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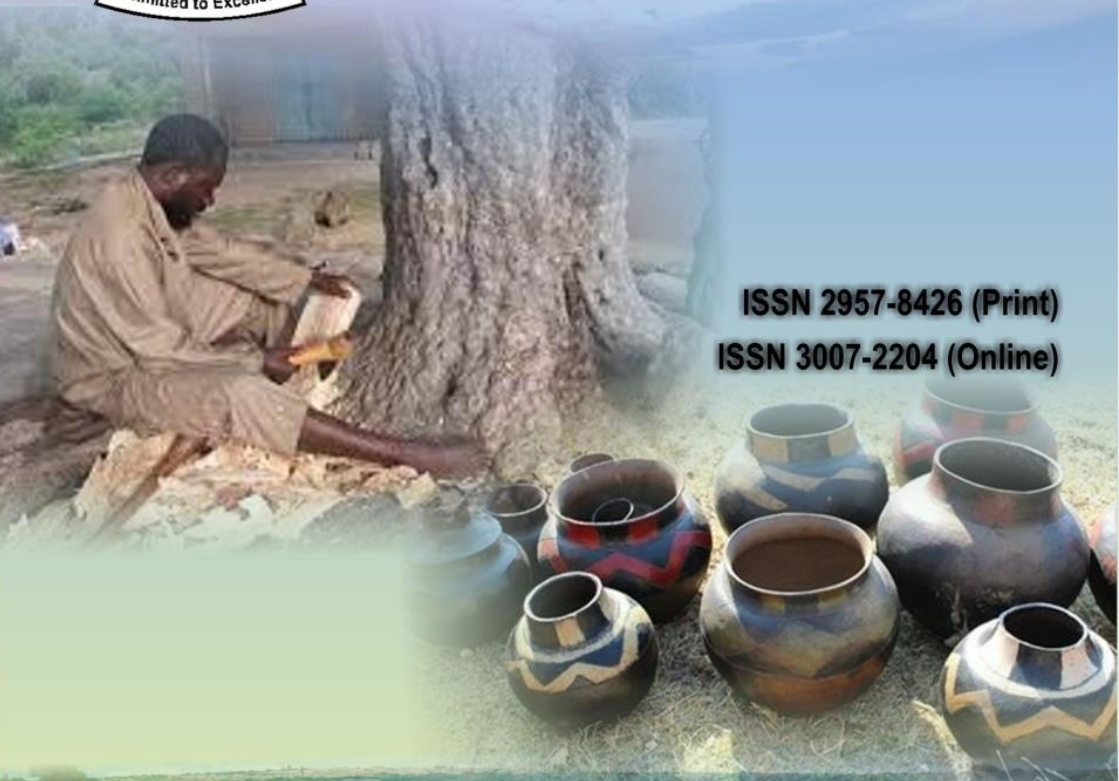

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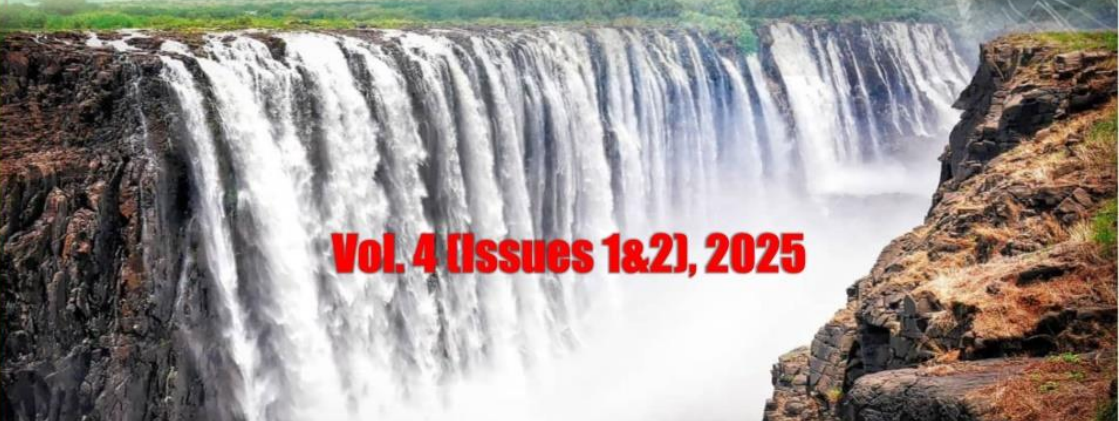

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The purpose of the *Kuveza neKuumba - Zimbabwe Ezekiel Guti University Journal of Design, Innovative Thinking and Practice is* to provide a forum for design and innovative solutions to daily challenges in communities.

CONTRIBUTION AND READERSHIP

Planners, engineers, social scientists, business experts, scholars and practitioners from various fields.

JOURNAL SPECIFICATIONS

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The journal is a forum for the discussion of ideas, scholarly opinions and case studies of multidisciplinary perspectives of design and innovative thinking. The journal is produced bi-annually.

