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SMEs Policies and Challenges: A Comparative Analysis of Zimbabwe and South Korea

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Abstract- This comparative study examined the policies and challenges of SMEs operating in Zimbabwe and South Korea. Data were collected using focus group discussions, document analysis, interviews and observations. The sample of the study constitutes of SMEs operating in urban areas of Seoul and Ansan, Harare and Chinhoyi of South Korea and Zimbabwe respectively. The major findings revealed that SMEs in the two countries face similar major challenges what differs is that they operate in different policy environments. This research concludes that South Korea's policies are more supportive to the SMEs sector and hence has led to a miracle economic growth as well as lower mortality rate of SMEs in South Korea while Zimbabwe's policies are less supportive resulting in higher failure rate of SMEs. The study recommends an econometric investigation of the utility of the traditional production model in SMEs in the two economies. The economic model {Q=f (K, L)} states that growth (Q) is a function of Technology (K) and Labour (L).

Index Terms- SMEs, Policies, Challenges, Economic Development, South Korea, Zimbabwe

I. Introduction

One longstanding and polarised debate in global development concerns the role played by SMEs in economic development. SMEs across the globe have been hailed for immense employment creation, Gross Domestic Product contribution, export earnings and the general well-being of the populace. Major economic giants such as South Korea, Taiwan, Japan, Malaysia and China are thriving on SMEs. These countries are now regarded as the new worlds. Their industrialisation has been brought about by SMEs contribution. Across the world the focus of every country is on SMEs development. Major support policies are being crafted to spearhead SMEs development. Zimbabwe has also adopted the stance of sprucing up its economy through channelling resources to the development of SMEs. However the current scenario shows that Zimbabwe is facing a plethora of challenges in that pursuit but the challenges seems not to be unique since they show a lot of similarities to those being experienced by South Korea. Therefore this study is based on a comparative analysis of challenges and policies of Zimbabwe and South Korea's SMEs.

1.2 Background of Zimbabwe and South Korea.

1.2.1 Zimbabwe

Zimbabwe is a landlocked country surrounded by Mozambique, South Africa, Botswana, Namibia, Zambia and Malawi. It is endowed with natural resources such as high abundance of sunlight, precipitation and water bodies which gives the country a high potential for agriculture (arable land of about 390 757 km2) and has the Victoria Falls which is one of the seven wonders of the world. It is rich in minerals such as diamonds (about 25% of the world supply), platinum group of metals, gold, tantalite, chrome, iron ore, copper, nickel and others. It is rich with flora and fauna and a home to the big five.

Zimbabwe has a young population of 13.06 million with a life expectancy of 60 years. It is composed of three ethnic groups and languages namely Shona (82%), Ndebele (14%), others (4%). The official language used in Zimbabwe is English although languages such as Shona and Ndebele are widely used in Mashonaland provinces and Matebeland provinces respectively. The major dominating religions in Zimbabwe are Christianity 75%; Indigenous Beliefs: 24%; other: 1%. Currently Zimbabwe is using multicurrency as its official currencies (USD, SA Rand, Botswana pula and Euro. Remarkably Zimbabwe is one country with the highest literacy rate in Africa.

Historically the country was once a British colony and gained independence in 1980, on 18 April. In 2000, the country embarked on land reform which led to many landless Zimbabweans getting access to their native land. The country also proceeded with the Economic Empowerment and Indigenisation policy (51/49%), where foreigners were asked to cede 51 per cent shares of their companies operating in Zimbabwe to locals. Due to the land reform and Economic Empowerment and Indigenisation policy, Zimbabwe was slashed with sanctions by Britain and America. This led to the deterioration of the economic activities in the country.

The economic background of Zimbabwe is characterised by tight liquidity conditions in the financial sector, non-performing loans, large corporates closures, low production levels (capacity utilisation 36% in 2014), power deficit of 1000 MW, (Demand 2200-Supply 1203MW),rising formal unemployment -around 80% and a disproportionate trade balance- trade deficit of about 23% of GDP .The Gross Domestic Product of the country has been increasing at an increasing rate as from 2009 to 2011 and started increasing at a decreasing rate as from 2011 to 2014 .

