Implications of the colonial economic legacy on the prospects and future of entrepreneurship in Zimbabwe.

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Abstract: The significance of entrepreneurship to a country’s economic development cannot be overlooked. Worldwide, economic miracles that some countries produced resulted from the thrust on small business enterprises. As we continue to search for sustainable economic growth solutions, entrepreneurship cannot be sidelined in Zimbabwe where, for the past decade, our economy has plummeted. This study contends that the colonial economic legacy has had a strong negative effect on the growth and future of entrepreneurship. It focuses on some key colonial legislation that fostered a job-seeking culture among Africans. This article thus attempts to wean the indigenous Zimbabweans from the culture of seeking formal employment bequeathed to them by the departing colonialis. When the national economy is not expanding in qualitative terms and the job outlook is bleak, the article proposes that people can actually carve out careers as entrepreneurs and become employers in their own right. The central role of government in facilitating the development of an entrepreneurial culture by adopting the politics of development, not the politics of ideology, is highlighted. Future prospects of the existence of mini-business people in Zimbabwe are analysed within the context of the political will by government to genuinely undertake a disciplined approach to macro-economic planning that further enhances and taps into the skills that are imbued in the indigenous populace. This paper recommends that a donor agency approach to business be abandoned and that education at all levels of complexity be consistent with, and streamlined to meet, develop and capacitate small-scale enterprises in Zimbabwe.

Keywords: entrepreneur, economic legacy, entrepreneurship, employment, colonialist

I. Introduction

Before independence, the white colonial administration put instruments in place to ensure that Africans remained a permanent source of cheap labour. Very few Africans graduated to become successful entrepreneurs because such opportunities were only open to whites who received unlimited government financial support to start businesses. Racial considerations militated against Africans in accessing the needed resources and this stifled competition between black and white. The Victorian ideas of female domesticity confined women to the private life of the household space. This was buttressed by the kind of patriarchal missionary education that emphasized decorum and male guardianship over them in all spheres of life. It means that women were legal minors under the law and could not own property in their names in terms of Customary law. Customary Law had devastating effects on African women in many more ways than one. It so terribly circumscribed women freedom, including the firm control it had on their sexuality and fertility. The male informants who were consulted by the Europeans in the codification of African practices into Customary Law, deliberately or otherwise, also impressed upon cultural values that subordinated women to perpetual minority status in society. In order to fulfill their tax obligations, African men, some of whom had skills that required further development through carefully planned national skills programmes, joined the sprouting urban populations as dictated by the capitalist system. They were situated in dormitory towns and townships as a pool of cheap labour for the capitalists (Mangosvongwe & Nyamende, 2014).

Colonial legislations systematically disallowed the development of an informal sector, but ensured that all African men housed in compounds were mainstreamed into formal employment. The Maize Control Act of 1934 indirectly confined African women to the rural areas where they were engaged in agricultural activities, producing crops that did not have any competitive advantage over European produce. In spite of stringent market regulations, these women were still able to supplement their husbands’ merger wages in urban centres. The few African women whose stay in urban areas had legal recognition upon production of marriage certificates sold tomatoes and vegetables and that was only as far as informal business by Africans could go. The dualistic formal education curriculum provided for limited opportunities for African advancement; it was tailored towards producing men for ready absorption into the colonial labour force and gave little scope for African males to aspire for roles beyond that of labourers. The only ‘successful’ Africans were those who managed to build poorly equipped groceries shops situated in the countryside, far away from urban centres, as a strategy to prevent black-white competition.
At independence in 1980, the black government inherited an economic system which, though still very functional, had periodically been transformed to mitigate the negative effects of both international sanctions and the guerilla war. This colonial government did not have policy measures and strategies to support less than 10% of the existing female dominated informal economy (Mazingi & Kamidza, 2011). Import substitution industrialization to circumvent the sanctions created a robust economy to the extent that the effects of the sanctions were only felt tangentially. The economic reality that the new black government inherited resembled the socialist model and very little in the first decade of political independence was done to alter the status quo.

