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The moderating role of government on governance and financial performance of SMEs in Zimbabwe

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Declaration

I B200254A hereby declare that this research report is the result of my own work, except as indicated in the acknowledgments, references and comments included in the text of the report, and that it was not submitted in part or in whole for obtaining any other degree at any other university.

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Abstract

In this study, the author proposes that despite the significant contribution of SMEs to Zimbabwe economy, SMEs in Zimbabwe face many challenges, which include poor governance and financial management, hindering their ability to grow and thrive to survive. They fail to survive because they are poorly governed and lack government support such as funding, training regulatory frameworks. They are also factors that contribute to failure of SMEs such as economic conditions, political instability, and lack of implementation of policies which may result in the implementation costs and impact the financial performance of SMEs. The author obtained data through the use of questionnaires, with the sample size of 40. Data collected were analysed through the use of SPSS which shows that there is positive relationship between corporate governance and financial performance of SMEs. It is very important for the government to encourage training and to provide financial access to SMEs to boost the financial performance.

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<center>**CHAPTER I**</center>

<center>**INTRODUCTION**</center>

1.0 Introduction

This section of the study seeks to examine the global, regional and local context. The case study used for the local context will focus on Harare. The main issues to be discussed in this section include the background of the study, challenges which are faced by SMEs, government policies and strategies to deal with the challenges confronting SMEs and existing government policies and strategies for SMEs.

1.1 Background to the study

Most of SMEs are family owned firms which are owned by a family business, in which few have board of directors. This affects the financial performance of the firm in the sense that they can be misuse of funds and withdrawal for family use rather than focusing on the business. Most of SMEs fail due to lack of knowledge on how to operate. Most SMEs have outside board members (Lapplalainen, 2012). This may impact SMEs growth because some may not be interested in growth but their benefits.

The government of Zimbabwe comes with various ways of governing SMEs to improve financial performance. The moderating role of government on SMEs is to empower the SMEs because it drives the community economic growth; therefore, government becomes the source income for SMEs (Akbar 2021: 136-145). SMEs in Zimbabwe mainly governed through a combination of internal and external mechanisms. These mechanisms include ownership systems and structures, board of directors, management, internal policies, and external policies amongst many which help in the governance of SMEs. These SMEs are also governed by the government through various laws policies and regulations set by the government but most failed to survive and achieve the goals because of lack of proper implementation and lack of seriousness to support SMEs (Dlamini and shuttle, 2020). There is relationship

<center>1</center>

between governance and the financial performance in the sense that governance may improve the financial performance or vice versa. SMEs may benefit from those policies as they might receive incentives and access to funding from the government this boost the financial performance of the SMEs. However, the governance may impact the SMEs negatively, in the sense that SMEs might face compliance costs and this impact financial performance of SMEs adversely.

(Mashavire, 2021) states that most used mechanisms in SMEs are frequent face to face monitoring with subordinates, there are weak and insignificant relationship found through using the agency theory. However, agency theory helps SMEs in a way that SMEs lack the system and structures which is big problem to SMEs in Zimbabwe, this is because in most of SMEs there are no reporting structures that help on the transparency and accountability. In solving the problem of systems and structures there are theories such as the agency theory that helps how the SMEs are governed. The Agency focuses on the relationship between two parties, the principal and the agent, the principal assign tasks to the agent to make decisions on behalf of them(Angin), 2015. Other agency relationship is between the employers (agents) and employees and employers and employees. The shareholders or the owners of a firm might not have direct impact on the firm because they cannot be involved much in decision making because the agents decide on behalf of them.

In addition, corporate governance is much focused on the relationships between management and board of directors in the process of wealth generation (Dumbu, 2018). Most of the firms are family owned businesses the owners may decide to hand over the decision making to the board of directors to work as stewards for the company. This may increase company growth and financial performance if the steward behaves in the way that gives economic benefits to the owners and to the business at large rather than self-interests.

1.2 Global context

Morina, and Gashi, (2016), state that SMEs contributed to 60% of worldwide employment and 50% of the global GDP. SMEs frequently display this pattern, which is especially prominent in rising economies. According to Morina, and Gashi, (2016), there is evidence that SMEs, particularly those in sub-Saharan Africa, are participating in the worldwide sale and purchase of products and services. A lesser percentage of the production of those SMEs who engage in international trade (buying and selling items) makes it to the world market (Chingwaru 2014).

Zahra (2016) discovered that an entity's performance level was enhanced by a shortage of financial resources (beyond the minimal amount required for operational reasons). Using information from 162 633 European companies located in 26 countries, they achieved this. However, the more financial resource slack there was, the less the business's performance improved. The author also claims that in European countries with weak credit rights, entity performance was enhanced by substantial financial resources. The material reviewed in this section indicates that SMEs' ability to secure funding has a significant impact on how well they function.

Technological investment is essential because it allows the SMEs to shorten lead times, which increases production (Morina, and Gashi, 2016). Sibanda, et al (2018) concluded that exporting SMEs performing better than non-exporting SMEs based on data from 14 000 Swedish SMEs where considerable investment in physical capital was undertaken for innovative reasons. Because exporting has a beneficial impact on performance, SMEs often gain from doing so (Chingwaru and Jakata 2015).

According to Alauddin and Chowdhury (2015), SMEs in Bangladesh hold a relatively large market share in the manufacturing sector, accounting for 40% to 50% of the overall value added produced by the industry. According to a recent research by the Japan Bangladesh Chamber of Commerce and Industry (JBCCI), Bangladesh has 3,639 large-scale enterprises, 15,666 small businesses, 6,103 medium-sized businesses, and 17,384 micro businesses (Rahman, 2021). Due to the diminishing significance of ready-made clothing (RMG) and remittances in the Bangladeshi economy, the number

of SME businesses has been rising over the past years. If these businesses can manage themselves with adequate nurturing and efficiency, the contribution of these SMEs as a whole may become more prominent in the upcoming years. SMEs can be a major source of business interest to promote and convince entrepreneurial activity, and they can boost the national economy.

Making sure these businesses flourish quickly and sustainably may reduce poverty and create jobs. According to Alauddin and Chowdhury (2015), over 50% of industrial firms are SME-sized, which have a higher labour intensity and lower capital intensity than other large-scale businesses. SMEs have dominated employment creation in the past years, employing around 24 million individuals (Hossain, 2021). By emphasising the value of economic growth and the reduction of poverty, the issues facing SMEs must be addressed to prevent the failure of their operations (Gkypali, Love, and Roper, 2021). In these situations, the best decisions to control the needs of SMEs for raw materials, other inputs and inventories particularly in the industrial sector. It helps a business to initially save expenses and have adequate stock to fulfil both internal and external demand for raw materials and other inputs (Bayramov et al, 2017).

1.3 Regional context

In the most of developing and rising countries, SMEs make up a big portion of the private sector ((Bayramov et al, 2017). From a regional standpoint, Irene (2017) presented a viewpoint from Southern Africa, claiming that SMEs contributed to over 60% to the GDP and are responsible for 50% of employment produced in the nation. According to (Hassan, 2016), the poor export participation of SMEs in developing countries may be due to their inability to get financing from domestic and international capital markets. In order for SMEs to improve their operations, formal long-term and short-term loans are not readily available for working capital needs and investments in non-current assets (Ferrando and Mavrakis 2017; Oricchio et al. 2017).

