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Investigation into alternative financing models for SMEs in Zimbabwe, Mashonaland Central Province

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Abstract

Purpose: This research focused on investigating alternative financing instruments for SMEs in the province. This is in view of the fact debt financing has failed to support anticipated growth in the sector as a result of the associated costs.

Research Methodology: A case study research design was used for the Mashonaland Central Province. The province's eight (Aziz & Abbas) districts—Bindura, Guruve, Mazowe, Mbire, Mt. Darwin, Muzarabani (Centenary), Rushinga, and Shamva—make up the research population for this study. Since financing is at the core of their viability issues, the study sample, which consists of the province's SMEs, was selected to learn more about how they operate and how they can finance their operations in a sustainable way. 2021 secondary data gathered from these districts were used in the study. This is a secondary study in which Excel-based methods were used to analyze data from the target population.

Results: Data analysis shows that unemployed people are absorbed in three sectors: SMEs, vendors, and cooperatives. Overall, SMEs account for 30%, Vending 61%, and Cooperatives 9% of employment. It can also be noted that approximately 80% of SMEs in the province are generally engaged in transport, retail trading, flea markets, and home industries.

Conclusions: Adopting asset-based lending and factoring models offers a viable alternative to traditional debt financing for SMEs in Mashonaland Province, supporting sustainable and inclusive economic growth while addressing the sector's need for stable working capital.

Limitations: The study is limited to Mashonaland Central province; hence, the results may not be applicable in locations with different environments.

Contribution: The study concludes that the SMEs sector in the province is a low-risk and low-return enterprise run on a subsistence basis aimed at maintaining an adequate working capital base. Based on these observations, the study recommends that an asset-based lending model or a factoring model be adopted. These financing models are sound enough to support sustainable and inclusive economic growth based on circular economic principles. This is a clear break from the debt financing model, which has presented a number of challenges over the years. To this end, there is a need for the government and other stakeholders to develop educational campaigns that ensure that SMEs appreciate the operations and importance of these new concepts in business financing so that there is inclusive adoption.

Keywords: *MoSMEs- Ministry of Small and Medium Enterprises, SMEs- Small and Medium Enterprises, ZIMSTAT-Zimbabwe Statistics Agency*

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1. Introduction

The small-to-medium enterprise (Zimbabwe) sector is a typical feature of every economy. The definition of this sector varies from country to country, region to region, and continent to continent. This is largely due to the fact that this definition tends to take into account the economic development dimensions. According to the SMEs Act of Zimbabwe (Zimbabwe), an SME is any business enterprise that employs 6-75 permanent employs, with an asset base of between US$250 000 and US$2 million. It has an average annual turnover of US$500 00-US$3 million. The OECD (Lukacs, 2005) defines an SME as a non-subsidiary, independent firm employing 10-249 employees with a turnover not exceeding EUR 50 million. Specifically, a medium-sized enterprise employs 50-249 employees and turnover does not exceed EUR 50 million; small enterprises employ 10-49 employees and turnover does not exceed EUR 10 million.

According to a 2018 proposal by the European Commission, companies classified as small or SMEs should be defined as those that have fewer than 250 employees, generate less than 50 million in revenue annually, or have an annual report balance sheet that does not exceed 43 million. Similarly, SMEs are recognized as businesses with up to 250 workers (Groeschl, 2012). According to the Zimbabwean context, an SME is defined as a formal enterprise that has an annual turnover in US dollars of between 10 and 1,000 times the mean per capita gross national income, at purchasing power parity, of the country in which it operates. In this case, the enterprise must be registered, have 100 employees in total, and have a maximum annual sales turnover of US$ 830, 000 (Groeschl, 2012). A small business is defined as one that is registered, has 40 full-time employees, and generates a maximum annual turnover of $500 000 under the Small and Medium Enterprises Act [Chapter 24:12]. SME is more defined as a single, independent company that is registered in Zimbabwe, employs no more than 75 permanent employees, and has a maximum yearly revenue of $1,000,000.

It is commonly known that the Small and Medium Enterprises (Zimbabwe) sector faces certain inherent challenges in its operating environment. One of the most important is that financiers are unwilling to directly share the risks connected to SMEs. These risks result from a lack of infrastructure to manage financing in SMEs, knowledge asymmetry between financiers and SMEs, and financiers' expectations of a real or perceived return on risk associated with SMEs.

