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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY



**AN INVESTIGATION ON THE CAUSES OF THE FINANCIAL DOWNTURN OF OK
ZIMBABWE**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR A BACHELOR OF ACCOUNTANCY HONOURS DEGREE**

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RELEASE FORM

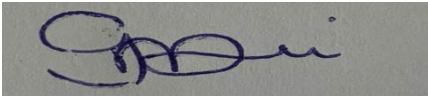
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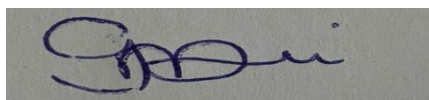
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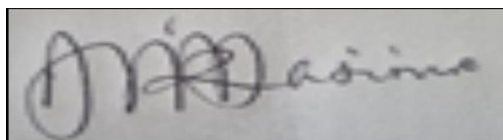


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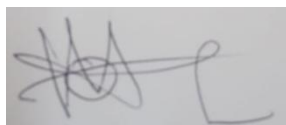


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Based on my assessment of this work, I hereby confirm that the prescribed research protocol has been duly observed and that all dissertation preparation requirements as set out by the department of Accountancy have been satisfactorily fulfilled.

Signature of the chairperson



..... Date....26/08/26

DEDICATION

I dedicate this research project to my family, whose unwavering support and encouragement sustained me throughout the course of my studies, and to the academic staff of the department of Accountancy, whose guidance made this work possible.

ABSTRACT

This study investigates the causes of the financial downturn of OK Zimbabwe limited, one of Zimbabwe's old and most established retail chains. OK Zimbabwe recorded a significant operational losses across financial year 2021 to FY 2025, including a net loss of USD 25 million. A Quantitative research design was adopted, guided by a positivist research philosophy. Primary data was collected through structured questionnaires of 30 distributed questions achieving a response rate of 100%. Secondary data were drawn from OK Zimbabwe's published annual reports for the period of 2021-2025, supplemented by data from the Reserve Bank of Zimbabwe, ZIMSTAT and African financials. Multiple linear regression analysis was performed using SPSS Version 20 to examine the relationships between the independent variables and the dependent variables. The results confirmed that currency exchange rate volatility emerged as the most dominant and statistically significant predictor of financial performance. Supply chain disruption yielding a non-significant coefficient partly because supply chain challenges were themselves driven by exchange rate instability. The study concludes that currency exchange rate volatility is the primary driver of OK Zimbabwe's deterioration. The study recommends that OK Zimbabwe adopts a competitive hedging strategy against currency exposure.

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I express my gratitude to my supervisor, for his expert supervision in this research. I value all of his time, energy and resources including study material and effort. I am really appreciative to my family members for their steadfast assistance and also my friends and study partners for their unwavering support in all I do.

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TABLE OF CONTENTS

Contents

RELEASE FORM.....	i
APPROVAL FORM	ii
DEDICATION.....	iii
ABSTRACT.....	iv
ACKNOWLEDGEMENTS	v
TABLE OF CONTENTS	vi
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF APPENDICES	xii
CHAPTER 1.....	1
INTRODUCTION.....	1
1.0 Introduction.....	1
1.1 Background of the study	1
1.2 Problem Statement	3
1.3 Research objectives.....	3
1.4 Research questions.....	3
1.5 Significance of the study.....	4
1.5.1 To the researcher.	4
1.5.2 To the Organization.....	4
1.5.3 To the university.....	4
1.6 Assumptions of the study	4
1.7 Delimitations of the study	4
1.8 Limitations of the study	5
1.9 Definition of important terminology.....	5
1.10 Chapter Summary	5
CHAPTER TWO	6
LITERATURE REVIEW.....	6
2.0 Introduction.....	6
2.1 Theoretical framework.....	6
2.1.1 The Business Cycle Theory	6

2.1.2 Porters Five Forces Model	7
2.1.3 The dynamic principle of profit by Clark (1991).....	9
2.1.4 Institutional Theory.....	10
2.1.5 Resource-Based View	10
2.2.6 Pestel Analysis Framework.....	11
2.3 Conceptional framework.....	11
2.3.1 To investigate how the manufacturing organization’s financial performance is affected by currency exchange rate volatility	12
2.3.2 How supply chain disruptions affect the financial performance of OK Zimbabwe	14
2.3.3 To determine how competition from the informal sector affects the financial performance of OK Zimbabwe.	17
2.4 Empirical Literature Review.....	20
2.4.1 Yousaf, Bris and Bris (2022): Corporate Governance and Financial Distress: A Review of Theoretical and Empirical Literature.....	20
2.4.2 Hakobyan (2023): Global supply chain Disruptions: Challenges for Inflation and Monetary Policy in Sub-Saharan Africa.	20
2.4.3 Alves Junior and Nagano (2023): Measuring the performance of Retailers During the COVID-19 Pandemic Using Dynamic Data Enveloped Analysis	21
2.4.4 Sewpersadh (2022): A Theoretical and Econometry evaluation of Corporate Governance and Financial Distress as Catalysts of Earnings Management in JSE-Listed Companies.....	21
2.4.5 BDO Retail in the Red (2023): Bi-Annual Bankruptcy Update and Financial Distress in the US Retail Sector.....	22
2.4.6 Isemin (2024): Economic Downturns and their effects on Retail Consumer Spending Patterns.....	22
2.4.7 Kimani and Muya (2019): impact of supply chain disruptions on the survival of retail sector in Kenyan.	22
2.4.8 Theodor Purcarea &Valeriu loan franc (2022): impact of the shift in the consumer behavior Romania and Retailers in Agilely Adapting to it.	23
2.4.9 Otieno and Njeru (2020) case study of formal retail performance in East Africa.	23
2.4.10 Global perspective and impact of exchange rate and replacement cost on retail downturns.....	23
2.5 Research Gap	24
2.6 Chapter Summary	24
CHAPTER THREE	25

RESEARCH METHODOLOGY	25
3.0 Introduction	25
3.1 Research Approach	25
3.2 Research Design	25
3.3 Area of research	26
3.4 Population	26
3.5 Sample and sampling techniques	26
3.6 Data collection	26
3.6.1 Primary data	26
3.6.2 Secondary data	27
3.7 Validity and Reliability	27
3.8 Descriptive statistics and regression data analysis	27
3.9 Data analysis and presentation techniques	28
3.10 Ethical considerations	28
3.10 Summary	28
CHAPTER FOUR	29
DATA PRESENTATION AND ANALYSIS	29
4.0 Introduction	29
4.1 Response Rate	29
4.2 Validity and Reliability Analysis	30
4.2.1 Socio-demographic characteristics of the participants	30
4.3 Gender	30
4.4 Position in the firm	31
4.5 Level of education	32
4.6 Working Experience of Respondents	32
4.7 Descriptive Statistics	33
4.7.1 Summary descriptive statistics for all variables	33
4.7.2 interpretation of Descriptive Statistics	34
4.8 Findings on the relationship between the dependent variable and the independent variables	34
4.8.1 Model summary	35
4.8.3 Regression Coefficients	37
4.8.4 Objective 1: To look into how currency exchange rate volatility (CER) affects financial performance of OK Zimbabwe.	38

4.8.5 Objective 2: To look into how informal sector competition affects the financial performance of OK Zimbabwe.	38
4.8.6 Objective 3: To look into how supply chain disruption affects the financial performance of OK Zimbabwe.	39
4.9 Summary of findings.....	39
CHAPTER FIVE	40
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	40
5.0 Introduction.....	40
5.1 Discussions	40
5.2 Summary of Findings.....	40
5.2.1 Objective one: To look into how financial performance is affected by the currency exchange rate volatility	40
5.2.2 objective two: To look into how financial performance is affected by the supply chain disruptions.....	41
5.2.3 objective three: To look into how financial performance is affected by informal sector competition.	41
5.3 Conclusions.....	41
5.3.1 objective one: To look into how financial performance is affected by currency exchange rate volatility	41
5.3.2 objective two: To look into how financial performance of OK Zimbabwe is affected the supply chain	42
5.3.3 objective three: To look into how financial performance is affected by the competition from the informal sector.....	42
5.4 Recommendations.....	42
5.5 Suggestions for further studies.....	43
REFERENCES LIST	44
APPENDIX 1: Letter of Approval.....	53
APPENDIX 2: Questionnaire	54

LIST OF TABLES

TABLE	DESCRIPTION	PAGE
4.1	Questionnaire Response rate	29
4.3	Response to gender	30
4.4	Position in the firm	31
4.5	Level of education	32
4.6	Working experience of respondenses	32
4.7	Descriptive statistics	33
4.8.1	Model's Goodness of fit statistics	35
4.8.2	Anova	36
4.8.3	Coefficients	37

LIST OF FIGURES

FIGURE	DESCRIPTIVE	PAGE
2.3	Conceptual framework	11
4.3	Responses to gender	30
4.4	Position in the firm	31
4.5	Level of education	32
4.6	Working experience of respondenses	32

LIST OF APPENDICES

	APPENDIX TITLE	PAGE
APPENDIX 1	LETTER OF APPROVAL	54
APPENDIX 11	QUESTIONNAIRE	55

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter provide a structured overview of the study, encompassing its contextual background, the significance of investing the various stakeholders. This chapter lays the conceptual and contextual foundation upon which subsequent chapters are built.

