

Subsistence or Commercial, Rummaging Into the Influence of Entrepreneurial Motives on Economic Development in Zimbabwe

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Abstract: Zimbabwe is characterized by a dual economy, made up of the subsistence sector and the business sector (Chiwome and Mguni 2012). Subsistence sector is mainly concerned about producing goods and services for family consumption and survival, whilst the commercial sector, concentrates on producing goods and services to fulfil the needs and wants of a broader market at a profit. Against this background, this paper focuses on the nature of Entrepreneurial drives in Zimbabwe and their bearing on economic growth. This research targeted the small scale retail entrepreneurs in Bindura and Shvamva Zimbabwe. A sample of 60 small scale retail entrepreneurs was selected through purposive sampling. The research adopted both descriptive and correlational research designs. Qualitative and quantitative research paradigms were adopted also. Of the 60 entrepreneurs, 40 responded to questionnaires and 20 were interviewed. 30% of the respondents concur that the drives of Entrepreneurs are not static, but are responsive to the business environmental forces and sensitive to personal interactions with the environment. 40% of the entrepreneurs indicated that they started their entrepreneurial ventures as a means of subsistence (with the subsistence mentality). However, 30% of the 40% stated above indicated that they managed to change their focus towards commercial purposes, but some still operate with the subsistence mentality. 80% of all the respondents concur that their business philosophies influence their business decisions and degree of investment. It is therefore recommended that, only sponsoring existing and potential entrepreneurs is not sufficient to facilitate economic growth and development. There is a need to work closely with the entrepreneurs so as to enable them to migrate from subsistence mentality to the commercial mindset if quick economic growth is to be realized.

Keywords: Entrepreneurship, Dualistic Economy, Subsistence, Commercial, Economic growth

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I. Introduction

Due to the realization that Zimbabwe is characterized by a dualistic economy made up of the subsistence sector and the business sector (Chiwome and Mguni 2012). Furthermore, individuals go through different situations as they grow. This paper delves into the nature of Entrepreneurial drives in Zimbabwe and their bearing on economic growth. This research targeted the small scale retail entrepreneurs in Bindura and Shvamva Zimbabwe. This research was necessitated by the zeal to understand whether it is necessary to rely on small scale entrepreneurs for economic growth as a nation or not. Furthermore, this paper can help in forecasting economic growth through proper evaluation of Entrepreneurial drives.

Conceptual Framework

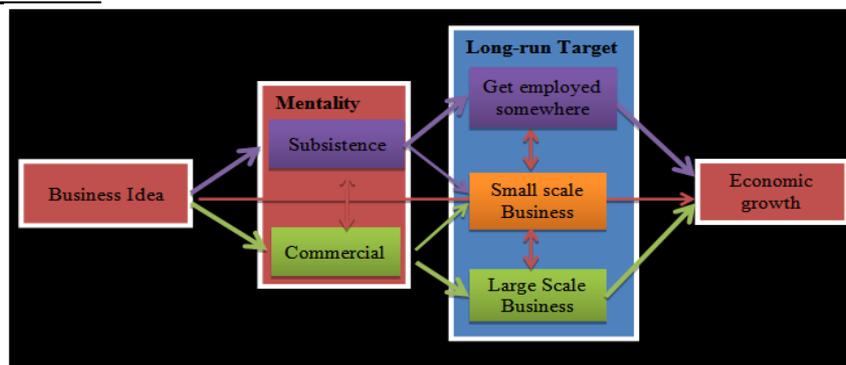


Figure 1: Conceptual Framework

II. Literature Review

It is an overriding perception of many economists that entrepreneurship is fundamental to economic development. The word 'entrepreneur' was derived from the French word 'Entreprendre' which means the person who undertakes the risk of a new enterprise. Jean Baptiste Say indicate that an entrepreneur is the agent who unites the factors all the factors of production and who finds in value of the products the reimbursement of the entire capital s/he employs (Sangram 2005).

Subsistence Entrepreneurship

Rudimentarily, subsistence entrepreneurs are exclusively concerned about their survival, and are miniature businesses with less plausibility to grow or create new jobs. Nevertheless, it can be argued that they remain a significant economic pillar, principally for developing countries. (Morten Seja 2013).

