American International Journal of Business Management (AIJBM)
*ISSN- 2379-106X, **www.aijbm.com** Volume 5, Issue 1! (November-2022), PP 10-18*

Determinants of Small to Medium Enterprises Access to Capital: An Analytical Framework for SME financing in Zimbabwe

[1]Benson Philip Hlungupi Samudzimu,
[2]Prof. Dr. Michael Dynamite Benson Munkumba
[1]Doctoral Student of Business Administration (DBA)
Department of Business Management at Swiss School of Management, Switzerland
[2]Supervisor at Swiss School of Management and the Executive Director & Founder of Mihatchi Group, Zambia
Corresponding Author: [1]Benson Philip Hlungupi Samudzimu,

ABSTRACT:- Small and Medium Enterprises (SMEs) are central to driving the socio-economic development of countries and promoting entrepreneurship across modern-day nation-states. The realities of their impact manifest in the capacity of enterprises'inherent capacity to address key economic fundamentals such as poverty and empowerment among the population. Consequently, stakeholders, including the governments, have come out globally in full support of SMEs as key to poverty alleviation, income generation, broad-based empowerment of the people, employment creation and integrated strategy that they leverage SMEs aimed at overall socio-economic development through its contribution to Gross Domestic Product (GDP). The entrepreneurial prowess of any country's population especially of the SMEs is dependent on a plethora of variables that determine their success. As shall be examined and discussed, the key determinantto the success of small and medium enterprises is the availability of financial resources from financial institutions. Thus, the availability of resources is linked to access to credit schemes. Access to capital is fundamentally interconnected to other important considerations made by financial institutions such as collateral security, which, in this case, arguably imposes restrictions on access to credit for the financing of SMEs. A review of the literature technique on Zimbabwe showed that small and medium enterprises. Are experiencing stunted growth due to constraints the SMEs face in the economy, particularly access to capital which is not readily available contrary to public statements of facilities being availed to the SME sector. Essentially, there has been a regression in investments by the SME sector due to a lack of availability and access to capital. The conclusion is that government institutions have the capacity to clearly influence the rate of entrepreneurship and transform SMEs through public policies that can basically determine the entrepreneurial dynamics of Zimbabwe. The introduction of specific policies that promote SME entrepreneurship as well as creating general a financial institutional structure, conducive to SME entrepreneurship (Sobel et al., 2007), is important.

Keywords:- Small and Medium-Size Enterprises; Collateral Security; Access to Financing; Financial Institutions and

1.1 INTRODUCTION

Promoting small and medium enterprises (SMEs) is a fundamental aspect that has seen governmental strategies being formulated aimed at achieving national economic development, transformation and empowerment of the people through poverty alleviation, employment creation and income generation activities by individuals and households that participate in different wealth creation enterprise activities. This paper as alluded to examines small and medium-sizedenterprises'determinants of access to capital in Zimbabwe. Clearly, access to formal SME financing is important. It is determined by a number of factors, and the interplay of those factors, informswhether people can develop their SMEs or not. In Zimbabwe, in as much as the formal institutions have been put in place, the interplay of the determinants to access capital appearsto be too stringent to facilitate access to capital. As such, the growth of SMEs is inhibited and the enterprise owners find it difficult to undertake their businesses, which, again, affects the implementation, sustainability and longevity of SME businesses. As a result, this paper concludes that the availability of collateral security and high-interest rates, stand in the way of SME transformation in Zimbabwe. Thus, government-aided financing policies with respect to capital access by enterprises, should change and make them amenable to the current needs and begin to support enterprises in a strong manner.

1.2 RESEARCH METHODOLOGY

This paper derives fromthe current literature of an ongoing doctoral study. The data-gathering technique on the determinants of SME financing in Zimbabwe derives from an extensive empirical review of the current scenario in Zimbabwe. The mapping out of information is based on literature segregation and synthesis of the factors that determine and affect access to capital for the financing of existing SMEs. The literature, in this case, is contextualised in a manner to simplify the understanding of how the interplay of factors impacts access to capital by SMEs. Essentially, the methodology in this instance follows a review pathway, which is critical in an applied academic review of determinants of financing of SMEs.

