme to back up banks financing SMEs. The other reasons are lack of micro-finance knowledge by bank staff and inabilities of borrowers to prepare and present applications that meet bank's requirements (URT, 2002).

Small firms, even with promising growth opportunities find it difficult to raise external capital obtained at favourable terms and that they would finance their growth to a large extent through retained earnings (Perren, 2000). SMEs have limited access to capital markets, locally and internationally. This is in part because of the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms. As a result, SMEs often cannot obtain long-term finance in the form of term debt and equity. Given SMEs lack of access to external finance, their decisions to upgrade their equipment and machinery by making new investments are further constrained by limited internal sources of financing (ECA, 2001).

A study carried by Bari *et al.* (2005) in Pakistan on the analysis of constraints on growth of SMEs revealed that, lack of access to finance and capital by SMEs result in them failing to acquire the necessary raw materials and expertise to be competitive and to upgrade their investment. This impedes the progress that comes from timely application of resources. It also limits the capacity of SMEs to upgrade their technologies, increase capacity, survive, expand their markets and eventually increase incomes. Failure by SMEs to upgrade their investments results in increased overhead costs per unit, reduced productivity, lack of competitiveness of the products and constrained business growth (URT, 2002).

Beck *et al.* (2005) stated that under-developed institutions constrain firms from growing to their efficient sizes. They argue that financially more developed countries tend to have larger firms. This suggests that financial development eases financial constraints on successful firms and allows them to grow. Where the cost of finance is high there are only short term loans provided which mature before the projects start to yield stable cash flows it is difficult for SMEs to grow (Kapour et al., 1997).

3.1.4. Limited Access to Infrastructure

An underdeveloped physical and social infrastructure as well as limited access to public infrastructure services is a constraint to the growth and survival of SMEs. According to the URT (2002, p.16), "The poor infrastructure in Tanzania including working premises, roads, cold rooms, warehouses, power, water and communication adversely affect the development of the SMEs. Serviced land or business premises are in short supply in most of the cities and towns, especially for industrial use". Bari *et al.* (2005) add that unlike large private sector corporations which can afford to finance their own private infrastructure like roads and power, SMEs rely heavily on public infrastructure whose supply is sometimes unreliable and costly. Poor infrastructure especially in the power sector increases the cost of growth for SMEs resulting in the production of poor quality products, failure to fulfill orders, lack of reliability and reduced productivity leading to distorted growth of SMEs.

An underdeveloped infrastructure limits operations, restricts access to markets and raw materials, limits private investment and therefore inhibits the growth of the firm (Reinikka and Svensson, 2001). This increases the cost of growth for SMEs resulting in the production of poor quality products, failure to fulfill orders, lack of reliability and reduced productivity leading to distorted growth of SMEs.

3.1.5. Lack of Appropriate Technology

SMEs need access to appropriate technology if they are to have a competitive advantage. According to the URT (2002, p.19), the growth and expansion of small businesses in Tanzania is limited by the lack of technology or expertise to research and develop new business ideas. Technology advancement and transfer are important aspects for SMEs development. SMEs have limited access to technology development partly because they lack the relevant information and continue to hold on to poor and obsolete technologies. The author goes on to say that the industrial support institutions are weak and fail to focus on the actual requirements of the SME sector. Risk and uncertainty involved in acquiring technology may result in under investment by SMEs. Rudaheranwa (2000) notes that investment in capital goods by SMEs in Uganda is discouraged by the high cost of the goods which is due to the high domestic and regional transport costs in the country. This argument applies to less developed countries which depend heavily on imported capital goods and spare parts.

3.1.6. Limited Managerial Capacity

Nalumansi, Oluka, Muller-Maige, and Rosch (2002) say that lack of education and poor managerial skills are some of the constraints to the growth of SMEs. At the formation stage of the small business, the owner is able to run it, but face challenges as it grows and managerial demands arise. Moving into the growth stage increases managerial demands capabilities like planning, controlling, organising and leading. It also requires an increase in employee numbers.

Cosh and Hughes (2003) note that lack of management skills is a key constraint on business development for growth and innovation-orientated businesses.

Lack of or poor business plans results in a business not knowing how to operate. Kangasharju (2000) observed that small businesses make plans that are sales oriented and this makes them fail in business. Some of them have no plans at all or if they have, they are poor plans due to the fact that most small business owners do not have management training. Therefore, they fail to manage their growth.

Longenecker, Moore, and Petty (2003) argue that small businesses are destined for failure if the owners do not understand how decisions impact on cash flows. Small businesses usually lack cash flow management capabilities. Cash flow problems in small businesses are usually as a result of too generous credit terms, unnecessary expenditure on say houses, luxury cars or their salaries. Slow moving or excessive stock and cash wasted on unprofitable products or services also worsen the situation (Van Aardt *et al.*, 2002). Poor record keeping system result in lack of focus on things that are needed, failure to detect fraud or to evaluate the business performance and failure to provide information necessary to run the business successfully.

Walter, Balunywa, Rosa, Swerwanga, Barabas and Namatovu (2003) say that a firm that has managers with business/entrepreneurial education is likely to perform better than a firm with managers who do not have such educational background. Loan providers take into consideration the levels of education of the owner-managers when advancing loans with the view that managers with higher levels of education have the ability to make use of resources to generate profit and be able to meet their obligations. Companies with relatively more educated owners are likely to have more access to external finance than those without. Trulsson (1999) cited by Economic Commission for Africa (ECA, 2001) observed that, competitive SMEs had owners who had international exposure, experience, had been employed before venturing into their own business and came from families where there was a prior record of entrepreneurial activity.

3.1.7. Lack of Training and Skills Development

Gartner *et al.* (1999) define operational skills as the know-how to produce or make the services or products to a given standard. Low levels of training and skills among the management and workers raise the cost of firm growth. Small businesses may fail to secure the returns to innovation because they lack the skills needed to commercialise innovative products or services.

Bari *et al.* (2005) expound that SMEs may not be willing to train employees because of the fear that they will leave the organisation for better paying ones. This is usually so if the small business has limited scope for internal career progression. The benefits of training take time to be realised. Small businesses may not train due to lack of resources. Those with few employees cannot easily release key employees for training. Longenecker *et al.* (2003) observed that, if the owner of the business fails to provide training, employees in small businesses often waste time, materials and money through learning by trial and error. This increases the cost of doing business, reduce profits and inhibit the growth of the business. According to the DTI (2002a) cited by Ishengoma and Kappel (2007), lack of appropriately skilled workers holds back investment, innovation and productivity.

Kapour *et al*. (1997) say that in Zimbabwe, entrepreneurs in the SME sector are not prepared to spend any money on training. They do not place any importance on training. Although there is evidence for both the importance of skills development and skills gap, in UK, there is also evidence suggesting that measures designed to simply boost the supply of skills and formal qualifications are unlikely to lead to productivity gains on their own. Businesses need the ability to use factor inputs effectively if they are to compete and grow (Harris, 2002).

3.1.8. Limited Access to Production Inputs

Unavailability, access and cost of raw materials are some of the constraints faced by SMEs. SMEs lack the supply value chain skills making it difficult for them to identify raw materials, secure all the required inputs, secure sources of supply and control stocks (Bari *et al.*, 2005). The shortage of raw materials may be due to shortage in working capital which results in a firm being tied to an unreliable, high priced supplier or low quality raw materials supplier. Low quality raw materials produce low quality products that do not sell well on the market. The CZI Business Intelligence Report (2010, April) says that SMEs in Zimbabwe face problems in accessing raw materials because of supply side bottlenecks caused by the poorly implemented land reform programme. Better quality raw materials are generally exported or are available only to larger firms and their suppliers tend to be oligopolies. This leaves the SMEs with no choice except to source the raw materials from the local suppliers at high prices or do without resulting in them producing low quality products which fail to compete on the market (Bari *et al.*, 2005).

Lack of access to labour markets is a constraint to the growth and development of SMEs. Longenecker *et al.* (2003) argues that an insufficient supply of skilled workers can limit the specialisation opportunities, raise costs, and reduce flexibility in managing operations. SMEs lack the capacity to deal with a changing business environment because they are more products dedicated and more products intensive. They have smaller portfolios of products than large firms making it difficult for them to shift easily to something new when change occurs. SMEs cannot afford to hire expensive labour.

