Effect of Multicurrency Regime on Firm Performance: A Case Study of the Car Rentals Industry in Zimbabwe.

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ABSTRACT

The purpose of this study was to evaluate how the adoption of a multicurrency system promotes operational efficiency, financial stability, and overall company performance in the car rental industry in Zimbabwe. The aim was to generate evidence-based views that could guide managerial decision-making and inform policy on currency management in volatile economic environments. The research objectives were (a) to assess the effects of multicurrency usage on business operations and profitability, (b) to identify challenges and opportunities linked to the use of multiple currencies, and (c) to recommend strategies for enhancing performance under multicurrency conditions. The adoption of multiple currencies, particularly the Zimbabwean dollar (ZWL) alongside major international currencies such as the United States dollar (USD), has become a defining feature of Zimbabwe's post-dollarisation economy. A total population of 200 employees from 5 car rental companies was used, in which a sample of 76 participants was selected using a stratified random sampling technique, whereby participants were chosen according to strata. A quantitative approach was employed and data was gathered from managers, accountants, and operational staff from various car rental firms. Data were analysed statistically to identify key patterns. The findings revealed that multicurrency usage significantly affects pricing strategies, cost structures, and customer purchasing behaviour. Companies operating in this environment face challenges such as exchange rate volatility, pricing inconsistencies, and operational inefficiencies. However, the use of stable foreign currencies was also found to enhance competitiveness, stabilise revenue, and improve overall business performance. The study concludes that while multicurrency usage presents operational difficulties, it offers a critical cushion against hyperinflation and financial uncertainty. It recommends consistent monetary policies, transparent exchange rate systems, and strategic financial planning for firms operating under multicurrency conditions.

Keywords: Multicurrency system, company performance, exchange rate volatility, car rental industry, Zimbabwe, financial management

1. 0 INTRODUCTION

The purpose of this study was to examine how Zimbabwe's prolonged economic instability, marked by hyperinflation, currency shifts, and policy inconsistency, affects the performance of car rental companies operating within a multicurrency system (Moyo, 2023; Chitambara, 2022).Block (2009) has defined multicurrency system as a book-keeping program which allows transactions to take place in numerous currencies facilitating global trade. One of the most significant policy responses to these crises was the introduction of a multicurrency system in 2009. The adoption of the multicurrency system in 2009 was to curb harmful hyperinflation that was predominating the previous years and to restore the stability of prices as well as the monetary credibility. This replaced the hyperinflated Zimbabwean dollar with a basket of foreign currencies led by the United States dollar (Hanke, 2019). Dollarisation, which is synonymous with a multicurrency regime, is the use of foreign currencies as a medium of exchange, store of value or unit of account. Currency substitution was prompted by economic, financial, and political instabilities, as well as larger donor inflows and deliberate institutional arrangements.

The adoption of a multicurrency in Zimbabwe has been the main pillar that has helped stabilise the monetary policy of Zimbabwe's economy over the past few years. The use of multicurrency in Zimbabwe improved the

trade balance, reduced the budget deficit and increased Gross Domestic Product (GDP) growth rate. Although the multicurrency system initially stabilised prices and restored business confidence, subsequent shifts, including the reintroduction of the local currency in 2025, have reignited uncertainty within the business environment (Ncube & Ndou, 2024). Some of the related challenges associated with its usage were a lack of control over exchange rates, which caused inflation, a liquidity crisis, reduced consumer spending, and low organisational sales. All these factors contribute to reduced firm revenue and profitability.

The car rental industry, in particular, is directly influenced by foreign exchange fluctuations because its operations depend heavily on vehicle imports, spare parts, and service contracts denominated in foreign currency (Zhou, 2020; Munyanyi, 2021).In this fluid monetary setting, enterprises have had to adjust to complex financial and operational challenges. The acceptance of multiple currencies provides flexibility in transactions but also introduces challenges in accounting systems, pricing structures, and overall performance evaluation (Mugova & Sachs, 2022).