1.3 BACKGROUND

Small to Medium Enterprises financing is arguably seen as a vital part of SMEs' development ability. It is the glue that holds the elements of an enterprise to emerge, and grow and keepsthe enterprise operating efficiently (Cook, 2001; Green et al., 2002, p. 9). In Zimbabwe, capital flight has been going on for over two decades. This is due to policy contradictions in the economy bordering on both macro-economic, fiscal and political aspects that saw key financing institutions leaving the country, thereby creating a huge gap in the funding infrastructure in the marketplace. A reality check established that big corporates also moved out and could not keep operating in Zimbabwe. This prompted the government to intervene by adopting a robust strategy to indigenize the economy and one such key intervention is the support for the development of SMEs. As a public sector intervention, the government became deeply involved in supporting SMEs through policies and facilities at different levels. Thus, it provided different types of financial support to small- and medium-sized enterprises. Financing from the government is done through publicly supported agencies. The idea is noble in as far as translating the vision to keep the economy functional. However, this study hastens to mention that as much as the intention is good, the rollout has not had the desired impact with policies changing dramatically. Thus, the unpredictability of policies and government directives affects market confidence and investments in the SSME sector. The agencies that provide capital support, also have strategic impediments. Many of them, apart from having geographical limitations, the interest rates as stipulated by the treasury and the Reserve Bank of Zimbabwe, also affect the competitiveness of SMEs borrowing from government-aided financial institutions. The open market as is the case in many jurisdictions charges an arm and a leg when it comes to interest rates and their conditions, which usually are unmet by the emerging SMEs in Zimbabwe. The reason the government deliberately moved in to close the financial gap is to ensure that disruptions of capital flight and deindustrialisation be minimised by stimulating SME growth in the economy. The economic rationaleis to resuscitate various sectors with a strong orientation towards local people'sparticipation through SME development and empowerment of the local people.

These SMEs, therefore, act as a hedge against the risks of deindustrialisation and capital flight and are expected to relatively create more jobs (Cant & Wiid, 2016; Kongolo, 2010). Thus, providing support to SMEs is imperative to the economic growth of the SMEs and addresses poverty that is rampant across society (Heshmati, 2001, p. 15; Seo, 2017, p. 10). Government has an inherent interest because empowerment through SME providesis a mechanism for broad-based economic development and spreading the benefits to people who were not active in the mainstream economy, and alsoraisesthe quality of life of the masses (van der Schans, 2015, p. 3). However, the financial structures to support the SMEs are in question as the enterprise owners struggle to access capital (Herciu, 2017). Wakili (2006) reiterated that government support policies on SMEs are important and there is a need for institutions tasked by governments to mainstream their regulatory frameworks to make funding accessible. Thus, the agencies influence and determine the course of accessibility, and equally, the decision-making process that fosters SME economic growth by ensuring that the environment is adequately favourable for the common man to access funding for SME business operations. The government, therefore, should have well-established structures to ensure that its policies are implemented and monitored using the tools put in place with respect to credit access by enterprise owners.

1.4 UNDERSTANDING SMES

Small and medium enterprises (SMEs) can be defined as business entities where the owner makes business decisions independently, enjoys all the profits and bears all the liabilities in his or her enterprise (Adeyeye, Azeez, & Aluko, 2016). This understanding of SMEs is cantered on turnover of business, assets, and the number of employees that the entity has and in the majority of cases, the owner has to account for all the things as an individual or as a group depending on the structure one has put in place (Quaye, Abrokwah, & Osei, 2014).In Zimbabwe the definition is derived from the Small and Medium Enterprises Act (Chapter24:12). An MSME is a legal business entity defined by the following variables: i. The number of permanent workers ii. Annual turnover iii. Value of assets excluding fixed assets. This is shown below in Table 1:

	NUMBER OF PERMANENT WORKERS	ANNUAL TURNOVER	VALUE OF ASSETS EXCLUDING FIXED ASSETS;
MICRO	Up to 5	Up to 30 000	Up to 10 000
SMALL	6-30 (except for those in mining, construction, energy and transport with up to 40)	500 000 (except those in mining -1500000, construction-1 000 000,)	250 000 (except for mining-1 000 000, manufacturing-500 000, construction and energy-1 000 000,
MEDIUM	31-75	1 000 000 (except those in mining -3000 000 and construction-2 000 00)	500 000 (except for those in mining and construction-2 000 000, Manufacturing and energy -1 000 000

This understanding is key to this discussion as it helps to unpack the importance of SMEs in any economy, particularly in Zimbabwe.Most SMEs are run by individuals and there is no reliable database of SMEs, because many of them are not registered, or are unwilling to register, hence they avoid paying taxesto the government. It is difficult to accurately determine the number of SMEs in Zimbabwe and the officialdatabase may not provide the correct information. Small and medium enterprises are essential for the sustainable growth of any nation (Sotonye &Nwanyanwu, 2020).). SMEs account for approximately 20% of the total tax revenue, which if looked carefully, is far below that the sector should be contributing. In a paper presented at a conference in Harare (2017), the Secretary for the SMEs presented that about 85% of the SMEs are not registered, hence the conclusion that there is a greater need for a formalisation that conceivably increases the contribution of the sector to GDP and the fiscus. This implies that there are leakages in tax revenue as the SME firms in the economy are not formalised. Ideally, most of the SMEs are family and individual owned and have not grown in size so much that they make significant contributions to the economy. The fact that they to the extent of abiding by the legal provisions.