3.1.9. Lack of Networking and Business Linkages

Jansen (2003) says that network categories are those that offer professional support, personal support or public support. It links a defined set of objects or persons. Failure to develop networks that are beneficial to the growth of the business at personal, business and professional levels leads to failure by the SMEs to access resources like referrals, shared costs, bankers, supply chain and distributors (CZI Business Intelligence Report, 2010). They also fail to get business opportunities, business linkages, technicians, sector based trade associations and clients/customer linkages.

Ishengoma and Kappel (2007) observed that limited access to business services like marketing information, counseling and consultancy services are some of the factors that hinder the growth potential of small businesses. The problem tends to be acute for small businesses that tend to face greater information barriers than larger businesses because of their limited resources. Without proper advice, the wrong sources of capital may be used for the right purpose which creates problems for the business (Tentime and Pansiri, 2004).

3.1.10. Unfavourable Regulatory Environment

Keefer (2000) says that cumbersome laws, heavy regulatory burden and administrative bureaucracy increase the transaction costs of SMEs, thereby hampering their economic performance and growth. The author goes on to add that growth inhibiting factors that arise from the state interface are issues ranging from complexity of regulatory compliance to cost of registrations, insurances, compulsory affiliations and licenses. This has a negative effect on the SMEs as they are expected to cover compliance costs and go through time consuming and difficulty processes that they are not knowledgeable and confident about. This was supported by Bari *et al*. (2005) who noted that regulatory costs are heavily biased against SMEs that have entered their expansion phase, setting a strong incentive for firms to remain small.

Ishengoma and Kappel (2007) found that high taxes constrain the growth potential and performance of micro and small enterprises. Many SMEs do not have the capacity to administer the regulatory requirements such as health and environmental regulations, taxation, registration and procedures. They hire consultancy to administer these at a fee thereby raising the cost of doing business (Robertson, 2003). The diversion of scarce resources away from productive, profit-generating activities towards the discovery, understanding of, and compliance with regulations reduces the internal sources of funds for investment and growth. It discourages micro and small enterprises from expanding their production operations.

High taxes encourage SMEs to remain small and invisible to governmental officials, since being visible or operating formally is likely to increase the cost of operating (Ishengoma and Kappel, 2007). In Zimbabwe, there is no difference in tax rates between the large organisations and SMEs (Kapour *et al*., 1997). The taxes rates are high and increase the cost of doing business. This discourages SMEs from registering and formalising their business operations.

Government's focus on growing firms can result in the failure of SMEs to grow. The ECA (2001) expounds that, in an effort to pursue accelerated industrialisation, many countries focused on the establishment and growth of large firms discriminating SMEs in their policy formulations, incentives, trade regulations, licensing, credit policies and foreign currency allocations. Where a government develops policies offering incentives to SMEs in an effort to overcome the negative effects of broader policies on SMEs. Some SMEs then prefer to remain small so that they continue benefiting from the incentives. This limits the expansion of such SMEs or lead to multiple small establishments (ECA, 2001).

Inconsistence and lack of transparency in implementing policies by the government can be an inhibiting factor to the growth of SMEs. An example is Nigeria which formulated special policy measures and programmes to encourage the development of SMEs taking into account their role in the economy. It included leasing, fiscal and export incentives for SMEs, favourable laws and regulations on contracts. “However, the political will for proper implementation was never there. Corruption diverted the support programmes from the original beneficiaries. Illegal permits and licenses were given at all levels to family members and friends operating informal micro-enterprises that did not qualify for tax relief and other incentives. Consequently, there was little or no impact on the original target group” (ECA, 2001, p.19).

3.1.11. Social Factors

Social factors include demographic aspects such as culture, HIV/AIDS, migration among other factors. The HIV/AIDS pandemic is a threat to the whole world. Strydom and Tustin (2001) say that the high prevalence of HIV/AIDS in South Africa is a serious threat to the success of the SMEs. Since it is difficult to separate the owner of a small business and the business, if the owner gets sick, money is withdrawn from the business to pay for the medical bills and the business management activities will be negatively affected. The business owner/manager is the decision maker in an SME. Therefore, the productive time lost when the entrepreneur is off sick and the cost of seeking medical help will increase the costs to the business (Robertson, 2003). HIV/AIDS affects the labour force in terms of supply, skills and productivity. It also negatively affects the performance of the entrepreneurs.

3.2 Definition and Measurement of Business Growth

Penrose (1959) describes growth as an evolutionary process that is based on the cumulative increases of collective knowledge about the external business environment and on internal capital and human resources. It is the growth of internal organisational structures and their subsequent adaptation. Weinzimmer (2000) define it as a relative measure of size and a dynamic measure of change over time. Firm growth in general refers to increase in size. Growth can be seen as an outcome of events. It is seen as an organic type of entrepreneurial activity whereby a company grows as a result of its successful daily business operations. These operations could include the ability to obtain new customers and maintain profitable ones. They can also include the ability to produce new products in large quantities as well as to make strategic decisions on the growth of the company (Paavilainen-Mantymaki and Raukko, 2009).

Gibb and Davies (1990, p.16) cited by Poutziouris, Binks and Bruce (1999) grouped the factors explaining growth into four types of approaches:

- **Personality-dominated approaches**, which explore the impact of personality and capability on growth, including the entrepreneur's personal goals and strategic business aspirations.
- **Firm development approaches**, which seek to characterise the growth pattern of the firm across stages of development and the influence of factors affecting growth process.
- **Business management approaches,** which pay attention to the importance of business skills and the role of functional management, planning, control and formal strategic orientation in terms of shaping the growth and performance of the firm in the marketplace.
- **Sectorial and broader market-led approaches** which focus largely on the identification of growth constraints and opportunities relating to small firm growth in the context of regional development or the development of specific industrial sectors.

Storey (1994) believes that growth has been used as a simple measure of success in business. It is an important area in strategy, organisational and entrepreneurship research. SMEs growth is often closely associated with firm overall success and survival. It is the most appropriate indicator of the performance for surviving small firms. Growth is an important precondition for the achievement of other financial goals of business (Davidsson and Wiklund, 2000). The motive for firm growth is that, for new ventures, firm growth is needed to ensure an adequate production volume for profitable business. Growth can enlarge the firm's market-share, enhances its credibility in the market, achieve higher net value of the firm and may bring new business opportunities for the firm (Timmons 1999).

Many researchers have noticed that it is difficult to measure growth in an empirical setting (Davidsson and Wiklund, 2000). Studies that developed measures of growth are divided into two; the quantitatively oriented measures and the qualitatively oriented measures. The quantitatively oriented measures try to find out on what to measure inorder to quantify and understand growth. They tried to develop a statistical measurement technique that would work as a generalisable and reliable tool for growth studies (Delmar, Davisson and Gartner, 2003). The authors go on to say that other studies are more qualitatively oriented. They try to find out how growth occurred in a company and if the issues encourage and or inhibit the growth of that particular company. The results can be generalised to other firms as well. This study focuses more on the qualitative side as it tries to capture what growth within an SME really is.

Smallbone and Wyer (2000) believe that employment generation may be an appropriate growth criterion from a public policy perspective. Delmar *et al*. (2003) identify that firm growth patterns are related to the demographic characteristics of firms such as firm age and go on to say that growth is usually measured by a change in a firm’s turnover and also by the change in the number of employees. Davidsson and Wiklund (2000) say that growth can be measured by total revenue or the number of employees. Paavilainen-Mantymaki and Raukko (2009) claim that growth can be observed as an increased amount of production output, as investments in a company or increased total annual revenue.

4. METHODOLOGY

This study used the survey method. Since this study is about the SMEs owner/managers’ views about the factors constraining the growth of their businesses, a survey method enabled the researchers to obtain views from a large group of people at one point in time through the questionnaire. The survey method allowed for more variables to be studied at one time. In this study, the population consisted of 480 SMEs at Glenview Furniture Complex. A sample size of 105 SMEs was found to be representative of the population of 480 SMEs. This study used probability sampling (simple random sampling) because the SMEs at Glenview Furniture Complex are homogenous producing basically the same pieces of furniture. A self administered questionnaire was used as the primary data collection instrument for this research because of its advantages.