Between 1991 and 1995, the government, under conditions of economic uncertainty, abandoned its socialist ideology and adopted ESAP in order to access funds from the World Bank. (Shizha, 2006). The liberalization of the economy in line with ESAP conditionalities resulted in unprecedented company closures, job losses through retrenchment and increased suffering for the poor majority Africans due to worsening living standards. This was a wakeup call for the government to seriously consider according official recognition to black business ventures, however small. People had resorted to selling a wide range of both foreign and local products apparently as a survival technique. The government was compelled to reckon with the inevitability of a growing informal system of employment, particularly at a time when inflationary levels were sky-high due to a plummeting economy. The western imposed sanctions on Zimbabwe following the last track land redistribution programme, paralysed state operations and aggravated the living standards of all black Zimbabweans in general, leading to the Diaspora phenomenon that still haunts the country up to today. It was during that time that women assertiveness was displayed as they made attempts to fend for their families in the absence of their husbands. Cross-border trading by women into neighbouring countries and even beyond allowed for a very limited capital inflow of foreign currency, notwithstanding the occasional remittances from Diasporas which then could at times be diverted and channeled towards starting mini-businesses.

II. Literature review

An entrepreneur from the western definition is a capitalist or industrialist. As such, a conception viewed from this perspective connotes some form of exploitation and unhealthy class and race relations. The term, with time, became associated with innovativeness, business-mindedness and the ability to demonstrate competitiveness in a globalizing business world. Generally, entrepreneurs need to have established a relatively stable financial base in order for them to start Small to Medium Enterprises (SMEs). Worldwide, there is no operative generic term to define these SMEs because it varies from one country to another and across regions with different economies (Ntiamoah, Opoku, Abrokwa, Baah-Frimpong, & Agyei-Sakyi, 2014). The World Bank defines an SME as an enterprise (or business venture) with up to 300 employees and a total annual sale of up to US$15 million (Ntiamoah et al., 2014). According to Gibson and Vaart in (Ntiamoah et al., 2014), an SME is a formal enterprise with annual turnover in US dollar terms, of between ten and 1000 times the mean per capita national gross income at purchasing power parity of the country in which it operates.

From the foregoing, it can be noted that SMEs are usually categorized in terms of the number of employees, assets acquired and annual sales. The last then enables the entrepreneurs to evaluate their business viability and the growth and development of their business entities in terms of profit realization. In Zimbabwe, the political realities obtaining on the ground from the inception of ESAP in the late 1980s make it problematic to come up with a working definition of who an entrepreneur is on account of the economic meltdown. On one hand are men and women selling items from tomatoes to second-hand and new clothing in the urban pavements. In the middle strata are people, mostly the youth, who legally advertise their wares at designated stalls. Shops and other business ventures constitute the last class of SMEs and these regularly remit rents to urban councils. From the categorizations shown, it would suggest that Zimbabwe has very few entrepreneurs as most people involved in buying and selling are merely trying to eke a mere subsistence and are not driven by the profit motive, nor by the desire to grow big and develop.

According to Odumaike and Amoda (2013) cited in (Dumbu, 2014), entrepreneurship is the art of setting up and running an enterprise in a profitable and sustainable manner. In most cases, these business activities take place outside the formal norms of economic transactions established by the state, but are not clearly illegal (Cross, 1998:5) cited in (Chidoko, Makuyana, Matungamire, & Bemani, 2011). These informal business activities are easily susceptible to economic vicissitudes because of their low levels of operating capital, paucity of skills and lack of access to competitive markets and technology. These are the characteristics that currently best describe the Zimbabwean business scenario. (Chidoko et al., 2011) discuss the informalisation of the Zimbabwean economy in the context of a growing number of people venturing into micro-business that are the result of individual or family self employment, and conclude that the informal sector encompasses all jobs which are not recognized as normal income sources. This article subscribes to this definition since it is best suited to the Zimbabwean situation.
(Ntiamoah et al., 2014) discuss classical theories by Anderson (1982), Hoselitz (1959) and Stanely and Morse (1965). It is argued that SMEs, despite their contribution to the national fiscus, will diminish over time and overtake by large enterprises. They therefore, encourage governments to support large enterprises that seem to have a brighter future than SMEs. On the other hand, modern theories attach greater significance to SMEs in spearheading economic growth and development. They emphasise agglomeration and clustering as conditions under which successful entrepreneurship can develop. There is abundant empirical evidence which points to the interdependence and intersection of the formal and informal modes of livelihood (Bold, 2012). Worldwide, and with particular reference to the Asian Tigers, it has also been proved that the main thrust behind economic success stories, or miracles, has been provided by the small business sector.

