FINANCE AND FIRM CHARACTERISTICS IN ZIMBABWE

Patricia Lindelwa Makoni*, Lindiwe Ngcobo**

Abstract

The purpose of this study was to examine the impact of firm-specific characteristics on the accessibility of firm financing in Zimbabwe using 2011 data from World Bank enterprise surveys. The results of the study show that firm characteristics in Zimbabwe determine the type of financing that is used for investment and working capital purposes. Small firms seem to rely more on internal financing as opposed to using bank funds, probably due to their small operations and lack of assets to put up as collateral. The larger firms however find it easier to access bank finance as they are much older in terms of age, have developed good relations with their financial services' providers and are also able to provide the required collateral to back their lines of credit. Both domestic and foreign-owned firms highlighted financial constraints as a major obstacle to their businesses. However foreign firms seemed to access bank loans easier than domestic firms. Also, gender seems to play a minor role in the financing decisions of the firm. It is therefore recommended that the Government engages the financial market intermediaries to find feasible business financing solutions for all sized firms, especially those owned by locals. This would lead to the much-needed economic growth through investment attraction and employment creation.

Keywords: Finance, Firm Characteristics, Zimbabwe

** Department of Finance, Banking and Risk Management, the University of South Africa (UNISA), P.O. Box 392, UNISA, 0003, South Africa.*
Tel: +27767538234
Email: makonpl@unisa.ac.za or patricia.makoni@gmail.com
*** Department of Finance, Banking and Risk Management, the University of South Africa (UNISA), P.O. Box 392, UNISA, 0003, South Africa*
Tel: +27124294083
Email: lngcobo@unisa.ac.za

1. Introduction

There is no doubt that the backbone of many developing economies is the small business sector. Firms in this sector are used to stimulate the local economy by providing employment, services and products which are sometimes not viable for larger firms to engage in. However, in order to start or grow any form of business entity, finance is essential. There are various forms of corporate finance sources available to firms, depending on a variety of factors. Finance in the business context, as described by Gitman & Zutter (2012), requires certain money decisions to be made. These decisions include how firms raise money, how they invest money to generate profits and how they decide whether to reinvest profits or distribute them to investors. For the purposes of this study, it will therefore be important to understand how these decisions guide the actions of the firms which were surveyed. Corporate finance can be used to meet either long-term firm needs (investment) or short-term needs (working capital).

Out of the 600 surveyed firms in Zimbabwe, access to finance was ranked first out ten business obstacles encountered by firms conducting business in Zimbabwe by 46.6% of the firms. This was followed by political instability (27.6%), while concerns regarding practices of the informal sector were ranked third (12.0%). Robb & Wolken (2002) acknowledged that firm size, type and age may influence the financing decisions of firms. According to them, younger firms may desire an injection of working capital for expansion projects but are unlikely to be approved as a result of their limited performance history. As a result, in its infancy, a firm is more likely to depend on internal finance or retained profits to sustain itself. This is because it does not have a track record which financial institutions can use to assess the financial health of the business. Also, smaller firms have less valuable or fewer tangible assets which can be put up as collateral for external finance such as bank loans or lines of credit. It is therefore not surprising that financial constraints were

mentioned as the leading hurdle for many of the surveyed firms. Zimbabwe is a land-locked, developing economy located in the Sub-Saharan part of Africa. It gained its independence from the British in 1980, and has since then been through many economic cycles. In the late 90s, and at the peak of its economic upswings, the Zimbabwean Government decided that some of the 1979 Lancaster House agreements had still not been honoured. These were mainly to do with land issues; hence the start of the infamous land invasions. This action shook the economy so much that the currency weakened against other major global currencies. The country went through periods of hyperinflation and high unemployment. Barely a decade later, the same Government felt that giving its people land was not empowering enough, and began considering nationalisation of foreign-owned mines, banks and other industrial firms. This resulted in a slowing down of FDI inflows as investors adopted a wait-and-see approach. Further to this, the lack of FDI inflows meant that firms had to adopt an inward-looking approach to most of their economic activities, in particular financing. The data used is from 2011, at a time when the Zimbabwean economy was at one of its worst periods. At that time, it had a gross national income (GNI) per capita of US$680.

