Impact of the Multi-Currency System on the Manufacturing Sector in Zimbabwe

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Abstract

The introduction of the multi-currency system in February 2009, in which a number of foreign currencies were adopted for use as legal tender, was meant to rein in devastating hyperinflation that had beset the Zimbabwean economy since 2000. The purpose of this study was to determine the impact of the multi-currency system on the manufacturing firms in Zimbabwe. The study used a quantitative approach and a questionnaire was used to collect data from 50 respondents out of a sample of 100 from 25 manufacturing firms. This sample was conveniently selected. The response rate of 50%, was adequate to give the desired study results. The study found a number of major benefits from the multi-currency system to the manufacturing sector. These included the stabilisation of prices, elimination of hyperinflation and fall of interest rates. Consequently, the firms were able to properly plan and budget for their operations. Other benefits included improved availability of raw materials, ability to increase capacity utilisation and increase in sales and profitability. The sector preferred the continued use of the multi-currency system, particularly the United States dollar, to the re-introduction of the Zimbabwean dollar. The study recommends that the government of Zimbabwe should continuously reassure the nation that the multi-currency system will not be removed too soon. The manufacturing sector should also engage government to encourage foreign direct investment (FDI) in order to improve liquidity, which is critical for the sector's survival.

Key Words: multi-currency, dollarization, manufacturing, inflation, challenges, capacity-utilization

Introduction

Upon the attainment of independence in April 1980, the Zimbabwean dollar replaced the then Rhodesian dollar at par. At this time the Zimbabwean dollar was worth US$1.47 on the official exchange market ('Zimbabwean dollar' 2016). This position, however, rapidly deteriorated as a result of various developments that unfolded which eventually led to the collapse of the Zimbabwean dollar in 2008. The period leading to 2008 saw Zimbabwe's economy spiralling out of control. The economy was plagued by hyperinflation and political uncertainty which slowed down economic development in the country. The Zimbabwe Stock Exchange (ZSE) stopped operations and the new trillion dollar bearer cheque that had been issued was sceptically accepted by the public, with the people having no choice but accept it.

At the onset of the year 2008, in what was supposed to be an 18-months 'experiment', foreign currency was accepted as legal tender for transactions with a set number of retailers (1 000 shops) in the country ('Hyperinflation in Zimbabwean' 2017). The elections held in the same year of 2008 did little to solve the economic downfall as the credibility of the elections was questioned both locally and internationally.

The political impasse obtaining at the time led to the formation of an inclusive government on the 11th of February 2009, after political parties had signed a Global Political Agreement on 15 September 2008.

Following the formation of the Government of National Unity in 2009, the new government announced that the Zimbabwean dollar would be suspended indefinitely, thus giving birth to the multi-currency system in the country (*The Herald Business Review*, 2009, July17, pp 2). Thereafter, Zimbabwe adopted the use of a multiple currency system which comprised of the United States dollar, the South African rand, the British pound, the Botswana pula and the Euro.

The government has since enlarged the multiple currency basket by bringing into the system four additional foreign currencies, namely the Chinese yuan, Japanese yen, Australian dollar and the Indian rupee on 29 January, 2014 (*The Herald*, 2014, July 22, page B1). The Zimbabwean Government does not have official agreements with the governments whose currencies it is using. Zimbabwe is viewed as predominantly a dollarized economy given that the government conducts all its business using the United States (US) dollar, including tax receipts, and it is the currency that is most used among the other currencies in the country (Munanga, 2013).

The deterioration of the economy had devastating consequences for all economic activities in the country. As is normally the case in an economic recession, demand for goods and services dwindled as a result of low disposable income, coupled with hyperinflation. The manufacturing sector declined as a consequence. Capacity utilisation was reduced due to low demand and high operational costs. Zimano and Kaseke (2014) highlighted that the manufacturing sector's capacity utilisation declined to 10% in 2008 from 33.8% in 2006. The sector suffered this decline as a result of its dependence on mining and agricultural inputs and outputs systems as well as hyperinflation. About 40% of the manufacturing sector's output is utilized by the mining and agricultural sectors (Zimano and Kaseke, 2014). The decline of these sectors had a ripple effect on the manufacturing sector in Zimbabwe.

