

To cite this article: Odius Chibaya, Marian Tukuta and Faitira Manuere (2022). The role of Business Incubation in the development of SMEs in Zimbabwe, International Journal of Education, Business and Economics Research (IJEBER) 2 (1): 1-9

## THE ROLE OF BUSINESS INCUBATION IN THE DEVELOPMENT OF SMES IN ZIMBABWE

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### ABSTRACT

The purpose of this study is to look into the function of business incubators in promoting the growth and development of SMEs in Zimbabwe. The development of business was introduced in Zimbabwe as a borrowed concept that came from the developed countries such as India, USA, China, Russia and Brazil. In Zimbabwe there is an increase in the number of SMEs though studies have indicated that 85% of these SMEs are not productive because they are born today and they die tomorrow. In recent years the government of Zimbabwe not only did it import the idea, it also initiated through various government institutions as well as supporting the private sector that had taken a leading role in pursuing the incubation concept. This was done in an effort to help ailing small businesses and assist them as they pursue growth and survival. In this study the mixed research was adopted. Data was collected using both structured questionnaires and interview guides and the data was analyzed using graphs and content analysis. The results obtained in this study show that SMEs that were supported by business incubators were more productive.

**KEYWORDS:** Business Incubation, SMEs, Government, start-ups and Zimbabwe.

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Published Online: Jan 2022

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### INTRODUCTION

The role of SMEs in economic growth is a long-standing and polarized topic in global development. SMEs have been praised all around the world for their innovation. Gross Domestic Product (GDP) has increased dramatically, resulting in massive job creation. Contribution, export revenues, and the country's overall health populace. South Korea, Taiwan, and the United States are all major economic powerhouses. SMEs are thriving in Japan, Malaysia, and China. These Countries are

now being referred to as "new worlds." Their contribution in terms of SMEs has aided industrialization and this has made countries around the world to put more focus on SMEs development.

Zimbabwe has likewise taken the position of boosting its economy by directing resources toward the development of SMEs. However, the current situation demonstrates that Zimbabwe is confronting numerous hurdles in that pursuit, but the challenges do not appear to be unique, as they are very similar to those faced by South Korea and other nations. As a result, this research is centered on a comparison of the issues and policies faced by SMEs in Zimbabwe and South Korea. The performance of SMEs has piqued the interest of development economists, governments, entrepreneurs, financial institutions, and venture capital organizations (Mpofu 1998).

SMEs have long been seen as a viable alternative to traditional formal employment. According to Fan (2003) and Fleetwood (2009), the SME sector is the largest employer in many countries, particularly when it comes to job creation. Small and medium-sized firms (SMEs) account for 99.9% of all businesses in China, 84 percent of all employees, and 71% of all sales, for example. 2003 (Fan). According to Meeks, small and medium-sized firms (SMEs) account for 98 percent of all businesses in Japan and employ 70% of the workforce (1993).

SMEs, according to Nyoni (2010), help create jobs, reduce poverty, and contribute considerably to an economy's GDP. According to the Reserve Bank of Zimbabwe (2007), SMEs employed 61 percent of Zimbabwe's workforce. According to the RBZ (ibid), SMEs in Zimbabwe account for more than half of the country's GDP. This is in support of the study carried by Ndro (2012), who suggested that SMEs in Zimbabwe account for almost 90% of the country's economic growth (Goriwondo 2011). However, the absence of financial help from banks has been a serious difficulty for Zimbabwean SMEs. To deal with this problem, the government is attempting to generate \$50 billion by selling federal treasury bonds. As the multi-currency regime was implemented, Zimbabwe had been facing some cash issues, with SMEs being the hardest hit (Ndro 2012). SMEs, according to Fan (2003), are the primary sources of technological advancements and innovative goods. SMEs are regarded to have a critical role in employment creation, poverty reduction, and ownership of productive sectors, according to Mpofu (1998). In the business world, identifying a small business is becoming increasingly important.

Governments have enacted a slew of policies and legislation aimed at encouraging SMEs to become significant drivers of economic growth and employment creation (Munyanyiwa 2009). In Zimbabwe, the government's commitment to the establishment and growth of SMEs is demonstrated by the formation of the Ministry of Small and Medium Enterprise and Corporate Development, as well as the Small Enterprises Development Corporation. Yet, it is unfortunate to pick up that the Ministry in question is not regarded a key ministry, and as a result, it is perpetually underfunded, as the government is hesitant to adequately fund the Ministry of Small and Medium Enterprise and Corporate Development because it considers its beneficiaries to be informal traders.