5. RESULTS

5.1. Response Rate

Among the surveyed 105 participants, 55 completed and returned the questionnaires representing a 52% response rate. This response rate is high enough to make results representative (Saunders, Lewis and Thornhill, 2003)

5.2. Demographic Factors

5.2.1. Composition of Respondents

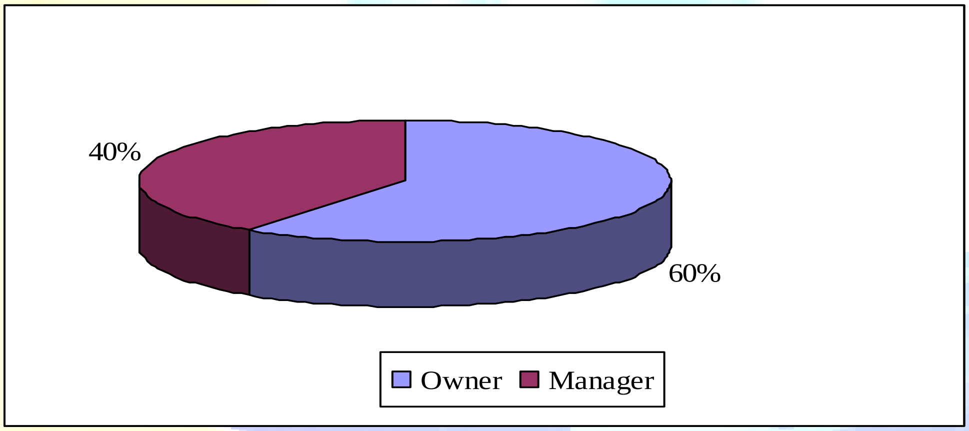

Figure 2: Composition of Respondents

Figure 2 shows the composition of the respondents from SMEs at GFC. About 60% of the respondents were owners and 40% managers. This gives a high probability that the information given is valid since the business owners have more information about their businesses than managers.

5.2.2. Reasons for Getting into Business

The results in Figure 3 shows that 50% of the respondents ventured into own businesses due to unemployment, 10% due to peer pressure, 25% due to entrepreneurship training and 15% were influenced by family members to start their own businesses.

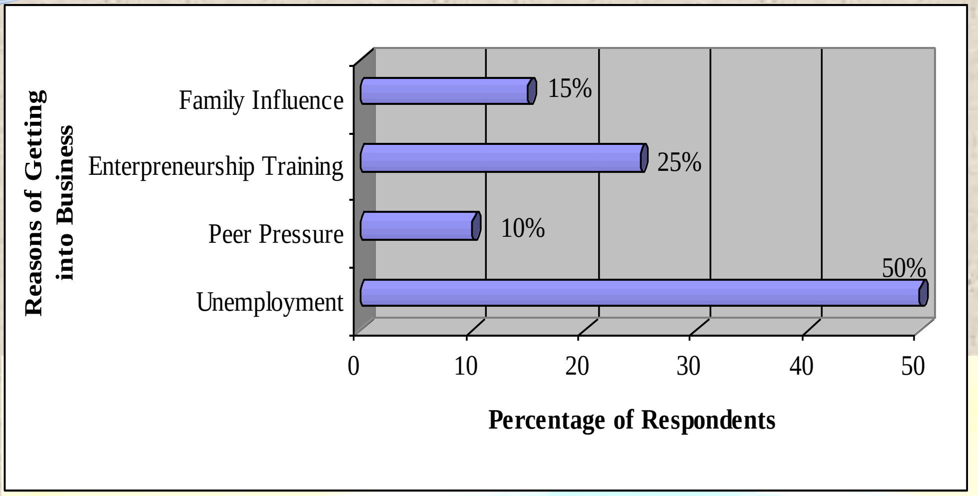

Figure 3: Reasons for Getting into Business

5.2.3. Highest Level of Education

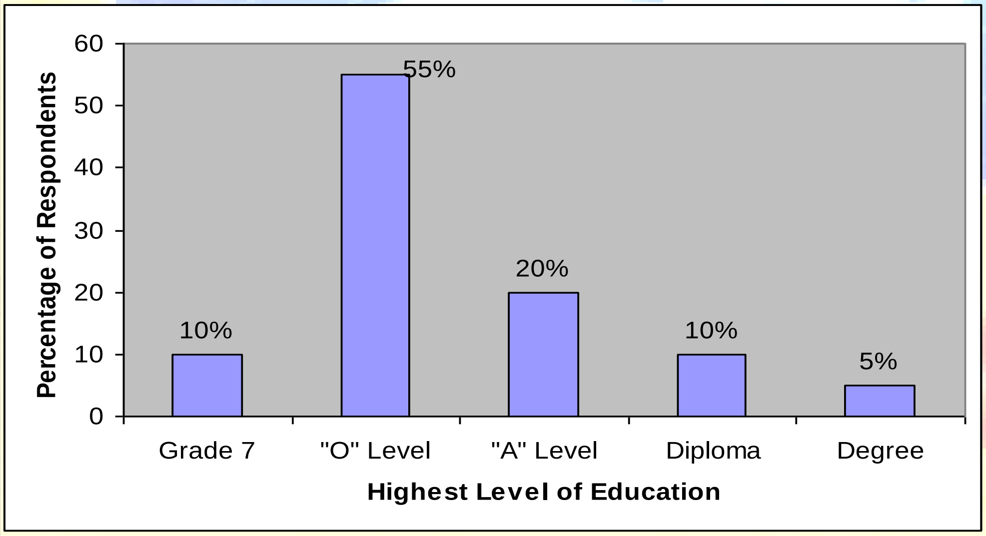

Figure 4: Highest Level of Education

Out of the surveyed respondents who completed and returned the questionnaires, 10% had grade 7 as their highest educational qualification, 55% had Ordinary (O) level qualification, 20% had Advanced (A) level qualifications. Only 10% of the respondents had Diplomas and 5% had degrees, implying that the majority do not have the technical business knowledge required to run their own businesses necessary for growth.

5.2.4. Years in Business

Table 2 shows the number of years the respondents were in business and the corresponding percentage of the respondents who selected each option.

Table 2: Age of the Business

Age of Business	Frequency	Percentage
Less than 2	8	15 %
2 - 5 Years	11	20 %
5 - 10 Years	19	34 %
Above 10Years	17	31 %
Total	**55**	**100 %**

Of the surveyed respondents, 15% indicated that they had less than 2years in business, 20% were between two and five years, 34% had five to ten years while 31% had more than ten years operating. This gives an unbiased analysis of the constraints facing all the SMEs in different stages of their life. The result implies that the respondents have the relevant experience in the business.

5.2.5. Number of Employees

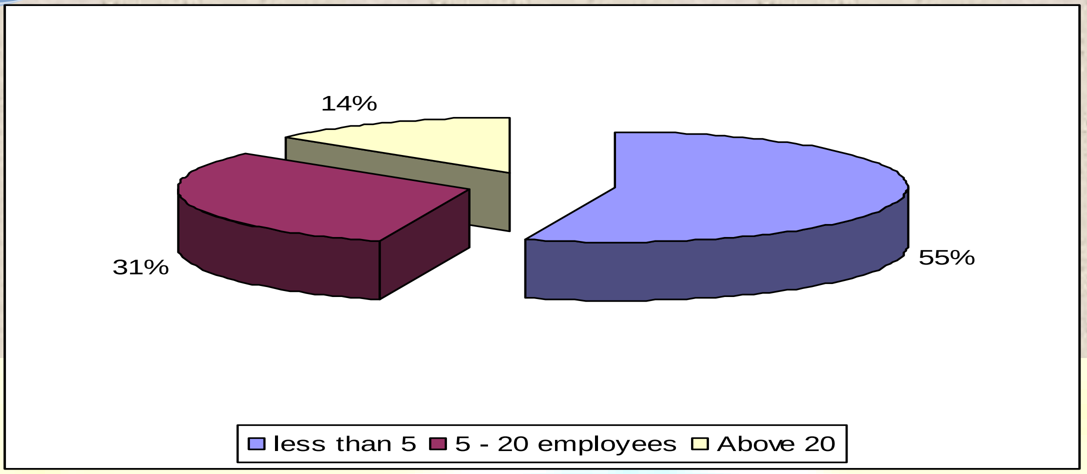

Figure 5: Number of employees

The results show that the majority (55%) of the respondents had less than five (5) employees followed by 31% who had between five and twenty (5-20) employees while 14% indicated that they had more than twenty (20) employees. This therefore means that most of the businesses at GFC are micro enterprises, followed by small enterprises. Medium enterprises constitute a small percentage of SMEs at GFC.

