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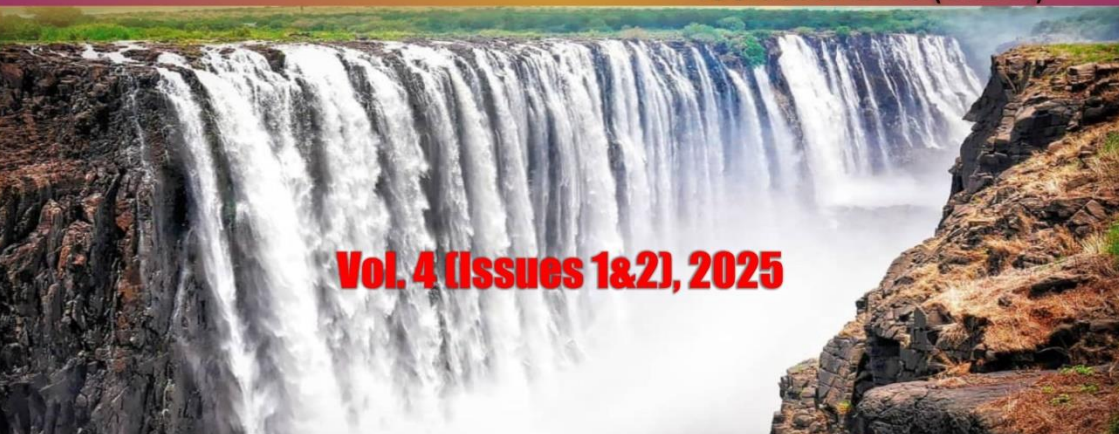

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THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN SECTORAL DEVELOPMENT: AN EMPIRICAL ANALYSIS OF ZIMBABWE'S REGIONAL DEVELOPMENT

SYLLON MAZVIZVI[1] DENNIS NIKISI[2] AND GRACE P.K. NGORORA[3]

Abstract

Literature on Small and Medium Enterprises (SMEs) and sectorial development has been extensive, with various studies investigating the role of SMEs in driving economic growth and development. However, despite the wealth of research, there is little understanding of the impact of SMEs on sectorial development, particularly in the context of Zimbabwe. This study explores the role of SMEs in sectorial development, focusing on Zimbabwe's regional development. Drawing on theoretical frameworks such as the endogenous Growth Theory, this research empirically examines the influence of SMEs on sectorial growth and development. Data were collected using a structured questionnaire administered to SME owners/managers across all ten (10) provinces and their 53 districts in Zimbabwe. Quantitative data analysis was done using standard deviation, regression and ANOVA. Results show that SMEs significantly and positively influence sectorial development. The findings underscore the significance of SMEs in driving sectorial development. Based on the empirical analysis, the research recommends that policy-makers implement targeted interventions to enhance SMEs' access to finance, infrastructure and markets, thereby fostering a conducive environment for their growth and contribution to sectorial development. Furthermore, the research recommends tailored support for SMEs in different sectors and regions, considering their unique challenges and opportunities.

Keywords: Zimbabwe, development, small, medium, sector

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INTRODUCTION

Small and Medium Enterprises (SMEs) have long been recognised as vital contributors to economic development of Zimbabwe through innovation and entrepreneurship, just like other developed countries (Pike, 2017). Zimbabwe has implemented several interventions to improve SME growth and development, recognising their crucial role in driving economic growth, creating employment opportunities, and alleviating poverty. The MSME (2020-2024) policy outlines strategies for SME development, focusing on increasing access to finance, markets and technology. The Zimbabwe National Industrial Development Policy (2019-2023) aims to promote development, including SME growth, through various initiatives such as investment promotion and infrastructure development. The National Development Strategy 1 (NDS1) (2021-2025) and the NDS2 (2026-2030) in Zimbabwe aim to promote SME growth and development through various initiatives, like access to finance, streamlining regulatory frameworks, capacity building, and market access. The NDS 1 and 2 encourage innovation, technology adoption, and can help SMEs increase productivity and competitiveness.