III. Methodology

This paper is largely the result of a qualitative research paradigm. It builds on the information gathered through the desk approach in which various secondary sources were consulted. Online sources provided debates on current challenges that impede successful entrepreneurship especially in developing countries of which Zimbabwe is part. Discussions with colleagues helped to operationalise our definitional conception of entrepreneurship in its present usage, and to make a historical comparative analysis of the colonial and post colonial epochs. Face to face interviews were conducted, for example, with senior SEDCO, FBC Bank representatives and entrepreneurs themselves who elected to speak in individual capacities. Very helpful generalisable insights were drawn from the interviews.

IV. Findings

All stakeholders in Zimbabwe must join hands and purposefully take advantage of the massive potential for business growth that the country offers. The diaspora phenomenon has resulted in receiving countries boasting about the high level of skills showcased by the enterprising Zimbabwean people all over the world and this testifies to the tremendous talents that should be harnessed. It was observed that most students at tertiary institutions are nowadays more inclined to taking Information and Technology programmes as opposed to studying areas that prepare them to become their own entrepreneurs. The reason is that the economy does not currently proffer business viability especially to upcoming entrepreneurs. The government ought to reduce bureaucratic tendencies to do with licensing regulations to open up for new players in business. Tax breaks and improved access to financial capital by the SMEs will inevitably help them in the sustenance of their businesses which are usually susceptible to international economic vicissitudes. The indigenization policy must also be realigned to cater for SMEs which significantly contribute to the economic growth of the country. For purposes of collateral security, it would make sense if the rural folk were granted tenure over the pieces of land they occupy so that they are also able to borrow capital from financial institutions for use to start and sustain their businesses.

V. Discussion and recommendations

Colonial education curriculum and European labour

A critical analysis of the education system in colonial times shows that it was used to contain the oppressed black people. In Southern Rhodesia, this was no exception. The Europeans used education to cow down and contain the Africans with the main aim of ensuring that they would be no competition between the two racial groups. As early as the 1920s with the inception of the Responsible Government, education designed specifically for the Africans was to make them providers of cheap labour for the colonial economy. The colonial education system disempowered the majority Africans so that they could not excel, materially or otherwise, in the near future. Only a lucky few Africans probably escaped this purposely placed obstacle. The new black government had to grapple with this anomaly in order to correct the glaring educational imbalances as evidenced by the quantitative growth in education from primary school to university level.

Graduates from high school and universities in Zimbabwe no longer find any red carpet into the labour market. The University of Zimbabwe was the sole provider of university education for a few capable blacks at independence in 1980, and the curriculum was too bookish so as to create a black elite schooled in European traditions. The economy was not only dualistic and in foreign hands, but it was also primarily designed to benefit the white segment of society that thrived on recruiting cheap African labour from the countryside. There was also an advanced modern sector on one hand, and a historically marginalized, impoverished and depressed rural peasantry on the other.

Upon independence, the inherited economy which had been moulded on a philosophy of white supremacy that resulted in the evolution of a relatively well-developed and modern formal sector that employed about 1 million people, (only a fifth of the working population) co-existed with an under-developed and backward rural economy (Mazingi & Kamidzi, 2011). President Nyerere of Tanzania congratulated the Zimbabwean Prime Minister in 1984 on having inherited a jewel in Africa which he had to preserve (Mazingi & Kamidzi, 2011). With the democratization of education that substantially reduced illiteracy levels, most black
people felt that they were equipped enough to go ‘job hunting’ in urban areas when the absorptive capacity of the formal employment market had shrunk to a very low ebb. In Zimbabwe, it can be observed that only Chinhoyi University of Technology (CUT), out of twelve or so universities in the country, offers a programme tailored to create entrepreneurs out of its graduates. There is a high student intake every year in Business Studies and Management at Catholic University, Midlands State University and the University of Zimbabwe and this, at a time when the economy of the country is not expanding at a corresponding rate as to absorb all of them in the formal sector. The question is whose business these people would want to manage if they do not start them themselves. Disillusioned, these graduates, armed with the requisite technical skills, either elect to go into ‘voluntary’ unemployment, or decide to become migrant wage labourers in neighbouring South Africa and in remote foreign lands all over the world. On the contrary, foreigners who come to Zimbabwe, for example, Nigerians, are business-minded and do not come as job-seekers.