Purpose of the study

The government of Zimbabwe demonetised its local currency in February 2009 to use multiple currencies such as the United States dollar and the pound sterling. This position was taken in order to avoid continued economic hardship in the country. In addition, the endeavour was designed to turn around the economic performance of all sectors including the manufacturing sector. This paper seeks to analyse the benefits and challenges of the multi-currency system to the manufacturing sector in Zimbabwe.

Research objective

This study sought to determine the impact of the multi-currency system on the manufacturing firms in Zimbabwe in terms of the benefits and challenges.

Literature review

Nature of manufacturing industry in Zimbabwe

Effective and efficient operation of a manufacturing company involves networking with other manufacturing firms that provide it with ancillary products, parts, sub-assemblies and supporting services (Jong and Kam, 1998:1) Manufacturing firms normally seek the most efficient suppliers in order to maximize the value added elements in the process of manufacturing a product. The firms are motivated by considerations of efficiency and cost-effectiveness in order to increase profitability and competitive advantage. The annual report of the Confederation of Zimbabwe Industries (CZI 2010) highlighted that although the situation was improving due to adoption of multiple currencies in February 2009, most manufacturing companies in the country were not operating at full capacity. The same report notes that this was due to a lack of working capital, antiquated machinery (which has resulted in loss of production time due to frequent breakdowns or plant and machinery refurbishment), and low demand.

As noted by Besada and Moyo (2008), developments following the disputed elections of 2008 saw Zimbabwe being isolated from the international community. The World Bank had earlier in 2000 stopped extending any loans to Zimbabwe (ibid). This resulted in the plunging of the economy leaving the manufacturing sector depleted of foreign currency needed to import inputs for its manufacturing industry. Hyperinflation became the order of the day with the last officially recorded inflation rate of 231000000% in July 2008 (Besada and Moyo, 2008). The manufacturing industry was therefore hard hit.

The report also points to the fact that workers continue to demand increases in salaries and wages even when the demands for salary increments are not based on productivity. Full production is also hindered by frequent power cuts.

The CZI Annual Survey Report (2012) showed that the manufacturing sector was in a crisis. Capacity had declined by more than 10%. Performance had been stagnant with average growth not exceeding 2% (CZI, 2012:3). Export sales from manufacturing remained unchanged at 15% of total turnover showing that local products were failing to make it in the export market. This has mainly been attributed to lack and cost of funding, power shortages and high production cost, economic instability, high labour costs and rigid labour laws (Zimano and Kaseke, 2014).

Defining dollarization and multi-currency system

Multi-currency system is the adoption of multiple foreign currencies as the medium of exchange. Foreign currency is used as a unit of account and for storing value (Blinder, 1996; Aubon, 2012).

Official dollarization happens when a country completely replaces its domestic currency with foreign currency particularly the US dollar. The foreign currency becomes the legal tender. Countries that officially dollarized include Zimbabwe, Ecuador, Panama and El Salvador (Maroney, 2009).

Stages of dollarization

Three stages of dollarization have been postulated namely, unofficial, semi-official and official dollarization (Meyer, 1994, Munanga, 2013).

Unofficial dollarization is the unplanned adoption of the dollar by the general public without backing from government legislation (Chitambara, 2009, Munanga, 2013). Zimbabwe went through this process between 2000 and 2009. Foreign currency circulated among the general public without authorization from government. In unofficial dollarization, foreign currency is not a legal tender. Local currency is informally and unofficially substituted with foreign currency such that if one is found with foreign currency then one would be prosecuted. Individuals are inclined to keep their financial wealth in foreign assets.

Semi-official dollarization happens when a country adopts foreign currency as secondary legal tender with local currency still circulating widely within the public (Munanga, 2013; Meyer, 1994). Semi-dollarized countries maintain a domestic central bank and conduct their own monetary policy. Foreign currency is partially permitted and runs alongside the domestic currency. Prices are quoted in either the domestic or foreign currency equivalent. Monetary institutions such as foreign exchange bureaux are licensed to operate. Zimbabwe went through this phase as well between 2007 and 2009.

According to the International Monetary Fund (IMF) (2004) official dollarization happens when a country adopts foreign currency as legal tender and a main component of its monetary base. The domestic currency is withdrawn and government puts an end to all other currencies as legal tender. Zimbabwe officially adopted the multi-currency system when it accepted the South African rand, the United States dollar, British pound and the Euro as legal tender and totally abolished and withdrew the Zimbabwean dollar from circulation in February 2009. In January 2014, the Zimbabwean Government added more foreign currencies, by bringing into the basket, the Chinese yuan, Japanese yen, Australian dollar and Indian rupee (*bulawayo24* 2016, July 28). The current policy of the government of Zimbabwe is that the Zimbabwean dollar (currency) should be reintroduced only if industrial output improves (http>//en.wikipedia.org/wiki/Zimbabwean_dollar).