Despite these challenges, economists, researchers, politicians, and policymakers have taken notice of this sector's expansion (Nwude, 2016), as cited inXhepa (2006). The SME sector in Zimbabwe expanded rapidly over time, taking a prominent position in the country's economy. This has mostly been a reaction to the high rates of unemployment that the nation is facing as well as the low disposable incomes that are being steadily reduced by uncontrollably high rates of inflation, making alternative sources of funding necessary to close the income gap. Therefore, this industry needs to be capacitated to expand, become relevant at the national level, and compete on a global scale.

Alternative lenders such as Cash Flow Capital institutions, which provide a range of financing options including merchant cash advances, asset finance, and trade finance solutions to help businesses make significant investments, like to buy stock, fund the operational cycle, and increase their import and export volumes, are filling the "missing middle" gap in SMEs in other countries (Xhepa, 2006). Cash Flow Capital acknowledges that in developed nations, small and medium-sized enterprises (Zimbabwe) need assistance in managing their cash flow and expanding their business, in addition to funding (Chaparadza, 2024). With turnaround times as short as 24 hours and loan terms ranging from four months to three years, they offer swift, flexible secured, and unsecured financing. These options are not available in Zimbabwe to support SMEs in expanding and stabilizing their businesses (Anoke, Ngozi, Uchechukwu, & Joyce, 2022). The lack of low-cost capital and funding for SMES to grow their businesses is one unexpected obstacle.

In the European Community, one in three individuals did not have a business. An effort to boost investments was conducted as a result, researches has been conducted in an effort to significantly boost employment business in Europe (Lukacs, 2005). The study's findings suggest that small- and medium-sized enterprises (Zimbabwe) are one way to accomplish this growth. Since the 1970s, SMEs, whose importance in addressing employment issues has become increasingly apparent and more significant in Europe as well (Lukacs, 2005). The fact that SMEs made up a significant portion of all businesses in the nations listed in Table below between 1945 and 1970 highlights the global implementation of large-scale businesses, economic expansion, and rehabilitation initiatives.

SMEs, on the other hand, are thought to possess better qualities than larger businesses. The contribution of SMEs to job creation and fostering a competitive environment has steadily increased in a number of nations, including Zimbabwe (Chigora, Kapesa, & Svongoro, 2021). The economic crisis conjuncture became effective in such a case in the 1970s in some European countries; thus, Zimbabwe lagged behind other developed economies (Chaparadza, 2024). However, since SMEs helped with the distribution of income, employment, and resource usage following the 1970 depression, they have started to form the foundation of macroeconomic policies in many countries as economies of scale have begun to decline (Whitley, 1992). In contrast, the businesses least impacted by the economic crisis are large corporations that concentrate on producing goods whose demand has demonstrated high or low income elasticity (Schmitz, 1995). After comparing the economies of developed and developing nations, indicators of SMEs make the importance of this industry abundantly evident (Xhepa, 2006). SMEs exhibit agricultural and structural variations across nations; however, one thing is certain: they significantly boost the economies of all nations. From the statistics above, it can be seen that SMEs share the least and generate about 40% of the output in an economy; hence, there is a need to develop and enhance the visibility and the role they play in an economy by providing alternative sources of finance by beefing up the existing modes.

Maseko (Maseko) denotes that SMEs are often established to improve the economy of the country in order to reduce the high unemployment rate, which would, in turn, eliminate poverty. (Maseko 2011) went on to say that small businesses are the backbone of many economies across the globe. Groeschl (2012) further complements these statements. Who said that SMEs were pivotal to the growth and development of the Zimbabwean economy? SMEs are inextricably linked to economic empowerment, job creation, and employment within disadvantaged communities (Mushipe 2017).

SMEs in Zimbabwe can increase revenue and job opportunities through internationalization, which is the process of increasing involvement in international markets (El Idrissi & Alami, 2021). Internationalization, as defined by T. Davies, Boczko, T., and Chen, J., . (2008) is the act of carrying out any transaction with a foreign nation. Munyawarara (2020) highlighted that the GoZ, in collaboration with the private sector, creates organizations such as ZimTrade, Zimbabwe Investment Authority, and Trade Mission in an attempt to boost foreign direct investment (FDI) and international trade.

SMEs provide more individualized services and can quickly adjust to changing customer demands (Nainggolan, 2024). This is due to the fact that they typically arise from the need to serve a ‘niche’ a small portion of the market as a whole. SMEs foster innovation because they serve as significant sources of new concepts, ideas, and technological inventions for individuals and small business units. The increased use of technology provides access to new knowledge.

