An Economic Analysis of the Determinants of Entrepreneurship: The Case of Masvingo Informal Businesses

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Abstract

In the past decade, Zimbabwe has been hit by its worst economic performance since its independence in 1980. Capacity utilization shrank to ten percent and unemployment rate was above eighty percent by 2008 as the private and public sector witnessed massive retrenchments. As a result many people are finding themselves engaging in informal businesses to make ends meet. However not all people have joined the informal sector as has been witnessed by the number of people who left the country in droves to neighbouring countries. It is against this background that this research conducted an economic analysis of the determinants of entrepreneurship in Masvingo urban with an emphasis on the informal businesses. The research targeted a sample of 100 informal businesses (30 from Rujeko Light industrial area, 40 from Mucheke Light industrial area and 30 from Masvingo Central Business District). The businesses included among others flea market operators, furniture manufacturers, suppliers and producers of agricultural products, and food vendors. The research found out that level of education, gender, age, marital status, number of dependants, type of subjects studied at secondary school and vocational training are the main determinants that influence the type of business that entrepreneur ventures into. The study recommends formal training for the participants, for the businesses to continue into existence since they fill in the gap that is left vacant by most formal enterprises.

Keywords: Informal sector; Entrepreneurship; Education level; Employment.

Impact of Agricultural Development on Youth Employment in Zimbabwe: The Case of Masvingo Province

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Abstract

Zimbabwe is basically endowed in agricultural resources. As a result agricultural activities have a large bearing on developmental issues in the country. Employment is one such economic issue that hinges much on agricultural development. Over the past decade employment levels have reduced as a result of low investment in the country. Masvingo Province has not been spared. This scenario has seen many youths being out of employment as the sector employed less labour. The study found out that economic woes that Zimbabwe experienced over the past half decade have contributed significantly to youth unemployment in agriculture in Masvingo Province as a result of low investment in the sector. The study recommends that heavy investment be put in agriculture and agriculture related projects to enhance employment levels of the Zimbabwean youths in Masvingo province.

Keywords: Agricultural development, youth employment, investment, youth labour

An Analysis of Effective Responsibility Accounting System Strategies in the Zimbabwean Health Sector (2003-2011)

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Abstract

The study set out to come up with strategies to ensure effective responsibility accounting system in the Ministry of Health and Child Welfare (MOHCW) in Mashonaland West Province of Zimbabwe. The study was largely prompted by the fact that despite having been professionalized in its functions, the Ministry was still facing a lot of challenges. The target population for the study was the management and a sample of 70 employees from the fourteen stations in the province was used. Systematic sampling (probability sampling) and purposive or judgmental sampling (non-probability sampling) were used. It was observed that departments were operating with mandated budgets and that planning and control were not integrated. In addition it was also observed that performance reports were being used to fix blame on management and that performance reports were not being distributed to sectional managers on a regular basis. It is recommended that when coming up with budgets for the province the leadership should allow station managers to participate in the budget formulation and their suggestions should be taken on board and incorporated in the master budget.

Key words: Strategies, Responsibility Accounting, Public Sector

The Contribution of the Informal Sector to Poverty Alleviation in Zimbabwe

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Abstract

The past decade (2000-2010) for Zimbabwe was characterized by worst economic performance since its independence in 1980. Capacity utilization shrank to 10% and unemployment rate was above 80% by 2008 as the private and public sector unleashed massive retrenchments. This impoverished the great majority. High poverty levels forced the jobless to join the informal sector which uses labour intensive methods of production. Even in the aftermath of a decade long economic downturn, Zimbabwe’s formal sector is still shrinking due to socio-economic factors that hinder the local industry full capacity utilization. The retrenched are joining and actively participating in the informal sector. It is against this background of growing importance of the informal sector in alleviating national poverty that this paper put forward some policy intervention suggestions in promoting the growth of the sector.

Keywords: Informal sector, poverty reduction, policy intervention

Impact of the Informal Sector on the Current Zimbabwean Economic Environment

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Abstract

The paper sought to investigate the economic impact of the informal sector in the Zimbabwean economy. It was discovered that the informal sector is very significant in its contribution to the development of the Zimbabwean economy. However, the small entrepreneurs find difficulties in their operations because of the lack of capital and collateral. Given their significance in the economy, the paper suggests that these businesses should be assisted by the relevant stakeholders to graduate from informal to formal sector. This will enhance rapid economic growth.