Challenges of multi-currency system/dollarization

Unfair competition

Damiyano et al. (2012) have argued that dollarization has brought about unfair competition on the local manufacturers who once enjoyed some level of competitiveness in the region. Consumption patterns change, with the local market going for imported products which are cheaper than locally produced goods. As a result, demand for local products is adversely affected. The effects of globalization and market liberalization negatively affect local manufacturers. Damiyano et al. (2012) indicate that extraordinary pressures are put on local manufacturers to prove their operational efficiencies for improved competitiveness and overall business performance. Local manufacturers are constrained by the unavailability of credit and the use of obsolete technologies which lead to very high costs of production. This resulted in local firms finding it very difficult to compete with foreign based manufacturing companies which use more modern technologies and which also enjoy economies of scale and easy access to capital markets.

Financial challenges

Dollarization brings about financial challenges for manufacturing industries which depend very much on bank financing of their operations (Kwesa 2009). In Zimbabwe, lack of funds constrained long–term lending by banks. The absence of a fully-fledged interbank market and the inability of the Reserve Bank of Zimbabwe to perform its role as the lender of last resort compounded the situation (Industrial Psychology Consultants, 2012). The extremely high cost of borrowing deterred manufacturing companies from borrowing from banks to finance their operations, and they opted to raise capital from their own activities (Noko, 2012). Expansion by local companies was therefore constrained resulting in reduced capacity utilization which in most cases was at less than 20% for the whole manufacturing industry (Damiayano et al., 2012). Low capacity utilization, high operational costs, high prices and high cost of labour led to retrenchments and closure of many companies (Damiyamo et al., 2012; Zimano and Kaseke, 2014).

Benefits of multi-currency system/dollarization

As pointed out by Munanga (2013) and the use of multi-currency system brings about a number of benefits which include discipline on monetary authorities, capital flight prevention, low risk of currency devaluation, stability of inflation rates and direct foreign investment.

Discipline on monetary authorities

It had become normal practice for government to print money to finance budget deficits. This cannot easily be done when an economy uses a multi-currency system. Dollarization promotes increased awareness and discipline on the part of government of the need to avoid public deficits intended to be financed through bank financing (http://en.wikipedia.org/wiki/Hyperinflation_in_Zimbabwean).

Capital flight prevention

Hyperinflation encourages local residents to invest abroad. Dollarization discourages repatriation of funds since residents would be able to hold foreign currency assets in domestic banks. A multi-currency system encourages local investment which in turn promotes growth in the financial services sector (Maroney,2009, http://en.wikipedia.org/wiki/Hyperinflation_in_Zimbabwean).

Low risk of currency devaluation

With hyperinflation speculation tends to be high with people wanting to take advantage of short term changes in exchange rates. Multi-currency system reduces the effects of short-term volatility associated with floating exchange rates (Maroney 2009), http://en.wikipedia.org/wiki/Hyperinflation_in_Zimbabwean)

Stability of inflation rates

Inflation rates become stable with dollarization. After dollarisation in Panama in the 1990s, Maroney (2009) notes that inflation rates barely exceeded 1%. Low levels of inflation meant that manufacturing industries were able to forecast and plan their operations, something which they could not do in high inflationary and unstable economy. Dollarization brought about some stability in the economy of Panama (Munanga, 2013). A more stable economy meant that companies could now develop long term strategies and increase their competitiveness.

Direct foreign investment

Maroney (2009) notes that El Salvador succeeded in attracting foreign investors after it imposed dollarization. One of the attractions for foreign investment is a safe and stable economy. A stable monetary system for El Salvador resulted in increased direct foreign investment and growth in the manufacturing sector.