5.3. Factors Constraining Growth of SMEs

5.3.1. Competition

Respondents were asked to what extend competition was constraining the growth of their businesses.

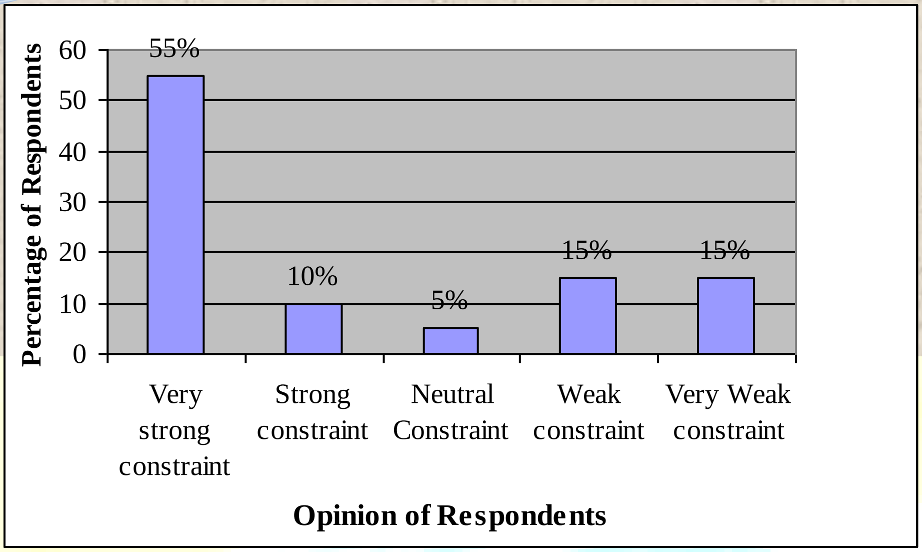

Figure 6: Competition

Figure 6 shows the extent to which competition is a constraining factor to the growth of GFC SMEs. About 55% of the respondents indicated that competition was a very strong constraint to the growth of their business, 10% a strong constraint, 5% a neutral constraint, 15% a weak constraint and 15% a very weak constraint. Competition is from other furniture SMEs within GFC. There are many SMEs producing the same type of products and competing for the same customers resulting in price cuts in an effort to sell. This leads to the realisation of low profits resulting in low funds for investment and growth of the businesses.

5.3.2 Limited Access to Market

Figure 7 shows the results of the perceptions of the respondents on how limited access to markets constrains the growth of their businesses.

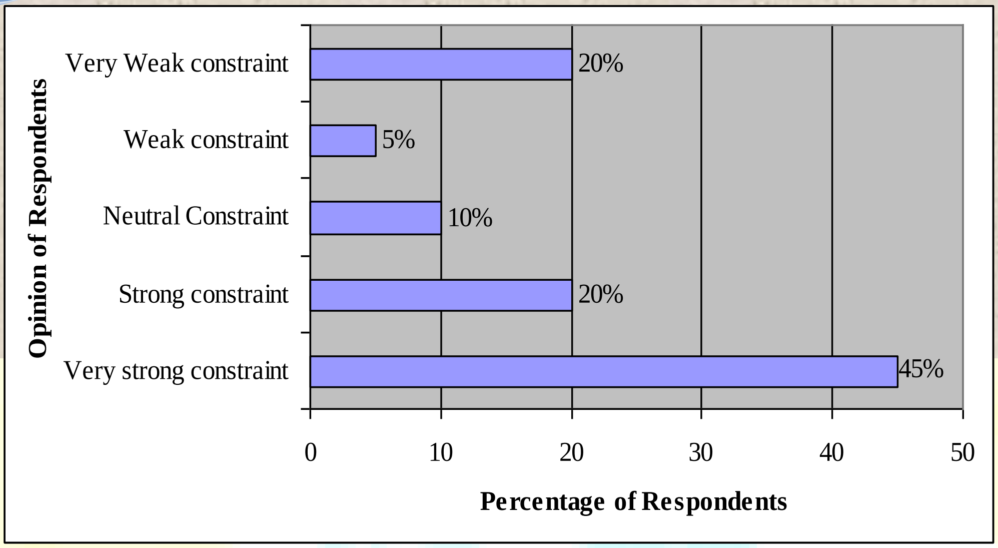

Figure 7: Limited access to markets

Figure 7 show that 45% of the respondents indicated that limited access to markets is a very strong constraint to the growth of their business. Of the surveyed respondents, 20% indicated it was a strong constraint, 10% a neutral constraint, five percent (5%) a weak constraint and 20% a very weak constraint. This means that access to both local and international markets remains a significant constraint facing SMEs in Zimbabwe, in particular SMEs at GFC. This is due to the fact that GFC has not been marketed to the public as a source of good furniture. SMEs at GFC lack market information, market intelligence and marketing skills. As a result, they fail to explore the market.

5.3.3 Lack of Access to Finance

Lack of access to finance constraints the growth of the SMEs at GFC. The results show that the majority of the respondents (80%) indicated that limited access to finance is a very strong constraint to the growth of their business. About five percent (5%) indicated that it was a strong constraint, 10% a neutral constraint and five percent (5%) a weak constraint. None of the respondents indicated it as a very weak constraint. This implies that SMEs at GFC are failing to grow due to lack of working capital, finance for investment and growth.

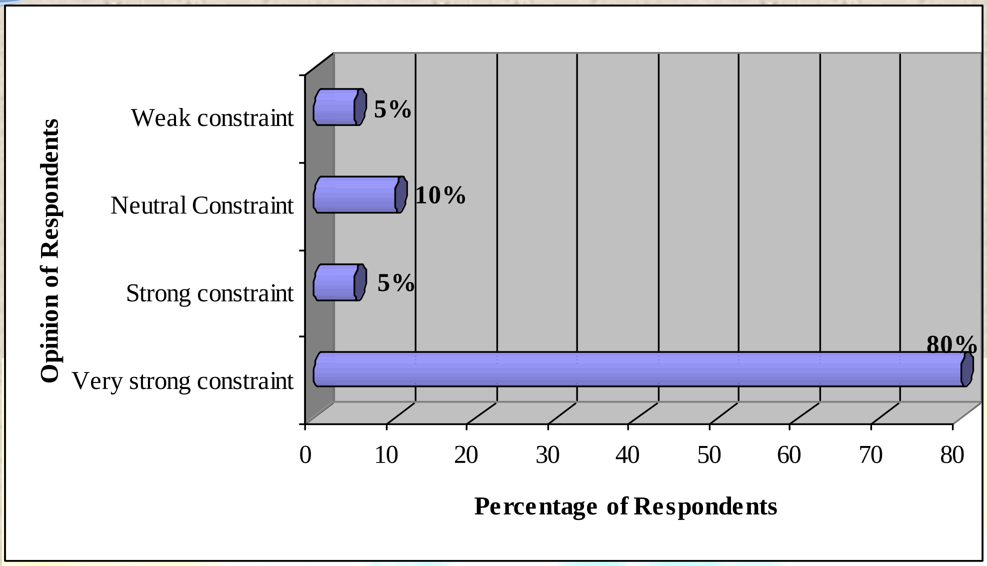

Figure 8: Lack of access to finance

When respondents were asked about the factors that caused problems in accessing finance, their responses were as indicated in Figure 9.