Poverty is a severe illness that affects practically all developing nations (Chaparadza 2024). Each SME generates job opportunities. The steel manufacturing small business sector in Mbare made a noticeable contribution. Many family breadwinners rely on revenue from their small businesses, such as selling steel roofing, to support their families (Smith, 2020).

This entails compiling and utilizing the aforementioned points. The small- and medium-sized enterprise (Zimbabwe) sector aids in slowing down global economic decline. Pennington (Karedza), nearly every nation that has experienced significant economic growth, has made a focused effort to create SMEs. Examples of economies that have used SME growth as a catalyst for economic development are China, South Korea, and Malaysia. Zimbabwe, which is battling the severe economic downturn that has been the defining feature of the past ten years, cannot be exempt from this. This indicates that Zimbabwe's small and medium-sized enterprises (Zimbabwe) continue to be the main drivers of economic expansion and improvements in the welfare of the populace. SMEs supply building blocks for expansion. The presence of SMEs in a nation indicates that the nation is developing (OECD).

1.1 Statement of the problem

Most SMEs in Zimbabwe are subsistence-oriented, aiming at achieving at least one of the following: individual survival, fulfilling short-term goals, supplementing formal income, and maintaining a working capital base. The majority of people joining this sector will fail to secure employment in the formal sector of the economy. Access to finance is a major challenge for SMEs in Zimbabwe. As a result, this has limited the capacity of the sector to realize its growth potential and, hence, its contribution to national development goals. Therefore, there is a need for an enabling and inclusive financing model for the sector to fully realize its capacity in national development issues.

1.2 Research objective

The broad objective of the study is to examine an alternative financing model for SMEs in the Mashonaland Central province, given that finance is at the center of the viability challenges of this sector.

1.3 Research question

What is the alternative financing model that can be adopted by SMEs in the Mashonaland Central Province to enhance the capacity and financial sustainability of the sector?

2. Literature Review

In Zimbabwe, SMEs operate in various subsectors of the economy, such as agriculture, manufacturing, mining, construction, transport, retail, catering, wholesale, and fisheries.

The Ministry of Small and Medium Enterprises and Corporative Development (Zimbabwe) policy document of 2009 defines an SME in Zimbabwe as a legal business entity characterized by the following features given in Table 2.1:

Table 1 Definition of SMEs

Sector/sub-sector of the economy	**Size/Class**	**Maximum total number of full-time employees (paid)**
Agriculture, manufacturing and mining	Micro Small Medium	5 50 100
Construction, transport, retail, tourism, catering, arts and crafts, wholesale and fisheries	Micro Small Medium	5 30 50

Source*:* MoSME & CD Policy Document 2009)

In Zimbabwe, SMEs are governed by a constitution Act which is known as Small Enterprises Development Act [Chapter 24:12] which was enacted on the 11th of November, 1984. It was established to provide a policy framework for operations in the SMEs sector.

The National R & D survey Aziz and Abbas (2019)carried out by the Research Council of Zimbabwe (Nyoni) estimates the SME sector to be employing 60% of the country's potential workforce. The sector is also estimated to contribute over 50% of the GDP and 70% of the overall business in Zimbabwe. On the other hand, the Zimbabwe statistics agency (ZimStats, (2021)) estimates the national unemployment rate at 80%. This is due to the fact the Zimbabwean economy has been characterized by a declining industry sector as a result of years of divestment in the sector due to withdrawal of foreign capital coupled with the high cost of capital which has led to 'crowding out' of private sector investment. This means that the SMEs sector plays a pivotal role in providing employment to people who fail to acquire formal employment or are laid off the formal employment sector. These statistics indicate that SMEs are major contributors to employment creation, poverty alleviation, and socio-economic development. This feature is not only peculiar to Zimbabwe but also tends to be reflected in other major world economies, notwithstanding the agricultural and structural differences among these countries. The contribution of SMEs to the selected macroeconomic variables is illustrated in Table 2.2:

Table 2. Contribution of SMEs in other countries

SMEs % contribution to:	**USA**	**Germany**	**Japan**	**France**	**England**	**South-Korea**	**India**	**Turkey**
Total no. of Enterprises	97.2	99.8	99.4	99.9	96	97.8	98.6	99.5
Total Employment	50.4	64	81.4	49.4	36	61.9	63.2	61.1
Total investment	38	44	40	45	29.5	35.7	27.8	56.5
Total Value Added	36.2	49	52	54	25.1	34.5	50	37.7
Total exports	32	31.1	38	23	22.2	20.2	40	8
Total credits	42.7	35	50	48	27.2	46.8	15.3	40

Source: (Hdayet, 2010)

From Table 2.2, it can be noted that SMEs constitute a significantly high percentage of enterprises in these developed economies. The employment and investment levels are average largely because SMEs do not have to maintain large-scale investment as large enterprises do for the purposes of economies of scale. According to Uchida, Kepecs, and Mainen (2006) as cited by Hdayet (2010), SMEs constitute the basic source of materials, ideas, processes, and services that large enterprises cannot or do not want to do. This makes the SMEs structure comparatively more elastic and competitive. This is the main reason why SMEs remain important in both developing and industrialized countries. The SMEs sector plays an important role in job creation in the global economy, as noted in Table 2.2.

Table 3. Contribution of SMEs in the Global Economy

Region	**Contribution**
European Union (G, Sikwila, Mpofu, & S, 2014.)	Out of 19.3 million enterprises, 99% are SMEs and they employ 75 million people.
OECD countries	SMEs represent 95% of all enterprises and contribute more than 50% of private sector employment. These countries promote SMEs through a wide range of policies such as financing, technology and innovation, ecommerce, management and internationalisation.
Latin America	Approximately 80-90% of the companies are SMEs and the governments put in place an enabling environment to ensure that the sector grows
Asia	The best performing economies of Taiwan and Hong Kong are heavily dependent on SMEs. In

	Japan SMEs account for 81% of all employment with each SME employing an average of 9 people.
Africa	SMEs constitute approximately 60% of all enterprises and contribute 40% of GDP

Source: Lukacs (2005)

Importance of SMEs sector in Developing countries

The concepts of SMEs and entrepreneurship development were introduced into the growth and development landscape in the 1940s. This was after the recognition of the importance of the sector, especially in developing economies (Berry, 2007). The interest in SMEs in developing countries is mainly due to the fact that they are anti-poverty programs and constitute building blocks of innovation and sustainable growth. This means that SMEs promote economic growth and reduce poverty (Warner 2001). According to the OECD (OECD), SMEs were officially set up around 1948 in Japan, 1953 in the United States of America, in India 1954, 1966 in Tanzania, and 1976 in Turkey.

According to Berry 2007), economies without a sizeable number of SMEs tend to have capital and income concentrated in large enterprises and corporations, which creates a" labor elite' in the sector. This arrangement always results in market imperfections due to uneven distribution of income as a result of capital stock being used up by large firms and very little remaining for small players in the economy. However, when the SME sector is large enough, these distortions are avoidable because capital income and labor income are uniformly distributed. According to Guttler (Guttler), SMEs must be supported to ensure that they contribute to a stable and sustainable economic environment. In view of the critical role played by SMEs, governments in developing countries are looking at ways of alleviating the challenges faced by the sector by integrating them into global value chains through trade and investment by linkages with Foreign Direct Investment (FDI) channels.

2.1 Challenges faced by SMEs

Notwithstanding some weaknesses as a result of their operating environment, the SMEs sector is insulated from economic crises due to their flexibility and ability to keep up with change. According to the Organisation for OECD and Development ((; T. OECD, 2015) (Zimbabwe), governments have generally realised that for SMEs to survive and grow there is need for targeted specific policies and programmes. SMES are typically vulnerable for a variety of reasons, the main ones being

1. They have a weaker financial structure(i.e., lower capitalization);
2. They have lower or no credit ratings.
3. It is more difficult for them to downsize as they are already small.
4. They are individually less diversified in their economic activities
5. They are heavily dependent on credit and have fewer financing options.

The Zimbabwe SMEs sector is further impacted by other challenges such as inadequate management and entrepreneurial skills, lack of access to land, information asymmetry, and a hostile regulatory environment (Nyoni,2012:10) cited inKaredza (2014). As a result of these challenges, most SMEs in developing nations are unregistered. According to (Maseko), 85% of SMEs in Zimbabwe are informal and financially excluded. Furthermore, the economic problems faced by developing countries have negatively impacted the potential of this sector.