In the absence of indigenous entrepreneurs who could help transform an ailing economy, serious consideration was placed on a comprehensive review of the education curriculum. According to President Mugabe, the curriculum was to be reviewed bringing it in line with the current national aspirations of creating employers rather than employment, emphasizing self employment as opposed to employment for institutes ("The Herald," 23 July 2015). It would appear as if it is only now that the paradigm shift by government from the theoretical to the practical aspects of business growth, as evidenced by its concerted attempts to review the curriculum so that it is in line with the current market and development needs, will inevitably bring a modicum of economic prosperity. The current Minister of Higher and Tertiary Education confirmed that as many as 30000 university graduates specialising in Management Programmes are released into the job market every year. The curriculum that they pursue at institutions of higher learning is designed to produce managers of other people’s businesses, ironically when there is virtually no business to manage. The number of business management programmes vis a viz entrepreneurship studies points to a sorry state of affairs for a country that banks on entrepreneurs for sustainable economic growth and development such as Zimbabwe.

Most foreign-owned and domestic industries closed on account of ESAP conditionalities resulting in many job losses in line with stipulated economic fundamentals. Admittedly, efforts by the Zimbabwean government since independence in 1980 to promote an entrepreneurial culture among its business-minded people though various legal frameworks and constitutional provisions have met with structural constraints and paucity of strategic management skills. This has largely negatively impacted on women who aspire to be entrepreneurs. A new mindset to counteract the colonial job-seeking mentality is needed and this can be propagated by shifting national focus from ‘Growth Points’ (with emphasis on service provision) in rural areas to ‘Development Centres’ oriented towards business creation. Party political ideological leanings and business ethics more often than not work at cross purposes and those with the potential to venture into mini-businesses feel uncomfortable and insecure. As such, in order not to kill their initiative, the duty of government ought to be that of facilitating and promoting small businesses, for example, by creating an enabling, all-inclusive environment for business sustainability. Collateral security even for rural small-scale enterprises requires a new paradigm shift in land allocation so that people have title deeds for purposes of borrowing.

**Colonial legislation and effects on African entrepreneurship**

At independence, the new Zimbabwean government inherited a formal sector industry that was largely dominated by the minority Europeans, who, since 1890, had enjoyed dominance in the socio-political and economic spheres. Along the way, a lot of measures were institutionalised to ensure that Africans would supply cheap labour and nothing else. Legislations such as the Land Apportionment Act (1930/1), Industrial Conciliation Act, Unlawful Organisations Act, Education Act (1966), Urban Areas Act, Native Land Husbandry Act (1951) Land Tenure Act (1969) and many more strongly inhibited African socio-economic advancement. As such, these racist legislations left Africans without any form of security which could be very vital in starting up business enterprises. On the contrary, the white minority population had all the resources and a conducive environment necessary for the growth of uncontested white entrepreneurship. Tribal Trust Lands were deliberately created as reserve banks for a pool of cheap African labour and that meant that the occupants were tenants on state land where they could be evicted whenever the state felt there was need to do so. Resulting from this arrangement were huge disparities in income and resource allocation. Africans were, therefore, segregated both as a class and as a race, for which reason the armed struggle was waged tofrom 1966 up to 1979 with the attainment of independence in 1980. Zvobgo (1996) cited in (Shizha, 2006) intimates that educating and training Africans for employment was not for the benefit of Africans per se, but to assist the development of the economy that protected the European investment. In order to screen and limit the number of indigenous students who could get access to secondary education, the Rhodesian Front proposed the 1966 Education Plan that saw the institution of two separate categories of the schooling system, with F1 academic and F2 industrial and agricultural (Shizha, 2006).
The Lancaster House Agreement of 1979 spelt disaster for the Patriotic Front (PF) of Zimbabwe African People’s Union (ZAPU) and Zimbabwe African National Union(ZANU) in that the compromise entrenched a white controlled capitalist economic system that was incongruent with the desired socialist dispensation(Cornwell, 1993). The policy of reconciliation gave the white constituency the confidence and hope that the new black government would not substantially alter the property relations that had existed before independence, and that Africans would continue, as before, to be subordinated to the European economic needs. It is beyond doubt that the continuist Zimbabwean government, predominantly composed of the revolutionary elite emerging from the bush guerilla war, apparently lacked the technical knowhow of managing national affairs. The aspirations of the people who had supported them during the armed struggle had to be balanced with those of the white descendants for the sake of progress and order. Independence was an empty victory given the dilemma of a people-oriented transition that confronted the government in the first decade of political independence.