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The Mediating Role of Institutional Quality in the Re-industrialisation-Export Performance Nexus: Evidence from the Zimbabwean Manufacturing Sector

BRIAN SIBANDA[1]

Abstract

This study investigates the mediating effect of institutional quality in the relationship between re-industrialisation and export performance within Zimbabwe's manufacturing sector. The study employs a descriptive research design, using structured questionnaires to collect data from 384 officials from active manufacturing exporters. The collection of primary research data was done by way of an online questionnaire survey administered to the 384 participants selected by way of stratified random sampling. The study analysed data using the Structural Equation Modelling (SEM) which was performed in R studio. The study found that institutional quality had a significant mediating effect on the relationship between re-industrialisation and export performance. It also found that re-industrialisation had a significant direct effect on export performance. It is evident from the findings that there is an urgent need for the Zimbabwean government to institute comprehensive institutional reforms aimed at strengthening the rule of law, improving government effectiveness and enhancing governance accountability. Government policy should deliberately prioritise the establishment of a robust predictable legal environment, anti-corruption measures and streamlining bureaucracy to buttress growth and export competitiveness. Manufacturers should engage policy-makers on issues of policy, diversify export

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markets and adopt cost-saving technologies to navigate institutional challenges. The study is motivated by the lack of empirical evidence drawn from Zimbabwe on the moderating effect of institutional quality. Therefore, the study contributes to the bridging of this gap by proffering research evidence in that regard. The study also advances evidence-based recommendations for policy reform in Zimbabwe.

Keywords: structural equation modelling, rule of law, governance, accountability

INTRODUCTION

Institutional quality, an embodiment of rule of law, governance systems and government effectiveness, is a key determinant of economic development and expert performance across the globe (Abreo *et al.*, 2021). Robust institutions reduce transaction costs, foster investor confidence and enable efficient resource allocation, as evidenced by high-performing economies like Germany, Singapore and South Korea. The three countries maintain their dedication to strong institutional frameworks which shows through their high performance in World Bank Worldwide Governance Indicators (WGI) and Corruption Perceptions Index (CPI). According to the World Bank, Singapore maintained an average WGI index of 2.23 between 1996 to 2023, reflecting its excellence in governance implementation. Similarly, South Korea's post-1990s institutional reforms correlate with its ascent to a top 10% CPI ranking, cementing the argument that governance is instrumental in driving innovation-led growth (Transparency International, 2024).

In contrast, economic development remains subdued in counties with poor institutional quality, expressing itself through recurring political instability, widespread corruption and poor governance, and this is common in sub-Saharan African and Latin American regions (Audretsch *et al.*, 2024).

Data from the World Bank (2024) and Transparency International (2024) show that Zimbabwe ranks amongst the worst performing countries in the year 2024 in terms of institutional quality in Africa, as demonstrated by a WGI score of -1.5 (World Bank, 2024) and a CPI score of 21 (Transparency International, 2024).

Sub-Saharan Africa represents one of the regions of the world heavily plagued by poor institutional quality as most countries in the region return lower than the global average returns in governance effectiveness. Between 1996 to 2024, sub-Saharan Africa maintained an average government effectiveness score of -0.7, while high-income Organisation for Economic Co-operation and Development (OECD) countries maintained an average WGI score of 1.2 (World Bank, 2024). Chronic challenges include entrenched corruption, political patronage and judicial inefficiency, which deter foreign investment and exacerbate inequality (Edeme and Mumuni, 2023).

Botswana, along with Rwanda and Mauritius, serve as examples of best governance models in the region because their successful institutional reforms created strong institutions and sustainable economic development results (Barbier and Burgess, 2021; Buitrago *et al.*, 2021). The WGI score of 1.04 for Botswana stems from its independent judiciary and transparent diamond revenue management, which curbed rent-seeking and fostered trust (Barbier and Burgess, 2021). In Rwanda, the post-genocide institutional overhaul, which encompassed digitised public services and robust anti-corruption systems, elevated its CPI to 57, which is a regional high (Buitrago *et al.*, 2021; Androniceanu and Georgescu, 2023). Similarly, Mauritius leveraged regulatory transparency to diversify its economy, achieving a WGI score of 1.18 through meritocratic civil service recruitment and investor-friendly trade policies (World Bank, 2024). These cases underscore that sustained political will,

coupled with digitisation and decentralisation (Lauwo *et al.*, 2022), can mitigate institutional decay even in resource-constrained settings, offering a blueprint for regional recovery (Buitrago *et al.*, 2021).

The poor institutional quality in Zimbabwe functions as an enormous obstacle to both economic development and export performance. Global governance indicators position the country at the bottom tier because it has a -1.5 government effectiveness score combined with a -1.3 rule of law score (World Bank, 2024). These indicators are consistent with the 21 CPI score which signifies significant systemic issues, including political instability and weak governance (Transparency International, 2024). The weak institutions have depleted investor confidence while preventing the effective implementation of policies aimed at rejuvenating the manufacturing sector. The lack of transparency combined with non-accountability in governmental institutions, has led to a poor foreign direct investment response as measured by the average annual gross domestic capital formation (GDCF) return of $1.84 billion in Zimbabwe (Mazwi and Yeros, 2023).