## 1. The important role played by SMES

The significance of SMEs in relation to the social and economic growth cannot be overstated. According to Nyanga et al. (2013), economic growth is a process of structural transformation of the economy involving industrialization, rising GDP, and rising per capita income. SMEs and entrepreneurs play an important role in all economies, as they are the primary sources of employment and revenue, as well as the drivers of innovation and growth (OECD, 2009). In both established and emerging markets, according to a World Bank report (2008), SMEs constitute the backbone of all economies and a significant source of economic growth, job creation, and innovation. SMEs were once thought to be unconnected to the formal economy and would vanish once industrial growth was accomplished (Gebreyesus, 2007). Globally, development practitioners are increasingly agreeing that SMEs are critical contributors to long-term development in both high- and low-income nations (World Bank, 2008). In relation to the same report, SMEs are one of the most important contributors to GDP growth in many countries. Small and medium-sized enterprises (SMEs) are thought to be the engines of long-term economic growth in developing countries, helping low-income countries to meet their growth targets.

They (SME) play an important part in revitalizing the economy, according to Goriwondo (2011). It is widely known and recognized that SMEs are active instruments for creation of jobs and economic growth, resulting in poverty reduction not only for the entrepreneurs but also for their workforces. Their commitment to mainstream economic activity will aid in addressing the country's economic woes, and many will benefit from a better standard of living.

According to Work (2013), it is extremely impossible for developing countries to grow their economies on a long-term basis without the continued growth and development of SMEs. Swanson (2007) agrees, claiming that achieving SME growth is crucial for long-term growth and development at the national level. SMEs contribute to the GDP of a country through manufacturing goods and providing services to consumers, as well as providing inputs to other firms. They also provide a substantial contribution to exports and international trade promotion. Exporting manufactured items to other countries boosts a country's export profits and lessens reliance on primary commodity exports in most developing countries. This has made the availability of SMEs more important as in the past 10 years have been able to carry the economy forward. These tiny enterprises, on the other hand, confront a number of opportunities and challenges. SMEs are responsible for some of these opportunities and issues, while corporations are responsible for others, and government laws and regulations are responsible for others.

Regardless of the critical role of SMEs in the economies of third-world nations, according to Cook and Nixon (2000), SMEs nevertheless suffer substantial financial constraints. According to Ross (2005), SMEs are typically self-financed because they find it difficult to meet the tight requirements imposed by financial lenders, who frequently demand collateral security that SMEs lack. Lall (2001) discovered that the majority of SMEs are small and suggested that smallness is harmful,

similar to how small animals are easy prey for predators in the animal kingdom. In the developing world, SMEs are typically financially weak due to a lack of access to credit.

## **OBJECTIVES**

The major aim of this paper is to establish the role of business incubation centers in Zimbabwe and to further examine the challenges they are facing in executing their role.

## **LITERATURE REVIEW**

### **1. The role of Business incubation**

In most industrialized countries, the introduction of business incubation centers has contributed to a higher proportion of success in developing sustainable firms. Incubators provide resources, services, and facilities to help fledgling businesses get started and grow faster (Al-Mubarak, & Busler, 2010). While the initial incubators of the 1960s primarily provided cheap, flexible workspace for SMEs and early-stage businesses, new approaches for supporting start-ups and entrepreneurs have arisen (Burnett, 2009). These incubators now typically provide free or discounted office space, mentoring, access to professional services, networking, funding, events, and entrepreneurship training (InfoDev, 2009). There are various approaches for incubating new enterprises, and incubation centers should aim to build a customized training and support program that can fulfill the needs of their start-ups, innovators, and entrepreneurs.

The role and objective of business incubators, according to Choto (2015), is to stimulate the start-up and growth of entrepreneurial companies. Entrepreneurs rely on business incubators for a variety of tools and services, such as working space, technical knowledge, mentoring, company and shared administrative networking, services, and access to new markets (Hutabarat, & Pandin, 2014; SEDA, 2015). As a result, incubators are described best as a safe haven for new ventures and SMEs

According to Anselmo (2009), the business incubator acts as a venture capitalist by investing in management rather than just ideas. To determine the company potential, the Business Incubator takes into account the entrepreneur's ability as well as the venture's market potential. To evaluate an entrepreneur's and a company's potential, a variety of instruments and approaches are employed. This necessitates the participation of financiers, industry experts, and business development professionals.