2.2 Financial assistance available to SMEs in Zimbabwe

SMEs, like any other business, require financial resources to grow and develop. More often, this funding comes from own capital (equity) or external funding such as foreign aid, commercial finance, grants from public finance, or development finance institutions. In Zimbabwe, bank lending has traditionally been the most common source of external funding for SMEs. This is commonly referred to as debt financing'. In this case, the borrower receives funds based on the creditworthiness of their business. The lender takes into account the expected cash flows of the firm before they can extend a loan. However, the aspect of credit worthiness tends to vary significantly between firms as a result of information asymmetry between the lender and borrower. Information asymmetry arises when there is a knowledge imbalance between two negotiating parties regarding relevant factors and details. Because of this imbalance, the side with more information enjoys a competitive advantage over the other party. This calls for different lending strategies such as transaction lending and relationship lending to be used.

According to Berger and Udell (2006) and Hdayet (2010), transaction lending is based on quantity data, such as financial statements prepared in accordance with the accepted accounting standards. Financial ratios such as the current ratio (current assets/current liabilities), debt/equity ratio, and return on equity (net income/net worth) must reflect a strong financial position of the firm. Relationship lending, on the other hand, is based mainly on historical data on the owner of the SME and his business. This information forms the basis for building a loan performance prediction model that can be used to deduce the capacity to repay the loan. Empirical studies generally point to the fact that transaction lending is done more by large banks than by small banking institutions, which concentrate on relationship banking. In Japan, these lending strategies have been found to be complementary rather than competitive (Uchida et al. 2006).

2.3 Credit Risk in traditional lending

Traditional lending is limited in the SMEs sector due to the challenges lenders face when assessing and monitoring the activities of these business enterprises. The OECD (2013b) attributes these challenges to:

1. Information asymmetry
2. Lack of credible financial statements
3. No obligation to make public disclosure of their financial reports
4. Lack of clear distinction between owner(OECD) and business finances
5. Lack clear corporate governance standards (roles of shareholders, managers and stakeholders not defined)
6. Too much volatility in earnings (profitability and growth) on year to year
7. Inherent *principal/agent problem*

Apart from the challenges encountered by lending institutions in SMEs, empirical studies have also shown that there is a negative relationship between debt financing and SMEs performance. In this case, performance is measured in terms of sales volume, profitability, and asset growth. Several studies have been conducted to investigate this relationship.

Aziz and Abbas (2019) show that in Pakistan, there is a significantly high negative relationship between debt financing and manufacturing firm performance. The study further recommends that firms finance their operations using retained earnings because they are inexpensive and reliable. This is in line with the pecking order theory by), which encourages firms to fund their organizations in the following hierarchy: retained earnings, debt finance, and equity. The obvious implication of pecking order theory is that highly profitable firms that generate high earnings are expected to use less debt capital than those that are less profitable. A similar study conducted in Vietnam by Pham and Nguyen (2020) indicates that debt financing has a negative and significant impact on firm performance.

In Africa, a study conducted by Nwude, Itiri, Agbadua, and Udeh (Nwude) indicated that external borrowing has a negative and significant relationship with the performance of quoted entities in Nigeria. These findings also concur with pecking order theory, which states that debt financing does not improve firm performance. The authors recommended that firms should only use a limited amount of debt and more retained earnings to be better off.

A similar study by Mushipe on Zimbabwe shows that debt financing is associated with high agency costs, exorbitant interest rates, and high bankruptcy costs, which have an adverse effect on a firm's performance.

The findings from these studies tend to point to the importance of capital structure in a firm's performance. Capital structure (the ratio of debt to equity), also referred to as leverage ratio, is one of the elements that have a bearing on a firm's performance. They emphasize that management is tasked with making financing decisions based on the risk tolerance of the firm. Erhardt and Brigham (2011) agree that one of the four strategic financing decisions includes determining how much capital should be debt and how much should be equity, thereby determining the capital structure of a firm.

Mostly, a firm's capital structure comprises debt and equity (Smith, 2020). They define equity as shareholder injections into the firm and debt as any form of external borrowing. Strategic financing decisions on the appropriate levels of debt and equity at the lowest cost to the company have a significant impact on a firm's performance (T. Davies, Boczko, & Chen, 2008).