For SMEs, access to financing is essential. According to (Oricchio et al. 2017), Tanzanian SMEs' export conduct was greatly impacted by their limited access to

financing. According to (Morina, and Gashi, 2016), SMEs with greater access to financing are more likely to enter foreign markets than those with weak financial standing. Additionally, compared to businesses with low financial health, those with superior financial health had a fast decision-making period when it came to supplying overseas markets.

SMEs need both long-term and short-term finance access as it is essential for a company's performance. Baliamoune-Lutz and Lutz (2017) recent studies show that 25 500 of SMEs are female-owned businesses (only) throughout Africa to validate the aforementioned claim. The results show that poor entity performance was mainly because of lack of access to finance (Morina, and Gashi, 2016), agreed that, SMEs lack the finance power to purchase quality raw materials to manufacture high-quality products and services that correspond to international standards, which is required of businesses operating in the global market.SMEs struggle to meet their performance goals due to insufficient access to capital (Karedza et al. 2014).

1.4 Local context

According to Chingwaru, (2015), SMEs in Zimbabwe are commercial enterprises with employee capacity that does not exceed 100 full-time employees. Small businesses are defined as registered business entities with a staff component of little more than 50 full-time employees. Medium businesses, on the other hand, are defined as businesses with staff which does not exceed 100. According to Mujeyi and Sadomba, (2019), SEDCO no longer vales SMEs using capital and turnover because of introduction of multi-currency systems.

According to Dzawanda et al, (2021), Mujeyi and Sadomba, (2019), small firms are those with annual revenue of less than US$4 million and an employ 1 to 20 people. Between 20 and 25 recruited personnel may be found in medium-sized businesses, which have$5 million yearly revenue. Certified sector collapsed in early 2000, Zimbabwe has seen SMEs flourish at an extraordinary rate. According to Sanderson (2014), the bulk of significant enterprises were downsizing or, in the worst case, shuttering their doors, which made it difficult to gauge the sector's value. Few people

engage in the buying and selling of goods in international markets, despite the expanding significance of SMEs in Zimbabwe and the widespread recognition of SME contributions to economic activities (Chingwaru and Jakata 2015; CZI 2015).

SMEs who take part in selling and buyingof items on a worldwide scale stand to gain in multiple ways, but only a handful seem to take advantage of such chances, according to (Dzawanda et al, 2021), who expressed the same comments. Chingwaru (2014) discovered that 24% and 31% of SMEs in Zimbabwe were exporting their finished goods, lending credence to the aforementioned claim.

Zimbabwe was not exempt from the effects of the global financial crisis on other nations' banking systems. According to Dzawanda et al, 2021, Zimbabwe's financial industry has had an extremely challenging financial crisis over the previous ten years, which has led to several bank closures and liquidations. United Merchant Bank, Universal Merchant Bank, are among institutions that have suffered losses. The inability of SME's to get financing to participate in export-oriented productive activities was hampered by the collapse of decline of significant banks in Zimbabwe and the liquidity constraint brought on by the usage of hard currency.

1.5 Statement of the problem

Despite the significant contribution of SMEs to Zimbabwe economy, SMEs in Zimbabwe faces many challenges, which include poor governance and financial management which hinder their ability to grow and thrive to survive. They fail to survive because they are poorly governed and they lack government support such as funding, training regulatory frameworks. They are also factors that contribute to failure of SMEs such as economic conditions, political instability and lack of implementation of policies which may result in the implementation costs and impact the financial performance of SMEs.

1.6 Purpose of the study

The purpose of this study is to examine how the government in Zimbabwe influences financial performance and governance in SMEs. The method and framework utilised by corporate governance to manage an organization's internal controls with the goal of maximising shareholder value. The moderating influence of the national government in governance and the financial performance of SMEs in Harare are related. Data from 60 samples of Zimbabwean SMEs operating in Harare were used in the study. The study's findings demonstrate the critical role played by the government in ensuring the profitability and smooth operation of SMEs.. This study is significant because it adds new empirical data on the impact of corporate governance on SMEs' profitability, which advances the theoretical body of knowledge in this area. Many people who work in the SMEs sector will find the study beneficial since it offers information that managers, SMEs' owners, and the government may use to make institutional policies and decision-making regarding SMEs in Zimbabwe.

1.7 Research objectives

To investigate how the government policies, laws and interventions impact governance and financial performance of SMEs.

To examine if the government support such as tax incentives and other programs enhances effectiveness of governance structures and financial performance of SMEs.

Analyze how government laws and regulations such as corporate governance codes affect operation of SMEs.

To find solutions and ways to improve governance and financial performances of SMEs.

1.8 Research questions

1. What are the current policies and strategies that have been formulated and implemented by government to govern and to deal with the challenges confronting SMEs in Zimbabwe?

2. Does government policies address challenges faced by SMEs in Zimbabwe?

3. To determine if government policies and strategies have addressed the challenges confronted by SMEs in Harare, Zimbabwe

1.9 Statement of the hypothesis

This study's methodology combines quantitative and qualitative research techniques. The sample strategy used by the researcher combines non-probability and probability sampling. Stratified random sampling is the method that the researcher is most likely to choose because it involves breaking the population up into smaller groups.

The financial performance and profitability of small and medium-sized businesses (SMEs) in Zimbabwe are determined by the success of firms operating in the market, both locally and globally. The total financial health of an entity during a given period of time is typically shown by its financial performance. The literature identifies Return on Investment (ROI), Return Equity (ROE), Operating Profit, and Sales Growth Rate as the most prevalent indicators of financial performance, despite the fact several researchers have discovered that different firms in developed and developing countries tend to emphasise different aspects of performance measurement.

1.2.0 Significance of the study

The study provides insight into the challenges that SMEs in Zimbabwe face. The government can improve SMEs' policies and development, growth, and financial performance with the help of this research. The financial performance and profitability of small and medium-sized businesses (SMEs) in Zimbabwe are determined by the success of businesses operating in the market, both locally and globally. The total financial health of a company during a given period of time is typically shown by its financial performance. The literature identifies Return on Investment (ROI), Return Equity (ROE), Operating Profit, and Sales Growth Rate as the most prevalent indicators of financial performance, despite the fact that numerous researchers have discovered that different firms in developed and developing countries tend to emphasise different performance measurement.

1.2.1 Assumptions

This study is based on the notion that small and medium-sized enterprises (SMEs) will remain important to Zimbabwe's economy and will continue to play a major role in the country's GDP growth and general economic development. The second supposition made by this research is that SMEs had previously been put in danger by economic unrest. Take the case of Zimbabwe's economy in 2008, when the country went through hyper-inflation, but SMEs were able to endure and carry on with business as usual. Anonymity and confidentiality have been preserved to ensure that respondents provide truthful and accurate responses, and participants are volunteers who are able to leave the study at any moment and without repercussions. They.