Multicurrency operations affect company performance through their influence on pricing, operational costs, and financial planning. Exchange rate instability can distort profitability and complicate long-term investment decisions, particularly in sectors that rely heavily on foreign-sourced inputs (Nyoni, 2021; Edwards & Magendzo, 2019). Conversely, access to more stable foreign currencies can serve as a hedge against hyperinflation and currency depreciation, helping firms maintain financial stability in volatile environments (Muzurura, 2022). Understanding how firms balance these opposing forces is therefore essential for shaping policies and managerial strategies that foster business stability and long-term growth (Makoni & Chipumho, 2024).

The study was guided by three key objectives:

1. To examine the effects of multicurrency usage on business operations and profitability.

2. To identify the challenges and opportunities associated with multicurrency systems in the car rental industry.

3. To recommend strategies to enhance company performance under multicurrency conditions.

2. LITERATURE REVIEW

A multicurrency system refers to an economic arrangement in which more than one currency is legally or unofficially used for transactions within a country, often adopted to stabilise economies facing inflation or currency collapse (Hanke & Krus, 2022). Research on multicurrency and dollarized regimes shows consistent trade-offs for firms: inflation stabilisation and restored transactional confidence on the one hand, and constraints on policy tools and pricing flexibility on the other. For example, Ecuador's full dollarisation is repeatedly credited with taming inflation, improving convertibility for trade, and reviving financial intermediation; yet it also limits competitiveness adjustments that a sovereign devaluation could deliver for tradable sectors (e.g., manufacturing, agribusiness) (Annals of Operations Research, 2024; BTI Transformation Index, 2024).

At the macro-industry interface, recent meta-analytic evidence finds that dollarized economies tend to experience lower inflation but slower and more volatile output growth, implying uneven benefits for firms across sectors, particularly those exposed to external shocks or requiring flexible pricing (e.g., tourism, retail, light manufacturing) (Bleaney, 2023).

In El Salvador, two and a half decades of dollarisation stabilised prices and lowered interest rate premia, yet have not consistently lifted long-run growth or investment conditions that shape profitability horizons for banks, utilities, and service industries (Wiley, 2025; Edward Elgar, 2023; IMF, 2025). Sectorally, firms benefit from predictable pricing and lower currency risk, but face growth headwinds from weak aggregate demand and limited counter-cyclical policy (e.g., no independent lender-of-last-resort backstop) (Lampadia, 2025; Elgar, 2023; IMF, 2025; World Bank, n.d.).

Studies of multiple-rate or unification episodes show sizable operational consequences for firms. In Nigeria, work on exchange-rate unification argues that a transparent, single window can reduce pricing uncertainty and improve investor confidence, with implications for cost of capital and import-dependent industries; conversely, prolonged dual markets raise transaction costs, complicate accounting, and distort input prices for manufacturers and distributors (IJAEM, 2025; RSIS International, 2025; Springer, 2025).

Experiences with dual-currency reforms further illustrate sectoral impacts. In Cuba, the long transition toward currency unification has coincided with severe macro stress: shortages of foreign excha,nge, energy rationing, and collapsing output in sugar, agriculture, and manufacturing all of which depend on imported inputs priced in hard currency (Columbia University Horizonte Cubano, 2025; AFD MacroDev, 2024; Coface, 2025; American University brief, 2025). For firms, this manifests as procurement bottlenecks, erratic pricing, and demand compression in tourism and transport services.

Firm-level finance literature also shows that exchange-rate volatility common in partial dollarisation or multirate regimes feeds directly into profitability via cash-flow timing, input-cost pass-through, and balance-sheet mismatches. Evidence from Nigeria and the U.K. (2014–2023) links volatility to weaker margins and investment, particularly in import-intensive sectors (SSRN working paper, 2024/2025). These channels map to everyday operational risks: repricing frequency, supplier renegotiations, and hedging costs.