Despite the efforts by country governments, including Zimbabwe, SMEs continue to face numerous challenges that hinder their development. SMEs struggle to access credit and funding (Kajongwe *et al.*, 2020), which limits their ability to invest in new technologies, expand operations and hire skilled employees. This reduces their competitiveness, making it harder to participate in global value chains. In Zimbabwe, restrictive government laws and regulations continue to hinder SME growth. Attracting and retaining skilled employees due to limited resources and competition from larger firms inhibits their development. SMEs in Zimbabwe also face infrastructural challenges, including a lack of space, out-dated machinery and equipment, which affect their progress. It is also crucial for SMEs to establish both local and international markets, and currently they have very limited access (Audretsch, 2019).

The contribution of SMEs in sectorial development is significant, as they are known for their agility and innovativeness, enabling them to respond effectively to market forces (Beck, 2020). This characteristic positions them as crucial job creators and contributors to poverty reduction. In both developed and developing countries, SMEs play a vital role in the economy,

accounting for a substantial proportion of employment and Gross Domestic Product (GDP) (Ayyagari *et al.*, 2011).

SMEs can adapt to and innovate quickly in changing market conditions; hence they are recognised as drivers of economic growth. According to a report by the Organisation for Economic Co-operation and Development (OECD), SMEs are essential for promoting economic diversification and competitiveness (OECD, 2017). Their role in fostering entrepreneurship and creating new opportunities is also highlighted in various studies, emphasizing their contribution to the overall economic development of a country (Audretsch, 2019). However, SMEs face numerous challenges, including limited access to finance, regulatory barriers and lack of technological capabilities (Beck, 2020). Addressing these challenges is crucial for unlocking the full potential of SMEs and ensuring their continued contribution to economic development.

The interaction between sectors can lead to several development outcomes, including increased productivity, economic growth, structural transformation, linkage spill-overs, improved competitiveness and a diversified economy (Lewis, 2013). The interaction between agricultural and manufacturing SME sectors can lead to improved productivity. For instance, the manufacturing sector can provide the agriculture sector with modern technology, improving agricultural productivity. As these sectors interact, employment opportunities are created leading to income generation and investment. With continued interaction, structural transformation will take place, where the economy shifts from being primarily agrarian to one with a more diversified industrial base. Similarly, this horizontal relationship between the two sectors will create spill-overs and linkages, where the growth of one sector stimulates the growth of other sectors.

A related study was conducted by Leontief (2019) who examines the inter-dependencies between different sectors of the economy and their impact on trade. The study found that industries are linked and changes in one sector can have ripple effects throughout the economy. The other finding is that international trade patterns are influenced by the structure of domestic production and consumption. Leontief's (*ibid.).* analysis suggests that export-led growth can be an effective strategy for economic development, but it requires careful consideration of the intersectional dependencies and the impact on domestic industries.

Zimbabwe's industrial sector can learn from the numerous benefits of Lewis' model of sectorial interaction and strengthen its industrial base (Lewis, 2013). According to Marima (2018), intersectional analysis can help identify the key interdependencies between SMEs and other sectors in a region. This can help policy-makers design strategies to support SMEs and foster regional development in several ways. By tracing the flow of goods and services between different sectors and regions, intersectional analysis can help assess the impact of SMEs on regional development. This can include both direct impacts (such as job creation) and indirect impacts (such as stimulating demand for other sectors)

Usaizi (2018) asserts that intersectional analysis can also help identify areas of regional specialisation, where SMEs may have a competitive advantage. This can guide regional development strategies and policies to support these sectors. In today's globalised economy, regions are increasingly interconnected. Intersectional analysis can help understand these global interconnections and how they affect SMEs and regional development. This can inform policies related to trade, investment and global value chains. While the study has its limitations, including neglect of technological progress, its findings remain relevant today, and its legacy continues to influence research and policy in international trade.

According to Chigusiwa *et al.* (2017), the agglomeration (clustering) of SMEs is crucial as it has a significant impact on industrial expansion in Zimbabwe. While there are potential benefits to clustering, such as increased productivity, innovation and competitiveness, there are also potential drawbacks, such as increased competition and strain on local infrastructure

The causal relationships between SME development and sectorial growth can be understood through several empirical studies. Audretsch *et al.* (2019) state that entrepreneurship, an aspect of SME development; can have a lasting impact on economic growth, suggesting a causal relationship between SME development and sectorial growth. Covin *et al.* (2012) established that entrepreneurial orientation is a key driver of SME growth, highlighting the importance of strategic behaviour like innovation and risk-taking.

