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The rise of informal entrepreneurs in Zimbabwe: evidence of economic growth or failure of economic policies?

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Abstract: This paper investigates whether the rise in the number of informal entrepreneurs in Zimbabwe is linked to economic growth or failed government policies. It argues that for the past 30 years informal economic activities have proliferated at an unprecedented rate as a response to socio-political and economic challenges and thus became a default position, for many to escape debilitating poverty. It draws from the literature, the experiences of one of the authors who is a Zimbabwean and views of interviewees. The major finding is that the contribution of informal traders in Zimbabwe cannot result in sustainable development nor can it significantly increase economic growth. The paper concludes that the rise in informal sector business is rather indicative of a lack of accountability for the plunder of resources and its attendant consequences and failure of government economic policies. Finally, it proposes the adoption of social entrepreneurship approaches to address social problems.

Keywords: informal sector; entrepreneur; consequences; economic growth; accountability; Zimbabwe.

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1 Introduction

The informal economy in Zimbabwe has been fuelled by changes in the socio-economic and political landscape and in 2000 contributed 60% of GDP and 50% of total employment (Coltart, 2008; Ngundu, 2010; Mudamburi, 2012). At independence in 1980 only 10% of the labour force in Zimbabwe were employed in the informal sector; the number doubled to 20% by 1986/1987; and 27% in 1991, a year when the Economic

Structural Adjustment Program (ESAP) was adopted and 40% in 2004 (Tibajuka, 2005). According to Coltart (2008), by June 2005 at least 3 million people out of a population of about 11 million depended on the informal economy for their livelihoods. Dekker (2009) adds that unemployment rate was estimated at between 80% to 94% between 2007/2008.

Further to the alarming deterioration catalogued above, industry capacity utilisation declined by 90%; gold production a key foreign currency earner declined by 75%; official inflation reached 11 million percent at the end of May 2008 and a record high of 231 million percent in July 2008 (MDTF, 2008). The dire economic conditions led to a mass exodus of skilled workers (Crush and Tevera, 2002), forcing the remainder into the informal sector. It is out of this calamitous environment that the Zimbabwean informal entrepreneur was born.

This paper explores the nature of strategic and entrepreneurial activities in the informal economy, as well as their antecedents and consequences. It adopts a multi-dimensional approach based on historical, sociological, economic developmental and political perspectives. The first section explores the role and importance of the informal sector in Zimbabwe, followed by the identification of the drivers of informal entrepreneurship in Zimbabwe and considers the motivations of the participants. The third section examines the concept of entrepreneurship, while the fourth section discusses the methodology. The fifth section focuses on the activities of four informal sectors in Zimbabwe and analyses their contribution, to livelihoods, economic development. This is followed by an analysis of the experiences of six informal entrepreneurs who were interviewed for this study. The next section analyses the consequences of an expanding informal sector using a classification of consequences into social, political, economic and environmental domains. Finally, a discussion of the strategies propelling informal entrepreneurship is evaluated and their implication for economic development policy enunciated.

2 The importance of the informal sector in Zimbabwe

The concept of an informal economy in a Zimbabwean context is problematic because it conjures different meanings, considering that gold and copper mining or iron-working and beer-brewing were legitimate activities before colonisation began in 1890 (Ndoro, 1996). Mkandawire (1985) aptly wrote that all economic activities outside the 'white economy' were deemed illegal to force the population into wage employment. In this paper we adopt the International Labour Organisation (ILO) (2002) definition which does not focus on legality or illegality but states that informal sector enterprises are not incorporated and thus cannot be separated from their owners. Soderbaum (2007, p.160) states that Africa is characterised by a myriad of informal and non-constitutional interactions and activities. Unlike, in western societies, where the formal economy plays a big role, in most developing countries it still plays a limited role, and is confined to the cities and towns, yet the bulk of the population lives in rural areas and depends solely on the informal economy. It is not surprising that even after independence many African Governments, failed to develop robust formal economies apart from South Africa.