Finally, cross-country syntheses on Ecuador underscore a nuanced picture for service industries (e.g., banking, tourism, logistics): dollarization rebuilt deposit confidence and stabilized payments, facilitating expansion of balance sheets and lowering transactional frictions, but at the strategic level limited the price-competitiveness lever that exchange-rate adjustments can offer during external shocks (Latinvex, 2024; IMF, 2024; EconWorld synthetic control study on Ecuador).

2.1 The Concept of Multicurrency Systems

A multicurrency system refers to an economic framework in which more than one legal tender is accepted for domestic transactions. According to Hanke (2019), such systems often emerge in response to economic instability and serve as temporary measures to restore confidence in a failing monetary system. Globally, these systems emerge when domestic currencies become unstable or when countries integrate more closely with international markets (Meyer, 2021). In many developing economies, people choose stronger foreign currencies such as the US dollar or euro to protect value, while still using the local currency for everyday payments. According to Chacha and Mutinda (2023), the rise of digital payments and cross-border trade has made it increasingly common for households and firms to handle multiple currencies simultaneously.

Multicurrency systems usually develop due to inflation, loss of confidence in the local currency, or the need to attract foreign investment. Research shows that countries facing exchange-rate volatility often adopt foreign currencies informally as a way to stabilise purchasing power and maintain business continuity (Rojas & Almeida, 2022). In some regions, like parts of Latin America and Africa, multicurrency usage helps firms access international markets and reduce reliance on weak domestic currencies (Makoni, 2024). At the same time, global financial integration has made it easier for citizens and businesses to hold foreign-currency accounts, creating "natural" multicurrency environments even without government policy intervention.

Scholars note a rise in hybrid monetary systems where digital currencies, stablecoins, and traditional currencies circulate together (Harrison, 2025). This shift has improved transaction efficiency for international trade but also introduced new regulatory and exchange-rate challenges. Multicurrency systems have been shown to support economic resilience during crises such as the COVID-19 period because firms can switch to stronger currencies when domestic money loses value (Ofori & Tetteh, 2021). However, researchers caution that long-term dependence on foreign currencies can weaken monetary sovereignty and complicate fiscal planning. Overall, the global trend shows that multicurrency systems offer both stability and complexity in an increasingly interconnected world.

2.2 Theoretical Framework

The study was grounded in two theoretical perspectives of Purchasing Power Parity (PPP) and the Dollarisation Theory.

2.2.1 Purchasing Power Parity (PPP)

Purchasing Power Parity (PPP) suggests that in the long run, exchange rates should adjust so that a basket of goods costs the same across countries, once prices are converted into a common currency (Vo, 2023). When PPP does *not* hold because inflation and price levels differ between countries, firms in a multicurrency regime face misaligned real exchange rates, which directly affects their cost base, pricing power, and competitiveness. Recent studies show that deviations from PPP are closely linked to exchange-rate risk premia and higher uncertainty for exporters, which feeds through into volatile profit margins and more cautious investment behaviour (Arghyrou, 2020; Vo, 2023). Empirical work during and after COVID-19 also finds that persistent gaps between PPP-implied rates and market rates are associated with slower GDP growth and greater inflation pressure, particularly in developing and emerging economies that rely heavily on imported inputs (Adistya, 2024). In a multicurrency environment, firms must therefore constantly manage the gap between domestic inflation and the anchor or invoicing currency; when domestic prices rise faster than in the reference economy, PPP deviations erode price competitiveness and squeeze profitability, even if nominal revenues appear stable.

2.2.2 Dollarisation Theory

Dollarisation theory explains what happens when a country either fully adopts a foreign currency (like the US dollar) or becomes highly "dollarised" in its financial system, with contracts, loans, and prices heavily linked to that foreign currency. Evidence from Latin American economies such as Ecuador and Peru shows that dollarisation can stabilise inflation and reduce exchange-rate risk, but it also removes monetary-policy flexibility and can transmit external shocks from the anchor currency directly into domestic interest rates and demand (Carpio, 2022; Tutiven-Desintonio, 2025). Recent work on Ecuador finds that while a dollarised regime lowered inflation and exchange-rate volatility, long-term growth and firm-level competitiveness remained constrained by rigid costs and limited policy tools to respond to shocks (IMF, 2024; Reuter, 2025). Studies of "price dollarisation" in producer and import prices further show that when firms set prices or borrow in foreign currency but earn revenue partly in local currency, their balance sheets and profit margins become highly sensitive to external demand and US monetary conditions (Rodríguez, 2024; Monetary Dynamics under Dollarization,