Incubators differ in terms of the services they provide, their organizational structure, and the clients they serve. Incubators typically assist entrepreneurs with the development of business ideas and proposals, as well as the establishment of contacts for financing and the acquisition of lower-cost insurance. The majority of the services provided are in the form of indirect assistance and support. High-adaptability incubators have unique objectives, such as diversifying rural economies, creating jobs, and transferring technology from universities and large enterprises. The incubator's clients are at the front of developing new and innovative technologies, providing goods and services that benefit people all over the world.

Since the concept of business incubation is now widely regarded as a critical tool for the formation and growth of SMEs around the world. In order to support the formation of sustainable indigenous small to medium companies, both the government of Zimbabwe and the private sector have accepted the concept of business incubators by establishing incubation centers at State Universities, Polytechnic colleges, and the private sector. However, some data suggests that despite the provision of business incubation services, SMEs in Zimbabwe fail, prompting this study to investigate and establish the role of business incubation centers in developing SMEs in Zimbabwe as well as the challenges they are facing in effectively assisting SMEs.

## **2. Challenges faced by business incubation centers**

The overall effect of an incubator is well-defined by the portfolio of incubates as well as the impact of the incubator across the portfolio, according to Dee et al. (2011). The impact of an incubator on new businesses is dictated by the instruments available for incubation as well as the characteristics of the new company. In order to make an informed decision about why incubation projects aren't completed, Business incubators, like any other type of business, face challenges in providing services to their incubates. Choto (2015) and Lose (2016) suggest that it's important to think about it from all sides, including the BIs and incubates. There are four key issues that business incubators face, according to the researchers: 1. Prototypes based on advanced technologies 2. There is a scarcity of funding and support. 3. Place of residence 4. A lack of entrepreneurship skills.

Apart from the desire to be self-sufficient, Lose and Tengeh (2015) found that business incubators faced other challenges such as a inadequate sponsorship, space for production, technologic based facilities, and expansion, were discovered to be the most significant obstacles confronting business incubators. This matched the findings of in the research carried by Tiren (2020), who attributed to the issues of funding, facilities and infrastructure, competent workers, and proper incubator administration being among the obstacles faced by the incubators. Further studies in South Africa, suggested that township business incubation centers face a variety of challenges in the development of SMEs, including a lack of managerial skills, financial difficulties, a lack of credit, a lack of access to markets, usable technology, low production, and insufficient institutional support (Ndebele & Chinjova, 2021). Due to a lack of managerial skills, marketing help, and financial access, some business incubators in Indonesia fail to build sustainable SMEs. Due to a lack of connections to the knowledge base and external support, such as universities, professional and skilled corporations, and banks, business incubators in the West Bank of South Africa have been unable to assist small businesses in overcoming their challenges (Ndebele & Chinjova, 2021). These further concluded that lack of skills and knowledge, lack of incubator funding, and lack of consistent support from stakeholders, professional and skilled entrepreneurs were some of the major challenges affecting incubation efforts in Bulawayo, a province in Zimbabwe

## METHODOLOGY

In this study the mixed research approach was used. Therefore, structured questionnaires as well as interview guides were utilized to collect data for the study. The data was analyzed through the use of graphs, tables, content analyses and themes. Quantitative research made use of descriptive survey research design, whereas qualitative research made use of qualitative research tools. A sample of 200 respondents was selected using convenient sampling design.

## RESULTS AND DISCUSSION

In collecting data, the questionnaire used mainly focused on understanding the incubation set up in terms of age, type of incubator and the type of services they were offering.