The continuous deterioration of the economy and closure of large corporates made the country to refocus on SMEs as safety nets and for these SMEs to close the gap which was left by large corporates. To that effect the government established a Ministry of Small Medium Enterprises to cater and advocate for SMEs policies. SMEs are contributing more than 60% on employment, Gross Domestic Product and to the tax base. Though the government of Zimbabwe started its focus on SMEs as from 1980 through enactment of Small Enterprises Development Corporation, SMEs are still facing a mirage of challenges despite numerous policies and supporters of SMEs in Zimbabwe.

1.2.2 South Korea

South Korea is an Asian country. Koreans are primarily from one ethnic family and speak one language, they share distinct physical characteristics and are believed to be descendants of several Mongol tribes that migrated onto the Korean Peninsula from Central Asia. According to South Korea 2011 statistics, South Korea's total population was estimated at 49,779,000. A notable trend in South Korea's demographics is that it is growing older with each passing year. In the 1960s, Korea's population distribution formed a pyramid, with a high birth rate and relatively short life expectancy. However, age-group distribution is now shaped more like a bell because of the low birth rate and extended life expectancy. It is projected that by the year 2020 youths (15 and younger) will make up a decreasing portion of the total population, while senior citizens (65 and older) will account for some 15.7 per cent of the total population. In South Korea about 46,5% of the population have no religion,29.3% are Christians,22.8% are Bhuddism,0.4% Islam,0.3 % Won bhuddism,0.2% Confucianism,0.1% Cheondoism and 0.4% others (SBC,2015).

South Korea seems to share the same experiences with Zimbabwe but however their SMEs policies seem to be better than Zimbabwe. Similarly, South Korea was once a colony of Japan and gained independence in 1945. South Korea embarked on land reform, distributing land from Japanese to Koreans and invested heavily on farmers. South Korea believes in SMEs and has invested aggressively in this sector since their independence and crafted policies to support SMEs. Despite sharing same experiences and same focus, Zimbabwe is lagging behind in SMEs development while South Korea is booming, although SMEs in South Korea seem to face same challenges like those faced by Zimbabwean SMEs. This has premised this research in comparing SMEs challenges and policies faced by these two different countries.

1.3 Objectives

The research study's main aim was to compare the challenges and policies being faced by SMEs in Zimbabwe and South Korea.

1.4 Justification of the study

Both countries have suffered colonial rule, Zimbabwe was colonised by Britain while South Korea was colonised by Japan. They also attained political independence through liberation struggles and they belong to the South-South Cooperation. Both countries seem to be facing similar challenges but operating in different policy environments. However South Korea's SMEs seems to be prospering as compared to Zimbabwe.

1.5 Literature Review

Small Medium Enterprises has been defined and used differently in various contexts. Definitions vary between industries, countries and even between studies (Davidson, 1989). A small firm in the UK, for example, is not necessarily a small firm in the Zimbabwean business environment. However the different variables that are widely used include the number of employees, the capital base, fixed assets employed, level of turnover, type of business, degree of formalisation and some combination of variables (Davidson,op cit.; Havens and Senneseth, 2001; Premaratne,2001; Ozcan,1995). Maseko (2011) confirms that authors do not unanimously agree on one definition of SMEs across all academic disciplines. No single definition can capture all the dimensions of a small and medium enterprise.

In Zimbabwe, legally the Ministry of Small Medium Enterprise Cooperation define a small enterprise as a business that employs not more than 50 employees while operating as a registered entity and a medium enterprise as one employing up to 75 and 100 people. Also SEDCO (2010) does not differentiate between Small and Medium enterprises and further defined it as a firm that has not more than 100 employees with maximum annual sales of up to $830 000.