The economy of Zimbabwe shows diminishing manufacturing output and export volumes because of deteriorating institutional quality. Between 2000 and 2008, the manufacturing sector contributed 24% of GDP but this declined to only 12% with a -21.1% export growth rate in 2008 (*ibid.*). The lack of institutional reforms prevented the Short-Term Emergency Recovery Programme (STERP) together with the National Development Strategy 1 (NDS1) from achieving their desired objectives (Mazikana, 2023). Forex shortages, inconsistent policy implementation, together with political interference, have prevented manufacturing and export competitiveness initiatives from succeeding (ZimTrade, 2022). The situation demands immediate institutional adjustments to

develop conditions that trigger export and industrial sector growth.

In re-industrialisation efforts, institutional quality acts as a determining factor because it allows governments to create effective policies and draw in investments (Audretsch *et al.*, 2024; Zhang *et al.*, 2023). A weak institutional framework in Zimbabwe adversely impacts on transparency and impedes enforcement of laws which, in turn, drives away both domestic and international investment partners (Matsongoni, 2021). The country faces manufacturing investment challenges because there is lack of clarity on property rights or contract enforcement, which militates against all efforts to re-industrialise and modernise the sector (Murombo, 2016). Business costs have risen because of hyperinflation, corruption and bureaucratic inefficiencies making Zimbabwean exports less competitive (ZimTrade, 2022). The development of an environment which supports re-industrialisation and export performance enhancement demands resolving these institutional weaknesses.

Research shows that countries which build robust institutional frameworks can better execute industrial policies and draw foreign direct investment, as well as encourage innovation needed for export-oriented economic growth (Ahmed *et al.*, 2022; Aracil *et al.*, 2022). Through institutional reforms, Rwanda and Mauritius have proven that their economic and export performances have experienced significant improvement (Aminu *et al.*, 2018; Rahi *et al.*, 2023). The poor institutional quality in Zimbabwe has demonstrated adverse consequences for both industrialisation and trade progress in the country. A complete institutional reform effort must be established because it drives both re-industrialisation advancements and export market competitiveness growth.

The growing awareness of institutional quality's vital role has not been accompanied by sufficient research focusing on its impact on both re-industrialisation and export performance within the Zimbabwean context. Studies on the effect of institutional quality analyse primarily developed economies with stable economies, while ignoring volatile, resource-constrained developing countries like Zimbabwe (Angwin *et al.*, 2023). Therefore, this study focuses on closing this research gap through an investigation of how institutional quality serves as a mediator between re-industrialisation and export performance in Zimbabwe. The research presents evidence-based recommendations which policy-makers require to enhance institutional structures that promote the country's re-industrialisation plan and improve export capabilities and economic stability.

LITERATURE REVIEW

The remarkable role of institutional quality in promoting trade, based as it is on strong and reliable institutions in both exporting and importing countries, is also explained by the similarity in the quality of their institutions. In this regard, Kostova (1997) introduces the concept of institutional distance, Institutional distance which refers to the disparity in governance quality, regulatory frameworks and rule of law between nations, significantly shapes trade dynamics by influencing transaction costs, contractual reliability and risk perceptions (*ibid.*; Bae and Salomon, 2010). Empirical studies demonstrate that lower institutional distance enhances trade, for example, Colombia's exports to institutionally aligned OECD partners grew by 22% due to reduced compliance burdens (Abreo *et al.*, 2021a), while 78% of global trade occurs between nations with less than 0.5 WGI score gaps (Levchenko, 2007).

On the other hand, high institutional distance, such as between Zimbabwe (-1.5 WGI) and Germany (1.7 WGI), imposes non-tariff

barriers in which Zimbabwean manufacturers face 30-35% higher compliance costs in Europen Union (EU) markets due to misaligned standards (De Groot *et al.*, 2004; ZimTrade, 2022;). Similarly, South Korea and Singapore's collaborative semi-conductor ventures thrive on harmonised intellectual property laws (Buitrago *et al.*, 2021), whereas Zimbabwe's opaque customs procedures deter foreign direct investment (FDI) (Transparency International, 2024).

The importance of the similarity in institutional quality is also supported by De Groot *et al.* (2004), who state that countries with similar quality of governance trade more with each other, showing that higher differences in quality of governance between exporting and importing countries limit bilateral trade flow. Addressing this requires digitising trade infrastructure and adopting trade protocols to align with high-quality partners through institutional harmonisation which is pivotal for integrating fragile economies into global value chains (Androniceanu and Georgescu, 2023).

MODERATING EFFECT OF RULE OF LAW ON RE-INDUSTRIALISATION-EXPORT PERFORMANCE NEXUS

Institutional quality relies on the rule of law as its fundamental base, since it develops a secure predictable legal system that powers investments and trade and industrial development. According to Edeme and Mumuni (2023), the law establishes certainty while mitigating business risks which, in turn, stimulates industrial development and foreign business cooperation. According to Brondino (2023), the rule of law acts as the foundation for maintaining accountability and transparency while establishing trust with international trading partners. Gogić (2021) shows that countries with weak legal frameworks create market uncertainties which hinders foreign investments and reduces export potential.