Local investment

A multi-currency system encourages local investment which in turn promotes growth in the financial services sector (Munanga, 2013)

Research methodology

The research design for this study took mainly the quantitative approach as it was necessary to obtain some level of agreement among respondents on the impact of the multi-currency system in the manufacturing sector. A questionnaire was therefore used for data gathering. This questionnaire was designed in a manner to allow quantitative analysis of data in order to come up with some measure of statistical means and ranking of various variables. This study focused on manufacturing firms operating in Zimbabwe. A questionnaire was used to gather data from a sample of 100 respondents from 25 companies registered with the Confederation of Zimbabwe Industries (CZI). Interviews were also conducted as a way of triangulation and to counteract any limitations of the survey questionnaires. Companies and individuals were selected randomly such that each had an equal probability of being chosen to be part of a sample. The random/probability sampling in this study was based on all manufacturing firms and the targeted respondents in these firms were at managerial level in these firms. The choice of sample firms was done by picking names of the firms at random. The individuals interviewed were however chosen using the snow balling technique. This entailed picking on the chief executives of these firms or their equivalent first to respond to the questionnaires and interviews. After this, these managers were asked to identify their subordinates to respond to interviews and questionnaires. This approach was designed to ensure that relevant personnel in the firms, as recommended by their bosses, were utilised in the study. It was easier to get many respondents through contacting only a few individuals than trying to contact all possible respondents (Kumar, 2014). The questionnaires used were pilot tested before they were administered. Recommendations from the pilot test were included in the questionnaires before being personally administered to respondents.

Findings and discussion

Of the 100 questionnaires administered 50 were received from respondents, giving a response rate of 50%. As this rate is taken as acceptable, the findings of this study therefore are valid (The University of Texas at Austin 2007),

Reliability of research instrument

Reliability of a research instrument, which is the ability to show the same outcomes in future studies, is normally measured through Cronbach's alpha. Nunally (1978) recommends a Cronbach's alpha of 0.7 as the minimum acceptable reliability measure. The research instrument used in this study is therefore reliable for future studies as its Cronbach's alpha is .857, which is above the minimum threshold.

Demographic aspects

Thirty one (31) or 62% of the respondents had a degree qualification, with six of them having postgraduate qualifications. In addition, sixteen (32%) had advanced level qualifications and 3 (6%) had ordinary level as the highest education. This gives the study the type of calibre necessary to provide suitable responses. Furthermore, this calibre was strengthened by the fact that 48% of the respondents had six to above ten years of work experience in the manufacturing sector. For example, 40% had 1 to 5 years' experience while only 6% had less than one year. At least 48% of the respondents had experienced both the pre-multiple currency period and the multiple currency period. This experience is vital for reliable and balanced responses.

General benefits of the multi-currency system

Manufacturing firms enjoyed a number of general benefits shown in **Table 1** below, from the multi-currency system.

Table 1

General Benefits of the Multi-currency System Enjoyed by Manufacturing Firms

General Benefit	**Strongly Agree**	**Agree**	**Indifferent**	**Disagree**	**Strongly Disagree**
Price stability	52%	46%	2%	0%	0%
Fall of interest rates	26%	46%	10%	16%	2%
Reduced inflation	50%	46%	0%	2%	2%
Ability to plan and budget	44%	52%	2%	0%	2%
Increase in Gross Domestic Product (GDP)	32%	18%	32%	10%	4%

The predominant benefit was the price stability in the manufacturing sector, with 52% and 46% of respondents strongly agreeing and agreeing that they enjoyed it. A total of 98% therefore observed this as a striking benefit of the multi-currency system to the manufacturing industry.

This was jointly followed by reduced inflation (50% strongly agree and 46% agree) and ability to plan and budget (44% strongly agree and 52% agree). These results show the expected outcome of the change of government policy to multiple currencies. It was expected that inflation would be reined in and consequently prices would stabilise, and economic players would be able to plan and budget realistically. Munanga (2013) cites *The Zimbabwean* (June 2010) saying that adoption of the multiple currencies had reduced Zimbabwe's monthly inflation trend to less than one per cent from 49 billion per cent since February 2009.

Table 2

The Mean Values of the General Benefits of the Multi-currency System to the Manufacturing Sector in Zimbabwe

General Benefit	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Price stability	50	3	5	4.50	.544
Fall in interest rates	50	1	5	3.78	1.075
Reduced inflation	50	1	5	4.40	.782
Ability to plan and budget	50	1	5	4.36	.722
Increase in GDP	48	1	5	3.67	1.173

The mean analysis of these three benefits also confirms their predominance. Price stability, with a mean score of 4.50 stays ahead of all benefits. This is followed by reduced inflation and ability to plan and budget, with mean scores of 4.40 and 4.36 respectively. Respondents solidly agreed that they have enjoyed these three benefits since the introduction of the multi-currency system in Zimbabwe. Table 2 shows the mean values of the benefits from the multi-currency system.