Small and medium-sized entities (SMEs) play important roles in economic growth and sustainable development of every nation, (Moore et al., 2008). The growth of SMEs is a critical ingredient in the sustainable development of developing economies (Mudavanhu et al., 2011). According to Storey and Westhead (1994), SMEs are regarded as the seed-bed for the development of large companies and are the life blood of commerce and industry at large. Entrepreneurship the world over today is regarded as a panacea to unemployment, poverty reduction and economic growth (Reserve Bank of Zimbabwe (2009). SMEs have been identified as sources of innovation and business evolution (Wynarczyk et al., 1993).

Globally, Small to medium enterprises are being hailed for their pivotal role in promoting grassroots economic growth and equitable sustainable development (Munyanyiwa, 2009). Literature noted that in the USA and EU countries it is estimated that SMEs contribute 40-60 percent to Gross Domestic Product and 30 to 60 percent in exports. It is also highlighted that Asian Tigers such as India, Indonesia, China, Malaysia, Japan and South Korea also have thriving SME sectors contributing between 70 to 90 percent in employment and an estimated of over 40 percent contribution in their respective GDPs (SBC,2015). Whilst in African power houses such as South Africa, Egypt, Nigeria and Kenya, the SME sector is estimated to contribute over 70 percent in employment, and 30 to 40 percent contribution to GDP (Munyanyiwa 2009). Empirical evidence according to Mbendi (2003) indicates that SMEs in Zimbabwe contribute less that 5 percent to GDP.

SMEs are confronted by a number of opportunities and challenges. Some of these opportunities and challenges are caused by the SMEs themselves, some are caused by the corporate world while others are caused by government policies and legislation. Of importance in this study are the opportunities and challenges that relate to government policies, legislation and actions. The government, through its policies and legislation acts as both a barrier and a facilitator of the establishment and development of SMEs.

1.6 Research Methodology

In investigating the situation of the SME sectors in South Korea and Zimbabwe, the researchers adopted an embedded mixed research approach. A similar triangulation technique has been used widely in policy studies by the Institute of Policy Analysis and Research (IPAR). Primary data were collected from a purposively selected sample of SMES and scholars drawn from the four urban areas participating in the study. Focus group discussions (FGDs) were conducted from the following urban areas; Ansan, Seoul, Chinhoyi and Harare. Observations were also made to corroborate the data collected through interviews and FGDs. Some of the interviews were conducted using the information and communication technology. In this case social networks like the WhatsApp, Facebook, and twitter were used to collect the data. Secondary data for this study were collected from literature on SMEs in general, SMEs in South Korea and SMEs in Zimbabwe. The researchers took advantage of their tour in South Korea (2015) to undergo training on SME policies sector for sustainable development.

In conducting this study, the researchers observed the 1948 Nuremburg Code which states that respondents have the right to refuse to participate in a research. All the respondents willingly consented to participate in the study; informed consent was sought after the researcher had disclosed his intentions to the sampled respondents. The researchers observed Patton's (2002) advice that no attempt should be made to deceive the respondents. The respondents were protected from all forms of physical and psychological harm. Where necessary, codes were used in place of names (SK for a respondent in South Korea and ZW for a respondent in Zimbabwe). No individuals with diminishing autonomy were involved in the study.

1.7 Major Findings

The SME sector in South Korea is small in size but big in potential; it employs 88 per cent of the total workforce, accounting for 99 per cent of the total number of companies and they make up 50 per cent of the country's GDP (SBC 2015). This section presents the research findings under the following thematic areas; definition of SMEs, Challenges faced by the SMEs in the two countries, and country specific Policies of dealing with the challenges. The themes emerged from the data sets.

1.7.1 Definition of SMES

The study established that South Korea and Zimbabwe have different definitions of SMES. The table below summaries the definitions by law