1.2.2 Delimitations of the study

It is to be known that this research was limited to a specific field of the study. To make this study as a practical and precise as possible. A number of related researches could have been chosen but due to the researcher view on a specific research other related researches were screened. The actual obstacle to which the study's findings may be applied and inferences drawn is the study's other practical boundary. The study's conclusions are only applicable to SMEs located in Harare; they are not applicable to SMEs located outside of Harare. Stated differently, the findings of this research cannot be extrapolated to other parts of the globe.

1.2.3 Limitations

It is important to note that this study was only completed for a brief period of time and is only an overview based on events that were happening at the time the study was undertaken. Therefore, it might not be appropriate to apply it to events that happen over extended periods of time. This was done in an attempt to ensure that the study uses as little resources as feasible—finance in particular—and to make it as practical as possible. The fact that the study was restricted to SMEs means that the data was only as excellent as it could be, which another research limitation is.

1.2.4 Definition of terms

SMEs these are registered businesses that have 100 employees or less and with a yearly income in sales of a maximum of US$830 000 (Nyonga and Bonga2018)

1.2.5 Summary

SMEs in developing and developed countries contribute to the development and growth of country's economy. SMEs take approximately over 75% of Zimbabwe economy which in case they are the main driver of the economy in the absence of multinational companies. According to kongolo (2019) state that SMEs sector contributes to 90% of firms in most of African countries. They potentially generate an employment, technological advancement and long term growth in developing countries.

Furthermore, because they are a major employer and source of income as well as an innovator in technology, small and medium-sized enterprises, or SMEs, have been acknowledged as the driving force behind the nation's economic expansion. Despite their critical role in Zimbabwe's economy, small and medium-sized enterprises (SMEs) continue to face discrimination. The majority of research conducted in Zimbabwe demonstrates that the government of Zimbabwe does not pay SMEs adequate attention. Even though there have been a lot of studies on small and medium-sized enterprises in recent years, these studies have focused only on just a fraction of the subject and do not appear to be able to further our understanding of this field of study. A review of the literature on small and medium-sized enterprises (SMEs) reveals that this research problem has not been adequately covered by many studies. Previous empirical studies have primarily focused on large enterprises when examining the linkages between the government's moderating role on governance and financial performance on SMEs policies, performance, and market practices.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

In this chapter the researcher is giving a view of the related theories and the previous researches which was used as the base of the research. This chapter discuss the existing literature that was used before interrelated to the moderating role of government and governance of SMEs. This review shall examine studies that are already in existence on the topic, moderating role of country government on governance and financial performance on SMEs. It will also analyse the significant, conclusions and developments in the field as well as highlight any gaps in the current research.

2.1 Theoretical framework

The theoretical framework includes concepts, definitions and existing theories that are used in this study. It shows an understanding of theories and concepts that are relevant to the research topic. This study is based on two theories and the author used the agency theory, stewardship theory.

2.2. The agency theory

This theory was designed to show the relationship between an agent and principal Drury (2021). The agent takes the responsibility of the principal in decision making in particular business transactions. The agent is expected to act in the best interest of the principal. The aim of the agency theory is to separate the ownership and the control of the firm. Taylor and Francis (2024), state that the agency theory addresses the issues in the corporate governance which includes corruption and poor ownership. The agreement between the principal and the agent is very important to ensure there are no conflicts.

Farooq et al., 2022 states that separation of ownership and controls needs good governance and encompasses different mechanisms within an organisation to ensure good governance and reduce the agency problems. The principal aim of the agency theory is to develop an inventory surrounding the key themes of governance, corruption and agency theory.

Mashavarira, (2021) state that corporate governance plays a vital role in improving financial performance of SMEs. Proper implementation of agency control mechanisms has the potential to create a framework and processes that can be of a benefit the SMEs. Agency theory suggests that SMEs should put in place governance mechanisms to monitor and control the agents to avoid the exploitation of both parties the principal and the agent. The agency theory suggests that agency control has a positive impact on the SMEs financial performance which can be measured by return on investment.

2.3 The stewardship theory

Agency theory and stewardship theory have different views on corporate governance. Managers operate as agents in the agency theory and as company stewards in the stewardship theory. The management take on the role of stewards for the shareholders and are fully accountable for the company's activities. In essence, every business is founded as a distinct legal entity. The company's shareholders elect and hire the board of directors' members, who then rise to the position of managers. The shareholders' best interests are the managers' first priorityThe Board of Directors is responsible for reporting to shareholders on all business transactions. In order to achieve organisational and collective direction, managers don't necessarily put their own preferences or the shareholders' interests first. Because managers want to see the company reach its objectives, they should convey their responsibilities with independence and integrity, based on the interests of the organisation. The interests of managers are maximised when shareholder interests are as well.

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2.4 The role of government policy

In Zimbabwe, the SMEs sector is the backbone of economic development. According to Kongolo (2010), SMEs are indicators of a developing economy. In Zimbabwe, small and medium-sized enterprises (SMEs) account for over 70% of the nation's economic activity, over 60% of its employees, and over 50% of its GDP. Because of their adaptability and inventiveness, SMEs are also the backbone of the national economy because they foster entrepreneurship and broaden the tax base (RBZ, 2012; Manyani, 2014). Retrenchments during Zimbabwe's recession resulted in a decrease in employment due to the closure of significant enterprises (Bomani et al., 2015).

The Zimbabwean government acknowledges the important role played by the SME sector, which it considers the main indicator of economic growth (MSMECD, 2018; RBZ, 2016). The industry creates jobs and stimulates the economy, among other things that help the country's economy flourish. To do this, it is essential to encourage entrepreneurship and expand the tax base and accelerate rural development while concentrating on poverty alleviation, and take advantage of niche markets because of their nimbleness and inventiveness in order to mainstream the supply chain through backward and forward linkages (RBZ, 2016With more than 60% of small enterprises located in rural areas and less than 40% in urban areas, SMEs promote innovation, personal savings, and economic growth in rural communities. Similarly, the industry is a major force behind economic expansion since it fosters and launches innovation and entrepreneurship, both of which are streams that feed the major players in the market (RBZ, 2016).

The Policies and Strategy for SMEs, according to Magaisa and Matipira (2017), explains the framework and lays out methods for the implementation, coordination, and monitoring of actions to promote the growth and development of SMEs in Zimbabwe.The policy framework's development aims to decrease poverty, increase growth, create sustainable jobs, and assist the government in earning foreign exchange.SMEs played a vital role in refining the economy as stated by Wang (2016), they indicated that countries such as Zimbabwe, SMEs are the main driver of the

growth and economic development. Zvarivadza (2016) stated that most SMEs are businesses that are created by the number of people that have the purpose of profit making. The main objective of the policy is to promote SMEs' performance by creating a favourable environment. The implementation of Zimbabwe's domestic policies enables SMEs to lead the economy in the absence of international corporations.

Africa's SMEs typically fail because of a lack of government assistance. According to Muriithi (2017), the majority of African nations support SMEs poorly or not at all, which is why they undervalue the significance of SMEs—which are essential to the development of every nation. A major factor in the prosperous development, expansion, and performance of SMEs is the government. Muriithi (2017) emphasised on the part played by African governments in the performance of SMEs, pointing out that: Country's should be able to support SMEs and provides a conducive atmosphere that supports the expansion of enterprises. When the government pays attention to the SMEs sector, these businesses can develop extremely quickly. However, there is a significant risk that SMEs won't survive if the government doesn't help them. A government's economy could grow negatively if it does not assist SMEs. The infrastructure, taxation, licencing, opportunities, pay structure, technological assistance, and infrastructure that the government establishes determine whether SMEs succeed or fail.