Increase in necessity-driven ventures in developing countries indicates lack of employment opportunities. This propels more of subsistence oriented entrepreneurship and a need to find a source of income (Safaraz (2016:47). The cultural environment of an entrepreneur can also impinge on the prospective business mentality to be followed (Dana 2007:45). Cultural restrictions can propel or bar entrepreneurship and also influencing the mentality of entrepreneurs (Dana 1999).

Subsistence Entrepreneurs are more likely to follow risk reduction strategies regardless of such strategies resulting in less overall profit. This form of practice is not much concerned about product differentiation as found in high-technology entrepreneurship (Madhu 2016). However, it is argued that, subsistence entrepreneurship is of paramount importance since it empowers people. Furthermore, subsistence entrepreneurship must not be confused with social entrepreneurship.

Commercial/Transformational Entrepreneurship

Contrary to subsistence, transformational entrepreneurs, considerably smaller group of the two, strive for growth, are generally larger business owners, and provide relatively secure employment opportunities for others. They are the catalysts of innovation, job creation, productivity, and competitiveness (Morten Seja 2013).

Commercial entrepreneurship often results in new products and process and also propels economic growth especially through employment creation; social benefits are not the explicit goal of such a move (Bessant and Tidd 2007:415).

III. Methodology

This paper espoused both positivist and interpretive research philosophies. However, it was dominantly quantitative and less qualitative (Muchengetwa 2005:25). Both correlational and descriptive research designs were adopted. Correlational research refers to the systematic investigation or statistical study of relationships among two or more variables, without necessarily determining the cause and effect (Williams and Wilkins 2010). The objective of descriptive research was to portray an accurate profile of persons, events or situations (Robson, 2002:59). This research design was chosen in order to properly examine the relationship between entrepreneurial motives and their long term targets in relation to economic development.

Data was collected through questionnaires and interviews. Only primary data was collected towards this research (Muchengetwa, 2005:30). Questionnaires were prepared and administered to the small scale entrepreneurs in Shamva and Bindura. Questionnaires were found to be more reliable since the entrepreneurs were busy with their business activities. An interview guide with the similar questions to those on the questionnaire was used to conduct face-to-face interviews with 20 entrepreneurs. Face-to-face interviews boosted response rate, enabled the researcher to capture the interviewee's verbal and non-verbal behaviour which entail posture, facial expressions and gestures (Muchengetwa 2005:47). Furthermore appointments were made with the entrepreneurs for the sake of convenience.

The targeted population for this study were the small scale retail outlets in Bindura and Shamva. A sample size of sixty respondents was selected through purposive sampling.

A pilot study was also conducted prior to the administration of the research instruments to clear ambiguities and to enhance validity and reliability of the findings.

The questionnaire and interview data were to be captured using the (SPSS) computer application. The results were presented using figures and tables of different characteristics and subthemes. Inferential and descriptive statistics were used to analyse and interpret the data. Other calculations were computed manually since the SPSS (V16) had limited options. Computations were displayed wherever necessary for clarity.

IV. Findings And Discussion

The gender and ages of Entrepreneurs who responded to questionnaires are displayed in the following figure.