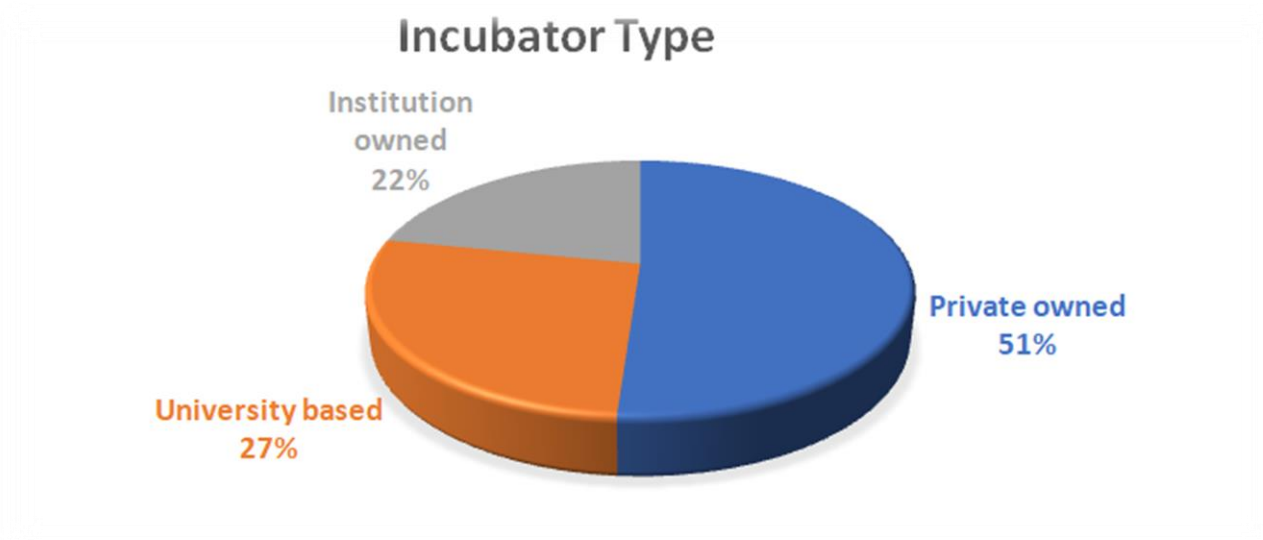


Figure 1. Incubator type

The data obtained indicated that of all the individuals engaged, the majority with 51% were affiliated with privately owned business incubation centers, 27 % were from university-based incubation centers and the remaining 22% were from other institution affiliated organizations such as school and polytechnic schools.

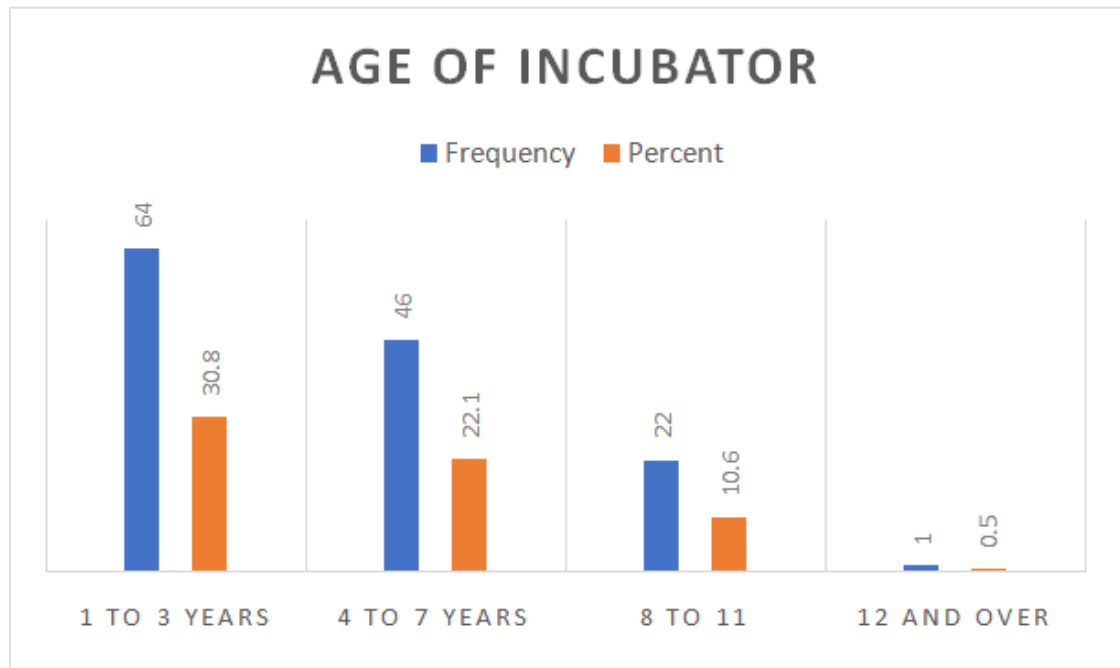


Figure 2. Incubator Age

Within the engaged incubation centers, the data reviews that the highest frequency obtained was from incubation centers that are 3 years or younger. Followed by a frequency of 46 for incubation centers that 4 to 7 years of age since their establishment. There are few incubation centers that were older than 8 years with 10.6% and 0.5% for incubation centers that are aged between 8 to 11 years and older than 12 years respectively.