According to Kamunge et al. (2014), government-instituted regulatory frameworks have the power to either support or undermine the small business economy. It has been found that an unfriendly tax structure, unfair competition, a complex regulatory framework, and a poor environment hinder the expansion of SMEs (Krasniqi, 2007, for example),. Businesses in Kenya pay 51% of their overall earnings in taxes, whereas businesses in Ghana and Nigeria pay 33% and 30% of their profits, respectively. In addition to taxes, it has been discovered that African SMEs must wait a long time for expensive clearances and procedures required by several regulatory frameworks. Government regulations that are too strict hinder development and have a detrimental effect on SME implementers.

The majority of SMEs in Africa, especially those in Zimbabwe, have challenging operating environments. A number of barriers prevent growth for SMEs in Africa (Nikolić et al., 2015). According to Kamunge et al. (2014), SMEs face multiple challenges that prevent them from surviving, in addition to their beneficial contribution to development. Only a small percentage of enterprises in Africa make it past a few months or a year, which is an alarming rate of company failure. According to Adcorp (2014), five out of seven new enterprises fail in their first year, indicating that the mortality rate of SMEs in African countries is still relatively high. The South African economy is dominated by SMEs, and their contributions to economic growth and development are unquestionable, even in the face of government indifference in providing support for them (Sawers et al., 2008). The Zimbabwean government will once again learn from this scenario that SMEs need a great deal of support, perseverance, research and development, and implementation of innovation processes, including the addition of value to the goods and services supplied.

The government must pay attention and give adequately support, and create an ideal environment for production in order for SMEs to thrive in a nation. The Institutional Theory, according to Havav (2017), is predicated on the idea that an institutional context affects SMEs' performance. According to the institutional theory, the environment of an institution has greater power than any other force to affect how a firm's structures develop. In general, the word "institution" refers to agreements, formal rule sets, and how organisations behave in accordance with the law. The government's unfavourable actions are concerning since they prevented the SME sector from growing into a vibrant economic centre that can rival other SMEs in the area.

2.5 Empirical review

Various researches have been conducted to investigate the relationship between government support, governance quality regulatory framework, and financial performance of SMEs in Zimbabwe. Overall, the empirical evidence shows that government support, good governance, and a favourable regulatory environment are positively related to the financial performance of SMEs in Zimbabwe.

According to the research done by Musabayana, Mutambara and Ngwenya (2022) state that the government is in charge of creating the framework for government policies, which serves as a guide for putting policies into action to improve the performance of SMEs in Zimbabwe. The goal of the policies the Zimbabwean government implements is to raise the performance of SMEs there. However, the author made clear that the primary obstacle to implementing the rules for all SMEs is the government's lack of support, communication, and implementation of the policies; as a result, the policies' influence was minimal. The study assesses how much government interventions enhance the financial performance of small and medium-sized enterprises in Zimbabwe. The researcher employed both qualitative and quantitative methods, utilising the subsequential exploratory strategy, to collect data for this study. The study's findings show that the government has successfully. While government goals were made apparent to well-known SMEs, the information was not conveyed to SMEs that really implement the regulations. The study's conclusions assist the government in reconsidering and creating a new strategic framework that incorporates all stakeholders in the SMEs industry. Poor performance of SMEs in Zimbabwe has been discovered.is an issue of the government failing to communicate and implement its policies which causes negative impact to all the SMEs performance across the country.

In the study carried out by Majukwa, (2019) states that Zimbabwean SMEs comprise of 94% of business owners however they contribute to only 50% of the country gross domestic product in Zimbabwe. He discovers that SMEs in Zimbabwe plays a crucial role by strengthening the Zimbabwean economy because they contribute to about 60% to 80% of employment in the country.. The main objective of the research was to investigate the strategies that SMEs might employ to enhance their financial

performance and maintain their companies. Five small and medium-sized business owners who have effectively adopted strategies and sustained their firms for more than five years made up the sample size. The data was gathered using the semi structured instruments interviews and reviews of the company documents and the methodology used was triangulation. The main themes that come from the research were passion, dedication, quality of the products and skills of the employees among many. The results help the owners of SMEs to positively financially and socially, found that the communication help the owners to create growth strategies which improve revenue for the company and country and also create long term employment for the communities. The findings from the study are the improvement of social life through employment and improving workforce capabilities creating awareness and increasing interests of the financial institutions in lending SMEs hence improve financial performances through increasing capital base. It has been found that SMEs should find strategies that can sustain their companies without the government support.

According to Mhlongo, Daya (2023), the study was carried out to evaluate the leadership challenges that affect the performance on SMEs and their sustainability. In this study they used system dynamics as methodology which was us to find how the leadership problem affects SMEs performance. Semi structured interviews were used with a sample size of 46 SMEs. From the research the it has been reviewed that most SMEs failure are caused by the lack of leadership skills, lack of financial resources to run the company, lack of financial, lack infrastructure, lack of training on government policies and regulations, lack of technology and high crime rates and corruption. The study shows that some of the SMEs failure are a cause of bad leadership and leadership that are not capable to carry out tasks and have weak understanding of the business environment., above all the most cause of SMEs failure is high rate of crimes and too much corruption by the top management which causes shortage of funds to operate the company and leads to failure of the company.

It has been discovered that corporate governance becomes an issue around the globe in recent years. According to Dzingirai, Sikomwe and Tshuma, (2022), states that SMEs in the world are neglected in the corporate governance issues. The study was

aiming to find the corporate governance issues SMEs are facing in Zimbabwe. The study shows the falling experience face by the SMEs. The use of qualitative research tools such as questionnaire was used to collect data. The SMEs should put in place the succession, matrix to enable good corporate governance. The study recommends that there is separation of ownership. Also government interventions on how the SMEs are governed play a greater part in the growth and sustainability of SMEs in Zimbabwe through policy creation and regulations.

Since Zimbabwe's independence, the government has been influential in the expansion and advancement of SMEs there. Dlamini and Schutte (2020) found that SMEs in Zimbabwe face a variety of difficulties. They also talked on the government's involvement in putting management accounting methods into effect. The data they presented indicates that there is a lack of government support for the adoption of management accounting. 88 people were employed in the semi-structured interviews that the author used to collect data. Following that, the data was subjected to qualitative content analysis. The findings of the study show that government of Zimbabwe have done less in promoting management accounting in SMEs. They developed potential strategies to address these issues and assist SMEs, such as providing training for bookkeeping and tax preparation. The Zimbabwean government suggested holding seminars, starting awareness efforts, and creating laws that support the use of management accounting to help the public understand the maps.