The new black government made efforts to reduce the racially induced economic differentiation by promulgating Growth with Equity. This saw a geometrical increase in enrollment figures in the education sector for Africans and that was designed to counter the negative effects of the dualistic and bottleneck system. All government efforts and energy were directed to the growth of the formal industrial sector and, like its predecessor, little or no attention was given to the informal sector. Universities were established and these were churning out graduates who were supposed to be employed in the formal sector. It is not surprising that even up to this day, many economically active Zimbabweans, most of them college and university graduates, view the informal sector, or the entrepreneurship domain, as only fit for those who academically failed to excel. It can strongly be argued that Zimbabwe inherited the British education model that was too bookish and theoretical as to be able to meaningfully and relevantly transform the lives of Africans economically. It was, indeed, a system that removed Africans from the practical domain. Many people accidentally became entrepreneurs as soon as the economy was plummeting irredeemably.

From the 1990s to the new millennium, the economy was facing challenges leading to the serious economic meltdown. Serious downsizing and retrenchments left many people unemployed just at a time when the shrinking formal industry could no longer take up more people. It was during this period that saw many Zimbabweans taking up entrepreneurship mainly to supplement their merger incomes in the hostile economic climate. Whilst credit should be given to the government for making efforts for the growth and sustenance of entrepreneurship in Zimbabwe through the setting up of the Ministry of SMEs, SEDCO and AAG for example, our colonial past continues to haunt us. African mentality still remains stuck with what Europeans prescribed for us, for example, that the African was supposed to provide cheap labour,. Many entrepreneurs still continue to face challenges in accessing loans from local banks because they do not have collateral security owing to a past in which they owned nothing. Lending requirements have not been changed to conform to, and take cognizance of, the financial situation of those requiring loans.

**Prospects and future of entrepreneurship**

The positive contributions that the Zimbabwean entrepreneurs make continue to grow and cannot be ignored. However, the most worrying trend of entrepreneurship is that it has tended to be dominated by the ‘consumerist ideology’ for its heavy reliance on buying and selling with other key aspects of a performing industry such as manufacturing, lagging behind. There has been a lot of will and energy on the part of upcoming entrepreneurs, but the skills side has been lacking. Most of them require education in financial literacy and management so that they turn professional and make significant contributions to the state’s development. The formal and informal sectors ought to be married together and start complementing each other. By formalizing the informal sector, their efforts should be appreciated and taken on board to acknowledge their role as significant contributors to the country’s Gross Domestic Product(GDP) and Gross National Product (GNP). SMEs in both developing and developed economies are considered to be the engine for economic growth, apart from contributing to the growth of national GDP and the reduction of unemployment (Asare, 2014). In Ghana, for example, data from the Registrar General indicates that 92% of the companies operating in the country are registered as small and medium firms (Asare, 2014). Quote from Edinburgh document for statistics from other European countries

Most SMEs in Africa share the same characteristics. Firstly, most are dominated by one person who takes all the executive decisions of the enterprise despite the limited education and access to new technology and credit. Secondly, the colonial background resulted in paucity of management skills and complete absence of strategic planning. Thirdly, most of the enterprises are not viable because the capital to start a business is usually exhausted well before it takes off the ground, and financial institutions are not always forthcoming to bail them out. For example, Small Enterprises Development Corporation (SEDCO) offers a list of requirements for loan application which are difficult to satisfy in that apart from all other inhibitive conditions, the applicant must reveal a bankable business plan or proposal with cash flow projection of up to two years, statement of financial
position at the time of application and documents that confirm one’s legal status of the business. A random survey in the Harare Business District (CBD) indicates that most entrepreneurs rent the premises from which they operate. This constraint disqualifies them from accessing loans. The SEDCO mandate is to develop small and medium scale enterprise and offer business training and consultancy services to the borrowers who first undergo a rigorous qualification vetting exercise. Unfortunately, the programme is government funded and the budget vote since its inception in 1984 is too little to effectively sustain the company’s operations. It is clear from the foregoing that those business people who have access to the limited loans are usually those already in business. The demand for collateral security literally elbows out upcoming entrepreneurs from mainstream entrepreneurship.