Zimbabwe has since 2009 adopted a multi-currency financial system. As such, it has become a cash-economy and therefore most business transactions are cash-based. Although some firms do hold cheque or savings accounts, this is more to fulfil the requirements of the tax authorities than for transaction purposes. Also, there is a general consensus that the manner in which a firm conducts its transactional accounts can assist a potential borrower or investor in making a fair assessment of the business should it ever require a capital injection. Accounting records can be easily manipulated hence these are not heavily relied on. The need for any cash injections in Zimbabwean firms would have to come from the short-term market. Very few of the surveyed firms were listed or planning to list on the local bourse, hence equity finance was not an option for them.

Studies that apply firm-level data are limited and are primarily based on U.S firms. This study will focus on a developing country which has been plagued by various economic and political turmoil over the past few decades. In their study, Cavalluzo, Cavalluzo & Wolken (2002) noted that there are certain differences in the financing activities of female and male owned firms, and that those are often as a result of financial market imperfections. They went on to add that these differences are not necessarily as a result of discrimination against one gender, but rather a preference by the owners and managers of the firms, as well as firm-specific characteristics such as size, type and age.

We want to examine the impact of firm-specific characteristics such as firm size, firm age, ownership structure, managerial gender and location of the businesses on their access to financing in Zimbabwe, using data sourced from the World Bank Enterprise Surveys. This is deemed important as sound and appropriate investment policies such as ensuring access to finance for small business can promote local economic growth thereby reducing unemployment and poverty. For the purposes of this study, the terms "manager" and "owner" will be used interchangeably.

A snapshot of Zimbabwe's finance-related statistics for 2011 in relation to other countries in the Sub-Saharan region and the world at large is captured in Table 1 below.

Table 1. Zimbabwe Finance-related statistics, 2011

	Zimbabwe	Region (Sub-Saharan Africa)	Global
Percentage of firms with cheque/ savings account	93.5	86.8	87.7
Percentage of firms with a bank loan/ line of credit	12.5	22.5	34.9
Proportion of loans requiring collateral	81.4	80.1	78.0
Value of loan required as collateral (% of loan amount)	261.3	155.2	170.9
Percentage of firms whose recent loan applications were rejected	23.1	18.0	13.6
Percentage of firms using banks to finance investments	13.0	15.1	25.8
Proportion of investments financed internally (%)	84.8	79.4	69.7
Proportion of investments financed by banks (%)	8.6	9.9	16.2
Proportion of investments financed by supplier credit (%)	5.9	3.6	4.7
Proportion of investments financed by equity/ stock sales (%)	0.4	2.0	4.7
Working capital external financing (%)	17.3	20.3	24.1
Percentage of firms identifying finance as a major constraint	63.5	44.9	32.5
Firm age (years)	33.3	13.1	15.3
Firm size (average number of permanent employees)	53.6	26.7	35.8
Percentage of firms with female top manager	17.6	15.3	18.5
Percentage of firms with female participation in ownership	56.3	33.1	36.6
Domestic ownership	94.2	81.2	87.5
10% or more foreign ownership	5.1	14.7	9.8

Source: World Bank Enterprise Surveys (http://www.enterprisesurveys.org), (2011)

From the table above, it can be assessed that there are more firms in Zimbabwe with a bank account, compared to the SSA region and the world. This is due to the higher formality of business incorporations and tighter tax authority regulation. Also, the Zimbabwean economy is highly cash-based which could explain why only 12% of the surveyed firms had bank loans at the time the survey was conducted. Other possible reasons for this low bank loan appetite are the high interest rates charged on loans (minimum 13%, AFDB, 2012), the collateral requirement on loans and the high rejection rate of loan applications for Zimbabwean firms. Further to these hindrances, of the collateralised loans, firms in Zimbabwe were expected to cede collateral up to 260% of the loan amount, compared to only 155% in SSA and 170% for the rest of the world. This high collateral requirement was an outright deterrent for many firms.

The state of the Zimbabwe economy made firm survival an ongoing battle. Although bank funding was available, it came at too high a cost. 63% of Zimbabwean firms identified access to finance as a huge obstacle in their businesses, compared to 44% in the SSA region. As such, these firms were forced to seek alternative funding sources and they hence resorted to internal finance. Internal finance was a short-term source of funding which could be used to sustain working capital requirements but not for firm growth and recapitalisation.

Looking at other firm characteristics, Zimbabwe, on average, had much older and more established firms than those for the SSA region, and a much bigger firm size averaging 54 permanent employees compared to only 27 in other SSA countries. If the Zimbabwean economy were more stable both politically and economically, this would have given the country a major economic boost. Like the other regions, Zimbabwe had a low percentage of female-run firms. In terms of the ownership structure of the surveyed firms, Zimbabwe, due to its Indigenisation Law which limits foreign ownership of companies, had 94% of the surveyed firms being domestic-owned. The average figure for SSA was slightly lower though at 81%. Foreign direct investment (FDI) in Zimbabwe hit all-time lows due to the hostile political and economic environment towards foreign ownership of firms and assets in that country.