2.6 Conceptual framework
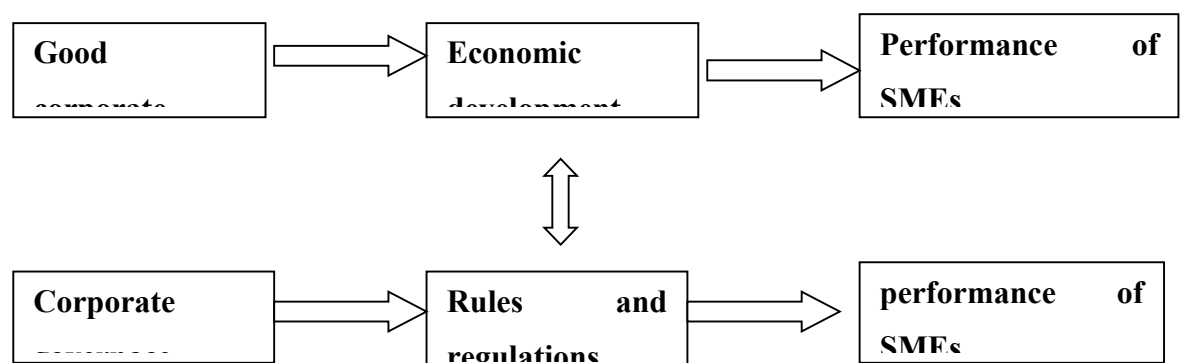
The diagram above shows the relationship between governance and financial performance of SMEs and the impact of government interventions through rules and regulations as well as the impact of government interventions.

Corporate governance it is the way of exercising power and action to achieve the set goals of an entity. This is most important for a government to have a set of rules regulations on how the businesses are operated. It helps the SMEs and other businesses to have a clear picture of how they must operate hence maintaining standards and order

The government plays a greater part in enhancing the growth and the survival of SMEs. It is responsible for making every rules and regulations which SMEs must follow. This improves efficiency because every firm must be regulated by the laws, codes and standards that are set by the government. The role of government also is to support entities through incentives and other way to increase financial performance of SMEs in Zimbabwe.

Hypothesis1: Corporate governance positively influences performance of SMEs.

Corporate governance is considered an important tool in developing and the growth and financial performance of SMEs in Zimbabwe. It benefits the SMEs on how they must operate through the implementation of rules regulations and support given to them by the government. Badza, Bhebhe and Danha,(2020) state that good governance practices have a positive impact on SMEs financial performance and growth of SMEs in Zimbabwe.

Hypothesis 2: Government policies enhance positive impact of corporate governance on the performance of SMEs.

Government policy helps how the SMEs are operated through the implementation of policies that are supportive. Government policies plays are crucial role on the governance of SMEs in the sense that it sets the standards of operation hence reduce exploitation of workers by management of managers by shareholder.

2.7 Summary

SMEs worldwide are an important driver of every country's economic growth. It is evident that SMEs in African countries such as Zimbabwe plays a crucial role in economic development. It is also an important thing for every government to support SMEs to reduce failure rate. It has been seen that failure of government to support is very important. It is important for government to involve the SMEs when creating regulatory frameworks. It is evident that not only corporate governance cause failure of SMEs in Zimbabwe but there are many things such as corruption and crimes which includes theft.

CHAPTER III

METHODOLOGY

3.1 Introduction

This chapter aims to explore if the role of governance on governance of SMEs can help the financial performance of SMEs in Zimbabwe. It will present an overview of the research methods used which are data collection process, the rationale for the selection methods used. In this chapter will look at many components of the research design. It also provides with the justifications of the selection of the methodology used. It will also explain the research tools that will be used, the reasons to for the selections of the tools and how the data will be analysed to answer research questions and make the conclusions.

3.2 Research philosophy

According to Ramsberg (2018), defined research philosophy as the framework that guides how research should be carried out based on the ideas about reality, beliefs and the nature of knowledge. The author states that there are two main research philosophies fundamentals which are positivism and interpretivism. These research philosophies fundamentals guides and inform how researchers approach and interpret phenomena within the context of research. The research philosophy guides though the out the research process and shapes data collection methods, analyses and interpretation.

Husam, (2020) defined positivism as a quantitative method of research which involves the taken from the existing theories through experiments, observations and measurement of reality; it relies on the measurement and reasoning. It mainly based on what can be observed, measured and recorded in the same way as natural science. The approach is chosen to be used in the research because it allows the well-defined structure suitable for the use of close-ended questionnaire and statistical analysis. The objectives of the positivism are to base the knowledge on the empirical review.

The critique of positivism's approach forms the foundation of interpretivism. Husam (2020) defined it as a sociological study method in which events or actions are

analysed under a framework of social group norms, values, and beliefs. It is a quantitative method for analysing data related to human behaviour. This strategy is predicated on the naturalistic method of gathering data via observations and interviews.

3.3 Study approach

According to Maarouf, (2019) state that the use of mixed research methods supports the integration of quantitative and qualitative data methods in a single study. The researcher applied mixed approach to analyse data sets to come up with solo analyses of the quantitative data sets and to ensure thorough analysis and accurate interpretation of the data

3.4 Research design

Bloomfield et al (2019), research study is described as the strategies, plans, and methods the researcher uses to conduct the study and produce trustworthy data that answers the problem statement. It directs the choice of an appropriate data gathering technique that makes it easier to acquire high-quality data. According to Jansen (2023), it is critical to comprehend the many kinds of research designs in order to determine whether the research design selected by the investigator is appropriate for the stated goals, objectives, and questions of the study as well as the resources available to conduct the research. The author also states that it is risky for the researcher to not having a clear picture of the research design. It ensures that the data collected is relevant, reliable and valid for the research. It also provides clear plan structure for the research process. This enables the researcher to come up with valid conclusions, make recommendations pertaining the research and solutions to the problem statement.

In addition, according to fisher, (2019) there are different research approaches namely descriptive, explanatory and exploratory research. Descriptive research is a research method try to describe and summarise the characteristics of population through the use

of surveys and questionnaires and observational studies. Descriptive research method is helpful in identifying the patterns and trends, providing the foundation of future research and helps to have knowledge on the scope and magnitude of the phenomenon. Since variables in this research approach are just identified, investigated, and observed, the researcher has no control over any of the variables. Anmsari et al (2022) observed that in the descriptive research approach, the researcher takes an account of what has happened in the studied area. It mostly uses the quantitative data and sometimes qualitative data is used for descriptive purposes. However, this approach has challenges to the researcher because it does not allow statistical testing. Despite the challenges, there are many advantages of using the descriptive method outweigh the challenges because quantitative data collection allows and provides with reliable and generalizable results.

According to Fisher, (2019) In order to address the study issues, he employed a mixed method of data gathering that incorporates both qualitative and quantitative data. Using mixed techniques, as opposed to concentrating solely on quantitative or qualitative data, allows for a more comprehensive understanding of the research (George, 2023). Additionally, he employed the triangulation approach, which increases the validity of the data and guarantees the reliability of the data collecting.

Exploratory research is type of research methodology approach studies the research questions that have not been previously studied. Data collection on this research methodology is very critical because it is mainly based on the primary data which can be very difficult to obtain. The data collection can be done in two ways which are primary research and secondary. According to George, (2021), in primary research the researcher obtain data directly from the source, which are focus groups, surveys, interviews and observations. However, the secondary research method uses already existing data because the researcher does not go to the source to obtain data. Secondary research methods can be used if the primary research provides with impractical data.