1.1 Background of the study

The high costs of doing business due to shortages of energy and infrastructure deficiencies coupled with a volatile economic environment, significantly impacts supermarkets efficiency and profitability causing the financial downturn of the firms. financial downturn is a decline of the growing rate of the total income of a company. It takes time for a business to notice causes of the financial downturn unless there is further investigation on the causes of a decrease in income.it is best of interest for the companies to monitor on what is happening in their organization and this can help the company to make clear decisions.

The risks of business failure are significant at any stage of production. According to Higson and Holly 90% of businesses fail due micro and macro-economic factors that is failure by insolvency and liquidation. The decision of closing down a business or closing other Braches is influenced by a variety of reasons such as financial crises and economic conditions (Bachmann Elstner and Sims). Despite increasing knowledge about the effects of the economy instability on business survival, limited research has considered knowledge of the firm's ability to avoid failure during an economic downturn.

The fundamental principle for a profit-making organization is the desire to make profit which is a unique defining characteristic of a company. This goal of profit making requires in the cutting of

costs which is an essential element of corporate success. For an organization to achieve its objectives it must offer valuable services or produce goods which can be sold ingeniously, consistently and conscientiously. Also, business intent to produce at lower costs so as to save resources.

A Company have to place a high priority on cost reduction so as to sustain its survival. If the company has the objective of profit making it should have to consider cost management as the fundamental tool in the financial planning. Higher liquidity crises and hyperinflation excavate consumer disposable income making it harder for supermarkets to operate profitably. It is argued that consumer preferences can also change due to the seasons and the economic environment, so a company's performance can be disrupted by the shift in consumer preferences and competitive environment. In Zimbabwe from 2022 the competitive market has started to grow at a faster rate selling their products at lower prices making it difficult for other business to survive in that competition.

Some financial bottlenecks are initiated by the government monetary policies and this will negatively impact the society by increasing unemployment rates and products shortages. The retail sector suffers from the economic instability in such a way that poor infrastructure can disrupt energy and leads to an increase of operational costs. For retail chains specifically, these pressures are amplified by thin operating margins and heavy reliance on imported stock, which leave little room to absorb currency shocks or supply disruptions before branch closure or restructuring become necessary.

Profit maximization remains the primary imperative for commercial enterprises. A disciplined approach to cost management, strategic agility and revenue optimization were the imperative demands the enterprises struggle to achieve. Companies must identify the opportunities to deliver value added products and services in a manner that balances quality with cost efficiency (Teece 2018). The competitive environment has intensified further as the informal sector market have

aggressively undercut the formal retail pricing and capturing significant market share that was previously held by established chains (Maliyamkomno & Bagachwa 2023)

1.2 Problem Statement

OK Zimbabwe Limited recorded operational losses across the financial years from FY2021-FY2025. According to the company's published financial statements, there was a decline in revenue from USD 2713333 million to USD 1825994 million over the period under review which was amounted to 52%. The company's net loss of USD 25 million in FY2025. Apart from revenue 70 employees were retrenched, while closing 20 of its 52 operational branches. This shrinkages and changes multifaceted a financial downturn therefore the researcher seek to investigate on the causes of the financial downturn of OK Zimbabwe.

1.3 Research objectives

- 1) To assess the impact of exchange rate and currency instability on the performance of OK Zimbabwe.
- 2) To evaluate how supply chain disruptions have contributed to the operational and financial challenges of OK Zimbabwe.
- 3) To examine the role of informal sector competition in eroding OK Zimbabwe's market share and revenues.

1.4 Research questions

- 1) To what extend has exchange rates and currency instability contributed to the financial downturn of OK Zimbabwe.
- 2) How have supply chain disruptions affected OK Zimbabwe to maintain product availability and cost management.
- 3) How did the competition from formal sector and informal sector affected OK Zimbabwe's profitability and market share.

1.5 Significance of the study

1.5.1 To the researcher.

This topic will help the investigator to have more knowledge and understanding of the conducted research since this topic problem was current. Also, this research helps the researcher to fulfil the requirements of her undergraduate degree at Bindura university Of Science Education.

1.5.2 To the Organization

The research will be useful to the organization to identify the areas which needs to be controlled and identify other potential risks associated with the reoccurrence of the losses and correct measures to take in order to mitigate the risks of the financial downturn.

1.5.3 To the university

Faculty members and future researchers who may want to study and carry out additional studies in the research field may found this research as a useful source of literature.

1.6 Assumptions of the study

- 1) It is assumed that the company managers, industry experts will provide accurate information and honest answers based on their professional knowledge.
- 2) it is assumed that the financial downturn was caused by internal and external factors not a random event.
- 3) It is assumed that the financial statements and annual reports of OK Zimbabwe are prepared accordance to IFRS and are not materially misstated.

1.7 Delimitations of the study

The study is focused on the causes of the financial downturn of OK Zimbabwe and is confined to individuals who work in finance, this investigated is restricted to OK Zimbabwe as from 2022-2024.

1.8 Limitations of the study

- 1) There was limitation of data since the interviews with the management are planned and the data access was limited to few individuals.
- 2) Reliance on the published data which may not contain internal data that is needed for deep research.
- 3) A challenge of interpreting financial trends due to hyperinflationary environment.
- 4) A huge variance between the end of the financial period and the publication of financial reports so the study may not capture latest events.

1.9 Definition of important terminology

- 1) Financial downturn Refers to a significant decline in the company's performance and health. It is not a single event but it is characterized by falling in sales volume and cashflows.
- 2) Profitability is the ability to generate earnings. It is best described as the gap between revenue and expenses.
- 3) macroeconomic environment is the economic environment in which businesses operate.
- 4) currency volatility refers to the fluctuations in the value of a country's currency relative to others.

1.10 Chapter Summary

The researcher aims to disclose the research history, problem statement, study aims, questions, significance and delimitations. The literature that attempts to clarify various researchers will be further examined in detail in the upcoming section.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The purpose of this chapter is to review relevant theoretical and empirical literature regarding the causes of financial downturns within the retail sector, with a particular reference to the contextual realities facing OK Zimbabwe. This chapter analysis existing academic works, journals and industry to establish a theoretical foundation for the study.

2.1 Theoretical framework

To understand the financial downturn of a retail like OK Zimbabwe it is important to investigate established financial and economic theories. This study is guided by the following theories,

2.1.1 The Business Cycle Theory

This theory states economic performance fluctuates between periods of expansions and contractions. According to Schumpeter's innovation cycles and Keynesian economics, retail performance is inextricably linked to aggregate demand. John Maynard Keynes argued that business cycles are driven by changes in Aggregate demand. Inflation led to the collapse of aggregate demand there by eroding the purchasing power of civil servants and private sector workers since they were the most dominant customers of OK Zimbabwe. Milton Friedman and Monetarists argued that business cycles are caused by mismanagement of money supply. The increase of money supply triggers hyperinflation and this will lead to the increase of prices and they will be a decrease of sales in the retail sector. In Zimbabwe this theory explains how the macroeconomic shocks such as currency devaluation and high inflation affect consumer disposable income by reducing it and leading to the decline of the retail revenue regardless of internal management strategies. The performance of Ok Zimbabwe moves in the same direction as the performance of the general economy, when the economy grows the retail also grows. In this theory consumers are price sensitive and when the prices of commodities increase, they shift their purchasing capability to cheaper commodities for example tuck-shops.

The following phases are part of the business cycle theory

Expansion This is the growth phase, when employment is high consumers have high disposable income. In this phase retailers like OK Zimbabwe experiences high volumes and consumers are willing to buy more goods.

Peak This is when the economy reaches its maximum output and this is accompanied by high inflation and the costs of retailers like wages and rents will start to rise leading to squeezing profit margin.

Contraction Recession/ Downturn This phase is relevant to my study. This is when economic activities slows down and the consumers will start to be price sensitive and they will only start to purchase only the basics and the total income of Ok Zimbabwe shrinks.

Three main mechanisms of the Downturn in Retail under business cycle

The Income Effect This theory states that when the economy enters a downturn the real income of consumers drops and the demand for normal goods will drop. Since OK Zimbabwe relies on the volume when the cycle turns down the volume will disappear.

Inventory Mismanagement Risks Business cycle states that the company misread the cycle. When OK Zimbabwe expects an expansion or growth phase and bought more inventory but when the economy enters a downturn, they are only left with obsolete and tied-up cashflow and this leads to a financial distress.

The Flight Value In the contraction phase of the company customers does not stop eating but they change where to buy their commodities, they move from retail shops to informal sector that is tuck-shops. The Business cycle explains this shift as a rational consumer response to economic hardships.

