

Zimbabwe's SME sector fragile

Kudzanai Gerede
Companies and Markets Editor

ZIMBABWE's micro, small and medium enterprises (MSME) sector is structurally fragile, hindered by limited access to finance and external markets as well as over-reliance on imports, the inaugural State of the MSME Sector Report shows.

According to the report, Zimbabwe's emerging businesses scored a composite index of 49,6 percent, reflecting a sector still 'developing.'

The project was conducted by *The Financial Gazette* and the Small and Medium Enterprises Development Corporation, with research by Consumer Feedback Consultancy.

"It reflects a developing but structurally fragile MSME ecosystem (that is) digitally advancing and moderately resilient, yet hindered by import reliance, limited exports, and shallow formalisation," the report reads.

The survey highlighted extremely low export readiness by players in the sector, attributing it to limited product diversification, resulting in an export orientation index of 12,8 percent, the lowest in the survey.

Another downside is the sector's reliance on imports, especially at a time when the country is starved of adequate foreign currency.

"This indicates that a significant proportion of MSMEs in Zimbabwe are reliant on imported inputs and finished goods, with weak domestic substitution and a strong perception of risk.

"While only 41 percent of MSMEs directly report using imported inputs, the Import Dependency Index digs deeper and shows that overall vulnerability is much higher," the report said.

In terms of growth, the survey showed that MSMEs were not expanding and strengthening their operations across income, customer base, employment, expansion activities, geographic reach and models for growth.

At 57,51 percent, the MSMEs growth index shows that the sector records moderate (emerging) levels.

"MSMEs are expanding activity, but growth is not yet broad-based. The system is edging beyond survival mode, without fully shifting into scale mode," the report said.

The sector exuded moderate resilience and optimism about future growth in the face of weak buffers against shocks, posting a MSME resilience index of 50,8 percent.

In this area, the report showed that insurance coverage and access to credit within the SMEs sector were weak, thereby presenting uncertainties in the outlook.

In terms of compliance, the sector scored an average 51,21 percent.

"Half-compliant, MSMEs meet visible formal requirements but lag in fiscal and labour standards compliance," the report said.

Due to substantial levels of non-compliance, most businesses in this sector remain excluded from financial products, limiting their potential to grow.

With a financial access and resilience index of 56,81 percent, the report said financial depth remained low with reliance on mobile money and internal funding limiting resilience to shocks.

However, the sector's forte was in leveraging technology with a digital penetration of 69,19 percent, the highest score in the survey.

This reflects that Zimbabwe's emerging businesses are increasingly embracing digital technologies for growth, efficiency, and market reach.

The businesses mainly thrived in online presence, digital payments, digital tools for business management, e-commerce capabilities, and digital literacy, the report showed.

"Zimbabwean MSMEs demonstrate strong

digital adoption, a step above 'emerging' and firmly into the digitally active category.

"This shows MSMEs are no longer on the margins of digital transformation, most have embraced digital visibility and payments," the report read.

"However, the maturity curve is uneven. MSMEs are front-end digitised (customer-facing) but back-end under-digitalised (operations, systems, e-commerce depth)."

The report showed that

three in every four MSMEs have established a footprint on social media or basic digital platforms.

"This confirms digital visibility is no longer a differentiator but a baseline requirement for MSME competitiveness."

The strongest pillar was the digital payment system, which showed the widespread acceptance of Eco-Cash, ZIPIT and POS within the sector.

While e-commerce capability was still 'progressing',

the survey noted that it is not yet mainstream.

The majority rely on WhatsApp and Facebook Shops, showing that social commerce dominates while integrated e-commerce websites and platforms remain underutilised.

The weakest pillar in this area was the slow adoption of digital tools in business management, which showed that less than half (45 percent) use accounting apps, inventory systems, or CRM platforms.

"This means while MSMEs can market and collect payments digitally, their internal operations remain manual, fragmented, and prone to inefficiency," the report showed. The sector also recorded 53,07 percent on the innovation adoption index, 59 percent in terms of social impact and community values and 49,83 percent in terms of inclusivity and participation, focusing on marginalised groups of society.

newsdesk@fingaz.co.zw



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