The fourth and fifth benefits of the multiple currency system were the fall in interest rates and increase in gross domestic product (GDP) with 72% and 50% of respondents agreeing respectively that they were realized. The fall in interest rates had 26% strongly agreeing and 46% agreeing that it was a benefit to them. On increase in gross domestic product (GDP), 32% and 18% of the respondents strongly agreed and agreed respectively and 32% were indifferent. This ranking of fall in interest rates and increase in GDP is also seen through their mean statistics of 3.78 and 3.67 respectively. The decrease in interest rates was a result of falling inflation rates to as low as 0.33% in December 2013 and minus 0.19% in May 2014 (Reserve Bank of Zimbabwe, July 4, 2014). It was inevitable therefore that this economic development benefitted the manufacturers and every business in Zimbabwe. Unfortunately, due to persistent liquidity crunch in Zimbabwe, this benefit was not being fully enjoyed by the manufacturing sector as there was limited lending. The increase in GDP came fifth mainly because the economy had not improved meaningfully. The manufacturing sector had not therefore enjoyed much from this angle.

Operational benefits

Manufacturing firms also experienced operational benefits from the introduction of the multi-currency system as shown in Table 3 below.

Table 3

Operational Benefits of the Multi-currency System Enjoyed by Manufacturing Firms

Operational Benefit	**Strongly Agree**	**Agree**	**Indifferent**	**Disagree**	**Strongly Disagree**
Availability of raw materials	36%	54%	2%	8%	0%
Increased capacity utilisation	30%	58%	4%	8%	0%
Availability of other utilities	16%	54%	20%	10%	0%

Respondents (90%) agreed that availability of raw materials was the biggest operational benefit from the multi-currency system. Respondents (36%) strongly agreed on this benefit. This ranking is also supported by a mean value of 4.18, which is the highest in Table 4 below. As a result of a general improvement in the economy as shown by price stability, fall in interest rates and reduction in inflation rates, importers of raw materials into Zimbabwe increased. There was now an incentive to import raw materials from foreign markets. Importers realized value for money in their operations and therefore increased their business operations.

The second operational benefit was increased capacity utilization, of which 88% of the respondents agreed, with 30% of them strongly agreeing as shown in Table 3 above. The mean statistics of this benefit is 4.10 as shown in Table 4 below. This was no surprise as with the increase in availability of raw materials, manufacturing firms had the opportunity to increase their production capacity utilization. Stable prices generated demand for manufactured goods. This is typical of an economy which is on the recovery mode. Zimano and Kaseke (2014) indicated that capacity utilization increased from 10% in 2008 to 32.3 in 2009, then to 43.7% in 2010, 57.2% in 2011 but declined to 44.2% in 2012. Despite the decrease in 2012, it is evident that there was a remarkable improvement in capacity utilization from 2008 (before multiple currencies) to 2011 (after the introduction of multi-currencies).

Table 4

Mean Statistics of Operational Benefits to the Manufacturing Sector in Zimbabwe

Operational benefit	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Availability of raw materials	50	2	5	4.18	825
Increased capacity utilization	50	2	5	4.10	.814
Availability of other utilities	50	2	5	3.76	.847

This study finds that plant capacity utilization in Zimbabwe is mostly below 40% as shown in **Table 5** below. However, it is encouraging to find out that there was an improvement of capacity utilization in 2012 and 2013 when 24% and 16% of the respondents respectively agreed that their utilization was 41% to 60%. The year 2013 shows that 18% of manufacturers in Zimbabwe utilized their capacity above 60%, when national average utilization was 39.6% (The Source 2014). This was an encouraging development for Zimbabwe, although the Confederation of Zimbabwe Industries (CZI) expected capacity utilization to fall by about 10 percentage points to 30% in 2014 (*The Zimbabwe Mail 2016*, August 18). It appears the end of the government of national unity induced a fear of the return to economic recession that caused panic and despondency to industry leading to liquidity problems and low production level.