2025). In a multicurrency regime, dollarisation theory therefore predicts a trade-off: firms may gain from lower domestic inflation and more predictable nominal prices, but they face heightened exposure to foreign interestrate and demand shocks, which can either stabilise or destabilise firm performance depending on their currency mix of costs, revenues, and debt.

2.3The effects of multicurrency usage on business operations and profitability

Recent literature shows that the use of multiple currencies affects business operations by increasing transaction complexity, raising input costs, and exposing firms to exchange-rate volatility that directly suppresses profit margins. For example, a 2024 empirical study found that exchange-rate fluctuations had a statistically significant impact on procurement costs, with currency volatility nearly perfectly correlated with rising supplier prices ($\beta \approx 0.99$, $p < .001$) (Hommel, 2025). Similarly, the IMF (2024) reports that firms operating in multicurrency environments experience higher working-capital needs, unpredictable cash-flow cycles, and translation losses when revenues and expenses are denominated in different currencies. Meanwhile, OECD (2025) evidence from emerging markets shows that dual-currency pricing, especially when informal or parallel market rates diverge, reduces profit predictability and increases the cost of financial management. Overall, the literature indicates that multicurrency regimes generally increase operational risk and reduce profitability, particularly for SMEs lacking financial hedging tools.

2.4 Challenges and opportunities linked to the use of multiple currencies

Studies show that multicurrency usage presents both systemic challenges and new strategic opportunities. Key challenges include high conversion costs, inconsistent exchange-rate spreads, and increased administrative burdens tied to multi-currency reporting requirements (Zai & Mansur, 2024). Additionally, regulatory uncertainty common in economies with parallel exchange markets creates difficulties for firms attempting to set stable pricing structures. However, the literature also identifies opportunities: improvements in digital financial infrastructure, such as automated FX execution and mobile cross-currency payment systems, can significantly reduce transaction costs (OECD, 2025). The IMF (2024) further notes that firms able to diversify their currency holdings or access stable foreign-currency revenue streams often experience improved liquidity and resilience. Thus, while the multicurrency environment is challenging, it simultaneously allows firms to enhance competitiveness if they adopt the right treasury and digital tools.

2.5 Strategies for enhancing performance under multicurrency conditions

Studies propose several strategies to improve business performance in environments where multiple currencies circulate. Hommel (2025) emphasises the importance of clear FX governance policies and selective hedging practices, noting that firms with formalised currency-risk guidelines outperform those without such frameworks during periods of volatility. The IMF (2024) recommends centralising liquidity management through netting or pooling to minimise unnecessary conversions, while OECD (2025) highlights the benefits of automating currency conversions to reduce execution errors and delay costs. For SMEs that lack access to advanced hedging instruments, Zai and Mansur (2024) advocate for financial literacy programs and contractual mechanisms such as currency-indexed pricing that reduce exposure to sudden exchange-rate movements. Together, the literature suggests that firms can enhance performance by combining hedging, digital automation, liquidity centralisation, and skills development. In addition, firms should develop a Foreign Exchange Risk Management framework which clearly shows their currency risk assessment procedure and implementation of currency risk management strategies.

2.6 Multicurrency Usage and Company Performance

Research shows that when firms operate in a multicurrency or dollarised environment, their performance is closely tied to exchange-rate movements and currency composition of their revenues and costs. Firm-level evidence from 16 emerging markets finds that volatility of the US-dollar exchange rate lowers productivity growth, especially in countries where many contracts are invoiced in dollars and financial systems are shallow (Eklou, 2023). BIS work using “net-invoice-currency-weighted” exchange-rate indices also shows that currency mismatches explain a significant part of movements in profitability, liquidity and credit risk, with smaller exporters being particularly vulnerable to shocks in their main invoicing currencies (Nookhwun, 2025). Studies on dollarisation in Latin America further suggest that firms benefit from lower domestic inflation and more stable pricing when using a strong foreign currency, but they also become more exposed to external monetary conditions and global dollar cycles (Wieber, 2024; Silva, 2025). At the same time, policy reports emphasise that companies able to increase local-currency financing and reduce hard-currency debt are more resilient, as this limits balance-sheet pressures and earnings volatility under multicurrency regimes (OECD, 2025).