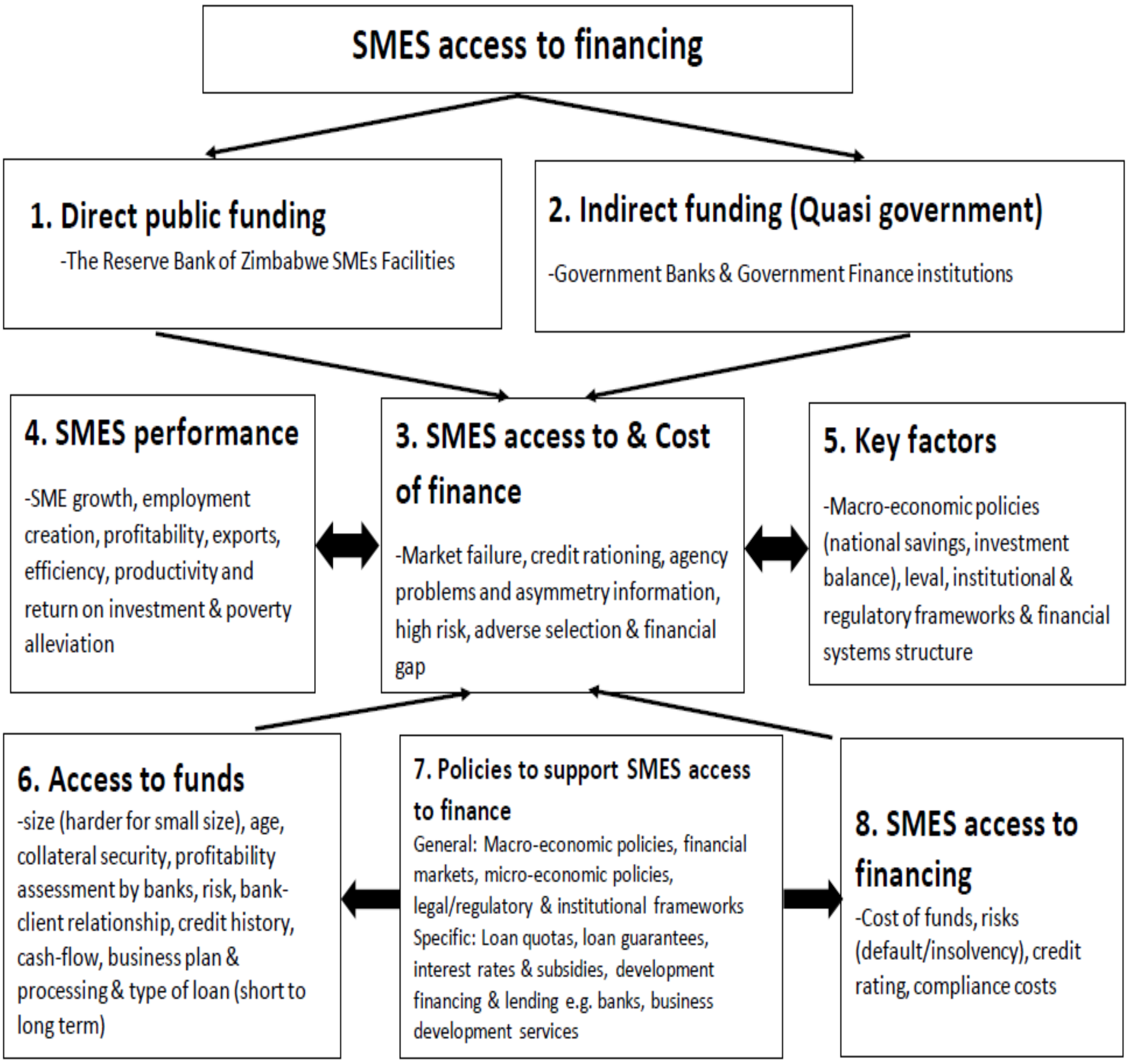
1.5 FINDINGS AND DISCUSSION ON THE DYNAMICS OF SMES DETERMINANTS

The framework below is based on the researcher's conceptualisation of the determinants. It shows the key determinants that have been identified in the case of Zimbabwe. The government-aided financing of small and medium enterprises (SMEs) affects business operations as influenced by various factors within the financial services sector in the country. The central critique is that the formulation of the framework is based on a review of the literature on determinants of the capital structure of SME financing in Zimbabwe and the studies related to SME financing. Essentially, the theoretical framework of this study is centred on the problem of inadequate financing faced by SMEs, which ultimately, affects SME performance and impacts economic development.The major problems associated with inadequate government-aided financing obtaining in in Zimbabwe affect the purchasing index by the people as slowed vibrancy in the SME performance due to lack of financing implies that products are in short supply, hence prices escalate. The determinants of SME funding have been identified as follows:

(1) Accessibility of limited financial sources (demand gap) due to the effect of various quantitative and qualitative variables on the capital structure of SMEs;
(2) Limited availability of finance for SMEs (supply gap);
(3) Lack of awareness about the approachability towards potential sources of finance (knowledge gap);
(4) The reluctance of financial institutions in providing funds to SMEs (benevolence gap); and
(5) Physiography (locational challenges in relation to the geographical spread of the government financing institutions for firm owners to access capital).