2. Literature Review

Business success is dependent on the ability to access the required financing. Entrepreneurship and finance literature notably emphasises the existence of financial hurdles, implying that firms cannot raise external finance to fund their desired investments (e.g., Evans & Jovanovic, 1989; Fazzari et al., 1988). The evidence of firm financing is two-fold: that for well-established, older businesses as well as for start-up ventures. Hisrich & Brush (1986) identified access to capital and mobilisation of start-up financial resources as being the greatest barriers to business formation and success. Similarly, Lee & Denslow (2004) noted that financing is problematic during the firm's early stages.

A burning question of late has been whether access to financial resources external to the firm are determined by other non-firm-specific characteristics such as the owner or manager demographics by considering other personal attributes of the firm owners and managers such as their gender and even ethnicity. Discrimination in the financial markets takes form in multiple ways from social capital to non-financial factors such as gender, race, level of education, amongst others. In his classical model of discrimination in credit markets, Becker (1957) asserted discrimination arose as a result of lenders willing to pay a premium to be associated only with a certain type of borrower. An alternative to this is the statistical model of discrimination was postulated by Phelps in 1972 when he developed a model proposing that lenders were at liberty to use borrowers' demographic attributes if those attributes were correlated to their creditworthiness. Either way, both models of discrimination are socially and legally unacceptable. However, it has also become an economic norm to identify variables which may influence the outcome of a loan application by considering these non-firm characteristics which focus on the business owner. This is the case with Cavalluzzo et al., (2002) who examined loan approval rates for female-owned firms and found evidence of gender discrimination after controlling for the applicants' financial attributes of creditworthiness and solvency. Other empirical studies by Blanchflower et al. 2003 provide evidence of financier discrimination against borrowers based on race. Raturi & Swamy (1999) also found that in Zimbabwe, access to finance was problematic for black-owned indigenous firms.

It has however been found that discrimination in the financial markets is blurred when considering gender. With the exception of Cavalluzzo et al. (2002) who found evidence of higher denial loan application rates for females while examining U.S firms owned by white males and white females; other authors find no statistically significant effect of gender on the credit access gap (Cavalluzzo & Cavalluzzo, 1998; Blanchflower et al., 2003; Storey, 2004; Cavalluzzo & Wolken, 2005). It can hence be safely concluded that in U.S firms, there is no evidence of gender discrimination being applied in the credit market but could the same conclusions be reached for other economies.

2.1 Firm characteristics influencing access to finance

There are various firm-specific features which determine access to finance. As already alluded to by Robb & Wolken (2002), the size, type and age of a

firm are important financing determinants. Depending on what variable is used to measure the size of the firm, generally, the larger the firm, the easier it is to access credit. If firm size is measured in terms of assets, borrowers are more comfortable with loaning funds to firms with high-value assets as in the event of default, these assets can be seized and sold to offset the outstanding debt. Firm age is also a critical determinant of access to finance. The more mature the firm, the longer the performance history for borrowers to use in credit assessments, hence the higher the likelihood of getting loan application approval. Younger firms may therefore not qualify for bank lines of credit because of their limited performance history. This is confirmed by the findings of Robb & Wolken (2002) where they found that larger, mature firms were more likely to have outstanding debt smaller ones. Another factor which is sometimes overlooked is the firm's own credit history, which is often difficult to distinguish from that of the owner/ director. Hence, if the owner's personal finances and credit history are negative, this could have a profound bearing on the likelihood of the firm not being granted credit lines. Earlier studies by Berger & Udell (1995) also highlighted the importance of long-term relationships with bankers as a determinant for accessing finance. Such relationships and networks are believed to give borrowers a better understanding of the business requiring funding and therefore base their decisions on how long and how well the firm has conducted its transaction bank account.

2.2 Sources of finance

There are various sources of corporate funding available to business entities. Generally, a firm can utilise internal or external sources of funding to finance its operations and growth. The decision as to which type of funding to use is determined by a number of factors such as a the type of firm (e.g. sole proprietor, partnership, listed company), the size of the firm, the age of the firm, the stage in the business life cycle that that firm has reached, the level of financial market development of the economy that the firm is operating in, amongst others.