Up to date, SME and development studies in Zimbabwe have covered mostly the economics and policy perspectives. The majority of sources focus on economic impact, mainly employment creation, and aim to improve rural policies. Even though in this thesis SMEs' perspective on the issue is adopted, previous research is still fully relevant for consideration. As already discussed in the preceding paragraphs, sectorial development and SMEs are highly correlated. SMEs influence sectorial development through their innovative and competitive capabilities (Porter, 1990), in turn, economic conditions may inhibit their performance in the different sectors in Zimbabwe's regions.

Mechanisms driving these relationships include innovation and product development, network relationships and access to finance. According to Romjin *et al.* (2002), innovation and product development are critical for SME growth and sectorial development. Ojala *et al.* (2007) aver that network relationships are crucial for SME growth and sectorial development, particularly in terms of accessing new markets and technologies. Demirguc-Kunt (2006) asserts that access to finance is a critical mechanism driving SME development and sectorial growth, highlighting the importance of financial development. SMEs play a vital role in Zimbabwe's regional development, contributing significantly to economic growth, poverty alleviation and employment creation. Given their importance, it is crucial to understand the dynamics of SMEs' influence on sectorial development.

STATEMENT OF THE PROBLEM

Despite the recognised importance of SMEs in sectorial development, there is a lack of empirical research on the specific role of SMEs in Zimbabwe's regional development. Existing literature suggests that SMEs play a crucial role in sectorial development by fostering entrepreneurship, improving productivity and enhancing competitiveness (Nyoka *et al.*, 2017). In Zimbabwe, SMEs have been recognised as key drivers of economic growth and development, particularly in the context of regional development initiatives (Nyoni *et al.*, 2018). Empirical studies have examined the challenges faced by SMEs in Zimbabwe, including limited access to finance, inadequate infrastructure and regulatory constraints (Nziramasanga, 2019; World Bank, 2020). However, there is need for more research on the contributions of SMEs to sectorial development in Zimbabwe's regional context. This study aims to address the gap in existing research by

empirically examining the role of SMEs in sectorial development, with a focus on Zimbabwe's regional development. By doing so, it will contribute to a better understanding of how SMEs can be supported to drive economic growth and development in Zimbabwe.

The contribution of SMEs to the countries' economies has drawn significant attention from both international and local stakeholders, including the academia, whose goal involves the use of effective policies to generate growth in the SME sector. The lack of effective policies and support mechanisms has raised concerns about SMEs' sustainability and effectiveness, especially the United Nations Sustainable Development Goals (SDGs) 1 (zero poverty), 8 (promote inclusive and sustainable growth) and 9 (sustainable industrialisation and fostering innovation). These have not been fully implemented yet, in Zimbabwe. To aid closure of this gap in the literature, this study presents the dynamics of the relationship between SMEs and sectorial development, focusing on agricultural and manufacturing SME sectors in Zimbabwe.

RESEARCH OBJECTIVE

To determine the influence of SMEs on sectorial development in the agriculture and manufacturing sectors in Zimbabwe.

RESEARCH METHODOLOGY

The study is guided by the Positivism Research Philosophy. Random sampling for quantitative analysis was done using the Raosoft sample size calculator and the sample size was 385 SMEs. The study targeted all 10provinces of Zimbabwe and the total population was 1 639 807 registered SMEs (Finscope, Survey, 2022).

A questionnaire survey, with structured questions, was used and all data derived from SME owners/managers, drawn from all 10 provinces, with a total of 53 districts in Zimbabwe. Quantitative data analysis was done using standard deviation, regression, and ANOVA. Cronbach's alpha coefficient of reliability was used to test the validity and reliability of data instruments. The study observed ethics at each stage of conducting the study.