3. Methodology

A case study research design was used for the province. The research population for the study is the province's eight Aziz and Abbas (2019) districts namely; Bindura, Guruve, Mazowe, Mbire, Mt Darwin, Muzarabani (Centenary), Rushinga and Shamva. The study sample, which are the SMEs in the province, was chosen to establish how they are operating and how they can finance their operations in a sustainable manner, given that finance is at the center of their viability problems. To this end, this study used 2021 secondary data collected from these districts. This means that this is secondary research in which data from the target population is analyzed using excel-based data analysis techniques.

Figure 1 shows the geographical location map of Mashonaland Central Province.

Figure 1. Location of Mashonaland Central Province

4. Result and discussions

4.1 Data analysis

Based on provincial data for this study, it can be noted that the majority of people who are not formally employed have joined the SME sector, Vending, or have formed cooperatives. The employment distribution in these sectors is given in Table 4.1, as follows:

Table 4. Provincial Informal employment by sector

SECTOR	FEMALE	MALE	TOTAL
SMEs	1731	2334	**4065**
Vendors	5218	2955	**8173**
Cooperatives	651	492	**1143**
TOTAL	**7600**	**5781**	**13381**

Source: Ministry of SMEs

From table 4.1 it can be noted that most of the people are vendors (61%) followed by the SMEs sector with 30% and the Cooperatives accounting for 9% of informal employment in the province. It is also important to note that most women (69%) are in Vending business, followed by 23% in the SMEs sector, and finally 8% in cooperatives. Overall, females account for 57% of the labor force in these sectors, while males constitute 43%.

4.1.1 Vending sector

The distribution of employment levels for vendors by district is shown in figure 2.

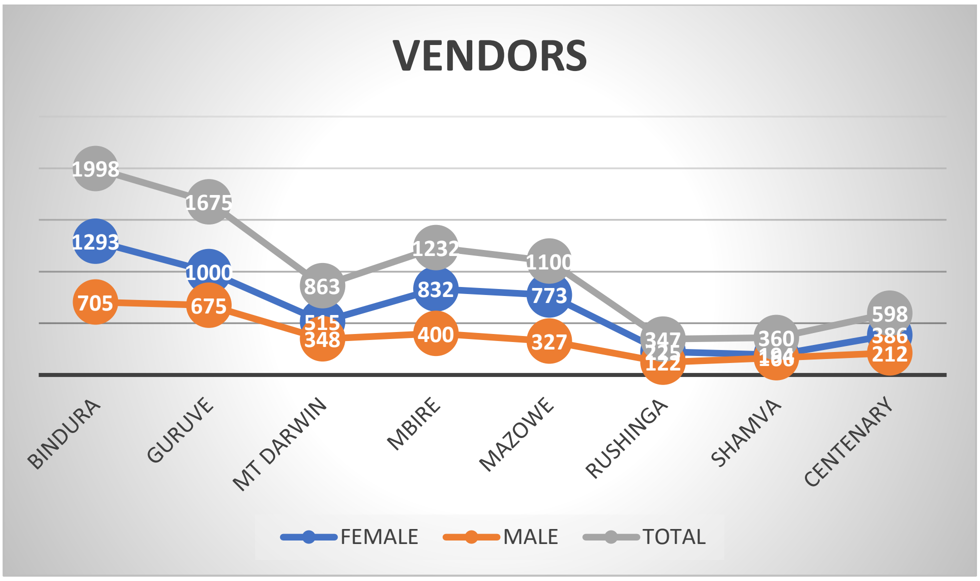

Figure 2. Distribution of employment levels in the Vending sector
Source: Ministry

From Figure 4.2, it can be noted that most of the vendors (24%) are in Bindura town, followed by Guruve (20 %). The lowest number (4%) was in Rushinga and Shamva. It is also important to note that females account for 64% of the labor force in this sector.

4.1.2 Cooperatives sector

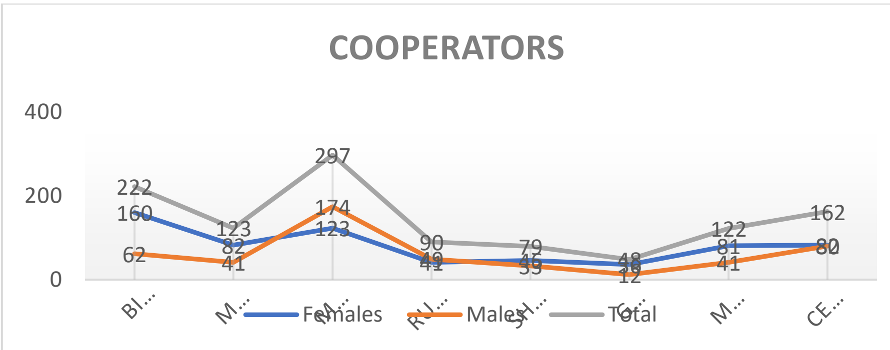

Figure 3. Distribution of employment levels in Cooperative sector
Source: Ministry

Cooperative business is highest in Mazowe district, which accounts for 26% of the people employed in the sector. This was followed by the Centenary District with 14%. The Shamva district has the lowest figure of 4%. These cooperatives engage in irrigation farming. They produce cereals and horticultural products. Females account for 53% of the labor force in this sector.