2.1.2 Porters Five Forces Model

Porters Five Forces revealed that OK Zimbabwe is operating in a red ocean environment with a highly competitive market and shrinking profit tools. Michael Porters framework is crucial for

analyzing the competitive intensity of the retail market. The financial downturn of OK Zimbabwe can be the cause of the rise of the informal sector (tuck shops) and aggressive competitors. This theory provides the learn to analyze the price wars between the formal retailers for example TM and SPAR, shift of consumers to informal markets due to price discrepancies and current instability. In Zimbabwe they are no barriers of entry to the informal retailer such as tuck-shops and they do not pay the same taxes with OK Zimbabwe and this has diluted its market share. Also due to the low disposable income Customers is price sensitive in Zimbabwe. Higher competition has forced OK Zimbabwe to run promotions and keeping the prices lower therefore reducing the profit margins. The theory also explains the threats of substitute products that is availability of similar products in the tuck-shops and being offered at cheaper prices. In the retail context of Zimbabwe, Porter's Five Forces reveals a highly unfavorable competitive for Muranda (2020) applied the Five Forces model to Zimbabwe's grocery retail sector and found that the rapid proliferation of informal traders, who operates with minimal overheads, no regulatory compliance costs and access to cheap imported goods. The bargaining power of suppliers has also intensified as economic instability has prompted key suppliers to shorten their credit terms and demand payment in foreign currency, disadvantaging formal retailers who are constrained by official exchange rate policies.

Main application of the Porters Five Forces Model

Threats of new entrance

When the industry is profitable and no barriers to enter new firms will join and the prices will fall and driving down profits. There are low threats in opening a massive supermarket like OK Zimbabwe since it requires a lot of capital but the threat is coming from the informal sector which is manipulating the market share of OK Zimbabwe.

Intensity of competitive rivalry

This force looks at the forces between the existing competitors. There is a rivalry intense between OK Zimbabwe, TM and SPAR since their customers are the same and they sell similar products, so there are price wars and when another retailer reduces price another one is forced to or lose customers. This rivalry issue is a major factor in the contribution of the financial downfall.

2.1.3 The dynamic principle of profit by Clark (1991)

Clark's Dynamic Theory of Profit (1991) proposes that profit fundamentally represents a residual gap between cost and price that persists after the economy undergoes various forms of change. These changes include shifts in population size, fluctuations in capital availability, technology and process innovations which lowers production costs, inventory surpluses which can put prices up despite stable production costs often due to inflation or heightened consumer demand and adjustments to organizational structures which tend to reduce operating expenses. This theory also referred to as the windfall hypothesis of profits, as it treats profits as surplus remaining after all costs have been deducted from revenue.

Clark distinguishes between two types of economies. In a stagnant economy, conditions remain largely unchanged, factors of production can move freely in theory, but capital and labor stay in place. When the production methods remain constant, goods are uniform across producers and the marginal unit of the output in every industry stays fixed. In such environment there is no uncertainty or risks meaning no profit can emerge above the norm. Conversely, the general changes that characterize a dynamic economy include population growth, technological advancements in the manufacturing sector, shifting and rising consumer demand, modifications to organizational structures and an increase in capital. An entrepreneur's main goal responsibility is to operate in an evolving economy, seizing opportunities to advertise his company, cut expenses and increase sales (Horngren 2005).

Clark claims that companies that are able to benefit from these modifications in every changing industry and turn a normal profit into a pure profit. Pure profits are not sustainable for long since the rivals quickly absorb the leader's threat. The demand for the production elements rises as a result driving up the price of those factors and raising the total cost of productions. However, pure profits are eliminated when output increases since a p-product's price decreases for a certain level of demand (Kellerman 2010).

Thus, profit in Clark's view, is an elusive quantity that a business owner can strive for but cannot hold onto given that it eludes them as it distributes to all members of society. It is important to understand that earnings in an economy that is changing do not appear to arise momentarily before going extinct, as suggested by Clark's dynamic model of profit. Nonetheless, generic shifts occur frequently and the astute manager or business owner needs to seize this opportunity to maintain above-average profitability (Shrank 2001)

2.1.4 Institutional Theory

This theory was articulated by DiMaggio and Powell (1983) and Scott (2001), it argues that the organizations are deeply embedded within their institutional environments and the rules, norms and cognitive frameworks of these environments powerfully shape organizational behavior and outcomes. North (1990) expounds the economic context by arguing that the quality of the institution includes property rights protection, the rule of law and regulatory predictability is a fundamental determinant of economic performance. The institutional environment of Zimbabwe has been determinant by the consistent institutional fragility, regulatory unpredictable and selective enforcement of commercial law, all of which create significant operational challenges for formal business (Bratton & Masunungure 2011; Raftopoulos 2013) This theory explains why OK Zimbabwe as a formal, compliant corporation, faces structural disadvantages relative to informal sector operators who can evade regulatory burdens and circumvent currency controls that formal retailers must observe.

2.1.5 Resource-Based View

This was developed by Barney (1991) and Penrose (1959), it states that the firm's competitive advantage is determined by its unique presentation of the resources and the capabilities which are valuable and rare and non-substitutable. Barney (1991) argues that firms possessing superior resources including physical assets, human capital and organizational capabilities are better positioned to withstand competitive pressures and external shocks. In application to OK Zimbabwe RBV suggests that the company's historical competitive advantage, its brand recognition, economies of scale, store network and supply chain relationships may have been eroded by the

macroeconomics environment and they no longer making competitive threats. Penrose (1959) States that the growth of a firm is constrained by the productive services extracted from its resource bundle. OK Zimbabwe has created a pricing environment which informal sector operators can challenge consistently.

2.2.6 Pestel Analysis Framework

The PESTEL analytical framework is a tool which is used to examine external political, economic, social technological and legal factors. According to Johnson and Whittington and Scholes (2017) PESTEL identifies the key drivers of change in the external environment of the organization and it is useful in examining how the individual's firm outcome was influenced by the macro-level forces. PESTEL framework is relevant in the context of the companies like OK Zimbabwe its financial performance is intertwined with the macroeconomic and the policies developments in Zimbabwe. The performance of businesses in Zimbabwe volatile economic environment was examined by the several scholars using the PESTEL analysis. Maune (2024) argues that PESTEL has gained added explanatory power in the developing countries with institution fragility and policy uncertainty because the boundaries between the economic, political and legal influences are blurred. Chikanda and Muchenje (2021) uses PESTEL analysis to identify the challenges which are faced by small to medium enterprises in Zimbabwe and they have discovered that the business failure was driven by the economic and legal factors. As propounded by Mpofu (2022), PESTEL analysis framework was carried out to the retail sector in Harare and it was concluded that the regulatory compliance costs and the exchange rate were the most significant macroeconomic threats to formal retailers' profitability.

2.3 Conceptional framework

Independent variable

Financial
Performance

Dependent variable

Currency exchange rate
volatility
Supply chain disruptions
Informal sector competition



2.3.1 To investigate how the manufacturing organization's financial performance is affected by currency exchange rate volatility

As propounded by Kaufmann and Kaliberda (1996), macroeconomic volatility manifested through high inflation, currency instability and erratic growth systematically undermines consumers purchasing power. The relationship between the retail sector and the macroeconomic instability is well established in academic literature. The macroeconomic volatility also creates an environment of chronic uncertainty that disproportionately affects formal sector enterprises.

The introduction of the ZWG (Zimbabwe Gold) in early 2024 initially brought a modest market stability ,however this equilibrium was disrupted by the shortages of foreign currency which triggers the weakening of the local currency (Mudimu 2025).OK Zimbabwe's situation was worsened as at 31 March 2025, were it was operating under conditions of severe exchange rate distortions , constrained liquidity and pricing volatility that resulted in ZIG devaluation. The conditions led the OK's suppliers to demand payments on USD which resulted to understocking across OK Zimbabwe's branches.

The financial consequences were severe, since the group revenue declined by 52% to USD 245 million against an inflation backdrop of 15.21%, with the group reporting a net loss of USD 25 million for the period. (OK Zimbabwe Annual Report 2025). The Reserve Bank of Zimbabwe 2024, September 2024 devaluation of ZIG by over 40%, adjusting the ZIG rate from 14 to 25 per USD1.OK Zimbabwe paid their suppliers in USD whilst collecting revenue in depreciating local

currency. Riordan (2019), observed that when the levels of inflation extended over a long period of time, they are capable of distorting and company's financial position and the interpretative validity of its financial reports. The application of IAS 29 (Financial Reporting in Hyperinflationary Economies) is therefore essential for ensuring the financial statements of OK Zimbabwe.

According to Zireva (2011), documented accelerating operational costs across Zimbabwe's major formal retailers which promoted OK Zimbabwe to consolidate its Pax Cash and Carry operations into larger-format OK stores. Scholarly analysis of OK Zimbabwe's operating costs trajectory reveals a persistent upward trend that has consistently outpaced revenue growth. Lake (2014) noted that the net operating costs of OK Zimbabwe subsequently rose from million across the financial years that could not offset revenue growth. Zireva (2024) recorded a 20.7% and 21.8% decline in profit before tax and interest respectively for the year ending 2014. OK Zimbabwe is one of the most Southern Africa's established retail chains, it has endured the sustained financial strain over the past decade. Since it is acknowledged that the company is currently facing operational challenges, the structural causes rooted in Zimbabwe's fiscal policy and monetary environment deserve particularly scrutiny. It is argued that tax obligations and unstable exchange rates have eroded the profitability and operational capacity of OK Zimbabwe.