Finance can either be short-term in nature, to meet operational working capital needs; or it can be long-term for investment purposes. Short-term funds can be in the form of excess cash in the firm's own bank account, a short-term bank loan or overdraft as well as supplier credit (i.e. buying inventory on favourable credit terms). Long-term capital can be used to invest in assets which will enhance the overall return to the business (Gitman & Zutter, 2012). Such assets are usually income-generating to the business operations and include machinery, equipment, vehicles and even buildings. Long-term capital can either be in the form of debt or equity. While all firms would like to enjoy a capital structure which has a mix of debt and equity, it is sometimes almost impossible to achieve this for small firms operating in underdeveloped financial markets. The availability and cost of debt and equity is highly dependent on the degree of local financial market development. The financial markets include the money and capital markets. Various institutions and players are found in these markets to bring together savers and borrowers. The predominant money market players are financial institutions such as commercial and investment banks. The best known capital market player is the stock exchange. Most economies in the under-developed economies do not have a bond market. However, where one does exist, it is dominated by the Government. Firms therefore base their financing options by taking into consideration all of the above.

Form the supply-side of finance, banks and other lenders conduct thorough creditworthiness assessments of applicants. One of the frameworks used to carry out these assessments is referred to as the 5Cs of credit (Gitman & Zutter, 2012). It entails a consideration of certain characteristics of the applicant as follows:

- Character – considers the applicant's record of meeting past obligations. This gives a potential lender an indication of how committed to fulfilling financial obligations the borrower is.
- Capacity – this is the applicant's ability to repay debt based on their current income. It is important that for whatever level of debt, the due amount can be paid from the monthly income of the applicant without prejudicing other financial obligations.
- Capital – this looks at the capital structure between debt and equity. If an applicant is already financing their business using debt, any further debt would be risky to both the lender and the borrower alike. Lenders prefer situations where the firm owner is willing to commit more of their own resources in the form of owners' equity, and lenders would then step in to provide an additional top-up amount for a specified period of time.
- Collateral – also known as security. It is the availability of fixed assets, and the willingness to cede these to lenders to back the loan. Collateral gives lenders the peace of mind that should the borrower be unable to repay the loan, they can sell the cede assets to recover as much of what is owed to them as is possible. It is for this reason that the required collateral value is often much higher than the loan value itself, sometimes up to almost double in value.
- Conditions – these are the economic and industry trends for specific transactions, for example, the interest rate charged to manufacturing firms may differ from that charged to firms in the services industry. Lenders are guided by what their competitors are doing in the market. If one lender makes borrowing easier for some sectors, then other lenders may be forced to follow suit so as not to lose their clientele.

The above principles go a long way in credit assessments of potential borrowers. They provide a basis on which to begin, although the final decision to lend money is not always solely based on this framework. There are other additional factors which lenders may choose to use to further screen borrowers.

3. Data and Variables Measurement

The World Bank's Enterprise Surveys on manufacturing and service firms in Zimbabwe is the main source of data for this study. The survey was undertaken in 2011, and involved 600 firms. These firms were drawn from fourteen (14) International Standards Classification industries in four provinces, namely, Harare, Bulawayo, Midlands and Manicaland. The industrial sectors covered in this study include food, textiles and garment, manufacturing and retail. Firm-level variables selected include the firm age, the size of the firm as measured by the number of permanent employees, the ownership structure and access to finance.

The empirical literature suggests that firm size matters, especially where foreign ownership is concerned. Descriptive statistics on the sampled firms in this study show that most of the firms that have foreign investment are larger in size than domestically owned ones. The average size of a firm with some foreign ownership is 144 employees compared to only 53 for domestic-owned firms. This may be indicative of the fact that larger firms therefore have better access to local credit facilities and are able to finance various expansion projects than small firms.

Another variable that we have also decided to include is firm age. Our argument is that banks may be more inclined to lend to older firms because they have a longer track record in business which can be used to assess its ability to repay the loan. The number of years they have been in existence enables them to have a better knowledge and appreciation of the importance of banking relationships and networks than younger firms. Robb & Wolken (2002) concurred that younger firms require additional working capital to expand and grow their businesses but are unlikely to be approved for bank lines of credit due to their limited performance history. Descriptive statistics on Table 1 show that firms with foreign ownership are relatively slightly older than those which are domestic-owned. Although it may be true that firms gain a reputation and established networks with the passage of years, younger firms can also get the required capabilities through using short cut mechanisms such as hiring highly experienced and competent managers.