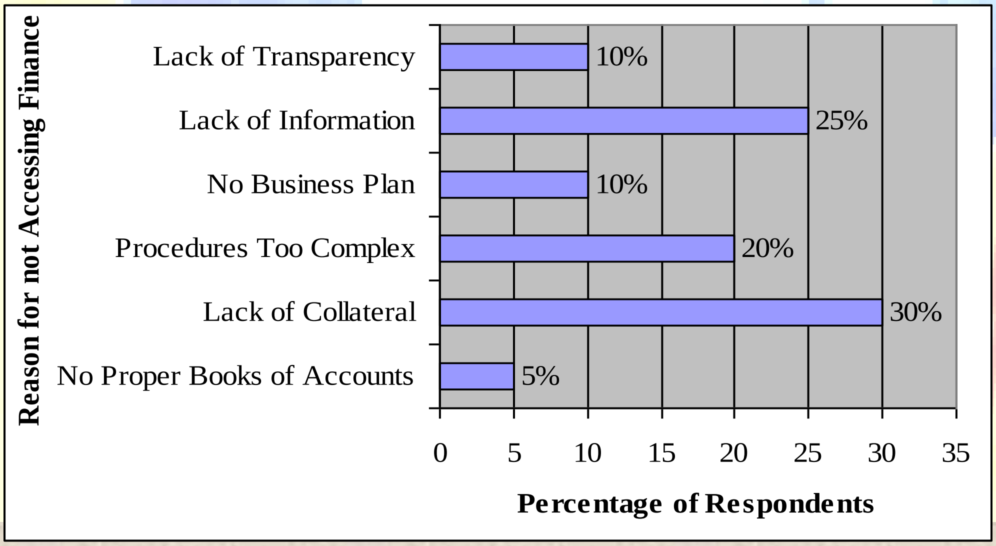

Figure 9: Reasons for Failure to Access Finance

From the findings, 30% of the respondents indicated that they failed to access finance due to lack of collateral. About 20% said procedures were too complex, 25% lacked information, 10% had no business plans, 10% were affected by lack of transparency and five percent (5%) had no proper books of accounts.

5.3.4 Limited Access to Infrastructure

The study wanted to find out if limited access to infrastructure was a constraining factor to the growth of SMEs at GFC. Figure 10 shows the results from the respondents.

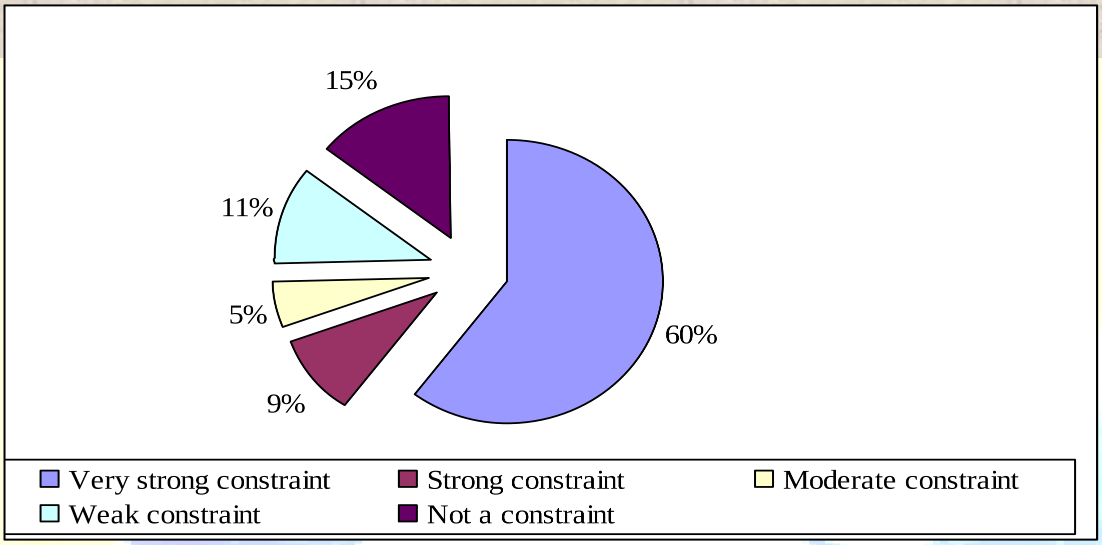

Figure 10: Limited access to infrastructure

Figure 10 show that 60% of the respondents indicated that limited access to infrastructure was a very strong constraint to the growth of their businesses. About nine percent (9%) indicated it was a strong constraint, Five percent (5%) a neutral constraint, 11% a weak constraint and 15% a very weak constraint. This implies that the growth of SMEs at GFC is hampered by the lack of access to infrastructure which limits operations.

The respondents were asked what their main infrastructural constraints were and the results are indicated in Table 3.

Table 3: Main Infrastructure Constraints

Infrastructural Constraint	Percentage of Respondents
Workplaces	65%
Power Outages	29%
Water Shortages	6%
Total	**100%**

Table 3 shows that 65% of the respondents indicated that shortage of workplaces were the main infrastructure constraint to the growth of their businesses. About 29% indicated power outages and six percent (6%) water shortages. The workstations provided for the SMEs at GFC are not suitable for the growth of the SMEs. They are too small for business expansion because they measure two metre by two metre (2metre x 2metre). The SMEs cannot boost their operations or display their products due to the limited space. They had to erect shades on their own which are not well roofed to protect the furniture from damage by the rains. If the furniture is damaged, it fetches low prices on the market resulting in low profits for investment and growth. Power outages result in reduced production.

5.3.5 Lack of Appropriate Technology

Table 4: Lack of Appropriate Technology

Opinion	Frequency	Percentage
Very strong constraint	19	35%
Strong constraint	8	15%
Neutral constraint	7	12%
Weak constraint	9	16%
Very weak constraint	12	22%
Total	**55**	**100%**

Among the surveyed respondents, 35% indicated that lack of appropriate technology was a very strong constraint to the growth of their businesses. About 15% indicated that it was a strong constraint, 12% a neutral constraint, 16% a weak constraint and 22% a very weak constraint. Combining the strong and very strong constraints results in 50% of the respondents indicating that lack of technology is a strong constraint. This implies that SMEs at GFC do not have the technological know-how but improvise on their obsolete equipment.

5.3.6 Limited Managerial Capacity

Respondents were asked whether weak managerial capacity, lack of skills and lack of access to training were constraints to the growth of their businesses (Figure 11). Of the respondents that gave feedback, 11% indicated that limited managerial capacity was a very strong constraint to the growth of their businesses. Nine percent (9%) indicated it was a strong constraint, 15% a neutral constraint, 20% a weak constraint and 45% a very weak constraint. Combining the very weak and weak constraint options, the majority of the respondents (65%) indicated that lack of managerial capacity was not a strong constraint.

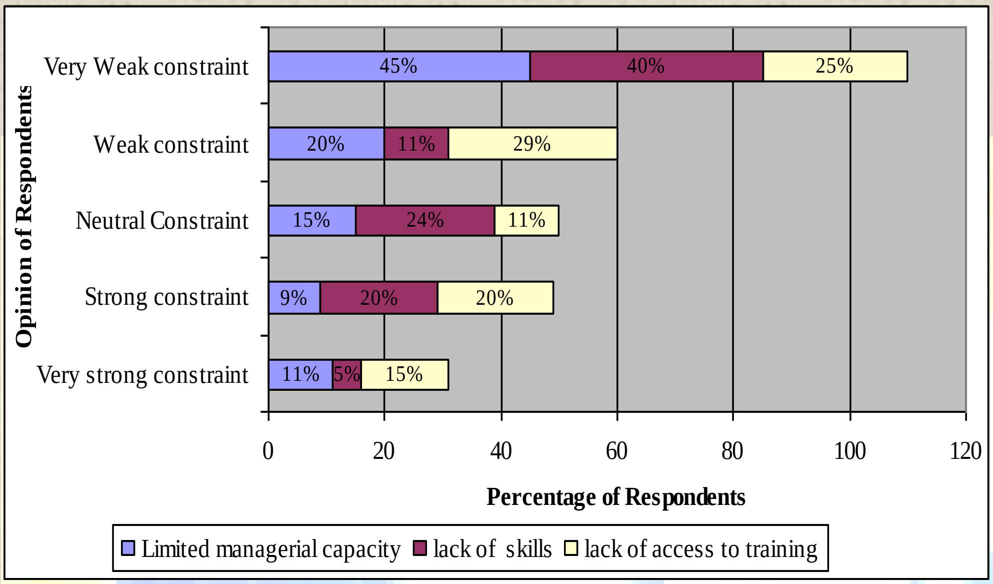

Figure 11: Managerial Capacity, Lack of Skills and Lack of Access to Training

Of the surveyed respondents, Figure 11 shows that five percent (5%) indicated that lack of skills was a very strong constraint to the growth of their businesses. About 20% indicated it was a strong constraint, 24% a neutral constraint, 11% a weak constraint and 40% a very weak constraint. Combining the very strong and strong constraints options, the results indicate that the majority of the respondents (51%) showed that lack of skills is not a strong constraint to the growth of their businesses. This may be because the SMEs at GFC were formed mostly by people who were once employed in the furniture industry doing the same type of jobs and so have the skills and experience.