Industry	**No. of Employees**		**Capital Base** (*upper limit*)		**Annual Sales** (*upper limit*)	
	S. Korea	**Zimbabwe**	**S. Korea**	**Zimbabwe**	**S. Korea**	**Zimbabwe**
Manufacturing (12 sectors)	<300	Up to 75	KRW 8 billion (US$8 million)	US$1000 000	US$100 million	US$1000000
Manufacturing (6 sectors)	<300	Up to 75	KRW 8 billion (US$8 million)	US 1000 000	US150million and US$80million	US$1000000
Mining	<300	<75	KRW 3 billion (US$3 million)	US$2000 000	(US$100 million)	US$3000 000,
Construction	<300	<300	KRW3 billion (US$3 million	US$2000 000	(US$100 million)	US$2 000 000
Transportation	<300	<300	KRW3 billion (US$3 million	US$500000	(US$80 million)	US$1000000
Publication, broadcast, services (business support, IT etc	<300	<75	No threshold	US$500 000	KRW30billion (US$80million)	US$1000 000
Wholesale and retail	<200	<75	No Threshold	US$50 000	KRW20billion (US$100 Million)	US$1000 000
Financial services	<200	<75	No threshold	US$500 000	$40 million	US$1 000 000
Agriculture,	<200	<75	No threshold	US$500 000	$100 million	US$1 000 000
Utilities	<200	<75	No threshold	US$500 000	$100 million	US$2 000 000
Environmental services, education etc	<100	<75	No threshold	US$500 000	KRW10billion (US$40 million)	US$1 000 000
Real Estate Services	<50	<75	No threshold	US$500 000	KRW5billion (US$40	US$1000 000

Source: SBC (2015) and Finscorp (2013)

South Korea uses two criteria to define SMEs; namely number of employees or capital and number of employees or sales. This is slightly different from Zimbabwe which consistently uses the three parameters combined to define SMEs. Both countries categorise the SME sector into micro, small and medium depending on the thresholds of the parameters and economic sector.

1.7.2 Contribution of SMEs

In both countries, SMEs are regarded as engines of economic growth. In Zimbabwe the SMEs sector contributes over 60% to the country's GDP and employs about 5.8 million people (Fin scope Survey of 2012) compared to the SMEs sector in South Korea which contributes over 52 % to the economy's GDP and employs 12.6 million people. The above statistics indicate that the SME sector in Zimbabwe contributes about 8% more to the country's GDP than what the South Korean SME sector contributes to their national GDP.

1.8 Distribution of SMEs

million)

The following tables 1 and 2 respectively show the distribution of SMEs in Zimbabwe and South Korea.

1.8.1 Distribution by class

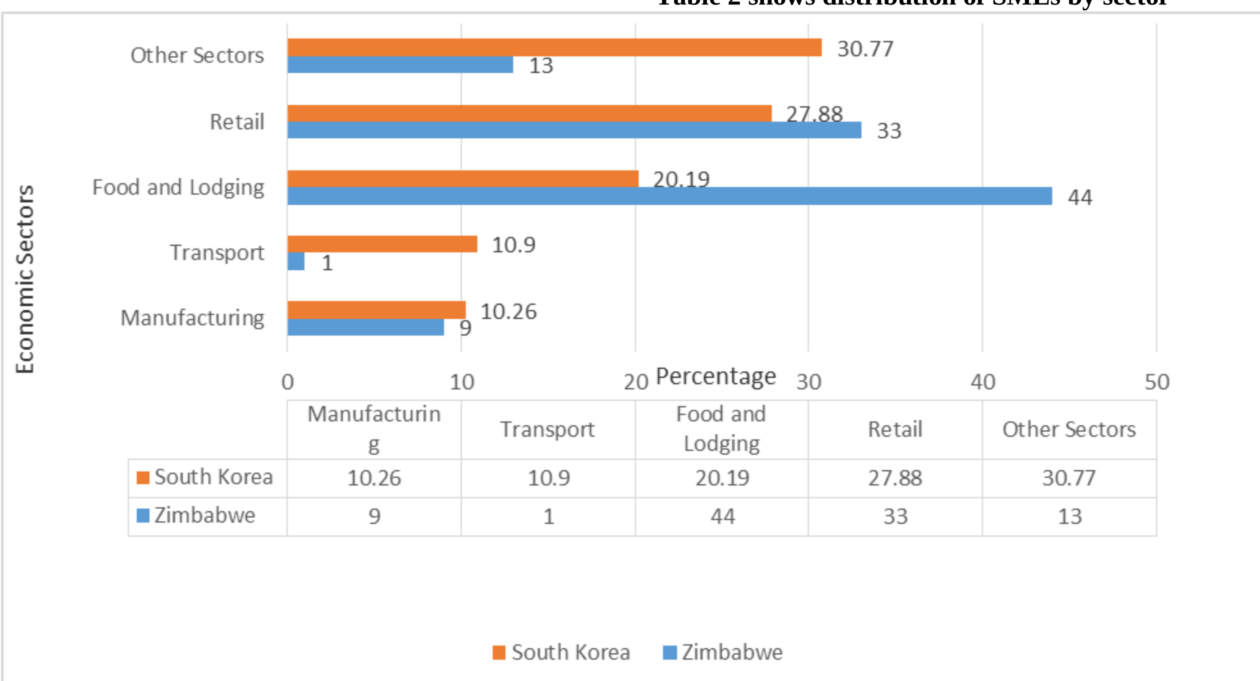
Table 8.1: Distribution of SMEs by class