Key Words: Informal sector, Collateral security, Capital, Production, Economic Challenges.

Haulage of HIV/AIDS and the Economic Impact on the Productive Age: The Role of Truckers

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Abstract

A study of 500 truckers in Zimbabwe reveals that truck drivers play a major role in the spread of HIV and AIDS. The most vulnerable are the married and economically active people between the ages of 30-50 years. Beitbridge and other stopovers in Zimbabwe have been hives of activity with trucks roaring day and night. At these centres drivers meet commercial sex workers. The study shows that those who have been in the industry for long have indicated multiple sex partners and the figure increasing in relation to the number of years spent plying the same route. 40 percent of the truckers have been treated of sexual Transmitted Diseases (STIs). The conclusion is that truck drivers play a role in the spread of HIV and AIDS. This has an impact on the economy of Zimbabwe, since the most affected is the productive age in terms of the supply of labour to all the sectors of the economy. It is therefore recommended that more restrictions be put on drivers as to the carrying of unauthorised passengers, and awareness information be disseminated along the highways to both drivers and cross border traders.

Key Words: Haulage, Commercial Sex Workers, Sexually Transmitted Diseases

Economic Challenges of Sugar Cane Production in the Lowveld of Zimbabwe.

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Abstract

The study sought to investigate the economic factors affecting the productivity of small scale sugar-cane farmers in the Lowveld of Zimbabwe with particular reference to Chipiwa farmers in Mkwasine area in Chiredzi District. The main objective of the study was to bring to light the economic challenges that contribute towards the low productivity by small scale sugar cane farmers so that the relevant stakeholders can assist to rectify the situation. The research sampled 100 farmers. The descriptive survey method was used to identify and explain the economic challenges faced by sugar cane farmers. The research showed that while sugar cane industry is a critical sector to the economy, its productivity is going down. It was discovered that the low productivity is largely due to failure to plough out old cane, lack of equipment for operations, low prices paid for the harvested cane, high transport and haulage charges, limited training and unavailability of inputs. This is largely due to limited access to cheap finance and credit. The research recommends that farmers be given cheap finance and easily access credit using their crop as collateral security.

Issues in Industrial Strategy and Trade Policy, Zimbabwe

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Abstract

The book covers the following areas: Industrial Strategy and Trade Policy issues, Globalization, Competitiveness and National Autonomy in Industrial Policy, Issues on Trade Liberalization and Industrial Policy, Industrialization in Asia, Industrial Policy in Africa and some areas on Environmental Regulation, Industrial Policy and Competitiveness in Zimbabwe. The purposes of this volume include: To give a deep analysis of industrial and trade policies of the world and To analyze industrial policy on the environment. This book gives essential reading for students, academics and policy makers who may have an interest in industrial and trade policies of both the developed and the developing world.

2012, BookLove Publishers: Gweru, pages: 51
Economic Determinants of Public Health Care Expenditure in Zimbabwe

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Abstract

The research sought to investigate the main determinants of public health care expenditure in Zimbabwe, with an understanding that health care financing is an important aspect of successful health systems. The research investigated the determinants of the public health care expenditure of Zimbabwe using yearly time series data for the period 1975-2005. The Engle-Granger cointegration technique was used to explain the main factors that affect public health care expenditure in Zimbabwe. The empirical results show that the key determinants in the explanation of the public health expenditure are real GDP per capita income, literacy rate, inflation and foreign health aid per capita while population and life expectancy were statistically insignificant.

Key Words: Public health care, Health expenditure

Examination of Multinational Corporate Capital Structure Decisions in Zimbabwe

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Abstract

This study uses a balanced panel data set from 2000 to 2008. The objectives of this study are to; (i) synthesize the theory on multinational companies with the orthodox corporate finance theories (ii) analyse the explanatory power of some of the theories that have been proposed to explain variations in capital structures across firms and, (iii) empirically examine the major determinants of capital structure decisions of multinational corporations listed on the Zimbabwe Stock Exchange. It utilizes panel data regression analysis (fixed effects {within} estimator) to empirically examine the impact of different determinants on leverage. The general findings are that tax, tangibility and size have a significant positive relationship with debt ratio while the pay-out-ratio; non-debt-tax-shields and profitability have a significant negative relationship with debt ratio. The results are broadly consistent with theory.