On lack of access to training, combining the results of the weak and very weak constraint options, the majority of the respondents (54%) indicated that lack of access to training is a weak constraint to the growth of GFC SMEs.

When asked whether the respondents send their employees for training since some of them may be new in the industry and are not experienced, the results of the responses are indicated in Figure 12.

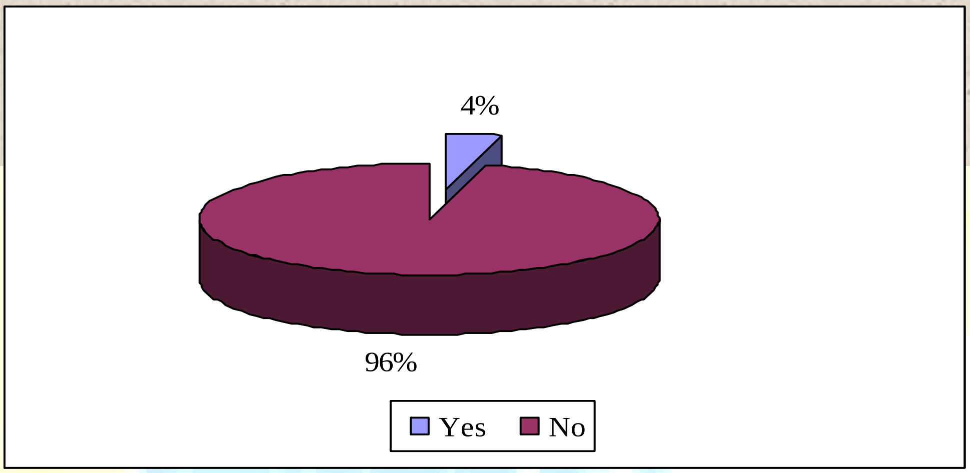

Figure 12: Employee Training

The results show that four percent (4%) of the respondents indicated that they do send their employees for training while 96% indicated that they do not. This implies that SMEs at GFC do not send their employees for training. The reasons given for not training employees were lack of finance, it waste productive time and the employees leave to start their own businesses once they are trained. Employees of SMEs at GFC therefore, learn through on-job training.

It is clear that, if the owner of the business fails to provide training, employees in small businesses often waste time, materials and money through learning by trial and error. This increases the cost of doing business, reduce profits and inhibit the growth of the business. This is in total agreement with what is happening at GFC.

5.3.7. Limited Access to Production Inputs, Networking and Business Linkages and Low Demand

When respondents were asked to rate how limited access to production inputs, lack of cooperation and networking and low demand affect the growth of their businesses, the results are as indicated in Figure 13.

Of the surveyed respondents, nine percent (9%) indicated that limited access to production inputs was a very strong constraint to the growth of their business. About 25% indicated it was a strong constraint, 20% a neutral constraint, 11% a weak constraint and 35% a very weak constraint. Combining the very strong and strong constraint options as well as the weak and very weak constraint options (Figure 13), the result indicate that 46% of the respondents showed that limited access to production inputs was a weak constraint whereas 34% showed that it was a strong constraint. This implies that some SMEs at GFC are having their business growth hampered by limited access to production inputs.

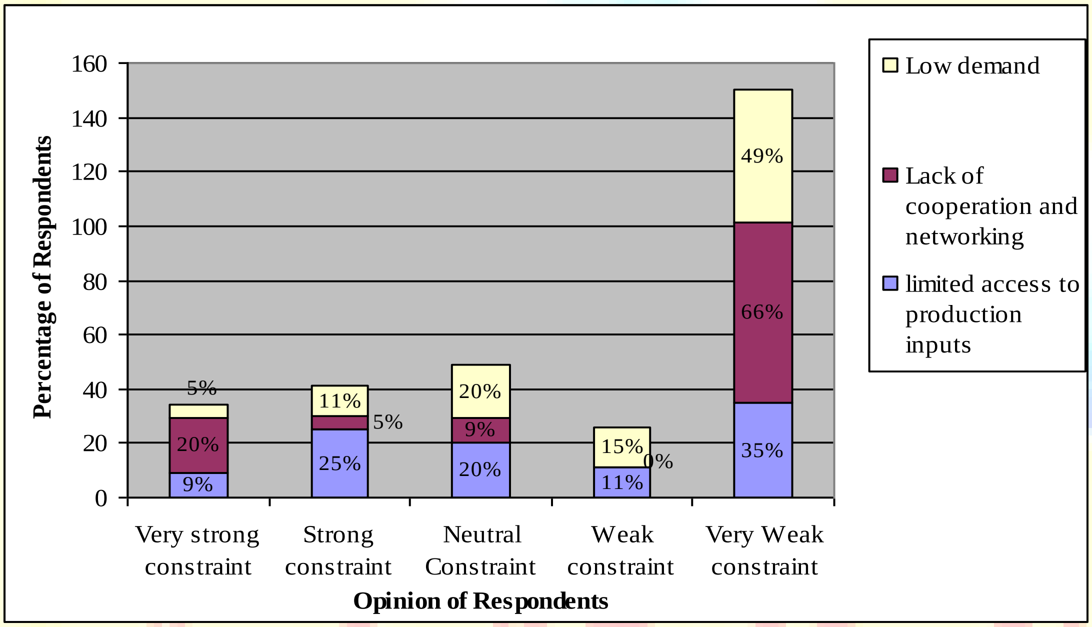

Figure 13: Limited Access to Production Inputs, Lack of Cooperation and Networking and Low Demand.

Of the surveyed respondents, 5% indicated that low demand was a very strong constraint to the growth of their businesses. About 11% indicated it was a strong constraint, 20% a neutral constraint, 15% a weak constraint and 49% a very weak constraint. Combining the very strong and strong constraint on the low demand factor, the results indicate that the majority of the respondents (64%) said that lack of demand was a very weak constraint to the growth of their businesses.

On lack of cooperation and networking, 20% indicated that it was a very strong constraint, five percent (5%) a strong constraint, nine percent (9%) a neutral constraint, zero percent (0%) a weak constraint and 66% a very weak constraint. Business cooperation and networking has been also cited as a very weak constraint yet for SMEs at GFC to access international markets and the markets served by large organisations, they need to network and link. The main reason for this isolation of the business is lack of trust to share the business information with other people. This is the case with SME at GFC and this maybe the reason why they cannot access other markets.

5.3.8. Unfavourable Regulatory Environment and Unsuitable Location

Respondents were asked to give their perceptions of the effect of unsuitable location as well as the unfavourable regulatory environment on the growth of their businesses.