4.1.3 The SMEs Sector

The distribution of employment levels in the SMEs sector by district is shown in figure 4, as follows:

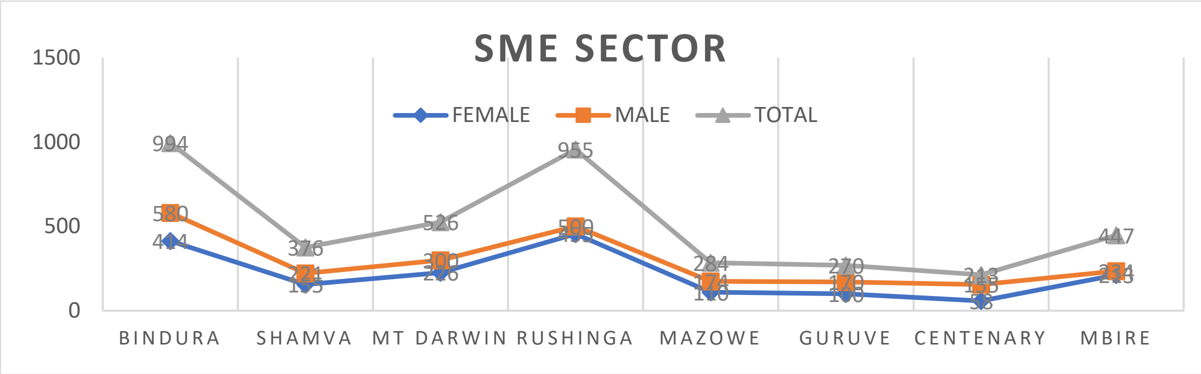

Figure 4. Distribution of employment levels in SME sector
Source: Ministry of SMEs

From figure 4.3, it can be noted that highest employment figures are in Bindura, accounting for 24 %, followed by Rushinga at 23%. The Centenary District has the lowest level (5%). This is due to the fact that Bindura is the provincial capital and Rushinga is the gateway to the Mozambique border where business is anchored on cross border trading. Females account for 47% of the labor force in this sector, which is much lower when compared to the other two sectors. This can be attributed to the constraints associated with accessing financing.

4.2 Environmental attributes of the districts

The following is a brief outline of the physical and environmental characteristics of the districts that make up Mashonaland Central Province. These ecological features have a bearing on prospective businesses in their respective areas.

4.2.1 Bindura District

Bindura houses the provincial capital, which makes it the administrative center, with two local authorities: Bindura Municipality, which administers Bindura Urban, and Bindura Rural District Council, which administers Bindura Rural. Bindura Urban offers retailing services with its big supermarkets like TM, OK, Choppies, N Richards, and Metro Peach. It is also the home of banks such as First Capital (formerly Barclays), ZB, CBZ, and others. 64.3% of SMEs in Bindura are involved in transport, retail trading, and home industry business.

4.2.2 Guruve District

The district falls within ecological regions 2 and 3. The soils are generally loam soils, which are suitable for tobacco growing, and red soils, which are suitable for most cereal crops such as maize, wheat, and soya beans, which can thrive without adequate fertilizers.

In Guruve district, 62.2 % of SMEs are involved in flea markets, transport, retail trading, and metal fabrication.

4.2.3 Mt Darwin District

Mt Darwin is situated to the north of the province and shares a common international boundary with Mozambique. It is also the largest in the province, with 40 administrative wards. Thirty (30) wards lie in natural regions 2A, 2 B, and 3, and the other 10 wards are in the Valley Floor (Dande) and are in natural region 4, which is semi-arid. On Mt. Darwin, 51.6% of SMEs' main businesses are flea markets, tailoring, retail trading, welding, and cross-border trading.