He (2023) argues that the protection of property rights, together with legal certainty, stands as a fundamental requirement for businesses conducting international trade. Moyo (2018) posits that Zimbabwe's declining rule of law is one of the leading reasons that has impeded foreign investment and stalled re-industrialisation efforts in the country. Nyathi and Ncube (2020) argues that the positive relationship between Botswana and Rwanda's economic success was a direct result of their strong governance systems and rule of law which led to manufacturing successes and positive export performance trajectory. The foregoing proves the rule of law establishes a business-friendly ecosystem which generates investment for industrial operations while fostering export market development.

The impact of rule of law as a mediator differs significantly across various situations and contexts. Gogić (2021) argues that businesses in certain situations resolve legal disputes through alternative dispute resolution networks and informal approaches which minimises the direct influence on re-industrialisation and export outcomes. Moyo (2018) notes that Zimbabwean small and medium enterprise (SME) exporters protect their export interests using informal networks while confronting weak industrial development at home. In view of the above, the role of the rule of law seems diminished in specific scenarios because companies use alternative mechanisms to bridge regulatory gaps.

The rule of law enhances social and macroeconomic stability, which contributes indirectly to re-aligning industrial sectors with export markets. Nyathi and Ncube (2020) argue that the establishment of the rule of law cuts down social conflict and drives improved cooperation which supports both investment and economic growth. The rule of law has multiple economic consequences which extend beyond its fundamental influence on both legal stability and contract implementation.

In the main, there is a general sense of consensus amongst scholars, that the rule of law critically moderates the relationship between re-industrialisation and export performance by influencing the degree of legal certainty, protection of property rights and enforceability of contracts, elements essential for industrial investment and international trade (Brondino, 2023; Edeme and Mumuni, 2023). In stable, independent judiciaries and predictable legal environments, manufacturing growth and export diversification are predictable(Nyathi and Ncube, 2020). These studies argue that a robust legal system not only reduces business risks and enhances investor confidence, but also directly supports export competitiveness by lowering transaction costs and uncertainties (Levchenko, 2007; He, 2023). Where the rule of law is weak or politically compromised, the moderating effect becomes distorted, potentially weakening the positive impact of re-industrialisation efforts on export performance due to legal unpredictability and systemic risk.

However, such arguments often assume universal reliance on formal institutions, neglecting the fact that in countries like Zimbabwe, where the rule of law scores are very low (-1.3 on the WGI), formal mechanisms fail to function effectively. In countries where formal legal institutions are weak, as in Zimbabwe, companies resort to informal networks and kinship ties to bypass deficient courts and insecure property rights (Moyo, 2018; Gogić, 2021). Zimbabwean SMEs, for example, cope with institutional voids by leveraging diaspora connections and community-based dispute resolution (Matsongoni, 2021). While such coping mechanisms allow trade to persist under institutional decay, they cannot substitute the foundational role of legal systems in supporting sustainable export growth. Thus, in countries that are characterised by legal fragility, the rule of law does not merely moderate the re-industrialisation-export nexus, it may nullify or even reverse its effects by perpetuating

inefficiencies, stifling firm growth and disconnecting local industries from high-value global supply chains (World Bank, 2022).

Moderating Effect of Government Effectiveness on Re-industrialisation-Export Performance Nexus

The effectiveness of government institutions determines both industrial development and export capabilities through their quality of policy-making, along with their implementation procedures. Through effective governance, policies are implemented successfully, thus positively impacting on the broader re-industrialisation drive (Androniceanu and Georgescu, 2023). Androniceanu *et al.* (2022) show that inefficient bureaucracy creates barriers for industrial development which results in reduced market competitiveness globally. Barra *et al.* (2023) observe that well-defined governance structures attract more infrastructure investment, which supports industrial operations and boosts export capabilities.

Chen and Aklikokou (2021) argue that Mauritius achieved its economic success through strong institutions which powered the development of industry and export operations. Their findings show that well-designed policies establish favourable conditions which support business development while enabling market participation on the international stage. According to Chainey *et al.* (2021) trade facilitation as an outcome of effective government institutions acts as a key factor that drives economic development. Dahan and Strawczynski (2020) note that governments which demonstrate effectiveness attract more FDI because stable governance systems draw FDI needed for industrial development and export performance stimulation.

However, the relationship between government effectiveness and re-industrialisation-export performance is not universally significant. According to Matsongoni (2021), Zimbabwe faces re-

industrialisation delays because of ineffective government administration. Some manufacturing sectors maintain strong performance even though they are adversely affected by government ineffectiveness because favourable external market conditions override these weak government issues. According to Saungweme and Odhiambo (2021), external economic shocks in Zimbabwe's energy crisis have been shown to override the government effectiveness in affecting industrial productivity levels. This implies that good governance remains essential for exports, yet broader economic elements and infrastructure might affect the power of governance on export results.