The empirical evidence from the literature confirms that there is a combination of factors that determinethe success or failure of SMEs. Cuevas et al., (1993) postulated that access to credit by SMEs has been an issue repeatedly raised by numerous studies as a major constraint to the industrial growth and empowerment of people in Africa. As a result, the common explanation is lack of access to capital by SMEs is their inability to pledge acceptable collateral assets – which has created a huge financial gap. In the case of Zimbabwe, it is quite clear that those who aspire to venture into business, struggle to get collateral security. There are fundamental impediments. Their pledged assets are either depreciated at the valuation stage if they are movable like cars which are mostly demanded by financial institutions or they do not meet the minimum standards for any pledge for collateral security because they will be second-hand cars. In the case of immovable assets such as properties like houses, the biggest challenge they fact is that they may not have title deeds for their pledged immovable assets. By assessing various determinants, this paper has come to conclude that these factors are hurdles to SMEs' growth. They vary in terms of their impacts. As such, the frameworkbelow was developedto understand the financing of the SME environment in Zimbabwe. This includes among others, a clarification of how the interplay of factors operates in the relationships that exist in the entire 'determinants' web as follows:

Figure 1: Determinants of SMEs access to capital in Zimbabwe



The existent of financing gaps of SMEs makes it critical for a thorough diagnosis of the problem of access to financing in light of determinants of capital structures, sources of funding, accessibility and available of those funds to SMEs as imperatives. However, it is critical to note that since the government of Zimbabwe is involved in funding SMEs directly and indirectly, it has to exercise flexibility to improve access. The above framework assists not only policy-makers in improving lending infrastructure, institutional reforms and review of the enabling policies, legislation and regulatory environment but also prompts adaptation to modernise the financial services sector through innovation to make the financing environment flexible for SMEs to access capital. Fundamentally, in any developing country, it has become important for the capital infrastructure formations to facilitate SME firms by enabling a policy environment that helps the entrepreneurs to have access to cheap financing and start a business.

Additionally, the framework also articulates the scope of SME financing. It has been established that previous research has not been able to address the gapsthat exist regarding the determinants. Some of the impediments of SMEs, particularly the informal SMEfinancing institutions, charge a premium on leading loans to SMEs. The current prescription of a 200% interest rate on loans is being applied to all borrowing by the public and private sectors, which is making loans unaffordable. To this end, there is limited capacity for SMEs to access money with the exception of negotiated variations with the banks on those operating in the agri-business sector to about 100% or less. The case in point is that many individuals and corporates, are resorting to requesting the intervention of the Reserve Bank, yet the treasury and Reserve Bank set such policies. Ideally, one would expect that a clear policy pronouncement should have been made to ensure that there is uniformity in terms of policy and implementation of the same by the lending government-aided institutions.

This is in spite of the government of Zimbabwe making public pronouncements to offer favourable rates to SMEs. While in recent times, a 200% interest rate on all bank borrowings was announced, seemingly crowding out most SMEs' access to capital, the Reserve Bank of Zimbabwe (RBZ) about its commitment to support SMEs and offer them cheap funds. Consequently, this has affected the increase and growth of SME firms, including the expansion of larger and older enterprises, let alone the take-off by emerging SMEs (Banerjee, 2014). This has led to arguments that unfavourable conditions for smaller enterprises are due to the effects of institutional factors that create policies that affect business (Heshmati, 2001, p. 15). This is typical of the way the policies are crafted in Zimbabwe in which the Treasury and the RBZ, have been making abrupt policy changes with little due diligence on the impact of such policies on the affordability of capital, sustainability and profitability of the SME enterprises.

The reason is that for an SME enterprise to be able to grow and develop, it needs cheap lending. This includes investing in market development and market intelligence, increasing production capacity through machinery acquisitions and up-to-date technology for the optimisation of production systems by the SMEs (Verdolini et al., 2018). All these processes by the SMEs, require constant review as ongoing processes and need funding over short to long periods of time (Kumar & Rao, 2015, p. 3). Because of the nature of the SMEs, the enterprises have considerable different risk profilesand when they are examined for possible funding; they are rejected due to bank conditions that are stringent (Lajis, 2017). Thus, SMEs usually get constrained in terms of the amount of resources at their disposal, and depending on their growth focus, many of them have limited customers and lack credit history, which makes them riskier (Doh & Kim, 2014, p. 4). Furthermore, several emerging and undercapitalised SME businesses are likely not to compete nor sustain their operations since they run on a cash basis. Zimbabwe SMEs, are arguably operating in one of the most difficult environments. In many instances, there is almost twice the probability of failure in the first couple of years than a properly capitalised business. Most of them are funded from personal funds from family servings and individual funding, which implies that they have to start from small sizes and then grow if they manage to navigate the difficult environment to survive as enterprises. Evidence gathered by Cressy (2006, p. 9)attests to the fact thatin most developing countries, financing institutions insist, for example, on a clear track record of the performance of the aspiring SME in order for them to make a decision to lend money to them or not. However, much of the information asymmetry is not usually available since most of the SMEs generally are new and have not built a track record. Ideally, they are largely start-ups and may not have the requisite business history. As such, the tendency of financing institutions is to set aside their applications for funding.