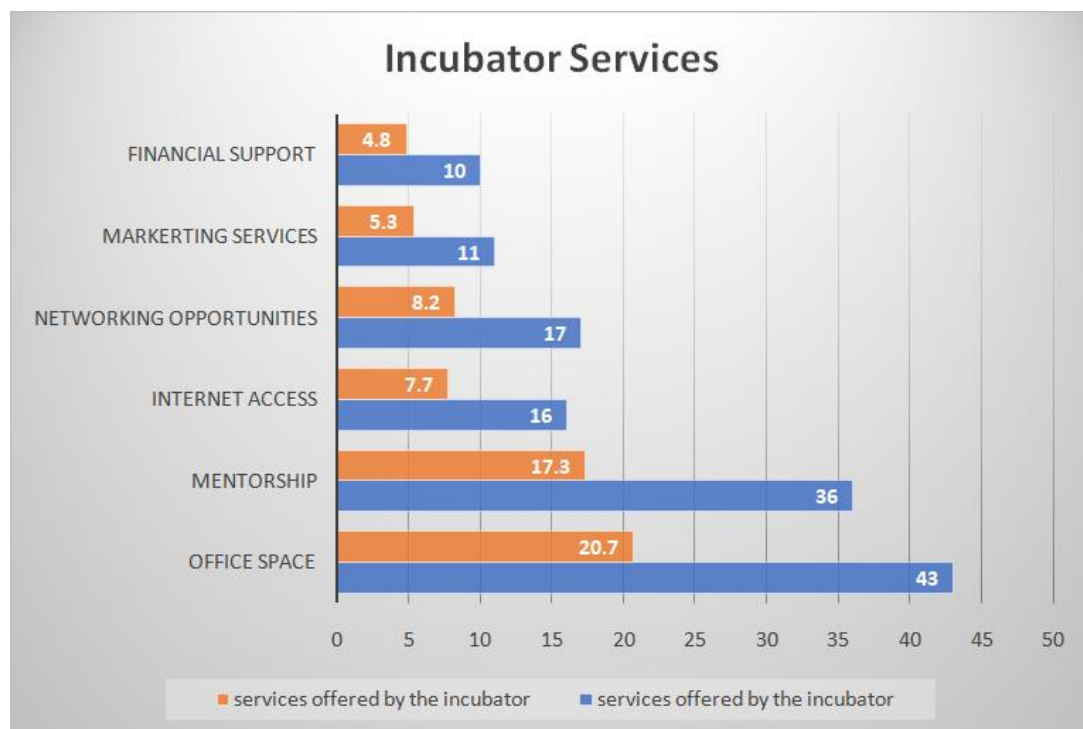


Figure 3. Incubator services offered

many of the business incubation centers regarded office space as the main services they offered to incubates with a frequency of 43, mentorship had 36, 17 for networking opportunities, internet access had 16, whilst marketing had 11 and lastly 10 for financial support.

### **1. Challenges faced by incubators**

After carrying out interviews on the participants they seem to agree that they faced almost similar challenges in their operations. The major challenges noted are funding or sponsorship, infrastructure, limited up to date technologies, sustainability and growth and low start-up incubation uptake.

### **2. Discussions and Findings**

The results reviewed that office space was the major and common services within the business incubations setup, with other services such as mentorship, networking opportunities, internet access and marketing being part of the service portfolio of these organizations. Most of the incubators noted financial support as the least services they offer with other incubation not even including it on the list of the services they offer. Nonetheless this was in agreement with conclusion made by that business incubators aid start-ups and small businesses in their early stages of development in order to improve their chances of survival. In trying to operate and offer services to SMEs they spelt out that it's without its own challenges. Funding or sponsorship, infrastructure, inadequate up-to-date technology, sustainability and expansion, and poor start-up incubation uptake were identified as the top challenges influencing or confronting incubators in Zimbabwe, according to the research. This was also in line with the conclusion of the study conducted by Ndebele & Chinjova (2021) who had almost similar results though they only focused on only one province in Zimbabwe. As a result, the study's findings concluded that in as much as they are trying to be efficient in adjusting to challenges of the economy and providing the services that the can, they face a vast of challenges that are impeding their efficiency.

### **CONCLUSION**

The study examined the role being played by incubation centers in developing SMEs and from the engaged participants that included university-based incubation centers, private incubators and institutional incubators, they mentioned office space, mentorship, networking opportunities, internet access, funding and marketing as being part of the service the offer to incubates. This is line with some of the services being offered by region and international incubators. These respondents also mention several challenges they are facing that include funding or sponsorship, infrastructure, inadequate up-to-date technology, sustainability and expansion, and poor start-up incubation uptake. These challenges are said to be affecting the way they operate in their provision or attempts to positively influence growth in SMEs.



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