Indirectly, government effectiveness supports re-industrialisation and export performance by fostering a stable macroeconomic environment. According to Nyathi and Ncube (2020) well-organised governance systems create and maintain stable macroeconomic conditions which allow both industry expansion and increases export capabilities. Rahmetov and Rakhmetov (2022) explain how effective governance maintains social order which positively impacts industrial development programmes. Minimising social tensions drives industries toward greater investments that enhance export capabilities.

It is evident, therefore, that government effectiveness moderates the re-industrialisation-export performance relationship by shaping the implementation quality of industrial and trade policies. In countries where state institutions are capable and responsive, effective government action has streamlined industrial promotion through digitised trade facilitation, infrastructure investment and policy stability, all of which enhance the competitiveness of export-oriented industries (Chen and Aklikokou, 2021; Androniceanu and Georgescu, 2023). Dahan and Strawczynski (2020) further show that strong fiscal governance acts as a buffer against macroeconomic shocks, preserving industrial productivity and export continuity during

times of turbulence. These arguments thus affirm that government effectiveness amplifies the benefits of re-industrialisation by enabling strategic alignment between domestic production capacities and global market requirements.

However, in counties like Zimbabwe, government effectiveness is undermined by chronic instability, weakening its moderating role. While the country has developed several industrialisation strategies, including STERP and NDS1, erratic policy reversals, hyperinflation (837.5% in 2020) and partisan interference in public resource distribution, have disrupted coherent execution (Murombo, 2016; Mazwi and Yeros, 2023). Even when sound industrial policies exist on paper, their real-world impact is diminished by inadequate bureaucratic capacity, weak fiscal controls and unreliable public services, particularly electricity, an essential input for manufacturing (Saungweme and Odhiambo, 2021). Thus, government effectiveness is not only about policy design, but also adaptive capacity to respond to context-specific constraints. Where it is lacking, industrial gains are poorly translated into export growth and the moderating role of the state in this nexus becomes a liability rather than an asset.

MODERATING EFFECT OF GOVERNANCE AND ACCOUNTABILITY ON RE-INDUSTRIALISATION-EXPORT PERFORMANCE NEXUS

Governance and accountability are critical for creating an environment conducive to industrial growth and export performance. Bandini *et al.* (2023) argue that transparency within governance structures enhances institutional effectiveness, reducing corruption and increasing public trust. This attracts foreign investment, which is essential for re-industrialisation. Karsono (2023) highlights that effective governance ensures the efficient allocation of resources, directly impacting industrial productivity and export performance. When governments maintain high accountability standards, they

improve operational efficiency and enhance the overall business climate, leading to increased export competitiveness.

Lauwo *et al.* (2022) emphasize the importance of good governance in attracting foreign investment, which is crucial for re-industrialisation efforts. Their study found that countries with strong governance frameworks are more successful in creating attractive investment climates. Murombo (2016) illustrates how effective governance practices in Rwanda have led to significant economic progress through enhanced industrialisation. His findings indicate that accountability mechanisms foster a culture of responsibility, encouraging businesses to engage actively in export activities.

However, the relationship between governance and re-industrialisation-export performance is not universally significant. Sebele-Mpofu (2020) highlights cases in Zimbabwe where governance inefficiencies, particularly corruption, have stymied industrialisation efforts. Despite the presence of governance frameworks, systemic corruption undermines their effectiveness, leading to stagnated economic potential.

Indirectly, governance and accountability contribute to economic growth by fostering a stable political environment, which is essential for long-term investment in industrial sectors. Seulki (2022) posits that accountability mechanisms mitigate risks associated with political instability, encouraging both domestic and foreign investments in export-oriented industries. Murombo (2016) further argues that effective governance indirectly supports industrialisation by creating a conducive environment for entrepreneurship. Robust governance frameworks encourage innovation and risk-taking among businesses, which are critical for enhancing export capabilities.

In sum, governance and accountability mechanisms play a pivotal moderating role in linking re-industrialisation with export performance by ensuring transparency, curbing corruption and creating a level playing field for market actors. In countries which have robust accountability frameworks, these have enhanced state credibility and policy continuity, encouraging domestic and foreign investment in manufacturing and thereby expanding exports (Lauwo *et al.*, 2022; Bandini *et al.*, 2023; Karsono, 2023). These governance tools ensure that industrial policy benefits are distributed equitably, reducing leakages and enabling industries to compete effectively on the global stage. The literature thus supports the argument that strong governance magnifies the positive influence of re-industrialisation on exports by fostering institutional trust, reducing risk and aligning incentives across stakeholders (Buitrago *et al.*, 2021).

On the other hand, in fragile countries, like Zimbabwe, governance structures are often captured by elite interests, weakening their moderating effect on the industrial-export linkage. Despite existing anti-corruption frameworks, widespread patronage and political interference have compromised the effectiveness of these mechanisms (Sebele-Mpofu, 2020). Mismanagement of state-owned enterprises, as well as preferential access to forex by politically connected companies, distorts competition and deters ethical investment (ZimTrade, 2022; Transparency International, 2024). This not only stifles industrial revitalisation, but also suppresses export potential, as productive firms are side-lined by the rent-seeking elite. In addition, the dominance of unregulated SMEs in Zimbabwe's informal economy (60% of GDP) means that governance reforms in the formal sector fail to capture the realities of the wider economic landscape (World Bank, 2022). Hence, poor governance does not merely fail to support re-

industrialisation, it actively derails its capacity to generate robust export outcomes.