2.7 Car Rental Industry and Economic Volatility

Studies on the global car rental sector show that the industry is highly sensitive to macroeconomic and tourism cycles, but can still grow under volatility when firms manage pricing, currency and demand risk well. Market reports indicate that the tourism vehicle rental segment experienced a sharp downturn during COVID-19 but has since recovered, with tourism car rentals expected to grow at around 8% CAGR as international travel normalises (Mordor Intelligence, 2024). Recent data suggest that international arrivals reached about 89% of pre-pandemic levels in 2023 and 98% by late 2024, driving renewed demand for rental cars despite inflation and higher interest rates in many economies (OpenPR, 2025). Industry analysis for 2024–2025 shows the global car rental and leasing market valued at roughly USD 125 billion in 2024 and projected to reach about USD 186 billion by 2034, even as firms face cost pressures from volatile fuel prices, financing costs and exchange rates in destinations that rely on multiple trading currencies (Emergen Research, 2025; Grand View Research, 2024). Commentators note

that companies with flexible pricing in hard currencies, dynamic yield management and better FX risk practices have been able to protect margins and keep bookings growing, even when economic and currency conditions are unstable (Auto Rental News, 2025).

2.8 Gaps in Existing Literature

Most prior studies on multicurrency systems in Zimbabwe have focused on macroeconomic effects such as inflation control and monetary policy effectiveness. Limited research exists on how these systems affect specific industries, particularly service-oriented ones like car rentals. This study fills that gap by providing empirical evidence on the operational and financial consequences of multicurrency usage in the private service sector.

3. METHODOLOGY

3.1 Research Design

This study employed a quantitative survey research design to assess how the multicurrency environment influences the performance of car rental companies in Harare. The survey approach was chosen because it allows for the systematic collection of numerical data from a defined group of respondents, enabling objective measurement of trends and relationships.

3.2 Study Area and Population

The research was conducted in Harare, Zimbabwe's capital city, focusing on car rental firms operating within the central business district. These companies were selected due to their high exposure to foreign exchange transactions. The target population consisted of managers, accountants, and customer service staff.

3.3 Sampling Technique and Sample Size

A stratified random sampling technique was used to identify participants with relevant financial and operational expertise. A total of 30 respondents were selected across various car rental firms. The use of this sampling technique ensured that the sample included individuals best positioned to provide accurate quantitative information on financial performance and currency-related business activities.

3.4 Data Collection Methods

Data were gathered exclusively through structured questionnaires, which captured numerical information on key indicators such as revenue trends, currency composition of transactions, cost changes, and profitability measures. The questionnaire format allowed for standardised responses suitable for statistical analysis.

3.5 Data Analysis

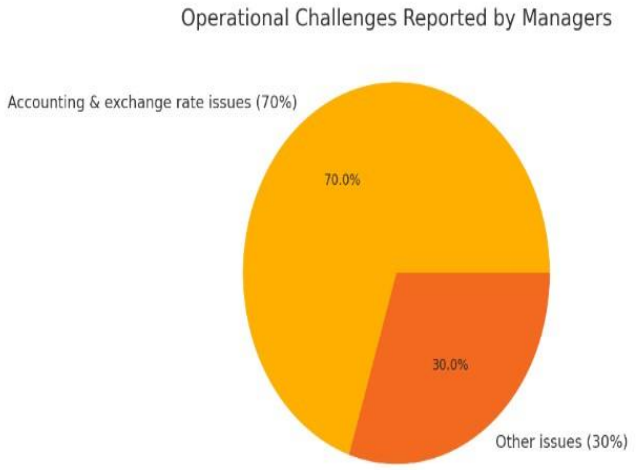
The collected quantitative data were analysed using descriptive statistics, including percentages, means and standard deviations. These statistical techniques enabled the identification of patterns and measurable impacts of multicurrency usage on firm performance. The results were then presented in charts to enhance clarity and interpretation.