4. Results and Analysis

The objective of this study is to find out whether being old age-wise, large in size, having a female owner or manager has an effect in accessing firm financing in Zimbabwe.

Table 2. Zimbabwe Finance-related statistics by major Provinces, 2011

	Harare	Bulawayo	Midlands	Manicaland
Percentage of firms with cheque/ savings account	95.9	83.3	99.2	99.5
Percentage of firms with a bank loan/ line of credit	16.1	6.4	9.3	8.0
Proportion of loans requiring collateral	80.6	67.0	100.0	n/a
Percentage of firms not needing a loan	15.8	18.4	38.3	26.9
Percentage of firms whose recent loan applications were rejected	15.7	55.3	6.6	n/a
Percentage of firms using banks to finance investments	17.1	8.5	5.2	7.4
Proportion of investments financed internally (%)	83.7	75.7	97.5	98.2
Proportion of investments financed by banks (%)	12.3	4.2	2.5	1.9
Proportion of investments financed by equity or stock sales (%)	0.7	0.0	0.0	0.0
Percentage of firms using banks to finance working capital	15.0	12.2	7.6	5.1
Proportion of working capital financed by banks (%)	6.9	4.4	2.8	1.7
Proportion of working capital financed by supplier credit (%)	4.9	33.0	7.6	4.5
Percentage of firms identifying finance as a major constraint	66.5	58.9	44.5	72.8
Firm age	32.8	31.5	35.1	39.5
Firm size (average number of permanent employees)	61.2	49.6	39.8	29.6

Source: World Bank Enterprise Surveys (http://www.enterprisesurveys.org), (2011)

From the World Bank data gathered by Enterprise Surveys (2011) at provincial level, Manicaland has the highest number of firms which hold bank accounts but the lowest number of firms needing a bank loan. This is in stark contrast to the firms identifying access to finance as a major obstacle as almost 73% of Manicaland-based businesses concurred on this indicator. Because Zimbabwe is a cash economy, it would appear that on average, over 90% of firms across all provinces hold bank accounts. Loans are not a common source of funding, probably due to the high collateral requirement, as well as the significant rate of loan application rejections. While the rejection rate was as low as 6% in the Midlands; Bulawayo-based firms experienced a significant 55% rejection rate on loan applications. The few firms in

Bulawayo that were able to obtain bank loans received them on condition that they provided 100% collateral for the loans.

With regard to the sources of finance, Harare had the highest proportion of bank-financed long-term investment, while firms in Manicaland and the Midlands depended predominantly on internal finance. No firms were financed through listed equity shares. 15% of the firms in Harare were obtaining working capital funding from banks. Supplier credit was more common among Bulawayo firms as up to 33% of their working capital needs were met through supplier credit. This is because Bulawayo-based firms had limited alternative funding options since they experienced a significantly higher bank loan application rejection rate, and where loans were approved – the conditions made it costly to the borrower as 100% of the had to be secured by collateral.

In considering finance, it is important to bear in mind the 5Cs of credit as raised in the empirical literature. This framework of credit assessment is as applicable to corporate entities as it is to individuals. Results in Table 3 below show that firm age tends to play a role in the accessibility of finance. It was found that younger firms find finance a major obstacle to their business operations. This is also supported by the fact that few, small-sized firms had a line of credit and financed up to 90% of their investments using internally-generated funds. This is further evidenced by the high loan application rejection rate of younger, smaller firms. According to the World Bank's Enterprise Surveys (2011), a high dependence on internal funds is an indication of inefficient financial intermediation.

We also related accessibility to finance to firm ownership and gender. The purpose was to determine whether access to finance was more favourable to foreign-owned firms and those run by females as compared to domestic-owned firms and those which are male-run. It was found that firms which are foreign-owned and female-run perceive access to finance as less of an obstacle to their business operations than domestic and male-managed firms. This finding is supported by the descriptive statistics in that only 49% of surveyed firms which are foreign-owned viewed finance as a hindrance to their business, compared to 65% domestic ones. To further explain this variable, we examined firm age and found that foreign-owned firms are older and more established than domestic ones. The average age of foreign-owned firms was 45 years, while that for domestic ones was 31 years. This supports the assertion that it is easier to access various financing options including bank loans for older firms due to their longer track records and having established good networks with their bankers. As such, findings confirm that more foreign-owned firms had a line of credit, a lower loan application rejection rate and a lower proportion of internally-financed investments as compared to domestic firms.