4.2.4 Muzarabani (Centenary) District

Muzarabani is predominantly covered by basalt cracking soils and alluvial soils with poor drainage, making it prone to floods. The district is suitable for the production of cotton, rice, and small grains, such as sorghum, millet, and sesame. In Muzarabani District, 73.7 % of SMEs businesses are transport, retail trading, metal fabrication, cross-border trading, and services.

4.2.5 Mbire District

Mbire borders Zambia's Luangwa district to the north and Mozambique's Tete province to the northeast. Temperatures range from 15 °C in cool dry winters rising significantly to over 30 °C in October and November (summer). The district supports livestock production (cattle, goats, sheep, and birds). Small grains such as sesame, rapoko, and sorghum are also grown in the district. 89.25 % of the SMEs in the district are engaged in retail, cross-border trading, metal fabrication, carpentry, and transport.

4.2.6 Mazowe District

Mazowe district is endowed with rich clay loam soils supported by good rainfall patterns, which makes the district predominantly an intensive commercial farming zone. The district falls under ecological region 2 B. In Mazowe District, 57 % of SMEs are involved in bakery businesses, retailing, flea markets, and tailoring.

4.2.7 Rushinga District

The district borders Mt. Darwin to the west, Uzumba Maramba Pfungwe to the southeast, and Mozambique to the north. The Rushinga is a dry district in Mashonaland Central. It largely falls under agro–ecological regions 3 and 4, covering 7% and 93% of the area, respectively. These climatic conditions make the district prone to persistent droughts and, subsequently, very low water tables. However, the agro-ecological conditions in the district favor livestock production. In Rushinga, 85.6% of SMEs' key areas are retailing, transport, flea markets, milling, and metal fabrication.

4.2.8 Shamva District

The district is well known for its mining activities and hosts the Shamva Gold mine. It also has several gold-processing plants. Shamva falls under ecological agro region two with sandy loam and clay loom soils. The district is endowed with natural resources, especially land for agriculture and minerals, particularly gold. Of the SMEs in this area, 81.6% are in retailing, flea markets, bakery, and transport businesses.

4.3 Findings

From the analysis in the previous section, it can be deduced that Mashonaland Central Province is a typical Savannah region that experiences fairly reliable rainfall, which promotes agricultural activities. The province is also endowed with minerals (especially gold) that promote mining. There is also notable rampant fragmented artisanal gold mining in this province.

SMEs account for 30% of all informal employment in the province, out of which 23 % of the labor force is female. Approximately 80% of SMEs are engaged in transport, retail trading, flea markets, and home industries. The transport business involves hiring heavy vehicles to move goods and operating commuter omnibuses. Home industry business mainly involves metal fabrication, furniture production, and tailoring. Another key feature to note is that vending business accounts for 61%, while cooperatives account for 9% of employment in the province.

5. Conclusion

In light of the findings discussed above and the challenges pointed out in Section 2.4, there is a need to explore alternative financing mechanisms for the SMEs sector to ensure viability.

There are a number of alternative financing mechanisms to traditional debt financing. These financing models consider the varying degrees of risk and return levels of the enterprise. In the case of Mashonaland Province, the SMEs sector is characterized by low risk and low return since the enterprises are run on a subsistence basis. Their immediate concern was to maintain an adequate working-capital base. In this case, the appropriate financing instrument is asset-based finance, which involves asset-based lending, factoring, purchase order finance, and leasing (OECD, 2014).

In the case of asset-based lending, the firm accesses a loan on the basis of the value a given asset generates during the course of business rather than its credit worthiness. Commonly considered assets are accounts receivable, inventory, equipment, and real estate. In this case, companies can access loans faster.

On the other hand, factoring is a transaction-based financing technology based on trading data whereby the SME, which is the 'firm' receives a given discounted face value (amount) of its accounts receivable from a specialized financial institution or individual ('factor'). This institution or individual will then receive payments from customers when they are due. This means that the 'factor' buys the right to collect invoices from the firm's customers.

In view of this, the study recommends that an asset-based lending model or a factoring model be adopted to ensure that the financial base of the SMEs sector in the province is sound enough to support meaningful, sustainable, and inclusive economic growth based on circular economic principles. This is a clear break from the debt financing model, which has presented a number of challenges over the years. In pursuit of this, there is a need for the government and other stakeholders to develop educational campaigns that ensure that SMEs appreciate the operations and importance of these new concepts in business financing so that there is inclusive adoption.

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