4. RESULTS AND DISCUSSION

This chapter presents and discusses the findings of the study on the effects of multicurrency usage on company performance in the car rental industry in Harare, Zimbabwe. The discussion integrates both quantitative and qualitative results with theoretical and empirical insights from relevant literature. The analysis is structured according to the main research objectives: (1) to assess the effects of multicurrency usage on business operations and profitability, (2) to identify challenges and opportunities linked to the use of multiple currencies, and (3) to recommend strategies for enhancing performance under multicurrency conditions.

4.1 Effects of Multicurrency Usage on Business Operations

Fig 4.1 Pie Chart of operational challenges reported by Managers



Source: Primary Research Data (2025)

Findings revealed that multicurrency usage has a mixed but significant impact on business operations. Respondents noted that the acceptance of both the Zimbabwean dollar (ZWL) and the United States dollar (USD) enhanced transactional flexibility, allowing firms to cater to both local and international clients. This flexibility was reported to improve customer satisfaction and widen the client base. However, the need to manage dual currency systems created operational and accounting challenges.

Managers reported difficulties in maintaining parallel accounting records for ZWL and USD transactions, leading to discrepancies in financial reporting and taxation. A majority (70%) of participants stated that inconsistencies in exchange rate conversion during daily transactions caused administrative delays and increased the risk of reporting errors. This finding aligns with Munyanyi (2020), who observed that maintaining multiple transactional systems in Zimbabwe's post-dollarisation economy has imposed heavy administrative burdens on firms.

Another significant operational issue identified was supply chain instability. Firms dealing with imported spare parts and vehicles faced challenges in procurement because suppliers preferred USD, while most local customers transacted in ZWL. This mismatch often resulted in foreign currency shortages, disrupting operations. Similar findings were highlighted by Mugova and Sachs (2022), who noted that limited foreign currency availability constrains Zimbabwean firms' ability to sustain production and service quality.

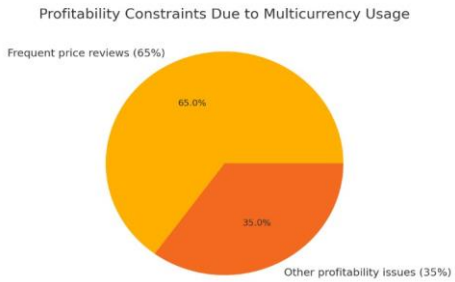
On a positive note, firms that priced their services primarily in USD reported greater financial predictability and lower transaction losses. Managers indicated that USD-based pricing facilitated easier cost forecasting, better supplier relations, and improved cash flow management. The use of a stable currency like the USD mitigated inflationary effects associated with the volatile ZWL. This observation echoes Muzurura (2022), who found that businesses operating under partial dollarisation tend to exhibit stronger performance indicators due to the stabilisation effect of foreign currencies. Overall, the study shows that while multicurrency operations increase administrative complexity, they also enable businesses to survive in an unpredictable economic environment by balancing local affordability with foreign stability.

4.2 Effects of Multicurrency Usage on Profitability

The analysis revealed that multicurrency usage directly affects profitability through its influence on pricing, cost structures, and customer purchasing behaviour. Respondents consistently noted that fluctuations in exchange

rates made it difficult to set long-term prices. When the local currency depreciated, companies suffered losses in ZWL-based transactions unless they quickly adjusted prices, which often led to customer dissatisfaction.