Distribution of SMEs According to Class in the two countries				
Class	Zimbabwe (2012)		South Korea (2010)	
	No. of SMEs	%	No. of SMEs	%
Micro	2 660 000	95	2 750 000	88.1
Small	112 000	4	250 000	8
Medium	28 000	1	120 000	3.9
Total	2 800 000	100%	3 120 000	100%

Source: SBC (2015) and Finscorp (2013)

1.8.2 Distribution by Sector

Table 2 shows distribution of SMEs by sector



Source: Finscorp (2013) and SBC (2015)

1.9 Nature of SMEs

It emerged from the data that compared to the scenario in South Korea and in Zimbabwe that the large enterprise sector is shrinking in terms of numbers and productivity. In this regard Respondent ZW10 noted, the shrinkage is largely a result of the economic sanctions that were imposed on the country by the West at the turn of the 21st century. The sanctions could have affected the vertical and horizontal linkages of the large enterprises that were there prior to the economic sanctions, yet in South Korea both horizontal and vertical integration of firms is increasing especially in the petro-chemical industries. Respondent SK02 argued that the current economic and indigenisation policy by the GoZ is scaring away FDI living the economy in the hands of the struggling SME sector. More than in Zimbabwe, in South Korea more and more SMEs are upgrading to large enterprises.

The fact that fewer SMEs in Zimbabwe are maturing to large enterprises is not unique to Zimbabwe. Caroline's (2013) study of SME upgrading revealed that instead of growing, MSEs in most countries run the risk of folding due to challenges which they always face. Unlike in South Korea, SMEs in Zimbabwe face a liquidity crunch which (Mehlomakulu 2014) is a result of low FDI, high import bill, high country risk, illicit capital outflows and low consumer confidence.

1.10. SME Policies in South Korea and Zimbabwe

The SME sector in both South Korea and Zimbabwe operate within government policies. In South Korea, Small and medium business cooperation was formed to assist the SME sector grows. The SBC provides customised support on company's stage in its growth cycle (start-up growth-leap) to maturity. The policy idea is to promote business start-up and enhance competiveness of the SME sector. In Zimbabwe, this function is provided by the Ministry of Small to Medium Enterprises through the SEDCO. Both organisations offer loans for facilities and operation in order to promote business start-ups and create new jobs. The money comes in the form of investment and loan hybrid financing; under this scheme, the SBC SMEs are availed cheap loans. Two types of loans are available in South Korea; the income sharing loans[1] and growth sharing loans[2]. The GoS through the SBC also provide growth stage funding; this is called the technology commercialisation Fund. The facility offers loans to introduce production facilities and break into a new market in order to prevent excellent to commercialise development technology. Under this stage, the SBC[3] also provides new growth industry funds which offer loans necessary for competitiveness enhancement, such as improved productivity and high value –added products, to high potential SMEs with excellent technology and growth potential in order to create a growth engine and promote collectivization and collaboration of SMEs. Under the leap stage, the South Korean government provides structural adjustment funds. These funds offer loans necessary for the restructuring of less competitive SMEs to recover their competitiveness, and providing loans for facilities and operation to promote re-starting up based on knowhow o successful or failed entrepreneurs. The same government also provides emergency stabilisation funds. The fund offers loans to create a stable business environment for SMEs which are temporarily struggling due to difficulties in production and sales, natural disasters etc. the Government of Zimbabwe does assist SMEs but the process is somewhat different from that of South Korea. For instance, loans provided by the SEDCO are not neatly categorised as is the case in South Korea.

