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The Evaluation of the High Banking Sector Profits and Weak Manufacturing Start-up Entrepreneurs in Zimbabwe

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***Abstract*—This study investigates the paradoxical relationship between high profitability in the banking sector and the persistent financial vulnerability of manufacturing start-up entrepreneurs in Zimbabwe. While the financial sector has remained profitable in the post-hyperinflation period, manufacturing start-ups continue to face structural barriers to accessing affordable and timely finance. This imbalance has constrained industrial growth, innovation, and employment creation, undermining broader economic recovery efforts. Grounded in financial intermediation and institutional theory, the study examines how banking practices, risk perceptions, and credit allocation mechanisms shape entrepreneurial outcomes in the manufacturing sector. A mixed-methods research design was employed, integrating quantitative surveys administered to banking professionals and manufacturing entrepreneurs with qualitative interviews and focus group discussions. Quantitative data were analysed using descriptive and inferential statistical techniques, while qualitative data were thematically analysed to triangulate and contextualise findings. Reliability and validity were strengthened through methodological triangulation and instrument testing. Findings reveal that banks prioritise low-risk, high-return financial activities, including treasury instruments and foreign exchange trading, while imposing stringent collateral requirements and high interest rates on start-up entrepreneurs. Entrepreneurs reported limited access to tailored financial products, lengthy loan processing times, and weak advisory support. These practices reflect a risk-averse banking culture that constrains innovation and weakens the manufacturing start-up ecosystem. The study further identifies policy and institutional gaps, including fragmented support mechanisms and limited coordination between banks and development finance institutions. The study concludes that Zimbabwe's profitable banking sector has not effectively fulfilled its developmental intermediation role in supporting manufacturing entrepreneurship. Policy reforms, targeted credit guarantee schemes, and customised start-up financing instruments are recommended to better align banking incentives with industrial development objectives. Strengthening access to finance for manufacturing start-ups is critical for revitalising Zimbabwe's productive sector and fostering sustainable economic growth.*

***Keywords:** Banking Sector Profitability, Manufacturing Start-Ups, Entrepreneurial Finance, Access to Credit, Financial Intermediation, SME Financing, Industrial Development, Zimbabwe Economy, Risk Aversion in Banking, Development Finance, Financial Inclusion, Emerging Economies, Startup Financing Barriers*

I. INTRODUCTION

Zimbabwe's economic landscape has been shaped by prolonged structural challenges, including deindustrialisation, currency instability, and constrained access to productive finance. While the banking sector has demonstrated periods of sustained profitability—particularly through non-core activities such as treasury investments, fees, and foreign exchange trading—the manufacturing sector, especially at the start-up level, continues to struggle to survive and grow. Historically, manufacturing has been a key driver of employment creation, value addition, and export diversification in Zimbabwe. However, the post-2000 economic downturn, compounded by hyperinflation and subsequent monetary reforms, weakened industrial capacity and eroded entrepreneurial confidence.

In this study, "banking sector profitability" refers to the financial performance of commercial banks, measured by returns on assets, net interest margins, and non-interest income. "Manufacturing start-up entrepreneurs" are defined as newly established or early-stage firms engaged in value-adding production activities, typically within their first five years of operation. "Financial intermediation" denotes the role of banks in mobilising savings and allocating credit to productive sectors, while "access to finance" captures the availability, affordability, and suitability of financial products for start-up enterprises.

Prior research consistently highlights access to finance as a primary constraint to SME and start-up growth in developing economies. Studies in Sub-Saharan Africa suggest that banks tend to favour low-

risk lending to established firms and government instruments, often excluding early-stage manufacturing entrepreneurs due to perceived credit risk, lack of collateral, and information asymmetry. Empirical evidence also indicates that risk-averse banking behaviour is exacerbated in fragile macroeconomic environments, where inflation volatility, currency instability, and regulatory uncertainty heighten lenders' cautiousness. While development finance institutions and microfinance initiatives attempt to bridge financing gaps, their reach remains limited and fragmented, particularly for capital-intensive manufacturing ventures.