Corporate tax environment in Zimbabwe is one of the most demanding in the region that is 3% AIDS levy, 24% corporate income tax, 15% value added tax and 2% intermediate money transfer tax. Mapunga and Ruzive (2021) argued that transaction taxes of this nature disproportionately burden large-volume retail business, which process thousands of digital transactions daily, often pushing effective tax rates well above statutory.

Wholesalers and formal retailers in Zimbabwe are facing the shortage of foreign currency and are struggling to operate. Suppliers are not allowing the retailers to do their payment in Zim dollar and they are demanding pre-payments in Rands and US dollars. According to Achie Dongo (2023) where the Zimbabwe dollar is accepted, retailers and wholesalers are subjecting to forward rating

and this rating will make the Zim dollar uncompetitive. For retailers, that cost has to be passed into consumers, further accelerating inflationary price rises. Formal retailers are at risk because they face challenges in to access formal sources of foreign currency and they are forced to buy foreign currency using the interbank rate plus 10% which is the market rate. Hence forth shortages of foreign currency are deformalizing the economy Zimbabwe supermarket chain, has poor financial results and an investor sell off on Zimbabwe Stock Exchange (ZSE). The Intermediary money transaction (IMTT), which was introduced in 2019 has pushed a tax burden into the formal businesses and created a significant benefit for cash-based and informal traders. The country's monetary policy has been characterized by chronic uncertainty (Reserve Bank of Zimbabwe 2024). The exchange rates crisis is far more volatile and unpredictable force since 2009, the collapse of the first Zimbabwean dollar to the successive introduction of bond notes, RTGS dollars, Zimbabwe dollars up to Zimbabwe Gold (ZIG) IN 2024. For OK Zimbabwe this instability translates into real and immediate operational consequences. The group's restructuring efforts archived costs containment overheads which fell by 43.91% in one year with operational costs reduced by 35% and projected and a further 15% by December 2025 and the savings were insufficient to compensate the collapse of OK Zimbabwe. (OK Zimbabwe Annual Report 2025). Exchange rates and currency volatility inflated costs security, labour and cleaning services as these providers increasingly demand USD denominated payment. The significant increase in the utility costs where fuel and power, the reoccurring power shortages in the country have forced OK Zimbabwe to rely heavily on generators which result in high repairing and maintenance costs. Unstable exchange rates and inflation led to increased costs for security, labor and clearing as the service providers also demand US dollars payments.

2.3.2 How supply chain disruptions affect the financial performance of OK Zimbabwe

Supply chain management has been identified as a critical determinant of retail sector and competitiveness and financial performance. Ndlela (2020) examined the supply linkage between the formal and the informal sector, he finds out that many formal sector source goods from the same supplier as well as the informal but this disadvantaged the formal sector on currency

conversion requirements and they face regulatory compliance costs. This means that the informal traders will sell their goods in the prices that the formal traders cannot match.

The retail chain of Ok Zimbabwe is relying on supplier-finance schemes to refill stocks after months of challenges that almost caused it to collapse early this year. As part of its cost-cutting strategy, OK Zimbabwe reduced its supplier base during the year to 1526 from 4181 the previous year. Consequently, its spending on the suppliers dropped from 309 million to 254million. According to Herbet Nkala the foregoing challenges resulting in the trade payables of 25.55 million, plus 2.73 million in accruals and other payables, which took its total supplier debt to 28.29 million or 37% of its total liabilities. Khobai, Kolisi and Moyo (2018) examined the vulnerability of the supply chain in the Southern Africa retail businesses and found that the foreign currency was the major determinant of the supply chain reliability in imports. In their study, retailers in the countries experiencing foreign currency crises reported the increase in rates unlike retailers in the countries with stable foreign currency. However, the instability of exchange rates and foreign currency has undermined OK Zimbabwe's ability to maintain the supply chain continuity. The 2025 Annual Report of OK Zimbabwe reveals that supply chain disruptions were accounted by the company's failure to pay suppliers on time indicating that the supply chain

problems were rooted in the company's liquidity crisis rather than purely external factors (African Financials 2025). According to Msipa's Affidavit states, the company raised 20 million through the rights issue to enhance its equity position permitting it to pay down the other portion of debt. Suppliers reduced the credit extensions and payments terms have been shorted to maximum of two weeks however, the confidence of the suppliers were eroded and many of them stopped executing business with the company. The shelves emptied, revenue collapsed as confirmed by the board.

When the government expands its fiscal policy, the quantity of disposable money that the business and consumers have access to can increase. Tax reductions enable fund new initiatives and increase

the wages of its employees and also expanding their workforce. This enables consumers to have more purchasing power. In the macroeconomic context of Zimbabwe, liquidity constraints are acute for formal retailers because their dual currency is a mismatch between the currency in which revenue are collected and the currency in which key costs must be met. OK Zimbabwe collects a mixture of revenue that is Zimbabwe dollar and the United States dollar and it must procure from the suppliers which demanded their payment in the United States dollar. This currency mismatch resulted in the structural liquidity gap which is difficult to bridge without external financing. (OK Zimbabwe, 2024 Annual Report).

When real income decline, either through wage stagnation, rising inflation or tightening credit conditions, households face a contraction in their effective spending capacity, which translates directly into reduced retail turnover. Deaton (1992) established that households consumption decisions are fundamentally constrained by income levels asserting that spending patterns adjust dynamically as real purchasing powershifts. In retail context, this adjustment is rarely uniform consumers do not simply spend less across all categories proportionally, but instead restructure their entire consumption.

The relationship between purchasing power erosion and retail downturns is further amplified by credit availability and consumer confidence. Katona (2005) argued that consumer sentiment operates independently of purely rational economy. The 2008 global financial crisis provide a striking empirical case: flatters and Willmott (2009) documented that consumers in multiple advanced economies reduce basket size. The scholarly evidence suggests that retail downturns are not solely a function of macroeconomic decline but are substantially mediated by the mechanisms through which consumers restructure purchasing power and basket priorities. Retailers that monitor shifts in basket composition in real time, adjust pricing architecture and align products assortments with revised consumer value (Kumar and Steenkam, 2007).

According to the company's financial results, revenue fell to US\$245 million, a dramatic drop against the backdrop for an average inflation rate of 15.21 percent. OK Zimbabwe has reported a

loss of US\$25million for the year that ended on 31 March 2025. The massive loss comes when the company's revenue decline by a shocking 52%. According to the chairman Herbert Nkala the group faces a long road to recovery, stating it will take significant time to return to normal operations. In the financial records, declining sales volumes and supply chain problems increased income expense ratio which resulted in depressed operations and financial situations for the group. OK Zimbabwe has been unable to maintain adequate stock levels as many suppliers stopped to produce goods and services due to outstanding balances. Constraint operational capacity and difficulties in trading have forced to the group to recognize a loss of 10.3 million in 2025. Profitability of OK Zimbabwe impacts its operational costs. It has initiated a comprehensive restructuring plan to address operational and financial difficulties Zimbabwe has implemented costs control measures and leadership changes to improve its profitability. OK Zimbabwe relies on the regional supply chains from the countries like South Africa, disruptions on the SADC like transport issues, border issues and fuel shortages lead to empty shelves, higher procurement costs and loss of customers. Delay of transportation of goods in south Africa region cannot compete with informal traders who source faster.

The currency Instability in the region countries like Zimbabwe contributed in the financial downturn of OK Zimbabwe, its weaker currency as compared to regional currencies like South African Rand. Suppliers in SADC oftenly demand USD or stable currency causing foreign currency shortages and instability to restock. This instability triggers to OK Zimbabwe inability to maintain consistent supply.

2.3.3 To determine how competition from the informal sector affects the financial performance of OK Zimbabwe.

According to the studies on developing economies, it shows that when regulatory compliance and tax burdens become too high for informal businesses, the informal sector thrives. The growth of the informal sector and its competitive impact on formal retailers have attracted considerable academic attention in the Sub-Saharan African context Hart (1993). In Zimbabwe, tuck-shops operate in foreign currency, avoid taxes and bypass banking regulations and this enables them to offer lower prices by formal giants like OK Zimbabwe. Informal traders sell exclusively in USD;

they do not pay the 14,5% VAT or the IMTT tax. Products in downturn tuck-shops are offered at a cheaper price and they will be a lit bit cheaper than in OK Zimbabwe's supermarkets.

According to the research findings data from ZIMSTAT (2023-2024) there is a huge shift regarding the expenditure patterns that disadvantages large supermarket chains. The historical data suggests that OK Zimbabwe's business model was built on monthly grocery stocking and however recently due to hyperinflation consumer disposable income has decreased and 75% of the workforce are now earning daily or weekly wages that is in the informal sector. According to the study of Chigumira (2023) on *The Economics of Survival of Zimbabwe* indicates that the income patterns force consumers to buy small daily quantities rather than bulky monthly supplies, however informal tuck shops are adopted to bulky breaking strategy as compared to OK Zimbabwe's supply chain is optimized for bulky retail and this mismatch contributed critically on the financial downturn.