Fig 4.2 Pie Chart on profitability constraints due to multicurrency usage



Source: Primary Research Data (2025)

Approximately 65% of managers reported that constant price reviews were necessary to maintain profit margins. However, such adjustments sometimes reduced competitiveness, particularly against firms that quoted exclusively in USD. This challenge reflects Nyoni's (2021) assertion that exchange rate volatility distorts price consistency and erodes consumer confidence in multicurrency environments.

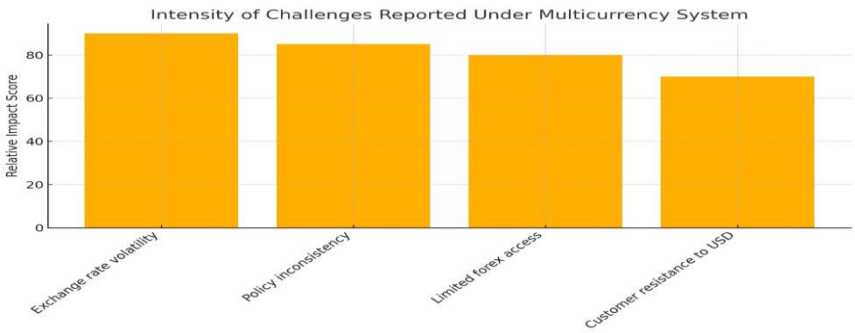
Profitability was also affected by inflationary pressures on operational costs, including vehicle maintenance, insurance, and fuel expenses, all often pegged in USD. When revenue was collected in ZWL, firms faced immediate value loss before converting to USD for reinvestment. Participants emphasised that this "currency lag" significantly reduced profit retention. These findings resonate with Chitambara (2022), who reported that Zimbabwean firms experience eroded profit margins due to differential inflation between local and foreign currencies.

Despite these challenges, several participants indicated that multicurrency usage provided opportunities to maximise profit during favorable exchange conditions. Firms that accumulated foreign currency reserves during peak periods benefited when the ZWL depreciated, allowing them to reinvest at a comparative advantage. This strategic response underscores the importance of financial agility in volatile environments, supporting Krugman and Obstfeld's (2018) theoretical perspective that firms with greater flexibility in currency operations can sustain profitability despite macroeconomic instability.

Furthermore, firms catering to international clients, particularly tourists and diplomatic missions, reported stronger profit performance, as their revenue streams were primarily USD-based. This finding supports Zhou (2020), who found that service industries oriented toward international markets in Zimbabwe tend to perform better under dollarised systems due to currency stability and predictable demand.

4.3 Challenges Associated with Multicurrency Usage

Fig 4.3 Bar Graph on the intensity of challenges reported under the Multicurrency System



Source: Primary Research Data (2025)

Participants identified several recurring challenges under the multicurrency system. The most prominent issue was exchange rate volatility. Businesses experienced difficulties planning budgets because official and parallel market exchange rates often diverged sharply. The study found that exchange rate instability increased uncertainty and discouraged long-term investment. This observation supports Makina (2020), who highlighted that fluctuating rates undermine financial forecasting and business confidence in Zimbabwe's private sector.

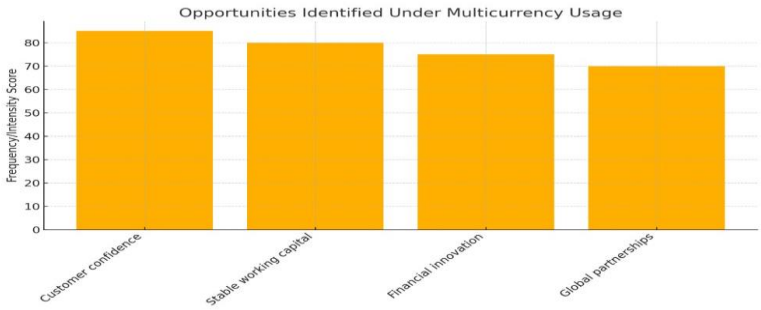
Another challenge was policy inconsistency. Respondents expressed frustration over frequent government reversals regarding currency use and monetary regulations. For instance, the 2019 ban on USD transactions followed by the 2020 reauthorization of multicurrency use disrupted strategic planning and contractual agreements. One participant commented that "policy changes come faster than we can adjust our systems," illustrating how uncertainty affects both investor sentiment and operational continuity. Mutengezanwa et al. (2020) similarly concluded that inconsistent policy frameworks in Zimbabwe inhibit sustainable economic recovery by eroding institutional trust.