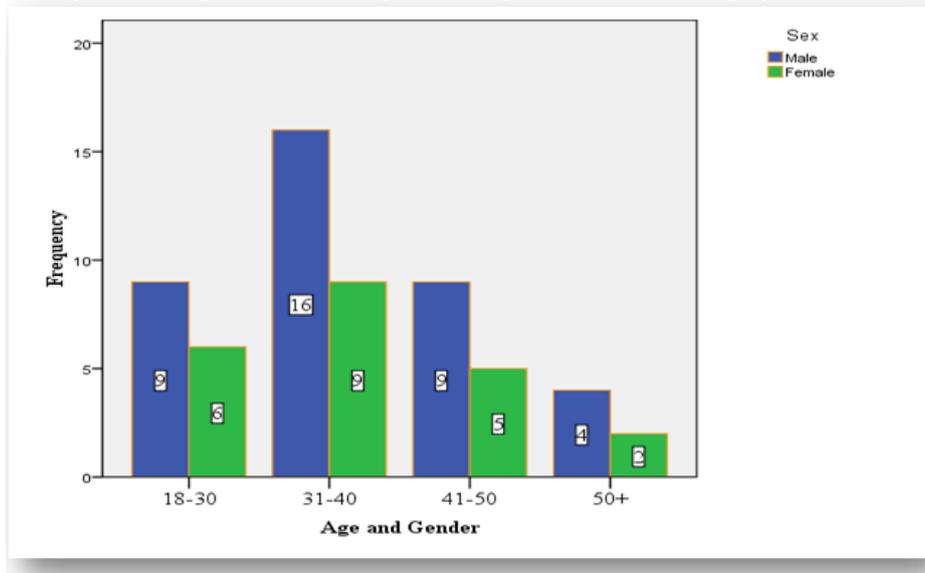


Figure 2: SPSS output for the gender and ages of the sampled Entrepreneurs.

All the sampled entrepreneurs were able to indicate their business mentality and their long run targets hence the findings were tabulated as follows.

Table1: Entrepreneur mentality and the long run targets. N = 60.

		Long run Target			Total
		Secure Employed somewhere	Small scale Business	Large Scale Business	
Business Mentality	Subsistence	13	7	4	24
	Commercial	3	14	19	36
	Total	16	21	23	60

The table above clearly show that 24/60 (30%) entrepreneur had a subsistence mentality and 36/60 (70%) had a commercial mentality. However their long term targets were also different. This called for a statistical analysis so that the relationship between mentality and long run target will be interpreted. Some of the entrepreneurs indicated that they embarked on entrepreneurship as a last resort after failing to secure employment. Some also indicated that due to a failure to pursue further education they only left with limited opportunities and hence they embarked on business. This also interfered with their business mentality and the long run targets. This is in line with Safaraz (2016:47) who indicates that, ‘Increase in necessity-driven ventures in developing countries indicates lack of employment opportunities. This propels more of subsistence oriented entrepreneurship and a need to find a source of income’.

Therefore, to test for the existence of an association between Entrepreneurial business mentality and the long run target respectively, a Chi square test at 5% level of significance ($\chi^2_{(5\%;df=2)}$) was conducted. Below is the test which was premised on the following hypotheses.

H₀: There is no association between Business mentality of entrepreneurs and their long term targets in the small scale industry of Bindura

H₁: There is an association between Business mentality of entrepreneurs and their long term targets in the small scale industry of Bindura

A Chi square test at 5% level of significance on a 2x3 contingency table:

Degrees of freedom = (r - 1) (c - 1), where r = 2 (total number of rows) and c = 3 (total number of columns)

Therefore: Degrees of freedom = (r - 1) (c - 1) = (2 - 1) (3 - 1) = 1x2 = 2

Rejection criterion

Reject H₀ if $\chi^2_{(calc)} \geq \chi^2_{(tab)}$

$\chi^2_{(5\%;df=2)} = \chi^2_{(tab)} = 5.991$

Reject H₀ if $\chi^2_{(calc)} \geq 5.991$

Expected frequencies

$$\text{Expected Frequency} = \frac{\text{row total} * \text{column total}}{\text{grand total}}$$

$$E_{13} = \frac{24 * 16}{60} = 6.4$$

$$E_7 = \frac{24 * 21}{60} = 8.4$$

$$E_4 = \frac{24 * 23}{60} = 9.2$$

$$E_3 = \frac{36 * 16}{60} = 9.6$$

$$E_{14} = \frac{36 * 21}{60} = 12.6$$

$$E_{19} = \frac{36 * 23}{60} = 13.8$$

$$\chi^2_{(\text{calc})} = \frac{(\text{Observed frequency} - \text{Expected Frequency})^2}{\text{Expected Frequency}}$$