RESEARCH DESIGN AND METHODOLOGY

The research adopts a descriptive research design guided by a positivist research philosophy which uses quantitative methods to test hypotheses against measurable evidence for generalisable findings. The descriptive design enabled systematic research data collection and analysis to examine the current institutional quality landscape in Zimbabwe and its moderating effect on the relationship between re-industrialisation and export performance. Data collection was done through a structured 5-point Likert scale questionnaire which enabled the study to identify patterns as well as establish relationships and monitor trends throughout the data sample.

This research targets officials from active manufacturing product-exporting organisations across Zimbabwe with a study population of 931, consisting of senior managers from non-export portfolios, export managers, and finance and accounting officials working in these organisations. The research applies Cochran's formula to determine the sample size while using a 95% confidence level and a 5% margin of error for calculation purposes, and this computed a sample size of 384 individuals. To achieve proportional representation, stratified random sampling to select 384 participants from the target population, was applied. To guarantee accurate representation of manufacturing diversity, the sampling approach involved stratification through export product categories.

The structured questionnaires through a Google forms link that was shared via email and WhatsApp with the participants, were distributed. The questionnaire utilised Likert-scale questions throughout its various sections to solicit responses ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The

standardised data collection approach through the questionnaire created consistent measurement, while also allowing for easy quantitative statistical analysis. The data analysis was done through structural equation modelling (SEM).

SEM is a statistical technique that enables researchers to test complex relationships between observed variables, directly measured data and latent variables, which are underlying concepts inferred from the measured data (Hair *et al.*, 2021; Whittaker and Schumacker, 2022). The study selected SEM because of its ability to conduct simultaneous analysis of relationships where latent and observed variables can interact to test complex theoretical models. This approach is instrumental because it allows all parts of the model to be estimated together, increasing the accuracy of the findings (Whittaker and Schumacker, 2022). The study performed the SEM analysis using R, a programming language, and this was preferred because it offers reliable capabilities for SEM modelling.

The researcher started by establishing the model specification using the conceptual framework to define a theoretical model centred around institutional quality as the critical moderator. Maximum likelihood estimation served as the parameter estimation technique because it is a prevalent method used in SEM to evaluate variable relationships. Maximum likelihood estimation is a method that finds the parameter values most likely to have produced the observed data (Harlow, 2023). The study evaluated the goodness-of-fit of this model using key measurements from the Chi-square statistic together with Root Mean Square Error of Approximation (RMSEA) and Comparative Fit Index (CFI).

Goodness-of-fit refers to how well the model matches the observed data; the Chi-square statistic, RMSEA and CFI, are common metrics that help determine if the model is a good fit (Whittaker and Schumacker, 2022). A model fit of quality is demonstrated by a non-statistically significant Chi-square ($p > 0.05$) combined with RMSEA levels under 0.08 and CFI readings above 0.90. The SEM model incorporated interaction terms for testing the moderating effect of institutional quality on export performance within a re-industrialisation setting. Interaction terms in this context allow the study to see if the effect of re-industrialisation on export performance changes according to different levels of institutional quality.

FINDINGS

To examine the moderating effect of institutional quality, the study used structural equation modelling (SEM) to explore the complex relationships between re-industrialisation (ReInd), institutional quality (IV_IQ) and export performance (ExPerf). The model proposed a complex interplay where re-industrialisation directly impacts export performance but also indirectly influences it via its effect on institutional quality. Furthermore, the model allowed for a reciprocal relationship, acknowledging that institutional quality might also influence the process of re-industrialisation. Before conducting the SEM, it was key that the suitability of the data for undertaking the SEM be tested. In view of the foregoing, the Kaiser-Meyer-Olkin KMO and Bartlett tests were conducted first.

DATA SUITABILITY FOR STRUCTURAL EQUATION MODELLING: KMO AND BARTLETT'S TEST FOR SEM

In preparing for SEM, it is crucial to establish the suitability of the data before proceeding with the analysis. This foundational step involved employing the KMO Measure of Sampling Adequacy and Bartlett's Test of Sphericity, both of which assess

whether the data is appropriate for factor analysis, a necessary precursor to SEM. The KMO test was used to evaluate the adequacy of the sample for factor analysis by measuring the proportion of common variance among variables, ensuring that the data structure was appropriate for SEM.

The Bartlett's test was applied to determine whether the correlation matrix significantly differed from an identity matrix, indicating sufficient inter-correlations among variables. Together, these tests confirmed that the dataset supported reliable factor extraction and structural modelling. A high KMO value and a significant Bartlett's test result validated the data suitability, thus reinforcing the robustness and interpretability of the subsequent SEM analysis. This critical preliminary step assured that all variables contributed effectively to the identified underlying constructs. The findings from the KMO and Bartlett tests are given in Table 1.