Ok Zimbabwe suffered from the high competition from the regional retailers like Shoprite and Pick n Pay setting high efficiency and Pricing standards. Zimbabwe loses its market share due to higher prices and inefficiencies. The financial deterioration of OK Zimbabwe cannot be understood in isolation; it forms a broader pattern of formal retail fragility that scholars have identified across the Southern Africa Development Community. Mwamba and Qutieshat (2021) argue that formal retailers across Sub-Saharan Africa operates within environments defined by institutional voids. The decline of OK Zimbabwe represents the challenges that are systematic across the region rather than a purely firm-specific failure. The World bank (2022) estimated that the Zimbabwe's informal economy contributes over 60% of GDP, placing it amongst the most informalized economies globally, a structural condition that creates an inherently hostile operating environment for formal retail operators.

The instability of currency is a defining pressure on formal retail across the SADC region. Magid (2004) documents shows the formal and informal retail in Zimbabwe is fundamentally a product of exchange rate policy, with formal retailers legally compelled to price goods using official

interbank rates while informal traders exploited parallel market rates. Dipha and Katrodia (2022) identify currency volatility and exchange rate distortions as among the primary constraints on formal retail expansion across SADC markets.

In the specific case of Zimbabwe, Chagonda (2012) traces the historical pattern of informal economy expansion during periods of macroeconomics stress, noting that formal sector contraction and informal sector growth are inversely correlated during hyperinflation episodes. This dynamic has reached a critical threshold for OK Zimbabwe by 2024 and 2025. The monthly revenue collapsed from US\$21.7 million in January 2024 to just US\$1.3 million by January 2026, 94% revenue decline attributed in large part to customers that are buying from tuck shops and informal traders who could undercut formal retail prices at every category (Zwinoira 2026).

Maliyamkomo and Bagachwa (1990), provides the relationship between the informal sector and the formal sector arguing that the informal sector grows rapidly in the time of macroeconomic stress and institutional failure as the entrepreneurs and the household exists the formal sector to escape the increasing burden and the economic distress. The Zimbabwe recent financial distress in the FY 2023-2024 is an example. Nhemachena and Murwisi (2021) conducted a study of the supermarkets competition in Zimbabwe led to the price differential between the formal sector and the informal sector largely due to exchange rate distortions.

IN Zimbabwe, the informal sector has grown from a supplementary economic buffer during periods of economic to the dominant mode of the economic activity. ZIMSTAT estimates that informal sector contributes over 70% of employment and approximately 60% of GDP (ZimEye, 2025). The CRZ data discovered that 65% of the consumer's purchasing power has shifted to the informal sector retailers. Charisma (2013) examined the growth of informal markets in Zimbabwean cities and identified several structural advantages that informal traders possess over formal retailers in the current economic environment.

Skinner (2019) examines the political economy of informal trade in African cities and argues that the government tolerates the existence of the informal sector in the economy as a social safety wave while protecting the formal businesses. OK Zimbabwe's management repeatedly highlighted informal sector competition as primary threat to its commercial viability.

Companies like OK Zimbabwe has few financing options beyond internally generated cashflows, which are themselves under severe pressure. The rights issue of US\$420 Million concluded by OK Zimbabwe in August 2025 and the planned disposals of US\$10.5 Million reflect the recognition of the working capital position has deteriorated to a level requiring emergency capital infusion (African Financials 2025). Abor and Quartey (2010) examine financing problems in South Africa and Ghana and argue the ability to access formal bank lending is an important determinant of working capital adequacy for formal sector business in the Sub-Saharan Africa.

2.4 Empirical Literature Review

2.4.1 Yousaf, Bris and Bris (2022): Corporate Governance and Financial Distress: A Review of Theoretical and Empirical Literature.

They carried out research of theoretical and empirical literature examining the relationship between corporate governance mechanisms and financial distress across firms in multiple sectors, including retail. The researchers discovered that weak corporate governance structures which include poor executive compensation design, concentrated ownership and inadequate board oversight, increased the profitability of a company which is facing financial distress. The study further suggests that a single governance framework cannot prevent universally financial distress, so the findings differed markedly across geographical regions. The findings of the study suggests that the retail companies with poor governance framework are mostly exposed to market failure.

2.4.2 Hakobyan (2023): Global supply chain Disruptions: Challenges for Inflation and Monetary Policy in Sub-Saharan Africa.

The researcher investigated the consequences of global supply chain disruptions on inflation and the financial performance across the Sub-Saharan African countries. When measuring supply chain disruptions, the researcher employed the Global Supply Chain Pressure Index (GSCPI)

which was constructed by Federal Reserve Bank of New York. The results demonstrated that the increase in supply chain disruptions impacted inflation, tradable goods and food prices. Retailers in open economy were found to have experienced severe inflationary effects. This research is relevant to the current investigation since it provides the empirical evidence that geopolitical tensions, transportation and supply chain disruptions are the significant causes of the financial downturn among the retail companies.

2.4.3 Alves Junior and Nagano (2023): Measuring the performance of Retailers During the COVID-19 Pandemic Using Dynamic Data Enveloped Analysis

The study was published in PMC in 2023. The researchers employed an optimal control theory framework together with a dynamic data development analysis (DEA) approach to measure and compare the financial performance and the operational framework in the COVID -19 pandemic. The investigators analyzed the data across different retail sectors to analyze how the pandemic disrupted the supply chains and the consumer purchasing patterns that affected the efficiency over time. Their findings revealed that most retailers experienced a deterioration in the financial performance however the companies with diversified revenue streams and stronger digital power were much better in maintaining performance levels.

2.4.4 Sewpersadh (2022): A Theoretical and Econometry evaluation of Corporate Governance and Financial Distress as Catalysts of Earnings Management in JSE-Listed Companies.

Sewpersadh (2022) investigated a theoretical study on the companies listed on the Johannesburg Stock Exchange (JSE), examining the relationships between the corporate governance and financial distress among the companies. The study evaluates the financial statements data and the government indicators for five years encouraging the managers to engage in earnings manipulation which conceal the company deteriorating its true condition and therefore delaying a solution and deepening financial collapse. The study further researched that high debt ratios and weak oversight were primary predictors of the financial distress in the listed firms. The relevance of this study to current investigation is that it demonstrates the interlink of poor governance and excessive debt in the causes of financial downturn in retail companies

2.4.5 BDO Retail in the Red (2023): Bi-Annual Bankruptcy Update and Financial Distress in the US Retail Sector

BDO (2023), conducted research in the United States retail sector during the period of 2023. The researcher analyzed the financial distress indicators and bankruptcy filings and structural vulnerabilities in the US. The report assessed the data on inflation trends, consumer credit and retail sales performance in conjunction with bankruptcy filing patterns. The findings revealed that consumer credit balance exceeded USD 1.1 trillion in 2023. The analysis also found that the percentage of retail bankruptcies ending in full liquidation increased from 20% in 2022 and 70% in 2023 reflecting a severe financial distress in the retail sector.

2.4.6 Isemin (2024): Economic Downturns and their effects on Retail Consumer Spending Patterns.

Isemin (2024) conducted an investigation on the qualitative and the empirical literature on the financial consequences of economic downturns in retail sector. The data has evidence from the consumer spending data and the retail industry performance indicators resulting in declining GDP, decreasing consumer confidence and rising in unemployment's behavioral shift of consumer purchasing power resulted in lower sales volume, reduced foot traffic and deteriorating the retailer's profit margins. This study findings relates to the current situation as they macroeconomic deterioration and declining consumer purchasing power are primary causes of financial downturn.

2.4.7 Kimani and Muya (2019): impact of supply chain disruptions on the survival of retail sector in Kenyan.

Kimani and Muya (2019) performed an investigation of the retail sector in Kenyan supermarkets during the period of inflation and currency volatile and find out that formal retailers with diversified supply chains or multiple supply chains demonstrated a greater resilience than those dependent on smaller number of key suppliers. This finding suggests that the Kenyan retailer's supplier base have been disrupted by its vulnerability to supply chain disruptions.

2.4.8 Theodor Purcarea & Valeriu loan franc (2022): impact of the shift in the consumer behavior Romania and Retailers in Agilely Adapting to it.

The researcher performed an investigation on the major shifts in sustainable consumer on the Romanian retail market in context of Green European Deal and retailers. They carried out a quantitative study to evaluate the Romanian retail market assessing the major challenges that retailers may face dealing with a set of priorities. According to their research, Romanian consumers are price sensitive and they are easily affected by the environmental changes.

2.4.9 Otieno and Njeru (2020) case study of formal retail performance in East Africa.

The researchers conducted a comparative study of formal retail performance in East Africa during the periods of economic stress and identify five key factors that differentiate financially resilience formal retailers from financially vulnerable ones: revenue diversification across multiple product categories.