In line with the traditional growth model (Q=f (K, L) the government of Korea through the SBC develops human capital by providing passionate youths with an opportunity to start a business and SMEs with high quality training. Lessons to be learned by the government of Zimbabwe are that there should be a Youth Start-up Academy whose main function is to establish a comprehensive supporting system from technical assistance to training funds and marketing to ensure success of youth star-tups. Under this programme, 70 percent of the total project costs are subsidized (within a maximum of 100 million won- US$10 million). Besides, the Academy offers space for preparing starting –up, room for product development, common workplace and room for product release. Notably the academy also offers one-on-one coaching services by professionals with vast experience in addressing on-site problems.

The GoZ can also learn from the South Korean Smile stories which operate a private job portal to provide job information on best SMEs which the SBC and college students have found out in person (providing job information in real time through SNS). The goal of South Korea also provides Performance Compensation funds. Under this scheme employers and core manpower of SMEs create a mutual aid fund, which is provided to capable employees who have worked over 5 years as an incentive for long term service.

The study has revealed that the registration process for one to be considered an official SME in Zimbabwe is hectic and the requirements are difficult to meet. This has led to many SMEs operating without the required paper work. Respondents argued that the stiff requirements for legal recognition of SMEs have had a negative impact on their operations as they cannot acquire financial assistance, legal places to operate from as well as running the risk of losing their wares through confiscation by the police.

1.11 Summary of Major SME policies

1.11.1 Summary of Major SME policies of Zimbabwe.

Year	SMEs Policies Crafted
1983	Small Enterprises Development Corporation Act:
2002	Ministry of Small and Medium Enterprises was established to support SMEs
2008	It incorporated cooperative development and was renamed Ministry of Small and Medium Enterprises and Cooperative Development
2002-2007 and 2011-2016	The Ministry put in place a SME Policy and Strategy Framework 2002- 2007, It was revised for 2011-2016 period
2014-2018	Formulating policies to create an enabling environment- SME Act (Chap 24: 12) , Revised Policy and Strategic Framework 2014-2018- Launched on 25 June 2015

1.11.2 Summary of Major SME Policies of South Korea

1945-1960	South Korean SMEs Policies Establishment of the SME Department in the

[1] Income sharing loan: after financing, receive income-related interest (fixed interest + income –related interest) based on the company's sales performance.

[2] Growth sharing loan: acquire convertible bonds (CBs) and offer loans at a low interest rate.

[3] The Small and Medium Business Corporation provides Korea's SMEs with a wide range of services, such as policy funds, corporate consulting, technical support, marketing, global cooperation and human resources training in order to enhance their global competitiveness (Chae-Un Lin 2015)

	Ministry of Commerce and Industry
1961-1971	Promulgation of the Law of SME Business 1961-1971-Adjustment (1961); Establishment of the SME Bank (1961) - Establishment of the Korea Federation of Small and Medium Business (1962) - The Export Promotion Act (1962) - The SME Framework Act (1966) - Establishment of export industrial complex (Seoul and Inchon, 1966)
1972-1981	-The Law of Credit Guarantee Fund (1974) -The Law of the Promotion of SME Systematisation (1975) -The Law of SME Promotion (1978); Establishment of Small Business Corporation (1978)
1982-1992	The Law Promotion of Procurement from SMEs (Collective Negotiated Contract System, etc.1981); Implementing the "SME-Only" Business Policy (1982) - The Law of the Support for SME Start-ups (1986) - The Law of Technology Credit Guarantee Fund (1989); The Law of the Promotion of SMEs and the Procurement from SME Products (1989)
1993-1997	Abolition of "SME Only" Policies; Re-structuring and reforming SMEs (Concentrating on technology development, automation of production lines, promotion of start-ups) - Expanding Obligatory Loans to SME to 45%; Regional SME development - Establishment a SME control tower, the Small and Medium Business Administration (1996)
1998-2008	The Law of Special Measures for the Promotion of Venture Businesses(1997), Amendment on the Small Business Act (1997), The Law of Women Owned Businesses (1999)
2008-Present	The increasing magnitude of bi-lateral and regional free trade regimes - Increasing regulations derived from the augmented awareness on environmental protection -threats and opportunities (e.g. the rise of the green economy, green technology, the "silver" economy) - Generation changes occurring in Korean enterprises