Table 1: KMO and Bartlett's Test Results

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.871
Bartlett's Test of Sphericity	Approx. Chi-Square	3188.068
	Df	28
	Sig.	.000

The data in Table 1 was found to be highly suitable for SEM, as indicated by the KMO Measure of Sampling Adequacy (0.871) and Bartlett's Test of Sphericity ($x^2 = 3188.068$, $p < 0.001$). These results confirm strong intercorrelations among the variables, ensuring the data's appropriateness for factor analysis and subsequent SEM.

SEM RESULTS

The findings from the SEM are given in Tables 2-9.

Table 2: Model Summary

Estimator	Optimization Method	Number of Model Parameters	Number of Observations
ML	NLMINB	5	259

Table 3: Model Fit Statistics

Model	Test Statistic	df	P-value	CFI	TLI
User Model	0.000	3		0.953	0.979
Baseline Model	431.974	3	0.000		

Table 4: Log-likelihood and Information Criteria

Metric	Value
Log-likelihood (User Model)	149.873
Log-likelihood (Unrestricted)	153.421
Akaike Information Criterion (AIC)	-289.746
Bayesian Information Criterion (BIC)	-271.962
Sample-Size Adjusted BIC (SABIC)	-287.814

Table 5: Root Mean Square Error of Approximation (RMSEA)

RMSEA	90% CI Lower	90% CI Upper	P-value (RMSEA ≤ 0.05)	P-value (RMSEA ≥ 0.08)
0.041	0.01	0.05	0.000	0.064

Table 6: Standardised Root Mean Square Residual (SRMR)

Metric	Value
SRMR	0.004

The SEM model demonstrates an excellent fit to the data, as evidenced by key fit indices. The Comparative Fit Index (CFI = 0.953) and Tucker-Lewis Index (TLI = 0.979) (Table 3) both

exceeded the threshold of 0.95, indicating that the model accounts for a significant proportion of the variance in the observed data. Additionally, the Root Mean Square Error of Approximation (RMSEA = 0.041, 90% CI: 0.01–0.05) (Table 5) and the Standardised Root Mean Square Residual (SRMR = 0.004) (Table 6 further confirm the model's strong fit, with both values well below their respective acceptable thresholds.

Table 7: Regression Parameter Estimates (SEM)

Path	Predictor	Outcome	Estimate	S.E	*Z*	*p*	Std. Latent Variable Effect	Std. Total Effect
ExPerf ← ReInd	ReInd	ExPerf	0.582	0.022	26.059	<0.001	0.582	0.723
ReInd ← IV_IQ	ReInd	IV_IQ	0.151	0.056	2.682	0.007	0.151	0.164
ExPerf ← IV_IQ	IV_IQ	ExPerf	0.374	0.024	15.388	<0.001	0.374	0.427

The regression parameter estimates (Table 7) reveal significant relationships among the constructs. Re-industrialisation has a strong positive direct effect on export performance (Estimate = 0.582, $p < 0.001$), suggesting that efforts to re-industrialise significantly enhance export performance outcomes. Institutional quality also plays a significant role, positively influencing both re-industrialisation (Estimate = 0.151, $p = 0.007$) and export performance (Estimate = 0.374, $p < 0.001$). This highlights the importance of robust institutional frameworks in facilitating re-industrialisation and fostering re-industrialisation.

Table 8: Variance Parameter Estimates (SEM)

Variable	Estimate	Std. Error	z-value	p-value	Std. Latent Variable Effect	Std. Total Effect
ExPerf	0.013	0.001	11.380	<0.001	0.013	0.194
IV_IQ	0.083	0.007	11.380	<0.001	0.083	0.973

Table 9: Indirect and Total Effects (SEM)

Effect Type	Estimate	Std. Error	z-value	p-value	Std. Latent Variable Effect	Std. Total Effect
Direct (ReInd → ExPerf)	0.582	0.022	26.059	<0.001	0.582	0.723
Indirect (ReInd → IV_IQ → ExPerf)	0.057	0.021	2.642	0.008	0.057	0.070
Total (ReInd → ExPerf)	0.639	0.030	20.948	<0.001	0.639	0.793
Proportion Mediated	0.088	0.031	2.876	0.004	0.088	0.088

The findings in Table 9 further identify a significant indirect effect of re-industrialisation on export performance, mediated through institutional quality (Estimate = 0.057, p = 0.008). This partial mediation indicates that approximately 8.8% of the total effect of re-industrialisation on export performance is attributable to the pathway through institutional quality. The total effect of re-industrialisation on export performance, combining both direct and indirect pathways, is highly significant (Estimate = 0.639, $p < 0.001$), underscoring the multifaceted impact of re-industrialisation on export performance.