Table 2: Chi square results for mentality and long run target. N =60

Observed	Expected	Observed - Expected	$\frac{(O - E)^2}{E}$
13	6.4	6.6	6.80625
7	8.4	-1.4	0.233333333
4	9.2	-5.2	2.939130435
3	9.6	6.6	4.5375
14	12.6	1.4	0.155555556
19	13.8	5.2	1.959420290
\sum Observed = 60	\sum Expected = 60	$\sum (O - E) = 0$	$\chi^2_{(\text{calc})} = 16.63118961$

Judgement and Conclusion

Since $\chi^2_{(\text{calc})} = 16.63118961 > 5.991$, we reject H_0 and conclude that there is an association between Business mentality of entrepreneurs and their long term targets in the small scale industry of Bindura at 5% level of significance. This implies that there is a relationship between an entrepreneur’s mentality and his/her own long-run target. This concurs with Madhu (2016) who indicate that, ‘Subsistence Entrepreneurs are more likely to follow risk reduction strategies regardless of such strategies resulting in less overall profit. This form of practice is not much concerned about product differentiation as found in high-technology entrepreneurship’.

Since the results of Chi square can only show the existence of an association, but not the direction and strength of that association, the researcher went on further to derive the correlation coefficients between entrepreneurial motives/mentality and long run target using SPSS. The results are tabulated as follows:

Table 3: Pearson’s correlation coefficient of Business mentality and the long run target: N=60

		Mentality	LongrunTarget
Mentality	Pearson Correlation	1	.503**
	Sig. (2-tailed)		.000
	N	60	60
LongrunTarget	Pearson Correlation	.503**	1
	Sig. (2-tailed)	.000	
	N	60	60

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

From the table above, the Pearson’s product moment correlation coefficient is equal to 0.503, which implies a strong positive correlation between the business mentality of entrepreneurs and their long term targets. This means that a subsistence oriented entrepreneurs, usually target small-scale businesses in future or even forgo business in case of securing a rewarding employment. On the other hand, the commercial oriented entrepreneurs usually target large scale business. This implies that, the majority are not feeling satisfied with

their current businesses, hence they continue to invest to ensure business growth. This also concurs with Madhu (2016) as mentioned above. Also the lack of employment opportunities leads to entrepreneurial ventures.

All the respondents managed to indicate their position as far as the intention to contribute towards economic growth is concerned. The findings were presented in tabular form as follows:

Table 4: Business mentality versus Economic growth target: N = 60

		Economic growth target.			Total
		Not Considered	Secondary issue	Primary issue	
Business Mentality	Subsistence	11	10	3	24
	Commercial	5	15	16	36
	Total	16	25	19	60

To test for the existence of an association between Entrepreneurial business mentality and the entrepreneurs' quest for economic development, a Chi square test at 5% level of significance ($\chi^2_{(5\%:df=2)}$) was conducted. Below is the test which was premised on the following hypotheses.

H₀: There is no association between Business mentalities of entrepreneurs and the economic development pursuit

H₁: There is an association between Business mentality of entrepreneurs and the economic development pursuit

A Chi square test at 5% level of significance on a 2x3 contingency table:

Degrees of freedom = (r - 1) (c - 1), where r = 2 (total number of rows) and c = 3 (total number of columns)

Therefore: Degrees of freedom = (r - 1) (c - 1) = (2 - 1) (3 - 1) = 1x1 = 2

Rejection criterion

Reject H₀ if $\chi^2_{(calc)} \geq \chi^2_{(tab)}$

$\chi^2_{(5\%:df=2)} = \chi^2_{(tab)} = 5.991$

Reject H₀ if $\chi^2_{(calc)} \geq 5.991$

Expected frequencies

$$\text{Expected Frequency} = \frac{\text{row total} * \text{column total}}{\text{grand total}}$$

$$E_{11} = \frac{24 * 16}{60} = 6.4$$

$$E_{10} = \frac{24 * 25}{60} = 10$$

$$E_3 = \frac{24 * 19}{60} = 7.6$$

$$E_5 = \frac{36 * 16}{60} = 9.6$$

$$E_{15} = \frac{36 * 25}{60} = 15$$

$$E_{16} = \frac{36 * 19}{60} = 11.4$$

$$\chi^2_{(calc)} = \frac{(\text{Observed frequency} - \text{Expected Frequency})^2}{\text{Expected Frequency}}$$