Although the literature documents financing constraints faced by start-ups, there is limited empirical research that directly examines the coexistence of high banking-sector profitability and weak manufacturing start-up performance within a single national context. Existing studies often examine either bank performance or entrepreneurial finance in isolation, without exploring the structural disconnect between the two. Furthermore, few studies provide grounded insights into how specific banking practices—such as collateral policies, interest rate structures, and product design—systematically shape manufacturing start-up outcomes in Zimbabwe. This gap limits the development of integrated policy responses that align financial sector incentives with industrial development goals.

This study aims to evaluate the relationship between banking sector profitability and the financial vulnerability of manufacturing start-up entrepreneurs in Zimbabwe. Specifically, it seeks to (i) examine banking practices and risk perceptions affecting credit allocation to manufacturing start-ups, (ii) assess entrepreneurs' experiences of accessing formal finance, and (iii) identify institutional and policy factors that mediate the flow of credit to the manufacturing sector. By doing so, the study intends to generate evidence-based recommendations for strengthening financial intermediation in support of productive entrepreneurship and industrial revitalisation.

The scope of the study is limited to commercial banks and manufacturing start-up entrepreneurs operating within selected urban and peri-urban areas of Zimbabwe. The analysis focuses on formal financial institutions and does not extensively cover informal lending mechanisms or non-bank financial intermediaries. Data collection is constrained by access to proprietary banking information and the willingness of entrepreneurs to disclose financial experiences. Additionally, the cross-sectional design captures perceptions and practices at a specific point in time and does not fully account for long-term dynamic changes in the financial ecosystem. Despite these constraints, the study provides valuable, context-specific insights into the finance–entrepreneurship nexus in Zimbabwe.

II. MATERIALS AND METHODS

This study employed both primary and secondary data sources to comprehensively examine the relationship between banking sector profitability and the financial experiences of manufacturing start-up entrepreneurs in Zimbabwe. The primary materials included structured questionnaires administered to manufacturing start-up entrepreneurs and banking professionals, semi-structured interview guides for in-depth discussions, and focus group discussion protocols to capture shared experiences and perceptions. Secondary materials comprised annual reports of commercial banks, publications of the Reserve Bank of Zimbabwe, policy documents, SME financing frameworks, and relevant industry reports. These materials provided contextual and empirical grounding for the analysis.

The research was conducted through a systematic and transparent process. First, a comprehensive review of existing literature and policy documents was undertaken to refine the conceptual framework and inform instrument design. Second, research instruments (questionnaires and interview guides) were developed and pilot-tested with a small group of respondents to ensure clarity, relevance, and cultural appropriateness. Based on feedback from the pilot phase, minor adjustments were made to improve the wording and sequencing of questions.

Third, the final instruments were administered to selected manufacturing start-up entrepreneurs and banking professionals using purposive and stratified sampling techniques to ensure representation across firm size, sectoral subcategories, and banking roles. Data were collected through a combination of face-to-face interactions and guided self-administered surveys, depending on participants' availability. In-depth interviews and focus group discussions were

audio recorded with consent and subsequently transcribed verbatim.

Fourth, collected data were cleaned, coded, and organised for analysis. Quantitative responses were checked for completeness and consistency, while qualitative transcripts were anonymised to protect participant confidentiality. Ethical considerations, including informed consent and voluntary participation, were strictly observed throughout the research process.

Quantitative data were analysed using statistical software, such as SPSS, to generate descriptive statistics (frequencies, means, standard deviations) and inferential statistics (correlations and cross-tabulations) to examine relationships between banking practices and start-up financing outcomes. Reliability of the survey instruments was assessed using Cronbach's alpha, which indicates internal consistency of the measurement scales. Content and construct validity were strengthened through expert review and alignment with established constructs from the literature.

Qualitative data were analysed thematically using NVivo, enabling systematic coding, pattern identification, and interpretation of recurring themes related to access to finance, risk perceptions, and institutional constraints. Methodological triangulation—integrating survey data, interviews, focus groups, and secondary sources—was employed to enhance the credibility and robustness of findings. This mixed-methods approach ensured that results were not reliant on a single data source, thereby improving the reliability and trustworthiness of the study outcomes.