According to Schneider and Enste (2000), the informal sector, is the largest employer and plays an important role in many countries, contributing approximately over 75% of official GDP in Nigeria to about 10% in the USA. The size of the informal economy in Zimbabwe was 59.4% of GDP in 2004 (Schneider and Klinglmair, 2004). According to

Chen (2006), informal employment in Sub-Saharan Africa comprises 72% excluding the agricultural sector. However, there is no consensus in the literature about the role of informal activities in stimulating broader economic development (Devey et al., 2003). Some view the informal sector as dynamic with the potential to create jobs and actively contribute to economic growth. In contrast, others relegate informal activities to low productivity employment or survivalist strategies for poor households, a truism in the case of Zimbabwe. From the latter perspective, the informal sector plays a passive role in development and provides social protection in the absence of formal-sector-led growth process.

Basu (2010) posits that the urban informal sector has become an integral part of the economic landscape across the developing economies of Africa, while, Blunch et al. (2001) argue that informal sector may contribute to the growth and development of the economy. In contrast to these views, Klapper et al. (2010) state that the relationship between the informal sector and economic growth is mixed. In Zimbabwe the activities of the informal economy have become strategic because they enabled the country to survive the worst economic crisis in history through providing livelihoods to the majority of the population (Mbiriri, 2010; Ngundu, 2010). It is integrally linked with the formal sector, in the sense that it expands enormously when the other shrinks, a viewpoint emphasised by sociologists (see Portes et al., 1989).

Arvin-Rad et al. (2010) attribute the emergence, existence and expansion of the informal economy to the influence of regulatory regimes affecting the formal sectors. However, in this paper we argue this might be true for developed countries but may not be the case in Zimbabwe where the informal economy has expanded even in response to droughts such as was the case during 1991/1992. Subsistence farmers turned to informal gold panning to sustain their livelihoods (Maphosa, 1994). Another reason that is often cited is tax avoidance (De Paula and Scheinkman, 2007), however, this lost relevance in Zimbabwe under hyperinflation. In other words, the most dominating reason for joining the informal economy in Zimbabwe and perhaps other developing countries is survival due to a lack of social security benefits.

The informal sector in Zimbabwe proliferated because of failed government economic policies. However, the government acknowledged the importance of this sector by establishing a special Ministry of Small and Medium Enterprises in 2005. Maseko et al (2012, p.58) points out that SMEs do not only need financial support from the government but also need support in terms of research, quality assurance, marketing and financial management and technology. However, its growth can be captured through an analysis of historical epochs in Zimbabwe's history. Brixiova (2010) advocates structural transformation and an emergence of productive entrepreneurship as a means of both job creation and improving the standards of living for the poor. Several informal entrepreneurs have emerged in Zimbabwe, and the question is. How productive are they to achieve the goals Brixiova refers to?

3 Drivers of informal entrepreneurial activities

Several writers concur that participation in the informal economy is a survivalist strategy for many in order to escape poverty (ILO, 2002; Ngundu, 2010). Factors that have directly contributed to the rise of these activities include: loss of employment; low capital

outlays; income diversification; supplementing low incomes; or simply earning a living in the absence of alternatives (Dhemba, 1999; Busse, 2006; Williams and Gurtoo, 2011).

In other marginalised parts of the country individuals are involved in entrepreneurship as a protest against the government, whose role has little relevance to their lives. They seek to redress their social grievances through economic creativity and venturing (Hagen, 1957; Shapero and Sokol, 1982; Maphosa, 1998). Building on cultural values of self-reliance; independence; and pride, some communities prefer to survive in spite of the government (Maphosa, 1998).

Closely related to the external drivers of informal entrepreneurial activities, it is more illuminating to understand the motivations of those who embark on this route. Virtanen (1997) suggests that motivation acts as a framework in different economic contexts which helps us to understand why entrepreneurs decide to start a new business. The reasons given by some women included valuing self-employment; engaging in activities that provided their main source of income; and enhanced self-esteem and economic independence (Ngundu, 2010). Other motivating factors include: the flexibility offered by the informal sector, at times this could be combined with childcare, unlike being formal employed; low capital intensity, flexibility in hours of operation, small scale operations, non-separation of business inputs from household inputs and low division of labour; entry to the labour force for non-educated; opportunity for earning better wages (Chibisa and Sigauke, 2008; Williams and Gurtoo, 2011). Dhemba (1999) describes characteristics on the informal sector as: small in terms of size; generally organised around the family; and help the trader to interact directly with customers. Due to organisation around the family, some members can help periodically, while dealing directly with customers helps to build trust. Dhemba (1999) notes that the informal sector can generate more jobs with smaller capital outlays unlike the large-scale formal business which are more capital intensive. Some writers differentiate informal sector activities according to gender, they state that women tend to focus more on petty domestic services, i.e., selling prepared food or sewing (Mapedzahama, 2008).