DISCUSSION

The SEM results highlight the significant role of institutional quality in moderating the relationship between re-industrialisation and export performance. The SEM results demonstrate that institutional quality not only directly

strengthens export performance, but also moderates the impact of re-industrialisation on export performance outcomes. This supports Aracil's *et al.* (2022) assertion that strong institutional frameworks, such as effective contract enforcement and trade regulations, are critical for reducing trade risks and fostering export competitiveness. The significant positive effect of institutional quality on re-industrialisation (Estimate = 0.151, p = 0.007) and its direct impact on export performance (Estimate = 0.374, p < 0.001) further corroborate Gani and Scrimgeour (2016) findings, that robust institutions are essential for enabling industrial transformation and export success. For example, in Zimbabwe, weak institutional quality has been linked to inconsistent policy implementation and heightened corruption, which directly undermined efforts to modernise industries and boost exports. The findings also support Edeme and Mumuni (2023) who argue that a predictable legal system mitigates business risks and stimulates industrial development. Similarly, Brondino (2023) and Gogić (2021) highlight that the rule of law fosters trust and accountability, which are essential for international trade partnerships. The SEM results align with Chen and Aklikokou's (2021) findings, that well-designed policies and trade facilitation measures, driven by effective governance, are key to economic success.

While the results emphasized the benefits of strong institutions, studies such as Gogić (2021) and Moyo (2018) report that in contexts like Zimbabwe, firms often rely on informal networks to overcome weak legal systems. In Zimbabwe, where the rule of law remains fragile, businesses frequently bypass formal channels by relying on kinship ties and informal dispute resolution mechanisms, resulting in temporary trade gains that fail to support sustainable industrial development over the long term. This disconnect suggests that while institutional quality generally promotes export performance, its effect might be less

pronounced, or even counterproductive, in environments plagued by political instability and corruption.

In addition, although Edeme and Mumuni (2023) and Brondino (2023) underscore the role of predictable legal systems in mitigating risk, the Zimbabwean case indicates that the absence of such predictability can force reliance on ad hoc arrangements that weaken export competitiveness in the long run. Such ad hoc practices have often resulted in inefficient resource allocation and reduced integration into high-value global supply chains. Similarly, the endorsement of well-designed trade facilitation measures by Chen and Aklikokou (2021) is partly challenged by local evidence where ineffective governance and infrastructural challenges, such as frequent electricity outages, limit re-industrialisation efforts. These findings thus suggest that while the positive moderating effect of institutional quality is robust in theory, real-world applications in volatile economic environments such as Zimbabwe call for more tailored policy interventions that address underlying institutional weaknesses.

CONCLUSION AND RECOMMENDATIONS

This study explores the mediating role of institutional quality in the relationship between re-industrialisation and export performance within Zimbabwe's manufacturing sector. The findings reveal that institutional quality (rule of law, government effectiveness and governance accountability) plays a pivotal role in enhancing export performance. The Structural Equation Modelling (SEM) results demonstrate that re-industrialisation has a strong positive direct effect on export performance, while institutional quality not only directly influences export outcomes, but also mediates the relationship between re-industrialisation and export performance. Specifically, the study found that approximately 8.8% of the

total effect of re-industrialisation on export performance is mediated through institutional quality.

Based on the findings, several recommendations can be made for policy-makers, practitioners and researchers. For policy-makers, the study underscores the need for comprehensive institutional reforms to strengthen the rule of law, improve government effectiveness and enhance governance accountability. Policy-makers should prioritise creating a predictable legal environment, streamlining bureaucratic processes and reducing corruption to attract foreign investment and support industrial growth. For example, digitising the court system and introducing electronic case management could enhance legal transparency and reduce delays in contract enforcement. Streamlining business registration through one-stop investment centres, as done in Rwanda, could significantly cut down start-up time for manufacturers.

In addition, trade facilitation measures, such as modernising customs clearance and logistics infrastructure, should be implemented to reduce transaction costs and improve export efficiency. Zimbabwe could further strengthen its recently operationalised digital customs platforms and model them in line with what was done in Mauritius, which have reduced clearance times by 60%. Infrastructure investment in transport corridors, such as completing the rehabilitation of the Beitbridge-Harare-Chirundu highway, would also support export logistics.

For practitioners in the manufacturing sector, the study highlights the importance of engaging with policy-makers to advocate for institutional reforms, diversifying export markets to mitigate risks and adopting cost-saving technologies to enhance competitiveness. Manufacturers can participate in public-private dialogue platforms to inform policy reforms, explore

regional trade agreements such as the AfCFTA to access new markets and invest in energy-efficient technologies like solar-powered machinery to counteract unreliable electricity supply. Building long-term partnerships with international trading partners can also help navigate institutional challenges and improve export performance. Collaborating with export councils such as ZimTrade and forming joint ventures with established regional exporters can increase market access and facilitate knowledge transfer.

LIMITATIONS OF THIS STUDY

The findings of this study specific to Zimbabwe may limit their generalisability to other countries with different institutional and economic environments. The study focuses on institutional quality as a composite of three dimensions (rule of law, government effectiveness and governance and accountability), leaving out other potentially important dimensions, such as regulatory quality and political stability, which could provide a more comprehensive understanding of the role of institutions in export performance.

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