Of interest to note is a scenario that is rampant in Harare where vendors sell products on front pavements of shops that also have the same items at much reduces prices and without any token show of adherence to normal business ethics. These people are mobile and can hardly remit taxes to the government because they do not own property. While acknowledging government efforts to empower the urban poor through Zim-Asset, a worrying trend throughout the cities and towns in the country continues to develop unabated. On one hand, established business entities that remit taxes to government cannot helplessly watch vendors, who do not pay tax, diverting their potential clients to them. On the other, the reality of an informalised urban economy cannot be wished away, yet the government seriously needs tax to help in sustaining its national development programmes.

Zimbabwe is still reeling under international economic sanctions which have inadvertently led to a precipitate flight of foreign capital simply because the dominating foreign-owned manufacturing industries shut down at the height of Economic Structural Adjustment Programme (ESAP) and the Third Chimurenga. As such, external lines of credit for indigenous entrepreneurs to grow their businesses or to resuscitate underperforming entities are very limited. The economy of a country cannot depend on buying and selling without a parallel manufacturing sector in the balance.

VI. Conclusion

The Zimbabwean economy must reckon with the inevitable existence of the informal and formal sectors that are so heavily interdependent. In recent years, government focus to facilitate the growth and development of SMEs through the creation of the Ministry of Small and Medium Enterprises, though commendable, has not yielded the desired outcomes due to structural, economic and political constraints. Youth empowerment programmes have been politicized in most cases to the exclusion of key players that are indispensable in the drive towards developing an entrepreneurial culture in Zimbabwe. The political elite have themselves a domineering effect and continue to perpetuate in earnest, the colonial mentality where new forms of black to black exploitative relations hinder the emergence of more business people. Vocational centres all over the country impart the requisite skills practically needed by would-be entrepreneurs, but they continue to be looked down upon because only those students who fail to excel academically enroll at such institutions. The academically gifted elect to enroll at prestigious universities to earn their degree qualifications. There is a strong possibility that some of the best brains end up in the wrong work places.

The precipitate flight of skills to greener pastures is clear indication that government priorities with regard to entrepreneurship in the country must, of necessity, deserve reconsideration and re-assessment. There is need for government to facilitate and promote the competitive levels of its own local SMEs, and to ensure that these MSEs are able to internationalize and favourably compete. There is need, too, for government to play the interventionist role so that entrepreneurs are legally protected from exorbitant rentals which erode their profits.

Government income from advertisements ought to be proportionate to the size of the enterprise, and the fee to be determined after a careful evaluation of the business viability of the entity. Put simply, it is the role of government to craft pro-SME licensing regulationsto reduce bureaucratic red tape that causes unnecessary registration delays. Tax breaks and/or tax exemptions for SMEs will help in easing start-up capital requirements for those up-coming indigenous business people who have historically been disadvantaged. At a time when the government is grappling with a diminishing fiscus, their objective re-focus on SMEs should include improved access to finance and provision of more support and business information. The internet and media must be viewed as the new frontier for high performance entrepreneurs as these facilitate extensive networking across the globe. National programmes and policy frameworks that attract those with skills in the diaspora back into the country will enhance the economic well-being of Zimbabwe. The rural folk do not possess title deeds to the pieces of land they own. It is incumbent upon the government and other stakeholders to progressively institute pro-poor legal instruments that accord the rural communities land entitlements for the sake of borrowing from financial institutions. Since SMEs are labour intensive and so create employment, such policy measures make it possible for development to cascade to rural areas in general and to Growth (‘Development’ is more appropriate) Points in particular. Politics must be viewed as the converse of economics, and that the two must not be subordinated to each other.
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