One common theme running through the literature is that in least developed countries, people are likely to engage in informal activities due to lack of government support. The lack of viable alternatives, has compelled many to engage in informal activities in spite of several challenges that characterise this sector such as: lack of security; organisation; recognition; social protection and legal representation; lack of government and institutional support; and inaccessible resources (Ngundu, 2010). Tibaijuka (2005) lists challenges facing the informal sector as inadequate labour legislation and protection; lack of infrastructure; over-crowdedness and competition (see also Canagarajah and Sethiraman, 2001).

Our paper addresses several questions in the context of Zimbabwe. Are the people operating in the informal sector really entrepreneurs? How sustainable are their activities and can they lead to economic growth and development? Other matters of interest aim at evaluating their models/strategies and illuminating consequences and proposing a way forward for consideration by policy makers and any interested parties.

4 The concept of entrepreneurship

In many African languages there is no direct translation of the term entrepreneurship, however, a working definition is developed for this paper. Schumpeter's (1911, 1947)

definitions of an entrepreneur entail taking risk; developing strategies; and being innovative. MacLelland (1961) places emphasis on the need for high achievement, while, Badal (2010) views entrepreneurship as an activity intended to create value by providing products and services to a market, to meet an unsatisfied demand. Of importance, in Gallup's [cited in Badal, (2010), p.3] is the ability to creatively respond to challenges and needs. Minniti and Levesque (2008) observe that in many developing countries there is replicative or imitative entrepreneurship which provides competition and increase product supply, thus generate economic growth. This resonates with MacLelland (1961; Badal, 2010) suggestion that parental or family influence can lead to entrepreneurship.

Our paper adopts a sociological position that believes that social experience and situational conditions explain the origins and success of entrepreneurs (Mead, 1934; Shapero and Sokol, 1982; Maphosa, 1998). Within this school of thought others have advanced the social marginality thesis, with Hagen (1957) arguing that entrepreneurship is associated with low status. In a situation like the one prevailing in Zimbabwe, informal entrepreneurs might fall in this class, where failure to take risk, is not an option because issues of day to day survival are at stake.

5 Methodology

Our paper reviews selected activities from four informal sectors that we classify as: vending and cross-border trade; handicrafts and arts; mining; and trading in foreign currency. We selected these sectors because they contribute enormously to the livelihoods of families in Zimbabwe and have become the lifeblood of the informal economy. We unpack each one of the activities and also highlight their attended or unintended consequences. The last two of the activities were both enabling and debilitating at the same time as detailed below. We also complement our findings from the literature by conducting six interviews with informal entrepreneurs.

6 Retail and cross-border trade

Informal activities involving local and cross border trading emerged after independence in 1980. The Rhodesian economy then had just emerged from a 20-year war of liberation and trade sanctions which had been in place since 1965 when Smith unilaterally declared independence (UDI) from Britain. The 40-year old industrial equipment was in dire need of spare parts and replacement. In order to keep the industry on its feet there had been a robust practice of import substitution which had allowed a bit of both creativity and innovation (GATT, 1994; Block, 2004; Kanyenze, 2006). As a result of independence from colonial rule some of the white settlers who controlled the formal economy left the country and went to South Africa, UK, Australia and New Zealand. Although the Rhodesian economy only benefited about 1 % of the population with the indigenous people providing wage labour (Ndoro, 1996), the departure of some of the white settlers left a void. As part of the legacy of colonial rule, most of the activities in the informal sector were deemed to be illegal (Ndoro, 1996). The Riddell Commission of 1981 reviewed about 28 Acts which prohibited informal activities and recommended that they be repealed. It is against this backdrop that the window to informal activities was first opened.