Key Words: Multinational, Corporate Capital Structure

International Trade, Technology Transfer and Firm Competitiveness: A Comparative Study of Zimbabwe Exporting and Non-Exporting Firms

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Abstract

The research examines the preparedness of exporting and non-exporting firms in harnessing the technological opportunities availed by international trade. Using data for 131 firms, a logistic regression analysis was done to ascertain the extent to which factors like technical skills, networking, and firm’s innovation system influence the adaptation and assimilation of technology for productive efficiency. The result shows that labour used in exporting firms is 3.164 times more productive than in non-exporting firms. There is no significant difference between exporting and non-exporting firms on Information Communication Technology diffusion and research and development activities. There is need to strengthen technological absorptive capacity by scaling up their networking activities, training and development activities and increase international exposure to foreign technologies. More liberal trade policies can improve the set of accessible technologies to both exporting and non-exporting firms and strengthen the local firm capabilities to assimilate and disseminate technology for global competitiveness.

Keywords Technology transfer, foreign technologies, exporting and non-exporting firms, technology capabilities, international trade.

Empirical Test of the Relationship between Exchange Rate and Inflation in Zimbabwe

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Abstract

This research looks into the empirical relationship between exchange rate and inflation in Zimbabwe during the period 1980 to 2007. Using Granger Causality test estimated results reveal that both the exchange rate and inflation have long run relationship. On the other hand, inflation and exchange rate are found to Granger-cause each other during the period under consideration. Based on results of the research, appropriate policies can then be drawn given insight to how exchange rate can perform its roles without necessarily leading to inflation and we recommend the policy makers should try to cushion the effect of inflation on the economy when the need arises so that rise in exchange rate will not lead to inflationary pressure.

Keywords: Exchange rate, Inflation, Granger Causality test, Policy

The Impact of Government Agricultural Expenditure on Economic Growth in Zimbabwe

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Abstract

A vibrant and an efficient agricultural sector would enable a country to feed its growing population, generate employment, earn foreign exchange and provide raw materials for industries. The agricultural sector has a multiplier effect on any nation's socio agriculture. The main objective of this study was affected economic growth in Zimbabwe from 1980 employed where gross domestic gross was the dependant variable and the explanatory variables are the factors which affect it which include government agricultural expenditure. The expenditures of government on agriculture were divided into three functions namely extension, credit assistance and research and development. The regression analyses were performed using Econometric was carried out on time series data for the period 1980 to autocorrelation. Problems of non stationarity of data were corrected by integrating the trending series. Results from the empirical analysis provide strong evidence indicating that agriculture is an engine The results from this study suggest that spending more on agricultural research and development can improve economic growth and ultimately reduce poverty. However, it can also be concluded that insufficient government agricultural expenditure on extension and credit assistance adversely affected economic growth in Zimbabwe, based on the results of the study.

Keywords: Economic growth, government expenditure on agriculture, multiplier, Zimbabwe

The Impact of Government Agricultural Expenditure on Poverty in Zimbabwe

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Abstract

Global experience with pro-poor growth and empirical work spanning India, Benin and Malawi demonstrates the importance of agricultural expenditure for poverty reduction in poor rural areas, while also pointing to the need for complementary non farm sector growth. This paper proposes a simple methodology to estimate the agricultural spending that will be required to achieve the Millennium Development Goal of halving poverty by 2015 (MDGs) in Zimbabwe. This method uses growth poverty and growth expenditure elasticities to estimate the financial resources required to meet the MDGs. The paper attempts to address a key knowledge gap by improving estimation of first MDG agricultural expenditure at country level.

Key words: Poverty; Millennium; Development Goals; Agricultural spending; Expenditure.

(2012), Russian Journal of Agricultural and Socio-Economic Sciences, Vol. 7(7), pp16-22
The Impact of Sustainable Development Assistance on Carbon Dioxide Emissions: The Sub-Saharan Africa Experience

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Abstract

The world is facing environmental challenges in particular the surging growth of greenhouse gases emissions. In line with these challenges, the developed world is funding sustainable development in poor countries, assumed to have low willingness to pay for environmental quality improvements. The study attempts to expose whether financial development assistance reduces carbon dioxide emissions in Sub-Saharan Africa (SSA) or not. Empirically, the study estimates the random effects panel data model in two functional forms, the linear and the quadratic forms, linking carbon dioxide emissions to sustainable development assistance, per capita income, energy use and manufacturing share. The study findings provide evidence that the quadratic functional form in terms of the sustainable development assistance variable provides the best fit for SSA data. While the explicit link between environmental quality and per capita income professed by various empirical studies is not refuted, the study finds evidence that increases in current per capita incomes increase carbon dioxide emissions in SSA. But in the dynamic random effects estimation, the study finds no evidence of a significant influence of previous carbon dioxide emissions on current emissions although there is an indication of a positive relationship.