THEORETICAL FRAMEWORK

Several theoretical frameworks underpin the relationship between SMEs and sectorial development. The Endogenous Growth Theory and the Resource-

based View (RBV) are used in this study. For instance, the Endogenous Growth theory highlights the role of internal factors, such as innovation and entrepreneurship, in driving economic growth (Perreoux, 1955; Romer, 1990;). The Resource-based View, on the other hand, emphasizes the importance of resources and capabilities in driving firm performance and competitiveness (Barney, 1991). These theoretical frameworks provide a foundation for understanding the mechanisms through which SMEs contribute to sectorial development.

REVIEW OF RELATED LITERATURE

CONCEPT OF SMES AND SECTORAL DEVELOPMENT

Sectoral development refers to the growth and diversification of specific industries, or sectors, and is a critical aspect of regional development. SMEs in Zimbabwe impact on sectors of the economy through various mechanisms, including innovation, entrepreneurship and job creation (Pike *et al.*, 2017). Sectoral development encompasses the strategic focus on particular industries or sectors deemed critical for economic growth and regional development.

Empirical evidence on SMEs and sectorial development suggests that SMEs are significant contributors to economic growth and employment generation. They often drive innovation within sectors by introducing new products and services or improving existing ones, and they can lead to diversification within regional economies. Green Valley Farm in Zimbabwe, exemplifies a successful entrepreneurship within the agricultural sector. The farm has adopted sustainable practices that not only enhance productivity but also contribute positively to environmental conservation. Green Valley Farm employs sustainable farming techniques such as crop rotation, organic fertilizers and integrated pest management. The farm leverages technology for better yield management by implementing precision agriculture tools which allows for data-driven decision-making regarding irrigation schedules and fertilizer application. This technological integration enhances productivity while minimising waste. Green Farm Valley has since diversified through agro-processing value chains and is reinvesting in the community by creating employment for the local community.

According to Amitava (1990), sector interaction refers to the relationships between various sectors, such as the agricultural, industrial and service sectors, and how they impact economic development. Sector interaction is a crucial aspect of economic development, as it can lead to increased productivity, economic growth and improved living standards (Kuznets, 1966). Amitava's (1990) work highlights the importance of understanding the interdependencies between sectors and how they respond to changes in the economy. For instance, the agricultural sector's performance can have a significant impact on the industrial sector, as it provides inputs and labour (Mankiw, 2021).

Leontief (2019) also agrees on the inter-dependencies between different sectors of the economy and their impact on trade, observing that industries are interconnected, and that changes in one sector can have ripple effects throughout the economy.

Intersectional analysis can help identify key interdependencies between SMEs and other sectors in a region. This can help policy-makers design strategies to support SMEs and foster regional development in several ways. By tracing the flow of goods and services between different sectors and regions, intersectional analysis can help assess the impact of SMEs on regional development. This can include both direct impacts (such as job creation) and indirect impacts (such as stimulating demand for other sectors).

CONCEPT OF REGIONAL DEVELOPMENT

Regional development refers to the process of improving the economic, social and environmental well-being of a specific geographic region. Regional development is a multi-faceted concept that encompasses various aspects, including economic growth, social progress and environmental sustainability (Rodriguez-Pose, 2018). Pike *et al.* (2016) postulate that regional development involves the creation of opportunities for economic growth, improved living standards and enhanced quality of life for residence in a specific region. Empirical studies have shown that regional development can be driven by various factors including innovation, entrepreneurship and investment in human capital (Audretsch *et al.*, 2007). Additionally, regional development policies can play a crucial role in promoting economic growth,

reducing disparities and improving the overall well-being of residents (Tomaney and Ward, 2000).

AGRICULTURE-MANUFACTURING INTERACTION

The agricultural sector is a crucial component of Zimbabwe's economy, contributing significantly to the GDP, employment and export earnings. According to Leontief (2019), the sector's key objectives include: promotion of viable agriculture sector by mechanising it, considering the challenges posed by climate change. Another mandate is to ensure food security by developing strategies to achieve food self-sufficiency and security, as well as promoting export-oriented agricultural practices. Another mandate is rebuilding the national herd and dairy herd by implementing policies, that enhance the livestock industry's productivity is another mandate. It is also the agriculture ministry's mandate to identify and develop effective markets and marketing systems for agricultural products, both domestically and internationally. It is also their responsibility to analyse, assess, monitor and evaluate the impact of national agricultural and climate policies to ensure sustainable development (*ibid.*). The sector focuses on crop production, livestock production and investment opportunities (zidainvest.com). The sector contributes significantly to Zimbabwe's economy, accounting for 15% of the GDP; 30% of export earnings; 23% of formal employment, and 63% of raw materials for the manufacturing sector.