7 Foreign currency control

There was a chronic shortage of foreign currency reserves at independence, yet industry that was coming out of sanctions needed it to either re-capitalise or to obtain spare parts. The government came up with a policy of foreign currency allocation to both industry and individuals. Individuals were entitled to a stipulated annual holiday allowances. Individuals who spotted shortages in the market identified opportunities to supply spare parts to businesses that had exhausted their foreign currency allocations. Individuals would immediately and extended family members in order to pool resources together and go to Botswana to buy the needed spare parts to supply companies. Some were buying any products that were in short supply in Zimbabwe such as watches, deodorants, electrical gadgets to come and sell back home. Corruption quickly crept in resulting in the emergence of what was called 'brief case' business men (Davies, 2004). In the Zimbabwean context these were individuals who registered import and export companies in order to be given import licenses to procure goods to supply companies that had not been allocated adequate foreign currency. These businesses had no physical premises, hence the term brief case. They exploited the loop holes in the import licensing procedures and based on nepotism only a few individuals obtained such licenses.

Women, in particular, who did not own import and export companies; spotted another opportunity in the Botswana market and started making their own foreign currency through selling Zimbabwean agricultural produce such as vegetables, and fruits in Botswana. Using those proceeds, they would then buy products that were in short supply in Zimbabwe and come back and sell. Due to the influx of Zimbabweans daily bringing foreign currency into Botswana, the border town of Francistown registered tremendous growth and large South African supermarkets moved to Francistown. At times, the cross-border traders were using unofficial crossing points in order to avoid paying customs duties. The individual foreign currency allocations were based on the number of days spent in the foreign country, which forced informal traders to sleep in open places such as train stations at certain times resulting in sexual prostitution (Crush and Tevera, 2002). Women traders became more creative, at times taking their knitted and crochet wares to sell in Botswana, while others, took with them hair-dressing chemicals to provide hair saloon services in the homes of the Botswana in order to raise the money to buy products to sell back in Zimbabwe. These informal activities which started in 1980 spread into South Africa when it got its independence in 1994, and intensified between 2000 and 2009. These informal activities have continued even after the coalition government because it inherited empty supermarkets and shops – the Zimbabwean manufacturing sector is still operating at about 25% to 40% capacity (Madava, 2012).

On one hand, these activities were of a strategic nature considering the total collapse of the Zimbabwean, yet on the other hand, due to poor policies actually undermined and prevented any opportunity for economic recovery and development. Some of the products which were brought in thousands into the country since 1980s, for example, deodorants, watches, in fact with hindsight can be considered to have been a waste of scarce foreign currency.

Foreign currency control policies during inflation helped to fuel inflation and created millionaires who were abusing the government official rate at which they could receive the money and sell it in the black market at a profit. This informal activity became so prevalent, particularly, in Bulawayo to an extent that the informal traders were referred to as the 'Reserve Bank'. At the height of inflation in 2008, those who were still employed

would withdraw their salaries in full at once and go to the informal traders to convert it into either the South African rand or Botswana pula. The informal traders who were dealing in foreign currencies were actually fronts for some business men who were benefiting from the system. In 2009, the coalition government adopted multi-currencies but still informal currency traders are still on the streets because they seem to offer better exchange rates than banks. However, the risk of giving people fake currencies is still high. The government banned all foreign currency bureaus in – fuelling illegal dealings in money, which never finds its way into the banking system creating liquidity problems.

8 Handicrafts, curios, arts and music

The third sector of informal activities considered here is that of handicrafts, curios, arts and drama theatre and musical groups. Zimbabwean high schools turned out more than 300,000 school leavers who cannot be absorbed into the formal economy. Most of these young people, cross the border to look for work in South Africa and many others fled the country between 2006 and 2008 at the height of the political crises and sought asylum in different countries. Some of those who remained earn a living carrying out informal activities, such as drama and theatre groups, generally based on social problems. Others have formed singing groups and are recording and selling their own music. Others make sculptures, and wood carvings that they used to sell to tourists. The number of tourists dwindled during the crises but some of the group worked hand in hand with non-governmental organisations to find markets for their products. At least this group of informal entrepreneurs is creative and using its talents to produce artefacts which can be sold to earn a living. The last group of informal activities falls under mining.