1.12 Accessing finance from financial institutions

In both countries financial assistance to the SME sector is divided into indirect funding and direct funding. Bank loans are the largest supplier of funding to the sector. In South Korea, bank loans amounted to US$443.5 billion in 2010 and the figure shot up to US$471.6. Indirect funding comes in the form of bank loans, credit guarantee. According to Respondent ZW9, SMEs are perceived to have a high risk profile by financial institutions. This results in players within the sector being charged higher interest rates compared to larger firms, thus unnecessarily increasing operating costs and reducing the competitiveness of SMEs. The exorbitant cost of capital could be one of the reasons why some SMEs fail to repay the loans, causing them to lose assets they would have provided as collateral security. In addition, the high rates also make SMEs hesitant to take the risk of borrowing from SEDCO fearing to lose assets due to failure to repay the debt. Under such a circumstance, the growth of SMEs becomes hindered. In Zimbabwe 67.4 per cent compared to 5.2 percent of the SMES in South Korea did not receive external finance despite having applied for it. The above finding is corroborated by a statement by the Reserve Bank of Zimbabwe, which states that as at May 2012, total loans that were extended to SMEs by the various institutions amounted to $164, 4 million (about 5%) of total loans of $2,8 billion. The respondents claim that Banks' insistence on collateral, lengthy and tedious loan processing, stringent documentation requirements, complicated procedures in applying for loans, including from government schemes, and high interest rates undermine SMEs potential to survive. The futures of SMEs depend on what government policies do for the entrepreneurs.

Unlike in South Korea, SMEs in Zimbabwe are suffering liquidity challenges. Respondent SK5 explains the link between liquidity and SME growth as; 'In depressed economic and financial set up, the interest rates on bank loans is too high, the amortization period for the loans is too short, and the amount of the loans given to the borrowers is too small.' Finance is needed for SME growth (Muchabaiwa 2011; Basil 2005) without it there is premature death of SMEs.

In both countries, Multinational Corporations (MNCs) conduct business with SMEs. However unlike in South Korea, the migration of large companies out of Zimbabwe is a challenge to the growth of SMEs in the country. Fortunately, the GoZ is re-examining its indigenization policy to attract FDI of MNCs because of their pivotal role in the economy and for SMEs to grow and survive. Respondent SK7 noted that if MNCs pull out, many SMEs may close shop and others would find it difficult to access technology/spare parts or components. Similar studies by Tendler and Amorim (1996) and Aremu (2004) have confirmed that scarcity of technology and skilled workers hampers SME growth in most developing countries. This confirms the significance of the Q=f (K, L) growth model in explaining what should be done to improve SME viability in both countries. SMEs are aware of the need to become more resilient and competitive in the face of economic changes.

1.13 Managerial Experience

It emerged from the study that financial management is one of the main reasons for challenges being faced by SMEs. In both countries SMEs performance is closely linked to entrepreneurial skills of the proprietor. Proprietors with business related qualifications tended to survive by 30% more than non-qualified proprietors. This finding confirms the traditional production model Q= f (K, L) economic production model. According to this model an increase in quality of L (human capital) stimulates an increase growth of an SME (Q). In line with this model, South Korea has put in place SME training centers like the SBC. The role of the Centre is to train SME in all issues that are related to business. The centers provide working space and monitor SMEs from start up to upgrade. This is one facility that is lacking in Zimbabwe. Respondent ZW6 notes, 'SME failure is high in Zimbabwe because of poor training and monitoring of the sector by Government.' The GoZ should support the SMEs by creating a well conducive environment and infrastructure for the SMEs to operate without hindrances. Lack of well-groomed managers in some SMEs has resulted in inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, and inability to engage or employ the right caliber staff.