It becomes clear that the agricultural sector is the backbone of other sectors in any country, supporting the manufacturing sector in the production value chain. The empirical evidence supplied above testifies that agriculture could be the lead employing sector (Finscope Survey, 2022). In support of this testimony, Amitava (1990) and Leontief (2019) argue that sectorial interdependencies are crucial for economic growth.

According to Makate (2013), a proper relationship between agriculture and manufacturing industries (henceforth industry for brevity) has long been seen as crucial for economic growth, especially in the early stages of development. Agricultural stagnation could constrain industry by limiting food and inter mediate goods supplies, markets, sources of savings, labour and industrial stagnation, while limiting supplies of capital and intermediate goods and markets could restrict agricultural development.

The role of SMEs in the economic sectors is catalytic (Acs, 2018; Bissant, 2019). They facilitate sectorial growth. While facilitating growth in the agriculture sector, the industry forces affecting them include access to finance. SMEs in agriculture, like any other economic sector, require adequate funding to purchase inputs, maintain equipment and expand their operations. Infrastructure, as in irrigation systems, storage facilities and transport networks, play a vital role in supporting agricultural SMEs. Agricultural SMEs need access to local and international markets to sell their products and increase their revenue. Zimbabwe's climate and weather conditions can significantly impact agricultural production, making it essential for SMEs to adopt climate-resilient practices.

Turning to manufacturing, access to raw materials is crucial as SMEs require a steady supply to maintain production levels. Adopting new technologies and innovative practices can help manufacturing SMEs increase efficiency and competitiveness. In terms of market demand, SMEs need to understand market demand and trends to produce products that meet customer needs (Ac, 2018). A regulatory environment can support the growth of SMEs in manufacturing by reducing bureaucratic barriers and providing incentives.

Key findings in agricultural SMEs show that clustering advantages can stimulate the development of agricultural SMEs in Zimbabwe's Eastern Highlands, suggesting that collaborative approaches can foster growth and innovation in the sector. Agricultural SMEs often struggle more with formalisation and registration, highlighting the need for targeted policy interventions to address these challenges (Muzurura, 2020).

In the manufacturing sector, SMEs in informal metal industries in Zimbabwe, are modestly efficient, profitable and competitive, indicating the sector's potential for growth and development. Operational risks are the most significant challenges facing manufacturing SMEs, emphasizing the importance of effective risk management strategies (Heizer *et al.*, 2020; Muzurura, 2020).

COMMON CHALLENGES FACED AGRICULTURE & MANUFACTURING

Both agricultural and manufacturing SMEs face barriers to formalisation and registration, underscoring the need for streamlined processes and

support mechanisms. Access to finance and resources remains a significant constraint for SMEs in both sectors, highlighting the importance of targeted interventions to address these challenges.

ORIENTATION PROGRAMMES

The RBV (Barney *et al.* (2011) is a strategic management theory that explains how organisations can achieve sustainable competitive advantage by leveraging their internal resources and capabilities. This thesis finds the RBV quite useful in the agriculture and manufacturing sectors. The key principle states that SMEs must identify and leverage resources that are valuable, rare and difficult to imitate; focus on developing unique resources and capabilities that set them apart from competitors, and ensure that their resources are not easily transferable or replicable by competitors (Moyo *et al.*, 2012). Empirical studies show that SMEs with entrepreneurial orientation tend to perform better, as they are more likely to identify and leverage valuable resources. SMEs that focus on market orientation can develop capabilities that meet customer needs, leading to improved performance and, therefore, SMEs must develop dynamic capabilities to adapt to changing environments and leverage new opportunities (Ambrosini, 2009).