9 Gold panning and diamond mining

Zimbabwe is endowed with some of the best mineral reserves in the world, such as vast deposits of iron, nickel, platinum, coal, chrome, asbestos, diamonds, tantalite, coal-bed methane and gold and the recently discovered diamonds (Coltart, 2008). By 2008, the mining of all these had all but collapsed with the exception of platinum.

Nevertheless, over 300,000 people are involved in the panning of gold (Maponga and Ngorima, 2003), while others believe this figure to reach over half a million Zimbabweans (see Kamete, 2007) to even a million (Sokwanele, 2007). According to *The Herald* (2012), one third of the 3,126 tonnes of produced gold in the first quarter of 2012 was contributed by the small scale miners. It further predicts growth for the sector in the coming year

Mineral exporting economies tend to invest in capital intensive industries with the help of multinational corporations. Failure to tap into this natural wealth in order to benefit its citizens can be likened to a 'resource curse' (Altman, 2007). However, Malaysia and Indonesia consciously promoted labour absorbing export industries to overcome this problem (Altman, 2006; Berry, 2006; Palma, 2005).

Many young people have taken to mining alluvial gold and re-visiting closed mine shafts. This is seen as a quick way of getting out of poverty. The government allocated claims to many small scale miners, who are involved in this activity. The proceeds should be sold to the reserve bank, however, most of the gold is sold to other dealers outside the

official channels. Diamond mining emerging as an informal trader activity in 2006, at Chiadzwa diamond and is often sold across the border in Mozambique. Many of the diamond miners are caught in cross-fire as the military and security guards seek to secure the area. The paper will now focus on providing an overview of the findings of the interviews.

10 Experiences of six interviewees

We conducted interviews with informal traders outside these four areas reviewed above to find out their own experiences. We use individual entrepreneurs as our unit of analysis. The six were based at different stations in the peri-urban parts of Bulawayo, the second largest city in Zimbabwe, also notorious for informal foreign exchange trade because of its proximity to Botswana and South Africa. Two of the women were based at Mkambo at Makokoba one of the oldest and poorest township. In this market products vary from live chickens, vegetables, second-hand clothing and dried medicinal herbs, among others. These two women were selling hardware products such as bolts and nuts. The other two women were selling clothes and based at Unit Village another market in the new western township of Nkulumane. The remaining two were selling dried agricultural products such as peanuts, millet, sorghum and beans. The male vendor, also had gone further and processed some of his grains to produce stock feed. The ages of the six were 58, 55, 48, 47, 42 and 28 years respectively, a reflection that informal activities are spread across generations. Our sample confirms Ngundu's (2010), view that there are more women doing informal trade activities. The length of time they had been in business ranged from three years to 29 years.

Our starting point was to establish what motivated them to start informal businesses. Below are some excerpts from their responses:

Table 1 Excerpts from responses

<i>Interviewee</i>	<i>Response</i>
1	"I could not sit and watch my family suffer"
2	"I lost my job and had to find something to sustain my family"
3	"I knew I had to do something to survive"
4	"I had to do something to sustain myself"

The two other interviewees had businesses before that collapsed and had to start different lines of business. 50% of our interviewees were the first members of their family to start their own business, while the other half followed the example of either father, mother, brother, sister or aunt. The influence of family in starting entrepreneurship has been discussed in the literature (see MacLelland, 1961; Badal, 2010). Two thirds of the interviewees first discussed their business ideas with their friends. All of the businesses were small and employed one assistant who sometimes is also a family member.

All interviewees indicated that the margins they make on their vending activities are very small. This might be due to middle men who take their share in the process or due to the advent of cheap Chinese products. One interviewee specifically indicated that the business is a 'hand to mouth type of business'.

The contributions that the businesses make in each of these informal entrepreneurs lives is significant; the money is used to educate their children and to sustain the daily living and paying rent for accommodation for their families. For one interviewee the income contributed fully to the family budget. Most of the interviewees indicated that the income helped them to pay for their livelihoods, food, rates and accommodation.