2.4.10 Global perspective and impact of exchange rate and replacement cost on retail downturns

Empirical evidence from high inflation economies consistently demonstrates a negative correlation between exchange rate volatility and formal retail profitability. According to Burt and Sparks (2018) operational liquidity and high leverage are primarily causes of retail failure in west, America. According to the studies and research on the retail giants in the United States it is highlighted that downturns in the developed markets are as a result of failures in adapting to the technological disruptions and change in consumer preferences. In the inflationary economy of Iran, investors behavior causes stock prices to rise too much without any specific reason. A significant increase in the cost of supply of raw material triggers a decline in the sales and profitability. According to Rangasamy 2017, African countries have experienced higher inflation since the period of the first oil shock and the percentage rates of 25% were regarded as normal rates, few countries were experiencing rates above 25 that is 50% and 100%. The reoccurrence of Inflation has affected the performance of the economy and it was difficult to compare the financial statements between nations. The ongoing inflation as a result of macroeconomic aggregates that is consumption, savings and the foreign exchange market

2.5 Research Gap

The literature review has identified several research gaps which include, there is a paucity of firm specific, longitudinal analysis of OK Zimbabwe as a case study of formal retail sector vulnerability in Zimbabwe. Most existing studies assess Zimbabwe's macroeconomic challenges at an aggregate level rather than tracing their specific impact individual companies. Also, there is insufficient attention in the literature to the interaction between multiple casual factors. Lastly, existing studies have not fully explored the strategic options available to OK Zimbabwe for financial recovery within Zimbabwe's constrained environment.

2.6 Chapter Summary

The chapter has disclosed the academic literature relevant to the investigation on the causes of financial downturn of OK Zimbabwe. The review has demonstrated that OK Zimbabwe's challenges are deeply rooted in the competition from the informal sector and supply chain disruptions. These macroeconomic difficulties have been compounded by firm-level vulnerabilities including working capital constraints and supply chain management challenges.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the methodology and techniques the investigator employed to gather and analyze data while conducting the study. A methodology describes the various approaches a researcher in a field of study may take. This study includes sampling strategies, data gathering instruments and a research design.

3.1 Research Approach

In the investigation of this study, a numerical methodology was used. This study adopted a quantitative research approach in relation to its objective of empirical investigating the financial determinants of OK Zimbabwe financial downturn. A structure questionnaire with precise response was used as the primary method of data collection and a sample of 30 personal drawn from OK Zimbabwe's related departments. Using standardized systematic, structured questioning techniques with predetermined response alternatives that are given to sizably large number of respondents is the hallmark of data collection procedures used in quantitative studies. (Hair et al, 2008). The approach allowed numerical qualification of various factors which include stock shrinkages of OK Zimbabwe.

3.2 Research Design

This chapter employs a descriptive and explanatory research design. It seeks to describe the state of OK Zimbabwe's finances and explain the casual links between specific variables and the downturn. As Brynman and Bell (2011) assert, a well- constructed research design provides the operational scaffolding necessary to implement the chosen methodology with sufficient rigor to protect the validity and reliability of findings. Burns and Groove (2003) further investigated that research design function as a systematic strategy for conducting enquiry with the maximum possible control over threats to validity.

3.3 Area of research

This study was conducted across OK Zimbabwe branches located in Harare, where the researcher observed the greatest number of branches closed. According to the national statistics Ok Zimbabwe had a population of 3311 employees. This study focused on the OK branches which are located in the city of Harare. The area was chosen because the researcher noticed the shutdown of many branches around the city of Harare. Therefore, results obtained in this area provide a reflective insight of the situation behind.

3.4 Population

According to Claire and smith 1997, a population Is a collection of entities that are the focus of the investigation and to which inferences from sample analysis will be applied. Population can also be defined as the group of people the researcher want to investigate. The target population of the study include Finance managers, departmental managers and finance related employees as they possess the requisite financial and operational knowledge.

3.5 Sample and sampling techniques

Samples are used to represent the entire population that the researcher want to investigate. A combination of convenience sampling technique and non-probability was used. Convenience sampling technique was employed on practical grounds since it enables the researcher to access participants who are readily available and willing to engage with the study there by saving time and resources. The use of non- probability helps in sourcing time which is served as cost efficient measure. It is acknowledged that convenience sampling limits the statistical generalizability of the findings beyond the respondents surveyed and this is noted as a limitation of the study in section 1.8.

3.6 Data collection

3.6.1 Primary data

Primary data were obtained through survey questionnaires, which were hand -delivered to OK Zimbabwe to collect data from their managers and their employees. The survey instrument was

adapted from organized retail framework including instruments developed by the National Retail Federation (2020). To facilitate participant profiling, the opening section of the questionnaire captured demographic and organizational classification information, enabling the researcher to characterize the respondent base and responses. Semi structured interviews with retail analyst, supply chain managers, and a survey of a number of consumers regarding their shopping preferences (formal vs informal).

3.6.2 Secondary data

Secondary data refers to information previously compiled by other researchers or institutions for purposes that may differ from those of the current study (Collins & Hussey, 2014). In this investigation, secondary data sources included the audited annual financial statements of OK Zimbabwe spanning the period 2019 to 2025, inflation statistics published by Zimbabwe National Statistics Agency (ZIMSTAT) and monetary policy documents issued by the Reserve Bank of Zimbabwe (RBZ). These sources provided the macroeconomic and financial context necessary to complement the primary survey findings.

3.7 Validity and Reliability

Validity denotes the extent to which a research instrument accurately captures the construct it is designed to measure (Saunders, Lewis & Thornhill 2009). Reliability refers to the capacity of an instrument to produce consistent and stable measurements across repeated applications (Majid 2018). These two qualities are central to the credibility of any empirical study as they determine whether the findings can be trusted to reflect the actual characteristics of phenomenon under investigation.

3.8 Descriptive statistics and regression data analysis

Descriptive statistics were used to summarize findings on demographic data of respondents and characteristics of OK Zimbabwe represented, during the data analysis. Descriptive statistics of all the variables was firstly used, then bivariate correlation analysis and the regression and correlation

model together with evidence that suggests a linear relationship between the independent and dependent variables, specifically financial variables.

3.9 Data analysis and presentation techniques

According to Alder and Mellen Bergh 2008, Data analysis is a way of gathering, modelling and transforming the data so that it can give a meaningful information to the users. Quantitative data were used and quantitative analysis were applied. Data collecting was done using the statistical package for social sciences. The researcher employed descriptive statistics in order to make sure that the information gathered was accurate.

3.10 Ethical considerations

A number of ethical considerations that must be made when doing research include participant responsiveness, privacy issues, secrecy, transparency and truthful reporting of results. Through the investigation, the researcher was able to take appropriate ethics into account. All study related information was used for intended purpose, and participants were given notice of it, to guarantee transparency in the research. Additionally, the researcher made an effort to make sure there was no abusive or deceptive questions as it might be ethical and jeopardized the integrity of the research transparency.

3.10 Summary

This chapter examined the study design, which is a survey, and the research methods. Questionnaires were employed in the process of gathering data.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter aims on data presentations that include interpretations, assessment and analyses of data which was compiled by the researcher. The study data was collected from OK Zimbabwe limited. The intent of this research was to examine the causes of the financial downturn of OK Zimbabwe and its relationship to profitability. The results were displayed using tables and graphs and they were assessed using a simple linear regression analysis.

4.1 Response Rate

OK Zimbabwe was the subject of the study. The investigator distributed 30 questionnaires' questionnaire rate of response is displayed below.

Table 4.1 QUESTIONNAIRE RESPONSE RATE

	Number	%
Distributed questionnaires	30	100
Returned questionnaires	30	100

Source: Primary data 2025

A total of 30 questionnaires were administered to OK Zimbabwe personnel across Harare branches. Out of the 30 expected responses from the sample frame, 30 questionnaires were

completed and returned, yielding at a response rate of 100%. This rate exceeds the 75% threshold that Sekaran (2016) identifies as constituting an optimal response rate for academic research, providing a robust empirical basis for the analysis.

4.2 Validity and Reliability Analysis

The inter-item reliability of the questionnaire was evaluated using Cronbach's Alpha coefficient, computed through SPSS Version 20. This statistic measures the degree to which items within a scale cohesively reflect a common theoretical concept with figures ranging from 0 to 1. Higher coefficient values indicate greater reliability of the measurement instrument. In line with the threshold of 0.7 recommended by Mugenda (2008), all five scales employed in this study returned reliability coefficients above this benchmark, confirming the internal consistency and dependability of the instrument.

4.2.1 Socio-demographic characteristics of the participants

This research summarizes the demographic characteristic of the participants using a descriptive statistic. The variables which were examined include age, sex, working experience and educational level.