Table 5

Capacity Utilization by Manufacturing Firms

Year/Capacity utilisation	**Capacity utilisation 0 – 20%**	**Capacity utilisation 21 – 40%**	**Capacity utilisation 42 – 60%**	**Capacity utilisation above 60%**
2010	58%	28%	8%	2%
2011	44%	40%	6%	6%
2012	32%	38$	24%	6%
2013	20%	46%	16%	18%

The availability of other utilities such as transport and energy was the other operational benefit of the multi-currency system to the manufacturing sector. Respondents (70%) agreed that these utilities became more available after the introduction of the multi-currency system, although only 16% strongly agreed with this. This operational benefit had a mean value of 3.76, showing that it is significant. This benefit came about due to demand from increased capacity utilization and raw material consumption by the manufacturing sector.

The impact of the multi-currency system on the financial performance of the manufacturing firms in Zimbabwe

The impact of the multi-currency system on the manufacturing sector was measured through the financial indicators as shown in Table 6 below. The study finds that 40% of the respondents registered an increase in profits of 21% - 40%, while 38% of the respondents had increases of 20% and under.

Table 6

Effect of the Multi-currency System on Manufacturing Firms in Zimbabwe

Financial indicator	**0 -20%**	**21 – 40%**	**41 – 60%**	**Above 60%**
Sales volumes increased by	46%	26%	12%	4%
Profitability increased by	38%	40%	8%	2%
Cost of production increased by	52%	16%	2%	0%

This positive improvement in profitability was as a result of increased sales. Respondents (26%) indicated that they had a sales increase of 21% to 40% while at the same time 16% of the respondents reported that production costs were increasing at similar levels (21 – 40%). Respondents (52%) suffered increases of 0 – 20% in production cost. This increase in production costs reduced the extent of the increases in profitability (38%). Few manufacturing firms experienced increases above 40% in all the financial indicators. This is mainly because of the poor recovery of the Zimbabwean economy. Only 12% and 4% of the respondents increased sales by 40% - 60% and above 60% respectively. This is in line with the poor capacity utilization in the manufacturing sector as highlighted above.

The study found that introduction of the multi-currency system improved access to finance. Respondents (30%) strongly agreed and 50% agreed respectively that this had been the case, as shown in Table 7. The mean value for this item is 3.88 as indicated in Table 8 below. Financial institutions were encouraged to lend to manufacturers especially at the onset of the government of national unity in 2009. The economy had some confidence in the GNU setup and economic players were keen to positively move forward. However, this attitude seems to have died down after the government of national unity in July 2013. The economy is now characterized by liquidity crunch and credit squeeze.

Table 7

Other Effects of the Multi-currency System on Manufacturing Firms

Variable	**Strongly Agree**	**Agree**	**Indifferent**	**Disagree**	**Strongly Disagree**
Improved access to finance	30%	50%	4%	4%	10%
Distortions of cross exchange rates	18%	44%	20%	16%	0%
Disparities in pricing	16%	40%	26%	10%	4%

Respondents (62%) agreed that the introduction of the multi-currency system brought about distortions of cross exchange rates. This is validated by a mean value of 3.65 for this parameter as shown in Table 8 below. This is a significant result in that the official use of multi-currencies was supposed to eliminate the parallel or unofficial foreign currency market and thereby eliminate distortions in the foreign exchange rates. Perhaps the observation by respondents was based on the unofficial cross rates they were used to just before the introduction of the multi-currency system, bearing in mind that cross rates in the multi-currency system are also influenced by international monetary dynamics.

Just about 56% of the respondents agreed, through a mean statistics of 3.56, that there had been disparities in pricing. This could have been as a result of distortions in cross exchange rates and inadequate supply of goods and services as plants were operating at low capacity.

Table 8

Mean Ranking of Other Effects of the Multi-currency System on the Manufacturing Sector in Zimbabwe

Variable	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Improved access to finance	49	1	5	3.65	1.201
Distortions of cross rates	49	2	5	3.56	.969
Disparities in pricing	48	1	5	3.56	1.029