Key Words: Carbon dioxide (CO₂) emission, Panel data, Post-cure financing, Pre-cure financing, Projections, Sustainable Development Assistance

Economic Determinants of Poverty in Zimbabwe

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Abstract

The study investigates the empirical determinants of poverty in Zimbabwe using cross section data for 2005. The study focuses on consumption function since poverty is defined as lack of basic needs of which food is included. A regression model was estimated based on this data, with per capita consumption as the dependent variable and a set of economic and demographic variables as explanatory variables. Variables that are significant and positively correlated with per capita consumption thus negatively correlated to poverty are: age squared, gender (male), widow, maximum level of education, attaining primary education, employment in any sector except working in the informal sector, migration status, engaged in secondary business, number of sources of income, credit availability and land area cultivated. Variables significant and negatively correlated with per capita consumption and positively correlated to poverty are: age and household size. Employment in the informal sector, days missed due to illness, and land ownership were some of the insignificant variables.

Key Words: Poverty, Multivariate function

Determinants of Intra-Industry Trade between Zimbabwe and its Trading Partners in the Southern African Development Community Region

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Abstract

Problem statement: The main objective of this study was to establish the determinants of intra industry trade between Zimbabwe and its trading partners in the Southern African Development Community (SADC) region. The study was mainly motivated by the need to establish the type of goods that Zimbabwe trades with its trading partners. Approach: The study also wanted to prove the hypothesis that similarity in per capita income is not the main determinant of intra-industry trade between Zimbabwe its SADC trading partners; and also that intra industry trade does not necessarily take place among countries with similar economic structures and level of development. The study used the Modified Standard Gravity Equation which has Intra-Industry Trade Index as its dependant variable. The model was regressed using Ordinary Least Squares in excel. Results: The results of the study show that per capita income, trade intensity, distance, exchange rate and gross domestic product explain Intra-Industry Trade (IIT) between Zimbabwe and its SADC trading partners. The study also established that most countries in SADC trade in more or less the same goods and this can be explained by the type of development that these countries were subjected to during the colonial era which resulted in the establishment of similar economic structures and per capita incomes that were more or less the same. As result, these countries produce and trade similar products. Both hypotheses above were proved wrong. Conclusion: We therefore concluded that Zimbabwe needs to get into more bilateral trade agreements with its trading partners in order to enhance trade between itself and its trading partners. We also concluded that Zimbabwe has to give incentives to its producers and also mend its relationship with the Breton Woods Institutions (International Monetary Fund and the World Bank) if it wants to reach its full trade potential.

Key Words: Gravity model, per capita incomes, trade intensity

Testing the week-of-the-year effect on stock returns; A case of Zimbabwe Stock Exchange (2009-2012)

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Abstract

The study tested for the existence (presence) of week-of-the-year (W.O.Y) effect on ZSE in the multi-currency system in Zimbabwe (2009-2012). It made use of the returns of twenty counters coupled by both mining and industrial indices over the same period. Multiple linear regression analysis with dummy variables was adopted in this study. For the three year period, using the three returns (ZSE, mining and industrial index), the WOY effect was absent. What was evident from the tests and descriptive statistics was that, week 44 returns tended to be the lowest. Other anomalies identified in this study included the Monday and January effects. In an attempt to improve the efficiency level of ZSE, the researchers recommended; demutualisation of the bourse, amending the ZSE Act Chapter 24:25, establishment of CSD and introducing electronic trading on the stock market.
Abstract

This paper provides an empirical analysis of the impact of Zimbabwe Stock Exchange (ZSE) developments on economic growth using time series data for the period 1990 to 2007. The ZSE variables considered included market capitalisation (MC), total value of stocks traded (TV) and turnover ratio (TR). Economic growth was proxied by gross domestic product (US$ per capita). The study employed the Augmented Dickey-Fuller (ADF) to test for stationarity and Johansen method in testing the presence of cointegration. The results showed that Zimbabwe capital market and economic growth were cointegrated, implying a long run relationship between ZSE and economic growth. The Granger causality test in VECM framework suggests bidirectional causality between economic growth and stock market developments. The evidence in this study suggests that activities and policies which affect the ZSE positively should be promoted by the regulators and participants.