When reflecting on their uniqueness as entrepreneurs three of the interviewees highlighted that they are 'hard workers'. Being humble, finding it easy to relate, being serious and treating people well were seen as other unique points. Most interviewees indicated that they are fast learners, that they are autodidacts and that they have acquired valuable experience in their field.

Most of the entrepreneurs indicated that they would like to either expand the current business or start another business for themselves. Only one interviewee indicated the current situation was enough and they needed 'a rest'.

Asked what would help to make them start new ventures, most entrepreneurs highlighted the difficulties in getting sufficient funds through banks. One interviewee stated that training would be welcome while another wanted to see policies put in place to provide vendors with suitable locations to carry out vending operations. Currently, the educational curriculum in tertiary institutions does not teach entrepreneurship. The six interviewees seem to have persisted with their businesses for many years, an indication that the informal sector is a permanent feature of any economy. We now consider some of the consequences of the informal entrepreneurial activities on society, economy and environment.

11 Consequences of an expanding informal sector

We classify the consequences of an expanding informal sector into social, political, economic and environmental. However, we acknowledge that the impact on either of these spheres is intertwined and cannot be explicitly separated. We start with the social impact and attempt to relate it to cross-border trade as well.

12 Social consequences

The positive impact of informal trading activities on livelihoods is that school fees for the education of children were paid; clothing and food provided. However, in some instances involving cross-border activities, women are vulnerable to sexual abuse, particularly, when seeking accommodation in Botswana or South Africa. HIV/Aids transmission is prevalent even among truck drivers, who often take advantage of women. Regular trips to procure merchandise in some cases resulted in child headed families while the mother is away and failure to attend schools because of taking care of siblings. Busse (2006) points out that some of these cross-border trading activities result in extra-marital affairs and breakdown of marriages (Ireland et al., 2004). Most of the women involved are of middle age and have to carry heavy loads for long distances. At times, they cross at unofficial exit border points to avoid paying customs duties and risk being attacked by animals. At times when caught by the police, their goods are confiscated and they have no recourse to the legal system (Busse, 2006).

While these women are in foreign countries they often do not have access to HIV/Aids treatment. Similarly, in the mining sector, Katsaura (2010) reports that commercial sex workers have thronged the diamond fields to provide transactional services to the miners, in spite of the prevalence of HIV/AIDS and STDs. Sachikonye (2009) observes that working conditions in diamond mines are dangerous and unhealthy. According to the Human Rights report (Maguwu, 2011) some miners were shot dead while others were subjected to dog-bites.

13 Economic consequences

Informal traders rarely pay taxes that are proportionate with their income, because they simply have no incentives to do so (Chibisa and Sigauke, 2008). Through this they deprive the government of revenue it so requires to facilitate infrastructural development. In addition to this problem much of the money generated through informal activities never passes through the formal banking system of tax department. In the early 1980s cross border trading contributed to the erosion of foreign currency reserves because the amounts allocated were sometimes used to buy petty items such as water glasses, perfumes and watches to name three. Collectively, this scarce foreign currency resource could have been used to fund strategic labour intensive industries to manufacture the same goods informal traders were sourcing from Botswana, or even more strategic products for export.

The excursions to buy second hand clothes in large quantities led to the demise of a once thriving textile industry (Chibisa and Sigauke, 2008) resulting in massive retrenchments of employees. Very few informal traders contribute directly to the economy, because of the nature of their activities that are difficult to monitor. Local authorities receive rentals for the various stalls/spaces allocated to the informal trader. For example, in Bulawayo, some vendors pay for using a parking bay during weekends, although this is a good gesture it is not sustainable and no one can grow a business on the pavement.

14 Political consequences of an expanding informal sector

The consequences under this section cannot be divorced from the economic ones because politician influence policy. The decision to control foreign currency was a political one because the government wanted to determine priority areas, however, as shown below these led to an inequitable distribution resulting in 'brief case' businessmen. Industry lost out because the import of spare parts was not coordinated to serve national interests. The process of obtaining an import and export license to obtain foreign currency became politicised and dependent on nepotism and political affiliation.