EMPIRICAL STUDIES

Sectoral development refers to the growth and progress of specific sectors or industries within an economy (Hirschman, 1958). It involves the expansion of production, improvement of productivity and increase in competitiveness of firms within a particular sector (Kuznetsov, 2011). In the context of Zimbabwe, sectorial development is crucial for the country's economic recovery and growth (Moyo *et al.*, 2012). It involves the application of economic and technical measures to promote economic growth and improve people's quality of life. According to Zimstats (2020), economic development is characterised by a process of structural change within an economy, where the composition and relative sizes of various sectors undergo transformation. Zimbabwe's economy is diversified across several sectors, including agriculture, mining, manufacturing, tourism and services (*ibid.*). However, the country has faced significant challenges, including political instability, hyperinflation and infrastructure deficits, which have hindered sectorial development (Mbekwe *et al.*, 2017).

The mining sector is rich in mineral resources like gold, platinum and diamonds. SMEs providing support services to mining companies can capitalise on this sector's growth and create wealth for the local people across regions. Although there are challenges such as power shortages and malfunctioning infrastructure, the manufacturing sector has potential for growth, allowing SMEs in this sector to benefit from government initiatives aimed at revitalising this industry. In terms of development of regions, the distribution of the resource endowments in Zimbabwe can impact sectorial development. (Mbekwe *et al.*, 2017). There are several opportunities in the rural areas which entrepreneurial SMEs can capitalise on, bridging the urban and rural divide. Regions with better infrastructure are more likely to attract investments and support SME growth. Improving infrastructure in underdeveloped regions can stimulate economic activities.

By capitalising on the strengths of each sector and implementing supportive policies, Zimbabwe can foster inclusive economic growth and create a conducive environment for SMEs to thrive. Therefore, sectorial development in Zimbabwe should focus on enhancing the competitiveness and productivity of these key sectors to give economic growth and development (Tambunan, 2017).

Empirical evidence suggests that SMEs contribute significantly to sectorial development, including employment creation, productivity and innovation (Tambunan,2017; Woldie *et al.*, 2014;). However, despite their potential, SMEs in Zimbabwe face numerous challenges, including access to finance, infrastructure and markets (Mbekwe *et al.*, 2017).

It is crucial to understand how SMEs can attract other business activities and form clusters (agglomerations). SMEs should be understood as 'growth poles' (Perroux, 1955), acting as centres for growth of other start-up businesses. In this case, SMEs act as catalysts for sectorial development through innovation and entrepreneurship. They are the drivers of innovation and entrepreneurship, introducing new products, services and processes that attract other businesses and stimulate growth (Acs *et al.*, 2018). SMEs clusters/agglomerations can attract other business, sectorally create and foster economies of scale (Porter, 1998). Through networking and

collaboration, SMEs can attract other businesses, like research institutions, and government agencies, leading to the exchange of knowledge, resource and expertise (Bissant *et al.* (2018).

SMEs have a potential to attract other businesses by developing supply chains, which can lead to the creation of new industries, and this ultimately leads to sectorial development (Gereffi, *et al.*, 2016). Also, SMEs create new markets by introducing innovative products or services. They attract other businesses and stimulate sectorial development, (Kim *et al.*, 2005). Investment attraction by SMEs from other businesses, venture capitalists and government agencies are likely to lead to sectorial growth and development (Hall, 2018). The presence of SMEs can lead to increased competitiveness as a result of their innovativeness and productivity growth (Porter, 1998). Hall (2018) argues that SMEs can diversify their activities, reduce dependence on a single industry and promote regional economic resilience.

Zimbabwe's regional development policies can support SME growth and sectorial development, particularly in areas with high growth potential (NDS1, 2021-2025). SMEs in the agricultural sector can play a crucial role in promoting sectorial development, given the sector's significant contribution to Zimbabwe's economy (FAO, 2020), whereas, SMEs in the manufacturing sector can also contribute to sectorial development, particularly in areas such as food processing and textiles (Zimbabwe National Chamber of Commerce, 2020).