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Abstract

This study sought to analyse the relationship between banks’ deposit interest rates and deposit mobilisation in Zimbabwe for the period 2000-2006. We developed an Ordinary Least Squares (OLS) model to show the relationship between the response and explanatory variables. Pearson’s correlation coefficient (r) was employed to demonstrate the strength of the relationship. Before running the regression equation the data was first tested for; stationarity using the Augmented Dicker-Fuller Test, multicollinearity using correlation matrix and autocorrelation using the Durbin-Watson statistic. The study found a positive relationship between deposit rates and banks’ deposits for the period under study and all the other explanatory variables were statistically significant. Also, the coefficient of determination (R2) was found to be significantly high showing that the explanatory variables were able to account for the total variation of the dependent variable – deposits. The study recommended banks to tap into the unbanked markets through massive branch expansion, offering low cost accounts and increasing interest offered on deposits to attract more deposits. The government should come up with consistent policies and create a conducive political environment for business and foreign direct investment.


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Abstract

Tests of the finance-growth nexus to date have not been conclusive on the nature & direction of the relationship between economic growth and financial sector development. A number of studies on the role played by banks in economic development have shown considerable variation across countries. In this paper we empirically examine the causal relationship between financial sector development and economic growth in Zimbabwe for the period 1988 to 2007; using time series analysis namely Johansen’s Cointegration and Granger Causality tests. The empirical investigation is carried out in a Vector Autoregressive (VAR) framework suggested by Sims (1980) to examine the short and long run relationships among the time series data. The results show a weak relationship between financial development and economic growth in Zimbabwe. Such results could be explained by the uncertain political environment, inconsistent government policies, inefficient credit allocation by banks (may be as a result of directed lending) and a hostile business environment. In light of this, the policy makers should come up with mechanisms that create a conducive business environment required to foster significant private investment and promote long run economic growth.

Keywords: Financial development, economic growth, Zimbabwe, Causality, VAR.

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Abstract

The stock market is a common feature of a modern economy and it is reputed to perform some necessary functions, which promote the growth and development of the economy. This study examines the impact of stock market returns on economic growth in Zimbabwe. To achieve this objective, Ordinary Least Squares regression (OLS) was employed using the annual time series data from 1988 to 2007. The results indicated that there is a positive relationship between growth and all the stock market development variables used. With 98.4 percent R-squared and 97.8 percent adjusted R-squared, the result showed that economic growth in Zimbabwe is adequately explained by the model for the period between 1988 and 2007. By implications 97.8 percent of the variation in the growth of economic activities is explained by the independent variables. The results of the study, which established positive links between the stock market returns and economic growth, suggests the pursuit of policies geared towards rapid development of the stock market. Also, all sectors of the economy should act in a collaborative manner such that the optimum benefits of linkages between stock market returns and economic growth can be realised in Zimbabwe.

Keywords: Stock market development, Economic growth, Correlation analysis, Unit root, Zimbabwe
Real Options Valuation: The modern day technique in Capital Budgeting & Decision Making?

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Abstract

Over the years, the DCF approach has been the valuation choice of many practitioners, academics and corporate finance managers. Such valuation techniques include the NPV, IRR and Payback. The former is widely employed due to its intuition and easy computation. Under this approach a project’s worthiness is derived from its projected cashflows discounted at the appropriate discount rate (normally the WACC). Projects with positive NPVs are accepted whilst those with negative NPVs are rejected. However, this technique does not tell us what to do next after accepting or rejecting a project. Furthermore the choice of the discount rate is conceptually flawed. What is the most appropriate discount rate for each project? These shortcomings of DCF models are addressed by the Real Option Valuation. The approach takes into account the stochastic nature of underlying project drivers (such as sales volume and the selling price) and managerial flexibility. After undertaking a project based on static DCF managers can alter the scale of production, by contracting and expanding in response to obtaining market conditions. They can also abandon, switch inputs and outputs, delay investment etc such flexibility cannot be valued by DCF. This research employed the BOPM to value a steel plant in Masvingo. Two embedded options were identified namely the abandonment and expansion options. The study revealed that apart from DCF valuation techniques being currently employed by the firm they can as well incorporate Real Options Analysis to decision making. Such actions if accurately valued and timely executed do add firm value.

Keywords: Capital Budgeting, Real Options, Discounted CashFlow, Binomial Option Pricing, abandonment option, expansion option