III. RESULTS AND DISCUSSIONS

The quantitative analysis revealed clear patterns in how manufacturing start-up entrepreneurs interact with the banking sector. Survey data were summarised using frequency tables, bar charts, and cross-tabulations to illustrate trends in access to credit, loan approval rates, interest rate perceptions, and collateral requirements. Visual representations showed that a substantial proportion of start-up entrepreneurs experienced loan application rejections or partial approvals, while only a small fraction reported successful access to formal bank financing. Graphs comparing banking profitability indicators with credit disbursement trends highlighted a visible divergence: periods of rising bank profits did not correspond with increased lending to manufacturing start-ups. Qualitative data from interviews and focus group discussions were synthesised into thematic matrices to visually map recurring concerns such as high collateral demands, lengthy loan processing times, and limited availability of tailored financial products for start-ups.

The results indicate a pronounced disconnect between the profitability of the banking sector and the financial realities faced by manufacturing start-up entrepreneurs. While banks reported stable or rising profitability, primarily driven by low-risk investment instruments and non-interest income streams, manufacturing start-ups faced stringent lending conditions. A majority of entrepreneurs identified high interest rates and collateral requirements as primary barriers to accessing credit. Delays in loan processing and limited advisory support further constrained their operational agility. Additionally, data revealed that start-ups with informal or limited financial records were disproportionately excluded from formal financing channels, reinforcing patterns of financial exclusion. These findings suggest that profitability within the banking sector is not being channelled into productive lending for early-stage manufacturing ventures.

The findings provide empirical support for existing arguments within development finance and entrepreneurship literature that risk-averse banking behaviour constrains productive sector growth in fragile economic environments. In the Zimbabwean context, the preference for low-risk, high-yield financial activities reflects banks' rational responses to macroeconomic uncertainty; however, this behaviour inadvertently undermines the developmental role of financial intermediation. The persistent financing gap experienced by manufacturing start-ups contributes to low innovation capacity, limited job creation, and weak industrial competitiveness. The results also highlight a misalignment between national industrial policy aspirations and the operational incentives of commercial banks. This misalignment suggests the need for policy-backed risk-sharing mechanisms, such as credit guarantees and blended finance models, to realign banking incentives with manufacturing development goals. Overall, the study underscores that strengthening financial inclusion for

start-ups is not merely a financial sector issue but a broader structural challenge with implications for sustainable economic recovery and industrial transformation in Zimbabwe.

IV. CONCLUSION

The primary objective of this study was to evaluate the apparent paradox between the banking sector's high profitability and the persistent financial vulnerability of manufacturing start-up entrepreneurs in Zimbabwe. By examining banking practices, risk perceptions, and institutional arrangements, the study sought to explain why financial sector strength has not translated into meaningful support for early-stage manufacturing enterprises, which are vital to industrial recovery, employment creation, and economic diversification.

The study found a clear and consistent disconnect between the performance of the banking sector and the financing realities of manufacturing start-ups. While banks continue to record strong profits, these gains are largely derived from low-risk financial activities rather than productive lending to early-stage manufacturing ventures. Manufacturing entrepreneurs face significant barriers to accessing formal finance, including high collateral requirements, elevated interest rates, lengthy approval processes, and limited availability of tailored financial products. As a result, many start-ups remain undercapitalised, operate below optimal capacity, or exit the market prematurely. These findings highlight the persistence of financial exclusion among productive enterprises despite overall profitability in the financial sector.

The implications of these findings are both theoretical and practical. Theoretically, the study reinforces the argument that financial-sector profitability alone does not guarantee effective financial intermediation for productive-sector development, particularly in fragile economic contexts. In practice, the results indicate the need for closer alignment between financial institutions and national industrial development goals. Policymakers, regulators, and development finance institutions can use these insights to design risk-sharing mechanisms, credit guarantee schemes, and incentive structures that encourage banks to extend affordable credit to manufacturing start-ups. For entrepreneurs, the findings underscore the importance of financial literacy, record-keeping, and business formalisation as pathways to improving creditworthiness and engagement with formal financial systems.

Future research should adopt longitudinal designs to capture how banking practices and entrepreneurial financing outcomes evolve over time, particularly in response to regulatory reforms and macroeconomic stabilisation efforts. Comparative studies across similar emerging economies would further enrich understanding of the finance–manufacturing nexus. From a practice perspective, the study recommends developing customised financial products for manufacturing start-ups, strengthening public–private partnerships, and expanding entrepreneurship support programmes that integrate financial access with technical and market support. Building a more inclusive and development-oriented financial ecosystem is essential for revitalising Zimbabwe's manufacturing sector and fostering sustainable, long-term economic growth

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