Descriptive research method is appropriate to use on the topic under study as it describes and explains the research under study without altering any variables. It uses

quantitative data collection method through the use of questionnaires. The method provides with generalizable and reliable data which is helpful and needed for the study.

3.5 Sampling procedures

It is a process or a technique and strategy of choosing sub-group from a population to provide data for the research (McCombs, 2019).

3.6 Stratified random sampling

Mazikana, (2019) state that stratified random sampling involves dividing the population into sub-groups that may differ in important ways. It allows the researcher to come with more precise conclusion because it ensures that every group has an equal opportunity of being selected and properly represented and ensures fairness and accurate outcome. This sampling method divides the population into sub-groups which called strata and it allows a thorough investigation of each group by randomly picking a member from each group to make sure all the groups are well represented. Due to different scope of operations and structures of SMEs in Zimbabwe which are manufacturing, agriculture and service providers stratified random sampling was deemed the most accurate and appropriate method to use. It also helps to divide the structure of an organisation into sub-groups which are employees, directors, shareholders from different departments.

Based on the research done by Mazikana, (2019), in his research he used the stratified random sampling in data collection. He states that he collected data through the use of 29 questionnaires that were distributed across the Kariba region of Zimbabwe. He also states that SPSS was used to analyse the quantitative data. The findings of his research show that there is an improvement on corporate governance in SMEs in Zimbabwe. In his conclusion he states that the governance plays a crucial role in improving

financial performance of SMEs. The study recommended that SMEs, other organisations and the government should conduct workshops and seminars that aim to educate how corporate governance should be adopted.

3.7 Sample size and population

Participants	Population	respondents	% of population
Shareholders	7	6	85
Directors	10	8	80
Finance department	8	7	87
Human resource	5	4	80
General employees	7	5	71
TOTALS	37	30	80

The table above shows the targeted population and sample size utilised in this study. 80% shows high level of sample size and it may indicate the accuracy and reliability of the research. Sample size 60% and above is said to yield valid and reliable outcomes. The data in the table above indicates the sample size and the number of targeted population which can be able to have the adequate findings and better results.

3.8 Research instruments

The researcher evaluates various data collection methods to come up with the suitable methods that are likely to have less bias, which produce the valid and reliable data,

method which is less costly and ensures better data to be used in the research. The researcher for the purpose of research chooses primary data collection method which is a questionnaire that facilitates collection of data that is needed by the researcher to fulfil the research. This data collection method had many advantages such as cost efficient, time efficient, data accuracy and provides with quantifiable data that makes it easy to draw conclusions (cleave., 2023). The use of questionnaire allows the researcher to have accurate data because the respondent answers the question independently and does not take much time unlike other methods such as interviews hence they are time saving method. The data collection method of using questionnaire tries to mitigate the limitations in using other data collection such as interviews. Secondary data collection method is also important because it shows the trends of a firm in the previous years.

3.9 Questionnaires

In order for the researcher to collect effective data, the researcher employed the self-administered questionnaires that allow the respondents to express their opinions in a guided way that suits the research topic and research objectives. The researcher used close-ended questions with an option to answer and allows the respondents to show give their opinions; this was done through ticking into the boxes to indicate their views and opinions. Defranzo, (2018) states that closed ended questionnaires provides with quick response and they are easy to answer and the participants are guided through by the predetermined rating scales. It also improves consistency of responses that answers the objectives of the study. This approach helps the researcher to obtain data in a less costly manner, gathers data and guarantees the researcher to successfully complete the research. In a research done Mazikana, (2019), he states that he collected data through the use of 29 questionnaires that were distributed across the Kariba region of Zimbabwe. He also states that SPSS was used to analyse the quantitative data

4.0 Data validity

Data validity is a concept that is used to evaluate the quality of the research through checking accuracy of the collected data if it suits the study objectives (Middleton, 2023). The final recommendations are affirmed by the validity of research tools used by the researcher. The researcher r used various research methods to ensure the data collected is valid. If the research has high validity, it produces the outcomes which are in line with the research objectives.

4.1 Data reliability

According to Ramamurthy,(2023) defined reliability as the dependability and consistency of the data gathered on the subject of the study. It gauges how much the results of a certain study are influenced by the data that was gathered. Ensuring the correctness of research and decision-making is crucial in research (Chen, 2023). The researcher uses closed-ended questionnaires that are intended to offer information relating to the research topic and aims in order to guarantee the reliability of the data obtained. By using closed-ended questions, the researcher ensures data dependability, consistency, and reliability since they trust the results.

4.2 Data collection procedures

The researcher used a many research approach to data collection by distributing questionnaires and surveys electronically via email, and delivering the hard copies to the participants. This was done to encourage a higher response rate and eliminate any potential ambiguities within the questionnaire, the researcher followed up with the participants to gather additional information and clarification.

4.3 Summary

This chapter focused on the data collection methods used by the researcher in the research, with the sampling techniques to ensure that the selected population represents the overall population. The researcher promised to keep the research findings confidentially and private and assures the respondents to not panic when answering the questions.

CHAPTER IV

DATA PRESETATIO AD ANALYSIS

4.0 Introduction

This chapter presents the results of the field research, which employs questionnaires to collect data from a sample size of 40 respondents. The findings summarised from this analysis form the bases of the researches conclusions and recommendations, providing a comprehensive and data driven understanding of the topic. The analysis and presentation of the data ensures the validity and reliability of the research outcomes.

4.1 Questionnaire response rate

GROUP CLUSTER	Questionnaires Distributed	Questionnaire response	% respondents rate
Shareholders	6	3	50
Directors	7	6	86
Accountants	10	9	90
Human resources	8	6	75
General employees	9	6	66
Total	40	30	75

According to the data presented in the table above, the researcher received 30 complete questionnaires out of the 40 respondents, which resulted to the response rate of 74%. The data below 50% according to patch(2008) is unacceptable and the data percentage rate of 70% and above is acceptable. The information gathered in this study can be reliably applied in the analysis, recommendations, summary and conclusion as it meets the acceptable response rate.

4.2 Demographic profile respondents

This section focuses on the demographic of the individual employed to small to medium enterprises. The demographics include the gender, age range, working experience, academic qualifications occupational roles played by each individual in the SMEs companies.

Questions		Frequency	% of frequency
Gender	Male	17	57
	Female	13	43
	Total	30	100
Age	18-25	6	20
	26-30	8	27
	31-40	10	33
	41 and above	6	20
	Total	30	100
Academic qualification	Masters	4	13
	Degree	11	37
	Diploma	9	30

	Certificate	6	20
	Total	30	100
Work experience	less than 5 yrs	9	30
	6-10 yrs	7	23
	11-20 yrs	10	33
	20 and above	4	14
	Total	30	100
Occupation	Shareholders	3	10
	Manager	6	20
	Accountant	9	30
	human resource	6	20
	general employees	6	20
	Total	30	100

The table above shows that the response frequency of the study is dominated by the males with 57% and the female frequency is 43%. Furthermore, the table above shows the dominating age group is 31 to 40 years with the frequency percentage of 33% followed by the age group of 26 to 30 with a frequency percentage of 20, while the

age groups of 18 to 26 years and 41 and above with same frequent percentage of 20 respectively makes the small portion. The academic qualification of the population in the table above reveals the range of academic achievements. 13% of the individuals completed the questionnaires holds the master's degrees which the least on the table, followed by the degree holders with frequency percentage of 37 which is the highest and dominating in the SMEs, more so, diploma holders makes a percentage of 30 and finally those with certificates makes a frequency percentage of 20. This shows that the SMEs industry is dominated by the degree holders.