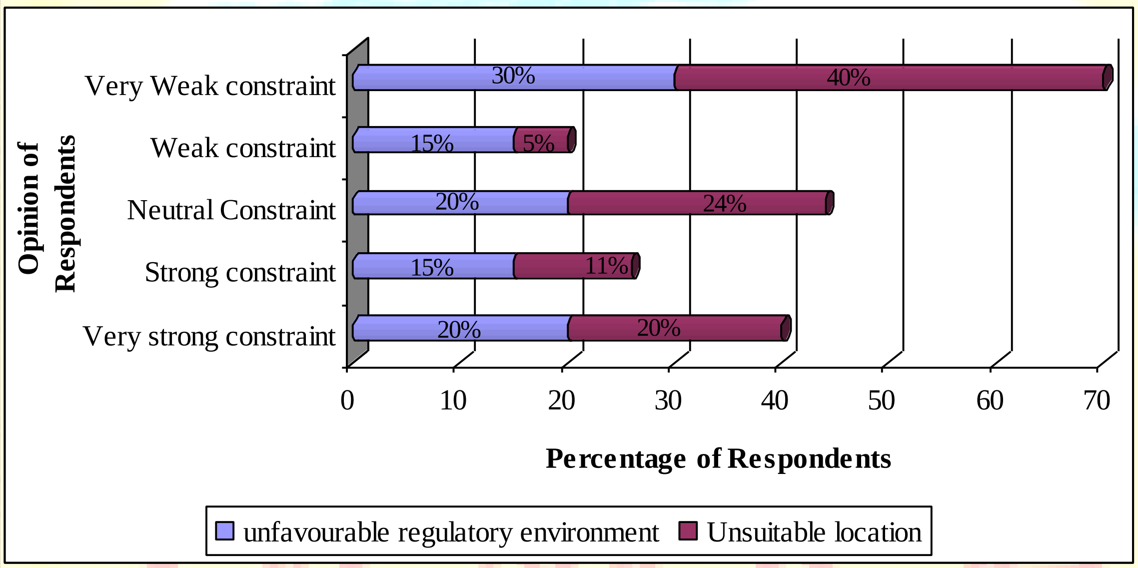

Figure 14: Unfavourable Regulatory Environment and Unsuitable Business Location.

Figure 14 shows that 20% of the respondents indicated that unsuitable location was a very strong constraint to the growth of their businesses, 11% indicated it was a strong constraint, 24% a neutral constraint, five percent (5%) a weak constraint and 40% a very weak constraint. SMEs at GFC indicated that the business location is a growth constraint. They were attracted by the low rentals and the political protection that they get. The businesses cannot expand and grow due to lack of space to manufacture and display more products.

Figure 14 also shows that 20% of the respondents indicated that unfavourable regulatory environment was a very strong constraint to the growth of their business, 15% a strong constraint, 20% a neutral constraint, 15% a weak constraint and 30% a very weak constraint. The regulatory constraints pointed out include price controls, high cost of borrowing and the restrictive local authority by-laws. None of the respondents indicated taxes as a constraint to the growth of their businesses. This may be because SMEs at GFC are politically protected such that they are not required to comply with some regulations like taxes. If they were paying taxes, they would see how it affected the growth of their businesses.

5.3.9. Social factors, such as HIV/AIDS

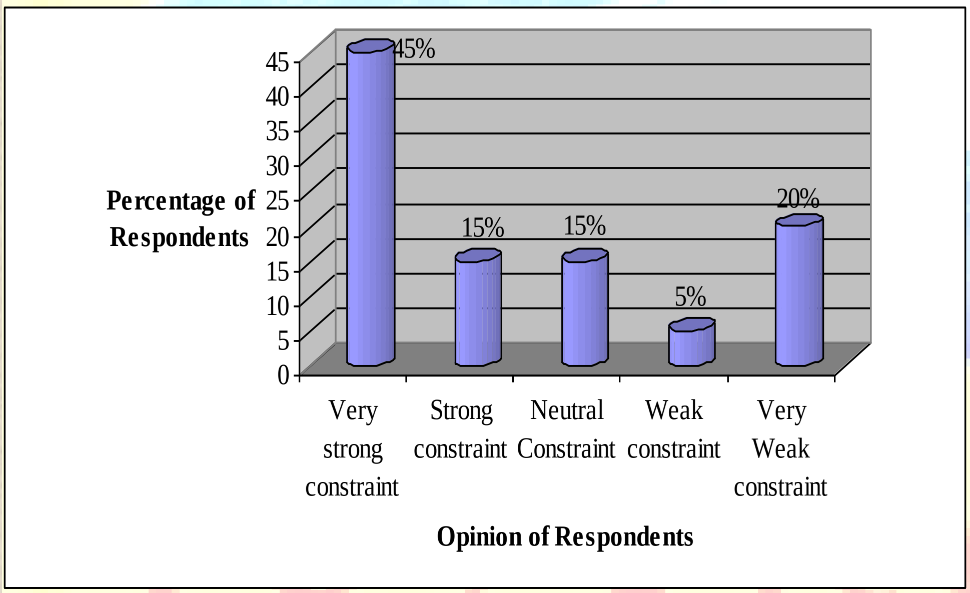

Figure 15: Social factors for example HIV/AIDS

Figure 15 shows the opinion of the respondents on the effect of HIV/AIDS on the growth of their businesses. Of the surveyed respondents, 45% indicated that HIV/AIDS was a very strong constraint to the growth of their business, 15% a strong constraint, 15% a neutral constraint, five percent (5%) a weak constraint and 20% a very weak constraint. Combining the strong and very strong constraint responses, the results indicate that the majority of the respondents (60%) acknowledged that the impact of HIV/AIDS negatively affects the growth of their businesses.

This implies that due to their size in terms of turnover and numbers of employees, SMEs are affected by the impact of HIV/AIDS more than the large organisations.

5.4 Ranking of Factors Constraining Growth of SMEs at GFC and Mean Scores

The above analysis shows the factors constraining the growth of GFC SMEs. Table 5 shows the major factors constraining the growth of the SMEs at GFC. These are the factors that had the highest percentages on a combined total of the very strong and strong constraint options.

Ranking

Table 5: Ranking of Factors Constraining the Growth of SMEs at GFC

Rank	% of respondents showing a constraint	Factor
1	85%	Limited access to finance
2	69%	Limited access to infrastructure
3	65%	Competition
4	65%	Limited access to markets
5	60%	Social factors e.g. HIV/AIDS
6	50%	Lack of appropriate technology
7	35%	Lack of training
8	35%	Unfavourable regulatory environment
9	31%	Unsuitable location
10	25%	Lack of skills
11	25%	Lack of cooperation and business networking or linkages
12	24%	Limited access to production inputs
13	20%	Limited managerial capacity
14	16%	Low demand

Based upon the literature review and the results of the research, the researcher believes that the major factors constraining the growth of GFC SMEs can be classified into six major factors starting with the very major constraint as follows: (1) limited access to finance (85%), (2) limited access to infrastructure (69%), (3) competition (65%), (4) limited access to markets (65%), (5) social factors, e.g. HIV/AIDS (60%) and (6) lack of access to appropriate technology (50%).

Mean Scores

The mean scores of each of the factors of growth of SMEs at GFC were based on scale ranking of responses with value five (5) very strong constraint and one (1) very weak constraint were calculated. The results are reflected in Table 6.

Table 6: Mean Scores of Factors Constraining the Growth of SMEs at GFC

Factor	Mean Score
Limited access to finance	4.01
Limited access to infrastructure	3.88
Competition	3.42
Limited access to markets	3.36
Social factors e.g. HIV/AIDS	3.12
Lack of appropriate technology	2.55
Lack of training	2.23
Unfavourable regulatory environment	2.14
Unsuitable location	2.08
Lack of skills	2.04
Lack of cooperation and business networking or linkages	2.02
Limited access to production inputs	1.98
Limited managerial capacity	1.94
Low demand	1.84

As can be seen from the table, respondents surveyed consider limited access to finance (4.01), limited access to infrastructure (3.88), competition (3.42), limited access to markets (3.36), social factors such as HIV/AIDS (3.12) and lack of appropriate technology (2.55) as major factors constraining growth of SMEs at GFC. Respondents attach relatively less importance to lack of training, unfavourable regulatory environment, unsuitable location, lack of cooperation and business networking, limited access to production inputs, limited managerial capacity and low demand even though they influence growth of SMEs to a greater extent. It is clear that the major constraining factor is limited access to finance.

Factor Analysis

The data view spreadsheet for the surveyed data contains 14 factors. For these factors the researchers used exploratory factor analysis to investigate the underlying structure of the association between the 14 factor items.