The centrality of information asymmetry makes this study conclude that financial institutions in Zimbabwe induce serious access gridlocks for entry into the SME sector. As such, it can be argued that the levels of local participation are hindered as the entrance requirements from capital access perspective pose barriers, thereby, exacerbating the participation of the local people in the SME economy. The tendency, therefore, is to lend money to companies that they know under the 'Know Your Client' (KYC) principle based on hard information about that particular client. This relates to those who have been in business already, which are mostly large corporates and hence no incentives for emerging SMEs. This by any comparative assessment does not help much to support the SMEs (Berger & Udell, 2006; Dell Ariccia & Marquez, 2004).

The need to support SMEs encourages economic competition and in an environment such as Zimbabwe where there was capital flight as a result of big corporate that left the market, there is logic to support the SME sector. The inception of sanctions apart from capital flight, witnessed big corporate also downscaling their operations which were huge oligopolies in the market and that gap, had to be closed. However, some of the determinants to access to capital such as information asymmetries still apply in the financial services sector and this is creating problems for the growth and development of SMEs in Zimbabwe.

Ideally, in part three of the determinants, access to and cost of finance impacts many aspects of the SMEs, and it is clear that the businesses encounter lots of challenges throughout the market in relation to lending institutions. On one hand as a determinant in Zimbabwe, capital is expensive as already alluded to at a 200% interest rate per annum. This directly affects both horizontal and vertical integration and the performance of SMEs. Horizontal integration relates to supply chains in the market which should be financed to get the commodities and services to the end-users (consumers) at a sustainable, affordable, reasonable and profitable margin.

It is argued in this paper that from a financing determinant perspective, the interplay of government policies as shown in Figure 1, part 7 of the diagramme above, the general macro-economic policies such as those pronounced by the Ministry of Finance and the Reserve Bank of Zimbabwe and the financial market performance influence interests rates on capital borrowing. There is no doubt that as a result of this, per 8, which is SMEs' access to financingis affected by the cost of funds. More importantly, the fact that most banks also look at the SMEaspirant's credit history, means that those who are start-ups, are at a disadvantage to access capital. Ideally, the financing should follow a business plan and model that is financeable by looking at planned operations, profitability and sustainability of the business in the market for funding, Consequently, due to risk considerations, part 6, which is access to funds is usually difficult to be met by most SMEs particularly history and also provision of collateral security, and in the absence of trading history, is difficult to convince the banks during their assessments. Additionally, the bank-client relationship counts, what is clear is that most SMEs have little or no relationship with most of these banks to be known as credible borrowers. Thus, lending banks that are financed by the government, are not keen on new entrants into the SME sector, which makes the transition and graduation of the business into big and viable SMEs a difficult task.

While the issue of thorough assessment by financial institutions remains a critical element in the banking sector as part of due diligence, in Zimbabwe, this aspect has become more of a hindrance that a mere effective tool for lending money to SMEs. Coupled with this is the issue of the collateral regime that is applied to the extent that this tends to hinder the functioning of an economy where most big corporate have withdrawn their operations from Zimbabwe.

Logically, the financial legal and information asymmetry should be simple and conducive to facilitate access to capital by business people entering into some form of production of goods and services to enhance both personal and community development through entrepreneurship (Georgewill et al.; 2021; Sengupta, 2007, Haselmann et al., 2008). It appears clearly that most government-aided financial institutions, especially those tasked to handle supporting the SME sector, a true potential for growth and development of the economy, are not able to understand the new dynamics of the need for economic transformation. In order for SMEs to reach their goals in terms of supplying unique products and services, their financial needs should be attended to. More often, the banks are not willing to change and this is making themselves unattractive to SMEs with the cost of money regarded as high. The determinants in the framework demonstrates risk associated with SMEs, thus, they experience slow growth because the banks are unable to take the risk in providing financing to the SME sector.