The land reform programme was also an important political decision, which turned out to be violent and disorderly. Allocation of land for agricultural purposes was done selectively, benefiting the members of the ruling party and disenfranchising the white community. The informal sector during this time thrived on lawlessness and disrespect for property rights and theft. Misappropriation of resources that one has not purchased cannot be described as informal entrepreneurship, as some of the land is still

underutilised. The rapid expansion of the informal sector fuelled bribery by police officers and public servants as they exercised their newly found political authority.

Some informal traders sold seeds and fertilisers they were given for agricultural purposes, while other sold the food provisions given to them by the government. Distribution of drought relief food was also politicised as the beneficiaries were required to provide party cards. Instead of empowering citizens some of the political decision actually created a hooligan.

Some of the corrupt activities by indigenous business people were protected and the police and courts practiced selective justice. The breakdown in the social and economic systems led to political insecurity, many people who started businesses had to be exiled and their assets frozen. Political decisions by the government in the 1980s did not focus on the small and medium enterprises but promoted cooperatives.

It was only later when the Ministry of Small and Medium Enterprises was established when this sector was included in the national strategic plan. The impact of this move did not bear much fruit because the economy was already in a free fall since 2000.

During the hyperinflation era of 2008, the Central Statistics Office, reported figures which were contrary to reality. [Elijah and Uffort \(2007\)](#) warn that a prospering shadow economy may lead to severe difficulties for politicians because it 'causes' or 'provides' unreliable official indicators, and the direction of the intended policy measures may therefore become questionable. [The political consequences associated with a large informal sector include protest politics, strikes and tend to damage patriotism as citizens feel alienated in their own countries.](#)

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15 Environmental consequences

The consequences of informal entrepreneurship on the eco-system have been discussed by many (see, Kamete, 2007; Madava, 2012). Busse (2006, p.7) points out that economic hardship could drive people into businesses that are detrimental to the environment. Kamete (2007) notes in this respect that out of all strategies people have adopted to cope with their poverty (e.g., coal mining, trading, etc.) gold panning is one of the worst in terms of its environmental footprint, Madava (2012) even suggest that causes degradation of land and soil erosion.

Maponga and Ngorima (2003, p.149) distinguish two categories of environmental effect: physical ones and chemical ones. Physical effects include vegetation destruction, wastage of resources and deteriorating river situations. For example, Maponga and Ngorima (2003) suggest that panned waste can lead to flooding during rain seasons, while Madava (2012) suggests that siltation due to gold panning can dry up rivers. Chemical effects refer to pollution from products used in the mining process. For example, mercury used in gold extraction (Maponga and Ngorima, 2003) might get into the ground water, and have consequences for the entire eco-system.

Even though most of the afore-mentioned authors specifically focused on the consequences of mining, other entrepreneurial activities might also cause the two environmental effects. As the informal sector does not always adhere to laws and regulations which are applicable to the formal sector, they might bypass the precautions which the law has stated to safeguard the environment. For example, an informal entrepreneur who focuses on car maintenance, might spill oil which can reach the ground

water as there are no precautions taken (e.g., spill over box), which would be taken if similar activities would take place in the formal sector.

From the above, it should be clear that the Zimbabwean environment has already suffered a lot due to informal entrepreneurship.

16 Discussion

Our review of the literature and our findings suggest that there is a need to change the approaches to developing informal entrepreneurs and assisting some to graduate into formal employers or medium size companies. The economic development of Zimbabwe cannot be left entirely to the informal sector which has grown so much in past 30 years even without focused government assistance. As noted by Brixiova (2010) the state should be a major player in developing productive entrepreneurship among its citizens. The informal activities in their current form, do not constitute entrepreneurship in a strict sense because there is seldom any value added or new ways of doing things according to Schumpeter (1947).

Mudamburi (2012) notes that economies of developing countries have not grown, but rather stagnated and sometimes regressed because entrepreneurs did not add value and innovation to the development and marketing of their products and services. One of our interviewees, partially turned some of his grains into stock feed, but he had simply mixed up, the products, with appropriate training, perhaps his initiative would have been worthwhile. In order for the informal entrepreneurs to contribute to economic growth, Mudamburi (2012) suggests Zimbabwe needs to develop technopreneurship rather than entrepreneurship.