4.3 Gender

Table 4.3: Gender

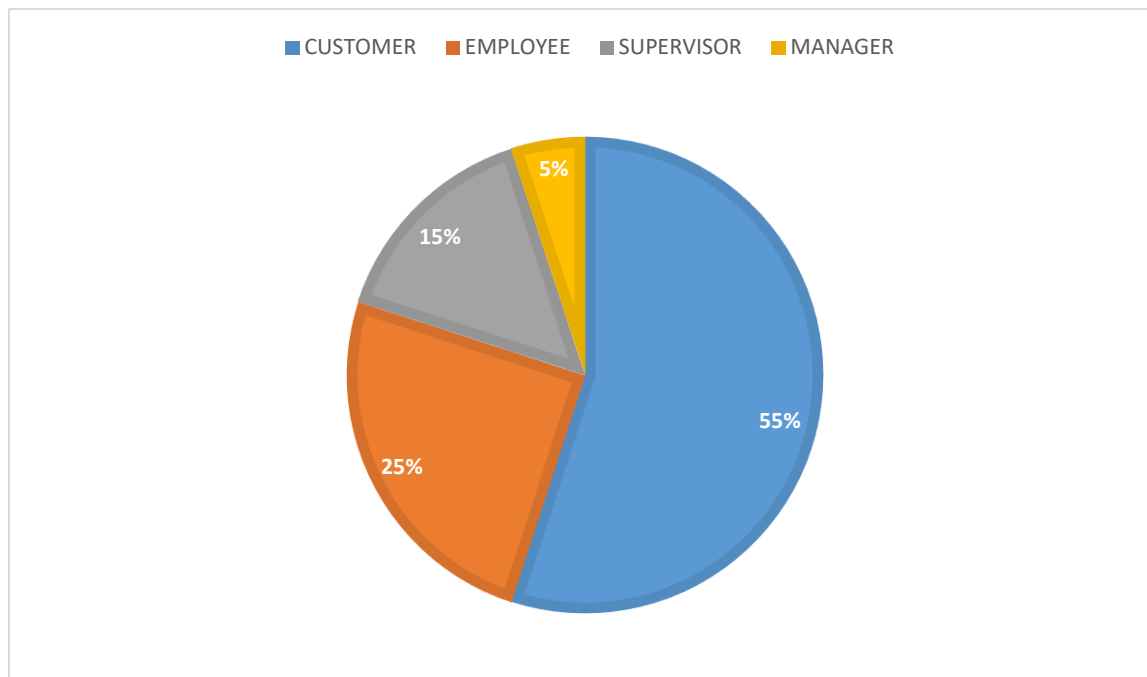
	Number	%	Valid%	Cumulative%
Male	17	56.7	56.7	56.7
valid Female	13	43.3	43.3	100
Total	30	100.0	100.0	

The study determines the gender disparity of respondents. Figure 4.2 below revealed the results of the analysis. From the gathered data, the results indicated that (17) were male with a comparatively lower number of (43.3%) of the participants being female.

4.4 Position in the firm

This section ascertains the education level of surveyed participants and the results are as depicted in the figure below.

Figure 4.4.1 Position in the firm



From the examination data, according to the frequency distribution, 55%% of the respondents were from the customers. In addition, they were respondents who highlighted that they were employees with a frequency of 25%. They were other respondents that constituted 15% which are from the supervisors and 5% from the manager.

4.5 Level of education

This portion of the study set out to resupinate the educational level of the participants and the results are shown in the figure 4.6 below

Figure 4.5.1: Respondents level of education

Level of education	Number	%	Valid%	Cumulative%
Bachelor's degree level	14	46.67%	46.67%	46.67%
Masters level	9	30	30	
PHD level	1	3.33%	3.33%	
Diploma	6	20%	20%	
Total	30	100%	100%	

The maximum level of education attained by participants showed that 46.67% of the interviewees had their bachelor's degree, 30% indicated the highest level as a master's degree, 20%of the survey participants their highest level of education were Diploma level, while the least percentage of 3.33 % of the respondents stated they have a PHD level. This investigation showed that most of the respondents had a university degree and therefore had the full knowledge to analyze the causes of financial downturn of OK Zimbabwe.

4.6 Working Experience of Respondents

Results shown on the table below indicates that 40% of the had above 5 years of working experience. Whereas, respondents with 1-3 years and 4-5 years of working experience were 26.67% and 33.3% respectively.

Working experience of respondents

	Number	%	Valid%	Cumulative%
1-3 years	8	26.67	26.67	
4-5 years	10	33.3	33.3	
Above 5 years	12	40	40	
Total	30	100%	100%	

4.7 Descriptive Statistics

4.7.1 Summary descriptive statistics for all variables

Before conducting the correlation analysis and regression, descriptive statistics are presented for all the variables below characterize the central tendency, variability and range of each measure over the FY 2021-FY2025 study period. The table below summarizes the minimum, maximum, mean, standard deviation of all the three independent variables.

Table 4.7.1 Descriptive statistics of all variables (FY2021-FY2025, N=5)

	N	Minimu m	Maximu m	Mean	Std. Deviation
DV (USD M)	5	-25.03	5.20	-2.6300	12.71211
IV1(%)	5	25	270	131.00	95.355
IV6(1-10)	5	3	9	6.00	2.236
IV2(%)	5	42	65	54.40	9.555
Valid (listwise)	N 5				

Source: OK Zimbabwe Annual Reports (2021-2025) African Financials (2025) ZIMSTAT; World Bank (2025) Author's computations.

4.7.2 interpretation of Descriptive Statistics

The descriptive statistics reveals the important characteristics of the dataset. DV (The Financial Performance variable) has a mean of -USD 2.63 million, reflecting a decline in profitability in the financial year (2021-2023) to significant losses in FY2024-FY2025. Standard deviation of USD 12.71 million indicates extreme variability in performance across the study period.

The Exchange Rate Volatility (IV1) has a mean of 131 percent per annum over the study period with a range of 25% in the FY 2021 to 270% in the FY 2024 indicating the unusual currency instability to which OK Zimbabwe was exposed. Exchange rate volatility is identified as the primary macro-level driver of formal retail distress in Zimbabwe (Bargello et al 2018 Fofana 2022; Tafirenyika and Mpofu 2023; OK Zimbabwe annual reports 2023-2025. It generates exchange losses, inflates import costs and distorts pricing.

Supply Chain Disruptions (IV6 1-10) increased consistently across the period, reflecting the cumulative deterioration of the operating environment.

4.8 Findings on the relationship between the dependent variable and the independent variables

This part represents the findings of the multiple linear regression analysis conducted to investigate the causes of the financial downturn experienced by OK Zimbabwe Ltd. The study examined the influence of three independent variables that is currency exchange rate volatility (CER), Informal sector competition (IC) and Supply Chain Disruption (SCD) and the Dependent variable Financial Performance (FP).

Model summary

Table 4.8.1: Model's Goodness of Fit Statistics

Model Summary				
Model	R	R Square	Adjusted R square	Std error of the estimate
1	.974 ^a	.948	.944	.142

Predictors: (constant) SCD1, IC1.CER1

4.8.1 Model summary

Correlation coefficient R

Table 4.81 represents the value of R, the R square, the Adjusted R square and the Std error of the estimate. The multiple correlation coefficient $R = .974$ which is 97.4%, it indicates a strong positive linear relationship between the set of independent variables (currency exchange rate volatility CER1, informal sector competition IC1 and supply chain disruption SCD1) and the dependent variable that is financial performance. The values approach 1.0 meaning that their a near perfect relationship association with the financial Performance of OK Zimbabwe.

Coefficient of Determination (R square)

The R square value of 94.8% indicates that the variance in OK Zimbabwe's financial performance is explained by the three independent variables.

Adjusted R square

The adjusted R square of .944 indicates the number of predictors in the sample size, providing the model's population level explanatory power. The gap between the R square (.948) and the Adjusted R square (.944) which has a difference of 0.004, it indicates that the model is overfitted and all predictors are justified genuinely.

Standard error of the Estimate

The standard estimate of (.142), reflects the average deviation of observed Financial Performance values from regression-predicted values.

Table 4.8.2

ANOVA					
Model	Sum of Squares	DF	Mean Square	F	Sig
1 Regression	13.248	3	4.416	218.577	.000 ^b
Residual	.727	36	.020		
Total	13.975	39			

a Dependent variable: FP1

b independent variable: SCD1, IC1, CER1

Table 4.8.2 Analysis of Variance (ANOVA)

The ANOVA table tests the overall results of the statistical significance of the Regression model. The ANOVA results reveal that the overall regression model is statistically significant [(F (3,36) =218.577, $p < .001$]. The Regression sum of squares (13.248) represents the explained portion of total variability in Financial Performance, while the Residual sum of squares (.727) captures the unexplained variance. The ratio of these values (13.248/13.975 =0.948) corroborates the R square reported in the table 4.8.1. Given that $p = .000$ ($p < .001$), all regression coefficients simultaneously equal to zero and this confirms that at least one predictor contributes in explaining OK Zimbabwe's financial Performance.

Table 4.8.3 Coefficients

Coefficients

Model	Unstandardized B	Std Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	.048	.065		.741	.464
CER1	.769	.070	.823	11.061	.000
IC1	.112	.064	.112	1.739	.091
SCD1	.074	.061	.073	1.197	.239

4.8.3 Regression Coefficients

The regression equation $FP = 0.048 + 0.769(CER) + 0.112(IC) + 0.074(SCD)$. The constant ($B=.048$, $t=.741$, $p=.464$) indicates the predicted values of the Financial Performance when all variables are held at Zero. This value is not statistically significant ($p>0.05$) .

4.8.4 Objective 1: To look into how currency exchange rate volatility (CER) affects financial performance of OK Zimbabwe.