1.6 BRIEF DISCUSSION

Many banks are wary of lending to SMEs. This is because of high credit risk such as the high rate of default by SMEs are high. To buttress this point, Ojiambo (2012) put forward that many SMEs in Africa have this challenge and have had slow growth compared to their Asian and European SMEs. According to Abdesamed & Wahab (2014), the determinants such as lack of collateral for a loan by SMEs are one of the primary reasons why banks do not grant loans to SMEs. Additionally, Sanusi (2013) did a study in Nigeria, and recognized some of the above determinants as the biggest constraints and the reason why banks do not get development financing for SMEs. The critical issue of lack of managerial capacity, high-cost transactions, inadequate collateral; poor Record keeping, financial literacy and the overall understanding of proper business practices by the SME owners, remarkably undermine bank confidence in lending money to the SMEs. In addition, inconsistencies in terms of government policies also affect SMEs. Consequently, the SMEs end up failing to access money, for example, the hiking of interest rates from 60% per annum to 200% interest rate, impedes access to financing by SMEs and is part of the reasons why SMEs do not reach their full potential. Lack of formal education which is linked to financial literacy by owners and inadequacy of experience, is pervasive among the Zimbabwean SMEs sector to the extent that the banks have no confidence to support them as any business, requires somea modicum of financial literate and sound management hence they fail to access loans (Agbim, 2020). Thus, according to Abiola (2011), SMEs' activities are limited by these determinants and leaving them with inadequate capital, stringent credit t conditions, poor management and faulty implementation of governmentpolicies.

1.7 RECOMMENDATIONS

The perceived and real high risks, particularly collateral security, reputational effects and existence of information asymmetries between finance providers and borrowers, imply the need for a review of many things. In the following diagramme, it has to be noted that SMEs should be supported and the answer is in changing the policy environment and the financial services infrastructure so that the financial ecosystem, can support SMEs to grow.

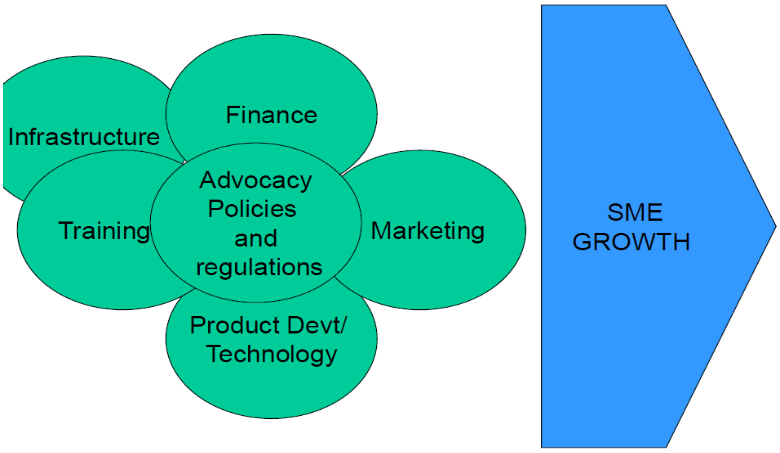


Figure 1.2 Reforming the Policy and Financial Infrastructure for SMEs Growth

In this research, Cressy (2006) studied why most firms die young, and argue that even where the government provides funding, the tendency of channelling the resources via banks creates complications by putting measures that tend to restrict access. The starting point is to have the financial services infrastructure changes to adapt to the needs of the SMEs. This should be followed by complementary advocacy on good policies that are market-driven to support SMEs. In addition, because the SMEs are emerging from a background of economic hardships, there is a need for training in not only financial literacy but the management of the business in Zimbabwe's VUCA environment. Ideally, marketing and promotion of the products, which again, should go through robust product development and branding, are key aspects for the SMEs to be competitive.

Other researchers have come to a similar conclusionthat one of the major issues for SMEs' ability to develop and contribute significantly to economic development, isthe lack of development financing, particularly for start-ups (Beck & Demirguc-Kunt, 2006, p.10). Coupled with this, are the regulations, which clearly retard the growth of SMEs. To a larger extent, the fact that one of the determinants is collateral security largely limits access to formal credit. In some instances, the process of accessing funding follows political patronage consideration (Akingunola, 2011).The issue of SME collateral security by banks administering government facilities alienates SMEs fromgrowth (Quartey, 2003) and this is supported by the fact thatproblems related to financing SMEs in the case of Ghana, just as in other developing countries,they are affected by constraints including collateral security for any supporting loan facilities. As such, Zimbabwean SMEs find themselves in similar situations and if movable assets such as livestock stocks and vehicles can be pledged as collateral security, can help the small businesses access capital. However, there has been resistance in this area, and agro-based enterprises have not benefited much in this area which has created a huge gap in the sector of agriculture.