Table 3. Zimbabwe Finance and other firm characteristics, 2011

	Firm size			Ownership structure		Female participation	
	Small (5-19 employees)	Medium (20-99 employees)	Large (100+ employees)	Domestic	10% or more foreign	Top manager is male	Top manager is female
% of firms with bank loan/ line of credit	4.2	14.0	36.6	12.2	15.2	13.3	8.7
% of loans requiring collateral	85.7	92.0	69.4	81.8	83.1	78.8	100.0
% of firms not needing a loan	18.6	18.6	25.6	18.3	30.0	18.6	24.2
% of firms whose recent loan application was rejected	35.7	21.9	4.7	24.7	12.1	26.0	11.1
Proportion of investments financed internally (%)	89.5	86.1	75.7	84.8	84.3	86.6	76.3
Proportion of investments financed using banks (%)	1.6	7.9	19.8	8.5	8.8	8.0	11.3
Proportion of investments financed using trade credit (%)	8.0	5.7	3.3	5.8	6.8	4.8	11.3
Firms complaining about finance as a major obstacle	60.9	69.3	57.9	65.3	48.5	64.7	58.1
Firm age (years)	28.6	36.4	40.8	31.8	45.9	34.4	27.9

Source: World Bank Enterprise Surveys (www.enterprisesurveys.org), (2011)

Using the same data from the 2011 survey, we found that fewer female-owned firms considered finance to be a stumbling block in their business operations, compared to their male counterparts. In line with the literature by Robb & Wolken (2002), it was found that female-owned firms were significantly younger than male-owned ones. Although the firms run by females were much younger (average 27 years) than those managed by men (34 years), there were less female-run firms with a bank line of credit and a higher fraction of firms not needing a loan. Since female-run firms did not particularly need bank loans, they therefore enjoyed a significantly lower loan application rejection rate (11%) than their male counterparts who faced a 26% rejection rate. Women-managed firms utilised more of supplier credit and banks to fund their investments while male-run firms used a higher proportion of internal financial resources (86%). These statistics portray a clearer picture of the differences in financing of firms based even on gender. The empirical literature does allude to the fact that women generally prefer not to be indebted and as a result will take up fewer bank loans to fund their businesses. The above statistics are confirmation of this this.

5. Conclusions and Policy Recommendations

The primary objective of this study was to examine the role played by firm characteristics in accessing finance. Results of this study highlight that the main firm-specific characteristics in Zimbabwe that determine access to finance are the size and age of the firm, its ownership structure, and the gender of its top management.

Based on the results, it can therefore be concluded that the age of the firm has a significant effect on the accessing of bank lines of credit by firms in Zimbabwe, irrespective of firm size. Younger firms perceive finance to be a major hurdle in the conducting of business in Zimbabwe, due to their shorter business track records and fewer networks within the banking community. Also, the larger the firm (based on number of permanent employees and not assets), the lower the likelihood that it will utilise internal financial resources for investment purposes as it has greater access to bank loans. Further to this, foreign-owned firms are generally older and more established than domestic ones and can therefore negotiate favourable loan conditions than domestic firms. Women-run firms also perceive finance as a less of a hindrance to their businesses than their male counterparts. This is because fewer female-managed firms require long term bank loans and therefore enjoy a lower loan application rejection rate. The results do further confirm that women prefer to use supplier credit and banks for working capital purposes as opposed to funding this from internal resources.

It is therefore essential for the Government, together with the financial services sector, to find affordable alternatives to commercial and investment bank loans and lines of credit to assist the smaller, younger domestic firms to capitalise their businesses without facing deterrent interest rates and absurd collateral demands. The Government, can through the Central Bank, channel cheaper funds for investing in these small to medium enterprises. This will encourage the small domestic firms to create further employment, thereby contributing to the country's economic growth. Also, capacity-building training programmes can be initiated through Non-Government Organisations wherein managers and owners of these small firms are given information and training on available financing opportunities besides the expensive bank loans. Commercial and investment banks also need to be brought on-board to support and stimulate the growth of locally-owned firms by seeking other methods of assessing and applying the 5Cs of credit, the loan rejection rate for domestic firms, for example, could be reduced by decreasing the loan amount applied for if the reason for the rejection is say insufficient collateral. Improving access to finance for domestic firms will provide a conducive environment that promotes employment creation and therefore economic growth. There is therefore a need for the Government and the private financial sector in Zimbabwe to come up with conducive policies that do not discriminate access to finance on the basis of firm age, firm ownership or gender of owner and management.

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