1.14 Infrastructure

Infrastructure is an important factor in SMEs growth. More than in South Korea, most of the infrastructure being used by many SMEs in Zimbabwe is either dilapidated or is inadequate to accommodate the assigned SMEs. At Mupedzanhamo market in the high density suburb of Mbare there is no adequate toilet infrastructure for the vendors and their customers. At Glen View complex, SMEs produce further but have no proper storage space; the raw materials, unfinished products and finished furniture are exposed to harsh weather conditions such as heat and rain.

Unlike in South Korea, in Zimbabwe SMEs especially those in the agricultural sector face severe challenges of drought due to climate change and environmental risks. The impacts of climate change include droughts. The decreased availability of water may also affect hydro-power production in the energy sector, and higher numbers of people are exposed to vector- and water-borne diseases. Respondent SK1 notes that SMEs in Zimbabwe, more than those in South Korea rely heavily on inefficiently provided state infrastructures such as electricity and water and cannot afford the cost of developing any alternatives.

KODIT in South Korea and SEDCO in Zimbabwe are government owned SME funding partners. In cases of default by SMEs, these organisations have the power to attach properties that would have been had surrendered as collateral security. Since SEDCO is under a Ministry, one can therefore argue that the Government is directly or indirectly sanctioning the activities by SEDCO. Directly, it is sanctioning this behavior by not protecting the SMEs who would have defaulted repaying their loans. Indirectly, the Government is sanctioning this conduct by SEDCO by not adequately funding its activities, thus allowing it to leave on solely on its revolving finances. It is important to note that as much as some of the SMEs default in the payment of their loans due to mismanagement, a significant portion default due to a non-conducive economic environment in which these small to medium enterprises exist. Struggling SMEs use labour intensive farming methods, output is low in terms of quantity and quality- and their products are less competitive on the open market.

1.15 Environmental challenges

Both South Korea and Zimbabwe have enforceable environmental laws, however contribution to industrial pollution by SMEs in both countries is high. This is because SMEs prefer low-cost solutions which are not always the best for the environment. This is not unique to the two developing countries; in Europe SMEs contribute 64 per cent to industrial pollution and up to 24% of SMEs actively engage in actions to reduce their environmental impact (Euro-barometer Survey 2012).

Respondent ZW10 reflects that South Korea has a greater capacity to deal with environmental issues; *South Korea is technologically more advanced and it has a higher GDP per capita of about $2 000 compared to Zimbabwe which is not only technologically less advanced but experiencing a low GDP per capita of about $411.* The above idea seems to indicate that there is a direct relationship between economic growth and ability to deal with environment issues; a country with a higher economic growth rate has a greater potential to enforce environmental laws. Respondent ZW3 explains the situation in Zimbabwe as;

Our SMEs largely lack intricate knowledge on effects of pollutants to the environment, more emphasises on income than environmental wellness, inadequate environment management systems and high informality of the sector make SMES in the country contribute more to industrial pollution, low capitalisation of the sector and low investment in waste management techniques or technology compound the situation in the country. GoZ does not have enough manpower and resources to monitor adherence to environmental impact assessments by SMEs and the country have an average of 3 environment inspectors per district.

1.16 Conclusion

SMEs in both countries contribute significantly to employment creation and to the economic development agenda of their countries. Governments in both countries recognize the need to support SMEs and so have and continue to review their policies in a bid to improve the operational environment of the sector. SMEs in both countries have similar major challenges; the generic challenges relate to; accessing business finance, skills and technology shortage, inadequacy or improper infrastructure, lack of managerial skills and environmental challenges. In all these areas; South Korea fares better than Zimbabwe.

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