In this study, 48% of the respondents wanted to have the US dollar permanently adopted in order to succeed the multi-currency system in Zimbabwe. However, 32% preferred the re-introduction of the Zimbabwean dollar and 12% wanted Zimbabwe to join the Common Monetary Area or Rand Zone comprising South Africa, Lesotho, Swaziland and Namibia. The position of the Zimbabwean manufacturers on the US dollar takes into account that the US dollar is the most credible and most used currency in Zimbabwe The issue of the return of the local currency or Zimbabwean dollar is highly sensitive in Zimbabwe, to the extent that on July 27, 2014, the minister of finance, Patrick Chinamasa, was forced to clarify statements he had made on the multi-currency system on July 22, 2014, (*The Standard*, 2014, July 27). On July 22, 2014 the minister had blamed the multi-currency system 'for challenges Zimbabwe was facing as it caused an increase in the cost of commodities and raised salaries to unsustainable levels while reducing demand (*The Herald*, 2014, July22, page B1). After the minister's remarks on the multi-currency system, the local market went into a feverish speculation because of fears of the return of the Zimbabwean dollar. The minister had to assure the nation that the multi-currency system was going to be used for some time to come in Zimbabwe (*The Standard*, 2014, July 27). Five days later, on August 1, 2014, a former Confederation of Zimbabwe Industries (CZI) president, urged Zimbabwe to adopt the South African Rand as the main currency instead of the United States dollar in order to promote regional competitiveness. His major reason was that the US dollar was making Zimbabwe uncompetitive (*The BusinessDaily*, 2014, August 1, page 11). However, the same newspaper reported that the Reserve Bank of Zimbabwe had said 'adopting the rand would usher in complications and that the multi-currency regime was market driven and not a government conscious effort'. The bottom line is that the government had no plans to scrap the multi-currency system.

Conclusions

This study shows that the manufacturing sector in Zimbabwe benefited to a large extent from the introduction of the multi-currency system in February 2009. There were both general and operational benefits which translated into improvement in financial indicators such as increase in profitability and in sales volume.

The major operational benefits were the availability of raw materials and increase in capacity utilisation. However, availability of utilities was not as high as that for raw materials indicating that the manufacturing sector is still battling with supply of utilities such as power, transport and fuels.

The introduction of the multi-currency system achieved its objective; that of eliminating hyperinflation and stabilising prices. This study found that prices had stabilised on the back of falling inflation and interest rates. This enabled manufacturers to plan and budget realistically.

All these developments encouraged expansion of business over time, hence the increases in capacity utilisation indicated by the respondents. More manufacturing firms reached 41 to 60% plant utilisation in 2012, from about 10% in 2008. This trend improved in 2013 when more firms (18%) showed they were operating at above 60% capacity, although the overall average capacity utilization was 39.6% in that year.

The study revealed that sales volumes of manufacturing businesses increased to above 60%, although only 4% of the businesses increased sales by above 60%. Manufacturing sector also registered increases in profitability of above 60%, although again only 2% of the firms had profitability increasing by over 60%. Regarding production costs, the sector suffered increases of up to 60%. Only 2% of the firms in the sector had costs increasing by 41 to 60%. This, at least, allowed the firms to increase profits as already discussed.

Although access to finance improved upon the introduction of the multi-currency system, the mediocre recovery of the economy prevented firms from fully benefiting from this improvement. The Zimbabwean economy is still riddled with economic problems such as liquidity crunch due to low investment in the economy.

It can be concluded that the manufacturing sector wants to continue using the multiple currency system. The sector does not want the return of the Zimbabwean dollar or local currency. This is because manufacturers fear that the Zimbabwean dollar would bring back hyperinflation and economic instability.

Recommendations

This study recommends that the Zimbabwean government officially keeps the multi-currency system in operation for the foreseeable future. The government should not hasten to return the local currency. This will give the needed confidence in the economy. The government should unreservedly assure the nation that the multi-currency will not be scrapped too soon.

The manufacturing firms should continue putting pressure on government to maintain the multiple currency system until all the necessary conditions are met, that is, 'once there is a clear evidence of a strong economy, characterised by sound track record of policy consistency and implementation, a sustainable external position, and a strong financial sector, necessary to support and sustain the desired currency regime', according to the new government of national unity in July 2009 (*The Herald* Budget Review, 2009, July 17, page 3)

This study also recommends that the manufacturing sector seeks ways of improving liquidity together with monetary authorities if they are to survive or improve profitability. The sector should urge government to come up with policies that encourage foreign direct investment (FDI). The more the FDI the better will be the liquidity situation in Zimbabwe.

The authorities and relevant businesses responsible for supply of utilities such as electricity, fuel and water should increase the supply of these to enable manufacturing firms operate at higher capacity.

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