In addition, the work experience of the respondents in this study is shown in the demographic table above showing that that the SMEs industry is dominated by those with work experience of 11 to 20 years with a frequency percentage of 33%, followed by the those with less experience of less than 5 years with a frequency percentage of 30. To add more on work experience, the least dominating age on work experience are those with experience of 6 to 10 years with frequency percentage of 23 and lastly the 20 above with 14% frequency percentage. The table above also indicate the occupation frequencies and the industry are almost fairly distributed across all fields with accountants with 30% frequency while human resource, managers and general employees carried the same frequency rate of 20%.

4.3 Reliability test of the research questions

The reliability assessment focused on the agreement scale regarding the role of government on governance of and financial performance of SMEs. This was achieved by a 5-point Likert scale used to translate the three research objectives into questions with four questions allocated to each objective. An alpha coefficient of 0.70 or above is highly recognized standard for reliability, according to DeVellis (2017). The reliability score for these scales are shown in the table below.

Table 1: Reliability statistics

Reliability Statistics

Cronbach's Alpha	N of Items
,877	16

The Cronbachs Alpha coefficient of 0.877 showed a high degree of consistency from the questions that matched the study objectives. The coefficient of 0.877 is significant be Declarationcause it exceeds the 0.70 criterion hence the items that makes up the constructs are consistence and dependable.

4.4 Analysis of multivariate Regression using SPSS

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,966ª	,933	,928	3,143

Predictors: (Constant), moderating variables, Control   variables, Government policies

Dependent variable: financial performance

Source: SPSS 2020

The dependable variable financial performance and the independent variables, government policies, control variables and moderating variables have a positive correlation as shown by the above table as the R, or model correlation coefficient value of 0.966. Significant correlation is indicated by an R value of 0.70 or above, according to Sarstedt (2020). The coefficient of determination, or R square value, is 0.933 meaning that the independent variables account for 93.3% of the variation in the dependent variable. Chicco et al. (2021) indicates that range of R-square values should be between0 to 1 and larger values signify higher percentage of variable explained.

Std. Error of the Estimate: the estimates standard error is 3.143 in value. This value provides a sense of the accuracy of the predictions made by the model, with a lower standard error indicating better model fit.

Table 3: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4974,475	3	1658,158	167,903	.000[b]
	Residual	355,525	36	9,876		
	Total	5330,000	39			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), moderating variables, Control variables, Government policies

The data in the ANOVA table above indicates that the variable is strongly predicted by the regression model. The regression row and the sig row show the statistical significance. This is shown by a significant value of F of 167.903.

Coefficients

Coefficients					
Model		Unstandardized	Standardized	t	Sig.

		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-8,138	1,395		-5,833	.000
	Government policies	2,868	1,023	,342	2,805	,008
	Control variables	1,907	1,017	,218	1,874	,069
	moderating variables	3,599	,986	,434	3,650	.000

Dependent Variable: Financial performance

Table above shows the coefficients, the dependent financial performance shows the B value of -8.138. This means that when all the independent variables are equal, financial performance is also zero. Absence of independent variables such as government policies and regulations and governance the financial performance of SMEs is likely to be very low. P values of less than 0.001 are significant. Results provides strong evidence of the importance of government policies, moderating variables and control variables on the financial performance of SMEs and this indicates the data is reliable for the further analysis.

Pearson's Correlation on how the government policies improve financial performance of SMEs.

Correlations

		GP1	GP2	GP3	GP4
GP1	Pearson Correlation	1	,715**	,727**	,418*
	Sig. (1-tailed)		<,001	<,001	,011
	N	30	30	30	30
GP2	Pearson Correlation	,715**	1	,727**	,477**
	Sig. (1-tailed)	<,001		<,001	,004
	N	30	30	30	30
GP3	Pearson Correlation	,727**	,727**	1	,499**
	Sig. (1-tailed)	<,001	<,001		,003
	N	30	30	30	30
GP4	Pearson Correlation	,418*	,477**	,499**	1
	Sig. (1-tailed)	,011	,004	,003	
	N	30	30	30	30

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

The table above shows a positive relationship between government policy and financial performance of SMEs. Positive coefficient of 0.715** indicates that government policies improve the financial performance of SMEs in a linear way. 0.715** indicates there is strong positive relationship between government policies and financial performance.

Pearson's Correlation on how control variance such as economic conditions impact growth and financial performance of SMEs.

Correlations

		CV1	CV2	CV3	CV4
CV1	Pearson Correlation	1	,440*	,384*	,328
	Sig. (2-tailed)		,015	,036	,077
	N	30	30	30	30
CV2	Pearson Correlation	,440*	1	,391*	,428*
	Sig. (2-tailed)	,015		,033	,018
	N	30	30	30	30
CV3	Pearson Correlation	,384*	,391*	1	,534**
	Sig. (2-tailed)	,036	,033		,002
	N	30	30	30	30
CV4	Pearson Correlation	,328	,428*	,534**	1
	Sig. (2-tailed)	,077	,018	,002	

N		30	30	30	30

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The table above shows a positive relationship between control variables and financial performance of SMEs. Positive coefficient of 0.440** indicates that government policies improve the financial performance of SMEs in a linear way. 0.440* indicates there is low positive relationship between control variables such as economic conditions, Legal framework and financial performance. This means that control variables are good the financial performances of SMEs improved.

Pearson's Correlation on how moderating variance such as SMEs characteristics and size impact growth and financial performance of SMEs.

Correlations

		MV1	MV2	MV3	MV4
MV1	Pearson Correlation	1	,279	,416*	,093

	Sig. (1-tailed)		,068	,011	,312
	N	30	30	30	30
MV2	Pearson Correlation	,279	1	,660**	,462**
	Sig. (1-tailed)	,068		<,001	,005
	N	30	30	30	30
MV3	Pearson Correlation	,416*	,660**	1	,374*
	Sig. (1-tailed)	,011	<,001		,021
	N	30	30	30	30
MV4	Pearson Correlation	,093	,462**	,374*	1
	Sig. (1-tailed)	,312	,005	,021	
	N	30	30	30	30

*. Correlation is significant at the 0.05 level (1-tailed).

**. Correlation is significant at the 0.01 level (1-tailed).

The table above shows a positive relationship between moderating variables and financial performance of SMEs. Positive coefficient of 0.660** indicates that government policies improve the financial performance of SMEs in a linear way. 0.660** indicates there is moderate positive relationship between moderating variables such as economic conditions, Legal framework and financial performance. This means that control variables are good the financial performances of SMEs improved.