Furthermore, limited access to formal foreign exchange markets forced many firms to rely on informal trading channels. Although this provided temporary relief, it exposed companies to regulatory risks and unstable exchange rates. Participants reported that the gap between official and market rates sometimes exceeded 30%, making it difficult to price services competitively while maintaining profitability. This aligns with Goredema (2021), who observed that restricted forex availability compels firms to operate under dual pricing systems, thereby distorting financial transparency.

Another major challenge identified was customer resistance to USD pricing. While foreign clients preferred USD transactions, local customers often found such pricing unaffordable. This led to reduced domestic demand and overreliance on foreign clients. The tension between affordability and profitability demonstrates the structural inequality inherent in Zimbabwe's partial dollarisation regime.

4.4 Opportunities Presented by the Multicurrency System

Fig 4.4 Bar Graph on Opportunities identified under Multicurrency Usage



Source: Primary Research Data (2025)

Despite the above constraints, respondents identified several opportunities associated with multicurrency usage. The first was enhanced customer confidence and payment flexibility. Firms noted that accepting multiple currencies made transactions easier for clients, particularly international travelers. This flexibility expanded their market base and strengthened customer loyalty. The finding supports Hanke (2019), who argues that dollarisation often restores transactional confidence and fosters economic stability in post-crisis economies.

The second opportunity was access to stable working capital. Firms holding USD balances could reinvest in vehicle imports, maintenance, and marketing without the fear of rapid currency depreciation. This enhanced financial planning and liquidity management. Additionally, firms able to diversify revenue between local and foreign clients reduced the risk associated with single-currency dependence. This is consistent with Muzurura (2022), who emphasized that businesses with diversified currency portfolios exhibit higher resilience in volatile economies.

Thirdly, the multicurrency system encouraged innovation in financial management. Several companies adopted digital payment systems, multicurrency bank accounts, and mobile money platforms to improve efficiency. These technological adaptations not only streamlined operations but also reduced transaction delays caused by cash shortages. This observation corresponds with Nguyen and Hall (2023), who noted that firms in developing countries increasingly rely on technology to navigate unstable financial environments.

Finally, the multicurrency regime opened opportunities for strategic partnerships with international suppliers and clients. Companies that accepted stable foreign currencies gained credibility and attracted global clients, particularly in the tourism and diplomatic sectors. Such partnerships provided access to spare parts, insurance coverage, and leasing options at competitive rates, reinforcing the sector's integration into the regional market.

5.1 CONCLUSION

The study concluded that the multicurrency system has a dual impact on company performance in Zimbabwe's car rental industry. While it introduces operational complexities and financial instability, it also offers flexibility and protection against inflation. Firms that strategically utilize stable currencies like the USD benefit from higher revenue stability and customer trust. However, persistent policy uncertainty and fluctuating exchange rates undermine long-term growth and investment planning.

5.2 RECOMMENDATIONS

The government should maintain clear and stable currency policies to enhance business confidence and reduce operational uncertainty .Companies should adopt hedging strategies and maintain currency-diversified accounts to manage exchange rate risk. Simplified tax and reporting frameworks should be established to accommodate multicurrency operations. Training programs in financial management and exchange rate forecasting should be introduced for business managers. Businesses should adopt digital payment and automated FX systems to cut conversion delays and minimise errors, these tools improve cash-flow predictability and strengthen financial stability in multicurrency environments. Governments and lenders should increase access to affordable localcurrency loans to reduce dependence on volatile foreign-currency debt. Strengthening domestic financing options helps firms avoid currency mismatches and improves long-term stability.

5.2.5 Further Research: Future studies should explore sectoral comparisons to determine how different industries adapt to Zimbabwe's evolving currency regime.

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