Currency exchange rate volatility, emerged as the most influential and statistically significant predictor of financial performance ($B = 0.769$, $Beta = 0.823$, $t = 11.061$, $p < 0.001$). $B = 0.769$ indicates that for every one unit increase in the currency exchange rate volatility, financial performance changes by 0.769 units holding other variables constant. The standardized correlation coefficient ($Beta = 0.823$) confirms that the CER has the largest influence on the financial performance of OK Zimbabwe. The statistical significance of ($p = 0.000$) rejects the null hypothesis that CER has no effect on the financial performance. This is consistent with the empirical literature in identifying the currency volatility as the critical macroeconomic risks for the retail firms in Zimbabwe... According to Rangasamy 2017, African countries have experienced higher inflation since the period of the first oil shock and the percentage rates of 25% were regarded as normal rates, few countries were experiencing rates above 25 that is 50% and 100%. The reoccurrence of Inflation has affected the performance of the economy and it was difficult to compare the financial statements between nations.

4.8.5 Objective 2: To look into how informal sector competition affects the financial performance of OK Zimbabwe.

The informal sector recorded a positive but marginally non-significant effect on financial performance ($B = 0.112$, $Beta = 0.112$, $t = 1.739$, $p = 0.091$). The p-value exceeds the conventional of 5% significant threshold, meaning the null hypothesis for IC cannot be rejected at that level. The positive direction of IC coefficient needs a careful interpretation as it may suggest that informal sector competition has stimulated the operational responsiveness of OK Zimbabwe or that informal and formal sector are jointly driven by leaving the demand variables not fully isolated. The informal economy in Zimbabwe economy is estimated to count over 60% of total economic activity (ZIMSTAT 2022) and unregistered traders operating without tax obligations and offering lower prices than formal sector. This operational disadvantage erodes the OK Zimbabwe's market share and suppresses growth.

4.8.6 Objective 3: To look into how supply chain disruption affects the financial performance of OK Zimbabwe.

Supply Chain disruption yielded the weakest and statistically non-significant coefficient ($B = 0.074$, Beta 0.073, $t = 1.197$, $p = 0.239$). In this sample supply chain disruption has insufficient statistical evidence that support that it has a significant effect on financial performance of OK Zimbabwe because the p-value exceeds the 0.05. This does not mean that supply chain disruption is operational inconsequential, rather the non-significance can reflect the relationship between the supply chain disruption and the currency exchange rate volatility since exchange rates themselves trigger the supply chain challenges that suppresses the independent significance of SCD in this model.

4.9 Summary of findings

This chapter interpreted and presented the result using a multiple linear regression analysis examining the determinants of the financial performance of OK Zimbabwe. The findings state that the primary causes of the OK Zimbabwe's financial downturn were currency exchange rate volatility, supply chain disruptions and the informal sector competition.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter explains the summary of the research study, the conclusions relative to the research objectives and hypothesis and advances evidence based on the recommendations for OK Zimbabwe's management policy makers and future researchers to boost the financial performance of OK Zimbabwe.

5.1 Discussions

The study was designed to examine the determinants of OK Zimbabwe's financial deterioration, organized around three core research objectives that is assessing the influence of currency exchange rate volatility, supply chain disruption and informal sector competition on the company's financial performance. These relationships were tested empirically through multiple linear regression analysis applied to data collected from a sample of 30 respondents.

5.2 Summary of Findings

The overall objective of the study was to assess the impact of macroeconomic instability on the financial downturn of OK Zimbabwe.

5.2.1 Objective one: To look into how financial performance is affected by the currency exchange rate volatility

1) The findings demonstrate that the currency exchange rate volatility affects the financial performance of OK Zimbabwe. The overall model of the regression shows that currency exchange rate was statistically significant there by being the primary driver of the financial downturn and exchange rates instability that undermines profitability and revenue predictability.

11) exchange rates have a significant impact on financial performance

111) The predictors [$F(3,36) = 218.577, p < 0.001$] confirms a genuine and substantial explanatory power.

5.2.2 objective two: To look into how financial performance is affected by the supply chain disruptions

1) The results on the regression revealed that supply chain disruption has a significant impact on the financial performance of OK Zimbabwe.

2) Supply chain disruption did not achieve statistical significance in this model ($B = .073, B = .074, t = 1.197, p = .239$)

5.2.3 objective three: To look into how financial performance is affected by informal sector competition.

1) The informal sector competition is not significant at 5% level; it is significant at 10% level and represents a contextually important structural challenge.

2) Informal sector competition approached but did not achieve conventional statistical significance ($B = .112, B = .112, t = 1.739$ and $p = .091$).

5.3 Conclusions

From the results of the study, it can be concluded that,

5.3.1 objective one: To look into how financial performance is affected by currency exchange rate volatility

Exchange rate volatility is the dominant causal factor in OK Zimbabwe's financial deterioration. The financial results of the company demonstrate the relationship between currency depreciation and currency performance losses that is loss with a net exchange of ZWL 411.7 billion in FY2024 being the historical cost loss in that year. Another rapid depreciation of the ZWG currency happened in the first half of FY2025 contributed to US\$25 million and loss recorded.

5.3.2 objective two: To look into how financial performance of OK Zimbabwe is affected the supply chain

The supply chain disruptions were rooted in the company's inability to settle the suppliers account on time due to the revenue constraints, an impairment of US\$10.3 million and liquidity constraints. The supplier chain findings revealed negative feedback between the operational performance and the financial distress.

5.3.3 objective three: To look into how financial performance is affected by the competition from the informal sector

The growth of the informal retail sector has affected the market share of the formal sector that is OK Zimbabwe. Over 65% customers have shifted their purchasing power from the formal sector to the informal sector due to pricing distortions leaving the formal sector without customers. The prices of the informal sector turned to be lower than formal sector due to no tax obligation charged to informal sector and charge of black market prices.

5.4 Recommendations

5.4.1 Formalize a competitive strategy against informal traders, OK Zimbabwe should take actions which include redesigning loyalty and rewards programmes to offer meaningful, tangible benefits such as discounts, cash backs and bundled offers that informal traders cannot match.

5.4.2 Strengthen supply chain Resilience and localization: OK Zimbabwe should develop and formalise relationship with local or smallholder farmers to source fresh produce, meat and domestic basics commodities reducing the foreign currency procurement dependency.

5.4.3 Diversify Revenue streams and Business Model innovations: OK Zimbabwe should launch E-commerce and mobile commerce platforms that enables home delivery, click -and collect services, capturing consumers that are digitally active thereby reducing overheads costs associated with physical retail space.

5.4.4 Restore Exchange Rate Stability and policy consistency: The Reserve Bank of Zimbabwe should ensure that foreign currency allocation system prioritizes essential goods importers including formal food retailers to prevent supply disruptions that compound losses.

5.4.5 Invest in supply chain infrastructure, the government should have to priorities reliable electricity supply through accelerated investment in generation capacity, road maintenance programs and facilitating foreign currency access for essential goods importers through streamlined RBZ allocation processes.

5.5 Suggestions for further studies

Investigating a research study which has a large population so as to compare the results with the ones from the study. Also, Further assessments can be done in other companies in different sectors so that we can compare and check whether the organizations are affected the same way as those in OK Zimbabwe.

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APPENDIX 1: Letter of Approval



APPENDIX 2: Questionnaire

Instructions

- a) Respond to all questions provided below.
- b) Where applicable answer by ticking in the appropriate answer box or by briefly explaining in the spaces provided.
- c) Select the responses that is closet to your own opinion.
- d) All responses will be treated with strict confidentiality and used solely for academic purposes.

SECTION A: Demographic information (tick where applicable)

1) Gender Male ☐ Female ☐

2) Level of education

Certificate and Diploma ☐

Degree ☐

Masters

3) How long have you been working for the organisation

1-3 years

4-5 years

Above 5 years

4) Position in firm

Customer	
employees	
supervisor	
manager	

SECTION B: RESPONSES TO RESEARCH OBJECTIVES AND QUESTIONS

KEY 1 Strongly Agree =**AS**

2 Agree =**A**

3 Disagree =**D**

4 Strongly Disagree= **SD**

CURRENCY AND EXCHANGE RATE VOLATILITY

To look into how currency and exchange rate affect the financial downturn of OK Zimbabwe	1	2	3	4
1.The depreciation of Zimbabwe dollar				
2.Foreign currency shortages to import goods and services				
3. Rapid exchange rate fluctuations				
4The use of multicurrency systems				

IFORMAL COMPRTITION AND MARKET DYNAMICS

To look into how informal sector competition affected the financial downturn of OK Zimbabwe	1	2	3	4
1 The rise of informal markets traders				
2 Increased competitions from other formal retail chains				
3 OK Zimbabwe failed to adequately adapt its business model				

4 Cross-border trade and the availability of cheaper imported goods				
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SUPPLY CHAIN DISRUPTION

To look into how supply chain disruptions affected the financial performance of OK Zimbabwe.	1	2	3	4
1 Disruptions in the supply of goods from local and international suppliers				
2 Foreign currency shortages made it difficult				
3 Rising transportation and logistics costs due to fuel shortages				
4 unstable interest rates				

FINANCIAL PERFORMAMCE

1 The financial performance	1	2	3	4
2 declining financial performance				
3 Revenue and Profitability				