4.5 Summary

The data is analysed and presented in this chapter, emphasizing the data findings. There is a representation of male and female in the demographic profile. In order to investigate the relationships between independent, mediating and dependent variables the basic assumptions of single linear were looked at. The variables have a positive relationship according to the data. A thorough discussion of the findings is given. The findings are summed up, recommendations are made and suggestions for further research are given in the following chapter.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter primarily examines whether the primary research questions have been addressed and whether the study objectives have been effectively met. The study's aims are aligned with the chapter's highlights of findings and conclusions. Recommendations will be compiled into summaries of this chapter.

The background of the study on the influence of government on the financial performance and governance of SMEs is covered in Chapter 1. The problem statement that the researcher found is provided in Chapter 1. Together with the assumptions, it also includes the study's goal, its objectives, and its research questions. It described the study's boundaries and restrictions. It describes the role of government in SMEs' financial performance and governance and provides an introduction of the research issue.

In the second chapter, the literature review presents the findings of different writers and provides an understanding of how government policies, tax breaks, and laws affect the financial performance and governance of SMEs. The purpose of the literature reviews in chapter two was to provide readers with an overview of the work of other authors, as well as their opinions and recommendations regarding the subject of the study.

Chapter three was mainly focused on the research methodology, these were the methods used to gather information from various SMEs. It explains the types of research methods, the research design and other instruments used in the research. It explains various data collection methods used to collect data such as the use of questionnaires that enables the researcher in gathering information used in the chapter. This was done to clearly show how the researcher obtained data.

In chapter four the researcher collected data trough questionnaires, data from the questionnaires was entered in SPSS for further analysis, this was done to come up with statistical analysis. Chapter four main objective was to show the relationship between variables such as analysis on the dependent variables (the financial performance) and independent variables (moderating factors and control variables). The results in chapter four through ANOVA table, correlation and statistical analysis. The findings in chapter four shows there is a higher relationship between government, governance and financial performance on SMEs.

5.1 Conclusion

The government plays a pivotal role in SMEs growth, failure of government to have strategies to how to govern SMEs leads to the decline of SMEs hence creates problems to the country such as high unemployment rates, loss in GDP and economic decline. The government should have strategies to govern SMEs to improve SMEs in Zimbabwe though tax incentives, better tax rates

5.2 Summary of findings

The purpose of the study was to investigate how the government in Zimbabwe (Harare) influences the financial performance and governance of SMEs. The study's objectives were:

To investigate how the government policies, laws and interventions impact the relationship between governance and financial performance of SMEs.

To examine if the government support such as tax incentives and other programs enhances effectiveness of governance structures and financial performance of SMEs.

Analyse how government laws and regulations such as corporate governance codes affect operation of SMEs

To come up with solutions to improve governance and financial performances of SMEs.

The study found that government policies, laws and policies contribute shapes how small to medium enterprises are governed. Government policies improve financial performance of SMEs through access funding, tax incentives and supporting training and development programs. The government policies were also implemented to encourage development programs. However, unfavourable trade policies, tariffs, lack of government support and initiatives, corruption and political instability causes decline of SMEs

5.3 Recommendations

In examination of the obtained information through literature and research bases findings, the researcher came up with following recommendations which can be used to improve financial performance. Government should work hand in hand with SMEs as it is the backbone of SMEs in Zimbabwe. They must create a conducive environment for the better operations of SMEs hence they can improve the standards of SMEs hence boosts GDP. The government also must train the SMEs when there are new rules or regulation to be introduced to reduce misunderstanding and misinterpretation which may results in differences between the government and SMEs.

Government must improve access to funds such as establishing finance programs at a lower interest rates.

Government to reduce regulatory procedures such as the registration processes and minimizing regulatory burdens.

Government should invest in infrastructure development.

Government should also improve tax policies and tax reforms that benefit SMEs such as reduced tax rates, simplified tax compliance and introducing tax incentives

Enhancing governance through strengthening institutions, promoting transparency and enforcing laws that can help create a favourable environment.

Government must provide adequate training and development on rules and regulations.

5.4 APPENDIX 1: QUESTIONNAIRE

Bindura University of Science Education

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

RESEARCH TOPIC

MODERATING ROLE OF COUNTRY GOVERNMENT ON GOVERNANCE AND FINANCIAL PERFORMANCE OF SMEs IN ZIMBABWE

To Respondent

I am a Bindura University of Science Education undergraduate student conducting research on how the government influences the financial performance and governance of small and medium-sized enterprises in Zimbabwe. The purpose of the questionnaire

is to gather information about your views and experiences about the SMEs sector. Please take note that all of the information you submit will be kept private, compiled with other replies to find themes in the research, and the names of the participants will not appear in the final result. It is completely voluntary to fill out this form. But we really appreciate your cooperation and time with this questionnaire, In the event that you have any questions or concerns, or if you need clarification on anything, don't hesitate to contact Mutandwa Tinashe on +263 777 453 682 / +263 713 094 120 or email: mutandwandwatinashe@gmail.com

INSTRUCTIONS:

Please answer all the questions to the best of your ability. Kindly indicate your answers by ticking where appropriate in the boxes provided. Your name or identity is not required.

SECTION A: DEMOGRAPHIC INFORMATION

Gender	Response
Male	
Female	
Age	
18-25	
26-30	
31-40	
41 and above	
Academic Qualifications	Response
Certificate	
Diploma	
Bachelor's Degree	
Masters/Post graduate	
Doctorate	

A6. What is your current position in the organization you are working for? Please indicate

By putting a tick

Position held	Response
Shareholder	
Director	
Accountant	
human resource	
General employees	

SECTION B

In your opinion, please indicate the level of your agreement or disagreement using a tick on the following statements

1=strongly disagree 2=Disagree 3= Neutral 4= Agree 5= Strongly Agree							
CONSTRUCT	ITEMCODE	ITEM DESCRIPTION	1	2	3	4	5
Government policies and regulations	GP 1	Government policies are effective on financial performance of SMEs					
	GP 2	The government support is useful in promoting SMEs growth					
	GP 3	Tax incentives promote SMEs growth and financial performance.					
	GP 4	Government regulations hinder growth of SMEs in Zimbabwe.					

SECTION C

In your opinion, please indicate the level of your agreement or disagreement using a tick on

the following statements.

1=strongly disagree 2=Disagree 3= Neutral 4= Agree 5= Strongly Agree							
CONSTRUCT	ITEMC ODE	ITEM DESCRIPTION	1	2	3	4	5
CONTROL VARIANCES	CV 1	Economic conditions contribute to growth or decline of SMEs financial performance					
	CV 2	Industry competition contributes to improved financial performance of SMEs.					
	CV 3	Political environment contribute to decline of SMEs financial performance of SMEs.					
	CV 4	Inflation contributes to decline of SMEs growth and financial performance.					

SECTION D

In your opinion, please indicate the level of your agreement or disagreement using a tick on the following statements

1=strongly disagree 2=Disagree 3= Neutral 4= Agree 5= Strongly Agree							
CONSTRUCT	ITEMCODE	ITEM DESCRIPTION	1	2	3	4	5
Moderating variables	MV 1	Government is effective in promoting growth and financial performance of SMEs.					
	MV2	SMEs characteristics are pointers to good financial position.					
	MV 3	Legal framework fosters growth of SMEs					
	MV 4	Infrastructure development helps growth and financial performance of SMEs					

Thank you for your cooperation

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