1.8 CONCLUSION

The main findings of this review research reveals that SME financing in Zimbabwe is gridlocked at the confluence of stringent determinants within the financial services sector against the backdrop of high demand to invest in SMEs. This, inadvertently, has a significant influence on SMEs growth,and expansion capacity of small and medium enterprises in Zimbabwe's cities, towns and rural areas. The study also reveals that while public pronouncements about loan availability have been vociferous, this is not matched with actual action on the ground in terms of accessibility of funds by SMEs. Essentially, when the SME apply for loans, the duration that is taken to process and give feedback is far too long for planning and implementation of SME projects, thereby affecting the start-ups to flourish. There are more delays that take place in loan processing with a significant impact on SMEs' growth, which means that the SMEs do not meet their timelines in the market to exploit the opportunities optimally. The other observation made in this instance relates to jurisdiction, which fundamentally relates to policy uncertainties coming from both the treasury and the Reserve Bank of Zimbabwe. At one point in 2022, there was an announcement of a blanket ban on all borrowings. This was to be reversed much later but the damage in the financial services sector had already been made. In August 2022, there came another policy in terms of hiked interest rates from about 60% to 200% on all loans. This again made loans too expensive and it was thumb-sucking on the market without effective impact assessment on the performance of the business. Thus, Zimbabwe's jurisdictional contradictions in terms of policy inconsistencies, affect business and are seen as highly unpredictable and uncertain.In conclusion, SMEs areexposed to various threats and are more constrained financially in African countries (Hutchinson & Xavier, 2006, p. 6). In addition, the SMEs also lack access to external financing, and they end up waiting for the benevolence of the state and from formal sources that are not financially very strong to reflect averting the perceived higher risk. This can explain the smaller growth of SMEs to contribute as much as possible to a nation's growth (Beck & Demirguc-Kunt, 2006; Doh & Kim, 2014, p. 4). In a study by Pissarides (1999), it was found that the only SMEs that could afford the higher interest rates were those SMEs that successfully had identified highly profitable niche markets. The other SMEs especially in Zimbabwe, are either new with limited or no history, which in turn affects their credit rating. The framework in Figure 1.1 provides key aspects for examining the empirical situation in Zimbabwe. Ultimately, the financing relationships and analysis serve as a reference point to understand the impact of the determinants of financing SMEs and the reforms that are required to stimulate SME growth.

REFERENCE

[1]. Abdesamed, K. H., & Wahab, K. A. (2014). Financing of small and medium enterprises (SMEs) in Libya: Determinants of accessing bank loan. *Middle-East Journal of Scientific Research*, *21*(1), 113-122.

[2]. Abiola, B. (2011). Impact analysis of microfinance in Nigeria. *International Journal of Economics and Finance*, *3*(4), 217-225.

[3]. Adeyeye, P. O., Azeez, B. A., & Aluko, O. A. (2016). Determinants of small and medium scale enterprises financing by the banking sector in Nigeria: a macroeconomic perspective. *Investment management and financial innovations*, (13, Iss. 1 (contin.)), 170-175.

[4]. Agbim, K. C. (2020). Government policy, financial inclusion and performance of SMEs in South Eastern Nigeria. *International Entrepreneurship Review*, *6*(2), 69-82.

[5]. Akingunola, R. O. (2011). Small and medium scale enterprises and economic growth in Nigeria: An assessment of financing options. *Pakistan Journal of Business and Economic Review*, *2*(1).

[6]. Akingunola, R.O. (2011). Small and medium scale enterprises and economic growth in Nigeria: An assessment of financing options. *Pakistan Journal of Business and Economic Review*, *2*(1).

[7]. Aryeetey, E., Baah-Nuakoh, A., Duggleby, T., Hettige, H. and Steel, W.F. (1996). *The formal financial sector in Ghana after the reforms*. London: Overseas Development Institute.

[8]. Banerjee, R. (2014). SMEs, financial constraints and growth.

[9]. Banerjee, R. (2014). SMEs, financial constraints and growth. Cambridge.

[10]. Beck, T., & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking & finance*, *30*(11), 2931-2943.

[11]. Beck, T., & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking & finance*, *30*(11), 2931-2943.

[12]. Beck, T., Demirgüç-Kunt, A., Laeven, L. and Maksimovic, V. (2006). The determinants of financing obstacles. *Journal of international money and finance*, *25*(6), pp.932-952.

[13]. Berger, A. N., & Udell, G. F. (2006). A more complete conceptual framework for SME finance. *Journal of Banking & Finance*, *30*(11), 2945-2966.

[14]. Cant, M.C. and Wiid, J.A. (2016). The use of traditional marketing tools by SMEs in an emerging economy: a South African perspective. *Problems and perspectives in management*, (14, Iss. 1), pp.64-70.

[15]. Cook, P. (2001). Finance and small and medium-sized enterprise in developing countries. *Journal of Developmental Entrepreneurship*, *6*(1), p.17.

[16]. Cressy, R. (2006). Debt finance and credit constraints on SMEs. In *The life cycle of entrepreneurial ventures* (pp. 187-225). Springer, Boston, MA.

[17]. Cressy, R. (2006). Why do most firms die young? *Small business economics*, *26*(2), pp.103-116.

[18]. Cressy, R. (2006). Why do most firms die young?. *Small business economics*, *26*(2), 103-116.

[19]. Cuevas-Vargas, H., Enríquez, L.A., Adame, M.G. and Servin, J.L. (2015). The use of ICTs and its relation with the competitiveness of Mexican SMEs. *European Scientific Journal*, *11*(13).

[20]. Dell'Ariccia, G., & Marquez, R. (2004). Information and bank credit allocation. *Journal of financial Economics*, *72*(1), 185-214.