SMEs can facilitate infrastructure development in Zimbabwe. SMEs can invest in infrastructure development, such as transportation, energy and communication networks, which can stimulate economic growth and development (World Bank, 2020). SMEs have the potential to provide innovative solutions to infrastructure challenges, such as renewable energy and sustainable transportation, which can reduce costs and improve efficiency (IRENA, 2020). Through partnerships and collaborations, SMEs can partner with other businesses, government agencies and international organisations to develop infrastructure projects, leveraging resources and expertise (UNCTAD, 2021).

In terms of infrastructure challenges, the Zimbabwe Chamber of Commerce (2020), highlights that SMEs in Zimbabwe face challenges related to inadequate transportation networks, including poor road conditions and limited access to rail and air transportation.

SMEs in Zimbabwe often face energy deficits, including frequent power outages, and limited access to finance, which can limit their ability to invest in infrastructure development (Fin Mark Trust, 2020). Empirical evidence suggests that SMEs can contribute to the development of new markets. In their study, Acs *et al.* (2018) found that innovation and entrepreneurship are critical for the development of new markets, while Santos *et al.* (2009) found that SMEs can create markets through innovative products and services, and a study by Carson *et al.* (2016) found that SMEs can specialise in niche markets, which can provide opportunities for growth and innovation.

Based on these findings, the conclusion is that SMEs can create new markets through innovative products and services, driving economic growth and development in Zimbabwe's regions. Empirical evidence suggests that SMEs create business linkages (strengthening institutional structures), and this is consistent with the view of OECD (2024) and Smith *et al.* (2024), who argue that SMEs create business linkages, strengthen institutional structures and promote cluster development, leading to economic growth and development.

Empirical evidence suggests that SMEs propagate new creativity and innovation. According to Florida (2020), SMEs are key drivers of innovation and creativity, as they develop new products, services and processes that drive economic growth and development. The effectiveness of SMEs in driving sectorial development is often contingent upon the policy environment established by governments. Studies emphasize the need for supportive frameworks that facilitate access to finance, training programmes and infrastructure improvements tailored specifically for SME growth (World Bank, 2020). Zimbabwe has implemented various policies to promote sectorial development

The Zimbabwe (NDS1, 2021-2025) aims to achieve sustainable economic growth and development through diversification, industrialisation and modernisation of key sectors such as agriculture, mining, manufacturing and tourism (NDS1, 2021-2025). This policy emphasizes the importance of SMEs in achieving sustainable economic growth and development.

RESULTS

DESCRIPTIVE STATISTICS

Table 1: Relationship between SMEs and Sectoral Development in Zimbabwe

Attribute	Mean	Standard Deviation
1. SMEs linkages increase the rate of growth and reduce sectoral imbalances	3.71	.902
2. SMEs activities in sectors reduce development problems	3.49	.901
3. Important regional development issues require a multi-sectional analysis	3.93	.827
4. SMEs influence changes in structural, societal and institutional levels	3.82	.801
5. SMEs have induced transformation either by the introduction of new products or sector	3.89	.928

The descriptive statistics for the variable "sectorial development", using the measurements of standard deviation and mean, are summarised in Table 1. Respondents generally agreed with all items utilised to measure influence of SMEs on sectorial development in this study, as indicated by the mean scores ranging from 3.49 to 3.93 for the variable. The responses show a constant level of agreement across participants, as indicated by the low standard deviation values (ranging from 0.801 to 0.928). All of the items examined had a standard deviation that was less than 1, indicating that the data distribution exhibited low variation. Respondents' agreement regarding influence of SMEs on sectorial development is solid, as seen by the consistency across items. The low variability in the standard deviation values and the high level of unanimity among participants in their judgements of innovation are, confirmed by the results in Table 1.

Table 2: Mean and Standard Deviation

	Mean	Standard Deviation
Sectoral Development	4.0366	.65943
SMEs	3.8155	.69007

The mean response for Sectoral Development was 4.04, with a standard deviation of 0.659. The mean response for SMEs was 3.82, with a standard deviation of 0.69. These descriptive statistics provide valuable insights into the perceptions or opinions related to these two areas. The mean values indicate the average response level, while the standard deviations indicate the variability or dispersion of responses around the mean.