Table 4: Correlation Matrix Showing Correlations among Constraining growth of SMES at GFC

	LAF	LAI	CO	LAM	SF	LAT	LT	URE	UL	LS	LCL	LAPI	LMC	LD
LAF	1.00													
LAI	0.72	1.00												
CO	0.67	0.63	1.00											
LAM	0.08	0.41	0.54	1.00										
SF	0.23	0.08	0.35	0.81	1.00									
LAT	0.04	0.22	0.03	0.78	0.64	1.00								
LT	0.07	0.06	0.38	0.12	0.05	0.09	1.00							
URE	0.71	0.69	0.72	0.31	0.49	0.37	0.67	1.00						
UL	0.46	0.19	0.36	0.48	0.15	0.19	0.14	0.12	1.00					
LS	0.14	0.11	0.26	0.08	0.12	0.02	0.13	0.18	0.15	1.00				
LCL	0.12	0.30	0.22	0.19	0.06	0.04	0.10	0.04	0.23	0.31	1.00			
LAPI	0.14	0.10	0.36	0.24	0.31	0.03	0.26	0.29	0.12	0.08	0.05	1.00		
LMC	0.10	0.18	0.16	0.33	0.41	0.29	0.39	0.20	0.11	0.15	0.06	0.19	1.00	
LD	0.28	0.51	0.33	0.30	0.28	0.14	0.40	0.32	0.23	0.11	0.64	0.16	0.43	1.00

LAF- Limited access to Finance; LAI- Limited access to infrastructure; CO- Competition; LAM- Limited access to Markets; SF- Social Factors e.g. HIV/AIDS; LAT- Lack of appropriate technology; LT- Lack of training; URE- Unfavourable regulatory environment; UL- Unsuitable location; LS- Lack of skills; LCL- Lack of cooperation and business networking and linkages; LAI- Limited access to production input; LMC- Limited managerial capacity; LD- Low demand.

From the table the researcher is faced with choice to eliminate the majority of factors as they have lower correlation coefficients. The correlation coefficients in the matrix of the 14 items have a range from 0.81 (“ST” and “LAM”) to 0.02 (“LS” and “LAT”); the majority are between 0.10 and 0.47. This implies that SMEs from the sample were constrained to grow by not only one major factor but by a combination of factors.

5.5 Government and Institutional Support Given to SMEs at GFC

Government and institutional support is important to the growth of SMEs. The questionnaire asked the respondents if they were aware of the institutions that offer assistance for the development and growth of their businesses and if so, what forms of assistance they had received. Figure 16 shows the results.

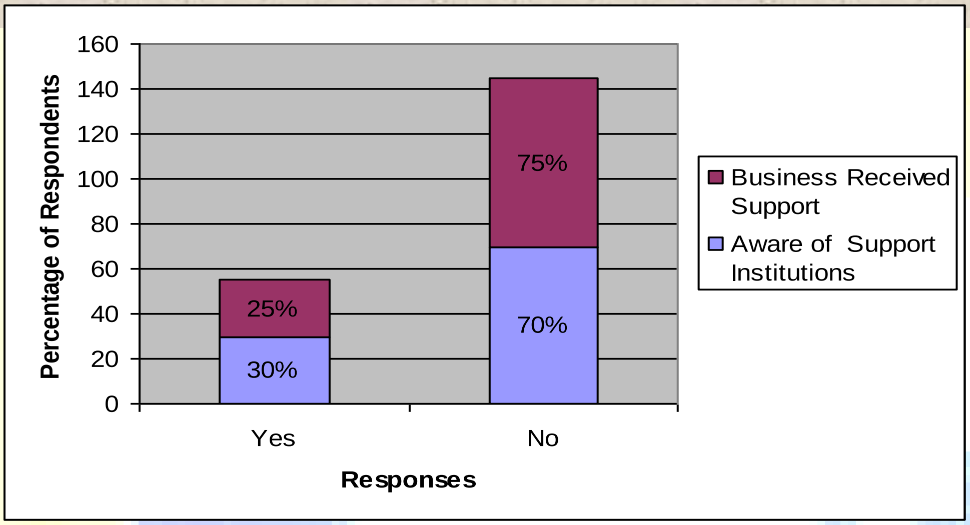

Figure 16: Support Institutions Awareness and Support Received

Amongst the respondents, 70% indicated that they did not know institutions that give support to SMEs while 30% indicated that they knew. The results also show that 25% received support while 75% did not receive any support except for the work stations that they received from the government.

Respondents who indicated that they received support pointed out that the support was in the form of skills development, technological support, training, infrastructural support and marketing support. To a large extend, SMEs at GFC are not receiving much support from support institutions to grow their businesses as indicated by the 75% of the respondents who had not received any support.

When asked why they never received support, the respondents cited lack of transparency as the main reason. The assistance given to SMEs at GFC by support agents including the government lacks transparency favouring those who are politically loyal to the political party offering the support. Although some support initiatives like exhibitions at Trade Fair and the Agricultural Show were being given by the Ministry of SMEs, they were not transparent with only the same few politically loyal SMEs exhibiting their products every year and getting any support that comes by.

6. CONCLUSION

Basing on the results, the following conclusions are made on factors that constrained the growth of SMEs at GFC. The major factors constraining the growth of SMEs at GFC in their order of importance are: limited access to finance, limited access to infrastructure, competition, limited access to markets, social factors such as HIV/AIDS and lack of access to appropriate technology. Other factors that are constraining the growth of SMEs at GFC include lack of access to training, skills, cooperation and networking. Low demand, limited managerial capacity, unsuitable location and limited access to production inputs are some of the constraining factors. It is clear that there is no one factor which is constraining growth of SMEs but a combination of factors.

From the research, it can be concluded that SMEs at GFC are growing sluggishly and this supports the research problem. This is due to the constraints listed above. Those SMEs that grew attributed their growth to the favourable macro-economic environment.

The majority of SMEs at GFC are not aware of the institutions that offer support to SMEs. The research concluded that support agents that assist SMEs including the government are not transparent favouring those who are politically loyal to a favoured political party failing to grow the SMEs in the process. The government policies on SMEs growth have failed to grow the SMEs.

7. RECOMMENDATIONS

The following recommendations are made to alleviate the factors that constrain the growth of SMEs in Zimbabwe. This is ultimately aimed at growing the SMEs into large business corporations.

Access to Information: Owner/managers of SMEs at GFC should network and cooperate with other SMEs and large organisations so that they will access large markets. They can become members of organisations that help to link businesses like the CZI so that they will be linked to large organisations and enjoy the benefits of subcontracting that is arranged by the CZI for its members. They can benefit from the business advice that they get. The government can also set up business centres so as to ensure that SME operators at all levels have access to information at affordable costs. It can establish a national web-site for SMEs as well as a directory of service providers. The government can educate SMEs on the incentives available to them and how to access them.

Access to Markets: SMEs at GFC should form cooperative shops in town where they can display and sell their furniture rather than wait for customers to come to GFC. They can contribute resources so as to reduce costs. A shop in town will help them increase their customer base since it is a central location. The government can develop different markets for the SMEs to display and sell their products. There must be transparency on the part of government and support agency in the assistance given to the SMEs especially when displaying their products at the Trade Fair and at the Agricultural show. The government can buy more furniture for the public sector from SMEs at GFC in a way to promote their growth.

Access to Infrastructure: Inorder to address infrastructural requirements in respect of SMEs at GFC, the government should lobby with the local authorities to allocate and develop enough land for the SMEs. This will give each SME an opportunity to acquire land which is enough for its business operations. The government can also identify and allocate underutilised public buildings to the SMEs. The government needs to provide adequate shelter to the SMEs at GFC so as to avoid the damage on furniture. In the case of power supply, the government can introduce competition at the generation and distribution of electricity to improve supply.

Access to Finance: The government should intervene and improve access to finance by SMEs through simplification of lending procedures and processes by the banks. The collateral requirements may be revisited to accommodate the requirements of SMEs. The government can offer credit guarantees and make provisions for start-up funds for SMEs. The government can recapitalise SEDCO so that it offers financial assistance for the development and growth of SMEs. The government can also set aside funds for the development of SMEs and issue these in a transparent manner.

Access to Technology: The government should facilitate networks between SMEs and technology providers and facilitate joint ventures aimed at enhancing technology upgrading and transfer. SMEs can also seek assistance from organisations that offer assistance in their field of work like the United Nations Development Organisation (UNIDO) which offers assistance in furniture and metal fabrication. The SMEs can also seek assistance from the Scientific and industrial Research and Development Centre (SIRDC).

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