[21]. Doh, S. and Kim, B. (2014). Government support for SME innovations in the regional industries: The case of government financial support program in South Korea. *Research policy*, *43*(9), pp.1557-1569.

[22]. Doh, S., & Kim, B. (2014). Government support for SME innovations in the regional industries: The case of government financial support program in South Korea. *Research policy*, *43*(9), 1557-1569.
[23]. Doh, S., & Kim, B. (2014). Government support for SME innovations in the regional industries: The case of government financial support program in South Korea. *Research policy*, *43*(9), 1557-1569.
[24]. Dubbeling, M., van der Schans, J.W., Renting, H. and Wiskerke, J.S.C. (2015). SMEs and Sustainable Urban Food Provisioning: Practitioner Brief.
[25]. Georgewill, T. A., Akpomi, M., & Nkpolu-Oroworukwo, P. H. (2021). Influence of Entrepreneurial Activities of Small Scale Enterprises and Economic Development of Rural Communities in Rivers State.
[26]. Green, C., Kimuyu, P., Manos, R. and Murinde, V. (2002). How Do Small Firms in Developing Countries Raise Capital? Evidence from a Large-scale Survey of Kenyan Micro and Small Scale Enterprises (MSEs).
[27]. Haselmann, R., & Wachtel, P. (2010). Institutions and bank behavior: Legal environment, legal perception, and the composition of bank lending. *Journal of money, credit and banking*, *42*(5), 965-984.
[28]. Herciu, M. (2017). Financing small businesses: From venture capital to crowdfunding. *Studies in Business and Economics*, *12*(2), pp.63-69.
[29]. Heshmati, A. (2001). On the growth of micro and small firms: evidence from Sweden. *Small business economics*, *17*(3), pp.213-228.
[30]. Heshmati, A. (2001). *The dynamics of capital structure: Evidence from Swedish micro and small firms* (No. 0440). Stockholm School of Economics.
[31]. Hutchinson, J., & Xavier, A. (2006). Comparing the impact of credit constraints on the growth of SMEs in a transition country with an established market economy. *Small business economics*, *27*(2), 169-179.
[32]. Kumar, S. and Rao, P. (2015). A conceptual framework for identifying financing preferences of SMEs. *Small Enterprise Research*, *22*(1), pp.99-112.
[33]. Kumar, S. and Rao, P. (2015). A conceptual framework for identifying financing preferences of SMEs. *Small Enterprise Research*, *22*(1), pp.99-112.
[34]. Lajis, S.M. (2017). Risk-sharing securities: Accelerating finance for SMEs. *Islamic Economic Studies*, *130*(5936), pp.1-21.
[35]. Lajis, S.M. (2017). Risk-sharing securities: Accelerating finance for SMEs. *Islamic Economic Studies*, *130*(5936), pp.1-21.
[36]. Ojiambo, J. B. (2012). *Strategies adopted by co-operative bank of Kenya in response to loan defaulters among the small and medium enterprises in Kenya* (Doctoral dissertation).
[37]. Pissarides, F. (1999). Is lack of funds the main obstacle to growth? EBRD's experience with small-and medium-sized businesses in Central and Eastern Europe. *Journal of Business Venturing*, *14*(5-6), 519-539.
[38]. Quartey, P. (2003). Financing small and medium enterprises (SMEs) in Ghana. *Journal of African Business*, *4*(1), 37-55.
[39]. Quaye, I., Abrokwah, E., Sarbah, A., & Osei, J. Y. (2014). Bridging the SME financing gap in Ghana: The role of microfinance institutions. *Open Journal of Business and Management*, *2*(04), 339.
[40]. Sanusi, L. S. (2013). Banks in Nigeria and national economic development: A critical review.
[41]. Sengupta, R. (2007). Foreign entry and bank competition. *Journal of Financial Economics*, *84*(2), 502-528.
[42]. Seo, J.Y. (2017). A study of effective financial support for sMes to improve economic and employment conditions: evidence from oecd countries. *Managerial and decision economics*, *38*(3), pp.432-442.
[43]. Sotonye, G., & Nwanyanwu, H. D. (2020). Bank lending and entrepreneurship development in Nigeria's agricultural and manufacturing sectors. *Journal DOI*, *6*(2).
[44]. Verdolini, E., Bak, C., Ruet, J. and Venkatachalam, A. (2018). Innovative green-technology SMEs as an opportunity to promote financial de-risking. *Economics*, *12*(1).
[45]. Verdolini, E., Bak, C., Ruet, J. and Venkatachalam, A. (2018). Innovative green-technology SMEs as an opportunity to promote financial de-risking. *Economics*, *12*(1).
[46]. Wakili, K. G. (2006). Experimental and numerical investigation of the thermal performance of a protected vacuum-insulation system applied to a concrete wall. Applied Energy, 83(8), 841–855.

Corresponding Author: [1]Benson Philip Hlungupi Samudzimu,
[1]Doctoral Student of Business Administration (DBA)Department of Business Management at Swiss School of Management, Switzerland