When comparing the mean responses for Sectoral Development and SMEs, it is evident that respondents rated Sectoral Development higher on average, compared to SMEs. This suggests that there may be a more positive perception or evaluation of Sectoral Development compared to SMEs among the respondents. Reviewing relevant literature can provide additional insights into these findings. For example, Smith *et al.* (2018) highlight the importance of sectorial development in driving economic growth and innovation. This could explain why respondents rated Sectoral Development higher, as it aligns with broader economic development goals.

on the other hand, Waheed (2019) emphasizes the challenges faced by SMEs in accessing finance and resources for growth. This could potentially contribute to the lower rating for SMEs in the survey responses, reflecting concerns or limitations within the SME sector. Based on these findings and literature insights, organisations or policy-makers may prioritise sectorial development initiatives to leverage their perceived strengths in driving economic progress. Additionally, targeted support measures for SMEs could address some of the identified challenges and improve their overall performance and competitiveness.

Table 3: The Model

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.538	.158		9.757	.000
	SMEs	.655	.041	.685	16.107	.000
R-Square value = 0.470						
a. Dependent Variable: Sectoral Development						

From Table 3 the regression model connecting SMEs Evaluation to Sectoral Development is given as

Sectoral Development = 1.538 + 0.655* SMEs Evaluation

The regression model has an R-Square value of 0.470, implying 47.0% of the variation in Sectoral Development has been explained by fitting the regression model

DISCUSSION

The regression model's R-Square value of 0.470 indicates that SME evaluation can explain approximately 47.0% of the variation in sectorial development. This finding is consistent with several studies exploring the relationship between SMEs and sectorial development. For instance, Mair (2021) observes that SMEs contribute significantly to economic growth and innovation in various sectors, particularly in developing countries. Chen (2023) reveals also that the performance of SMEs is positively related to regional economic development.

Moreover, the coefficient of determination (R-Square) value also suggests that there are other factors influencing sectorial development beyond SME evaluation. These factors could include government policies, infrastructure development, access to finance and human capital development (World Bank Group, 2019). Therefore, it is essential to consider these factors when interpreting the results of the regression model. Additionally, it is important to note that correlation does not imply causation. While the regression model shows a positive relationship between SME evaluation and sectorial development, it does not prove that one causes the other. Further research using more advanced statistical techniques or experimental designs would be necessary to establish a causal relationship between the two variables (Pearl, 2009).

Table 4: Model Fitness using ANOVA

Model		Sum of Squares	Df	Mean Square		Sig.
1	Regression	60.040	1	60. 040	259.448	.000[b]
	Residual	67.805	293	.23 1		
	Total	127.845	294			

a. Dependent Variable: Sectoral Development
b. Predictors: (Constant), SMEs

Since the p-value is zero, the regression model is statistically significant. Therefore, the regression model fits the data well and implies that the model's coefficients are significantly different from zero, meaning that the independent variables have a significant impact on the dependent variable. The absence of a p-value indicates that the null hypothesis, which assumes no relationship between the independent and dependent variables, can be rejected (Field, 2019).

Moreover, a statistically significant regression model does not necessarily mean that it is a good fit for the data. However, it does suggest that there is a relationship between the variables. To assess how well the model fits the data, other statistical measures such as R-squared and adjusted R-squared can be used (*ibid.*). An R-squared value = 0.47 indicates that other factors influence regional development have not been included in the fitted model. Hence other factors such as temporal development, spatial development, and distributive effects need to be considered when assessing the effects of SMEs on regional development.

CONCLUSION

The study establishes that SMEs in Zimbabwe's manufacturing, agriculture and services sector contribute significantly to sectorial development, particularly in terms of job creation, innovation and entrepreneurship. In terms of regional development, the study reveals that SME in Zimbabwe's regions face unique challenges and opportunities requiring tailored policies and interventions to support their growth and development. It identifies infrastructure challenges, including adequate transportation networks, energy deficit and limited access to finance, as major constraints to SME growth and development to Zimbabwe.

The study also discovered that SMEs in Zimbabwe manufacturing agriculture and services sectors are innovative and entrepreneurial, introducing new products, services and processes that drive sectorial growth and development.

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