Table 5: Chi square results for mentality and long run target. N =60

Observed	Expected	Observed - Expected	$\frac{(O - E)^2}{E}$
11	6.4	4.6	3.30625
10	10	0	0
3	7.6	-4.6	2.784210526
5	9.6	-4.6	2.204166667
15	15	0	0
16	11.4	4.6	1.856140351
\sum Observed = 60	\sum Expected = 60	$\sum (O - E) = 0$	$\chi^2_{(calc)} = 10.15076754$

Judgement and Conclusion

Since $\chi^2_{(calc)} = 10.15076754 > 5.991$, we reject H_0 and conclude that there is an association between Business mentality of entrepreneurs and their and their quest for economic development in the small scale industry of Bindura at 5% level of significance. This implies that there is a relationship between an entrepreneur’s mentality and his/her own quest for economic growth. This concurs with Morten Seja (2013) who postulates that, subsistence entrepreneurs are exclusively concerned about their survival, and are miniature businesses with less plausibility to grow or create new jobs. However it is argued that they are important for economic well-being.

Since the results of Chi square can only show the existence of an association, but not the direction and strength of that association, the researcher went on further to derive the correlation coefficients between entrepreneurial motives/mentality and the quest for economic development using SPSS. The results are tabulated as follows:

Table 6: Pearson’s correlation coefficient of Business mentality and economic contribution target: N=60

		Mentality	Economic Growth Objective
Mentality	Pearson Correlation	1	0.527**
	Sig. (2-tailed)		.000
	N	60	60
Economic Growth Objective	Pearson Correlation	0.527**	1
	Sig. (2-tailed)	.000	
	N	60	60

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

From the table above table of the sample size 60, it is clear that the Pearson’s product moment correlation coefficient between the entrepreneur’s business mentality and economic growth objective is 0.527, which implies that there is a strong positive correlation. This means that, unlike the commercial oriented entrepreneurs, the majority of subsistence oriented entrepreneurs usually do not consider economic growth as their primary objective in business.

The research also targeted to examine the relationship between the entrepreneur’s business motive and the average capital investment. The results generated by the SPSS are tabulated as follows:

Table 7: Pearson’s correlation coefficient of Business mentality and Average business investment: N=60

		Mentality	AverageBusinessInvestment
Mentality	Pearson Correlation	1	.859**
	Sig. (2-tailed)		.000
	N	60	60
AverageBusinessInvestment	Pearson Correlation	.859**	1
	Sig. (2-tailed)	.000	
	N	60	60

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

The table above shows that the Pearson’s product moment correlation coefficient between entrepreneurial mentality and the average business investment as equivalent to 0.859, which signifies a very strong positive correlation. This means that there is high chances that subsistence oriented entrepreneurs do not make heavy business investment unlike the commercial oriented ones.

V. Conclusions

- There is a strong positive correlation between entrepreneurial business mentality and the long term target in Bindura small scale retail industry.
- There are quite a significant number of entrepreneurs who venture into business due to lack of employment opportunities, not necessarily because they fancy businesses. For Example during the 2007 to 2009 economic downturn in Zimbabwe.
- There is also a strong positive relationship between the business motive of an entrepreneur and the commitment to business in case of employment opportunities arising in future.

- The majority of entrepreneurs in developing countries are not consciously aware of the fact that they are contributing towards economic development.
- The mentality of entrepreneurs also has got an impact on the desired capital investment towards business.

Recommendations

- There is a need to continue reaching out small scale entrepreneurs to assess their business motives
- There is also a need to conscientise the small scale entrepreneurs of the contribution they make towards economic growth.
- In case of availing funds to the small scale entrepreneurs, there is a need not to turn a blind eye on entrepreneurial motives.
- Motivation plays a critical role in strengthening the position of small scale entrepreneurs in developing countries.
- There is also a need to undertake counselling sessions for the benefit of moratorium entrepreneurs so that they can even change their business motives.

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