However, as stated earlier informal traders in Zimbabwe, can hardly be referred to as entrepreneurs, let alone as technopreneurs. Zimbabwean entrepreneurs are capable of performing the first stages of identifying a human need and start a business to satisfy that need. The main problem is that of insufficient capital and a lack of access to financial institutions by informal traders who cannot provide collateral security for loans. Adding value to products, requires technology and know-how. In spite of the high literacy rate, the country is far from being a knowledge economy partly because of poor government planning and vision.

For most informal entrepreneurs, including our interviewees, their activities are geared at survival rather than savings or growth. With the exception of some in the mining sector who have made a lot of money, but still employ very few people. Those in mining have made their money at the expense of the environment, and the focus is in exporting the minerals in their raw form without any value addition. This also points to poor government policies. Why are the platinum, gold and diamond processed outside the country and re-imported?

Entrepreneurship, even in the informal sector would contribute more to economic development if its value chain is configured and the different activities sub-contracted to provide the necessary employment.

The government and policy makers should provide consistent recognition and support to the informal sector and turn it into the lifeblood of the nation (Chibisa and Sigauke, 2008). Our analysis shows that those traders in the informal sector are mainly driven to doing their business as a means to escape poverty and to earn a living, what Katsaura (2010) called “surviving the economic meltdown and socio-political fragility”. The

informal traders are hard working and have weathered the socio-politico and economic crisis caused by hyperinflation where they lost everything and were forced into a corner by failures of government policies.

The government should support the informal sector, and provide consistent recognition and support, which according to Chibisa and Sigauke (2008) is currently missing in Zimbabwe. Only with support from the government and NGOs will it be possible for informal traders in Zimbabwe to become entrepreneurs in the true sense of the word.

Having hardly any money to survive, does not help creditworthiness when applying for bank loans and, with a lack of possibility, there are not that many organisations left to turn to. Hence, we propose that the government takes up a more active role in encouraging and developing the informal sector. Supply of small loans and training will need to be two of the key elements in this process.

17 Reflections, conclusions and way forward

We conclude that the informal sector in Zimbabwe has got resilience and has survived in spite of disabling government policies. The Ministry of Small and Medium Enterprises, cannot solve the problem of the informal sector alone, because informal traders operate across all sectors such as mining, tourism to mention just two. There appears to be a fragmentation of approach at government level by having too many ministries dealing with each piece of the jigsaw puzzle problem without coordination and integration of strategies. For instance, we have separate ministries for mines, environment, tourism, women's affairs and education, all singing from different hymn books. The consequences of the unbridled expansion of the informal sector are felt across the whole economy.

We suggest that policies be developed at the highest level of government and cascaded down to local levels to arrest some of the problems highlighted in this paper. We suggest that the high school and tertiary school curriculum should address the issue of entrepreneurship development. In Zimbabwe, entrepreneurship cannot stand alone because it is intricately linked with poverty eradication. We believe, poverty cannot be left to entrepreneurs alone, but should involve government and be part of corporate responsibility programmes.

We suggest that Zimbabwe requires more social entrepreneurs than individual entrepreneurship who have not re-invested their proceeds into the economy to develop the formal sector. There is evidence of more productivity and output where donors have stepped in to help organise the informal entrepreneurs. The same is true, where the government has intervened by providing mining equipment, however, both interventions have been ad hoc and lacked continuity and sustainability in the long run. The interventions seem to be selective and not intended to address a country wide problem.

For low developed countries such as Zimbabwe, it is important to integrate economic and social development to address poverty with strategies that create employment and sustainable livelihoods. Overall, the unintended consequences of the haphazard foreign currency allocations in the 1990s; cross-border trade to procure trivial products; environmentally damage inflicted by unorthodox mining methods; all in the name of informal entrepreneurship indicates a lack of accountability by those charged with governance of resources. These informal activities have resulted in high socially and

financial costs. Future research should conduct post audits to estimate the haemorrhaging of both human and material resources.

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