

**THE IMPACT OF LOCAL ECONOMIC DEVELOPMENT THROUGH
SMMEs ON SESHEGO INDUSTRIAL SITE, ZONE SIX (6)**

*Masters Degree in Development Studies
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ABSTRACT

The industrial buildings in the Seshego Township were established during the previous political dispensation to decentralise the economy and encourage local economic development. One hundred and fifty seven (157) industrial buildings were established in the township of Seshego through the Regional Industrial Development Programme. The research findings indicate that 82% of the respondents at Seshego industrial site provided employment to the residents of Seshego. The business activities at the industrial site of Seshego either closed down or relocated after changes (by the new dispensation in 1994) in the legislation governing industrial buildings. Currently twenty seven (27) industrial buildings are vacant.

The aim of the study is to formulate a set of recommendations on how the Seshego Industrial Site could be used to support Small, Medium and Micro-Enterprise (SMME) activities to address local economic development. The recommendations, inter alia, are to have clearly defined roles for the relevant stakeholders and to encourage the link between SMMEs and large business sector.

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LIST OF ACRONYMS

LED	Local Economic Development
SMMEs	Small, Medium and Micro-Enterprises
RIDP	Regional Industrial Development Programme
LIMDEV	Limpopo Development Corporation
LBSA	Limpopo Business Support Agency
DTI	Department of Trade and Industry
IDP	Integrated Development Plan
SANCO	South African National Civics Organisation
GGP	Gross Geographic Product
NGO	Non Governmental Organisations
CBO	Community Based Organisations

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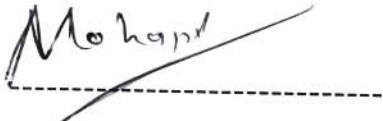
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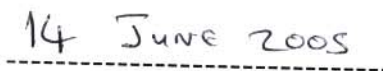
DECLARATION

This serves to declare that this mini–dissertation is original and has never been submitted before, at any academic institution, for any requirement except for the purpose of serving as:

A partial fulfillment of the requirements for the Masters Degree in Development Studies, Turfloop Graduate School of Leadership, Faculty of Management Sciences, University of the North.

A handwritten signature in black ink, appearing to read "M.M. Mohapi", is written over a horizontal dashed line.

M.M Mohapi

A handwritten date "14 June 2005" is written in black ink over a horizontal dashed line.

Date

1

INTRODUCTION

The then apartheid government encouraged local economic development in former homelands through Regional Industrial Development Programmes (RIDP). The RIDP was a government initiative that identified growth point areas where industries could be established. However, the RIDP policy failed to reduce economic disparities between regions and to stimulate economic linkages (Rural Development Framework, 1997: 41). Based on this programme, the north-eastern side of Seshego was identified as a suitable site for local industrial development. This programme provided for the establishment of one hundred and fifty seven (157) industrial buildings, seventy-three (73) big and eighty-four (84) small. Currently six (6) small industrial buildings (50-300m²) are not functional and twenty-one (21) of the large industrial buildings (301-14 500m²) are non-functional (empty) (Limpopo Economic Development Enterprise, 2001: 1-3). As a result, one hundred and thirty (130) industrial buildings are presently functioning and twenty-seven (27) of both large and small industrial buildings are vacant. The latter industrial buildings in Seshego are currently managed by Limpopo Development Corporation (LIMDEV), which leases them to interested business owners or entrepreneurs.

This research focuses on both the utilised and under-utilised industrial infrastructure in Seshego, with the central objective of determining the local economic development (LED) status, as well as investigating the development potential of Seshego industrial site. This study would, as part of its core rationale, evaluate the positive LED impact on the functioning industrial buildings versus the negative LED impact on the non-functioning industrial buildings.

The term 'local economic development' (LED) is defined as a process that creates wealth through the mobilisation of human, financial, social, physical and natural resources or capital. The aim of LED is to, ultimately, produce higher standards of living to improve the quality of life; alleviate poverty; create more and better jobs; advance skills; and build capacity for sustained development in the future (Tamasane, 2002: 1).

Small, Medium and Micro-Enterprises (SMMEs) are considered as "growth engines" in both diversifying the economy and improving productivity for progress in national development. SMMEs also create jobs, generate wealth and stimulate entrepreneurship. To realise their vast potential, SMMEs need an enabling, favourable and supportive environment (free of "hassles") so that they prosper and expand (Chandrasekar, 2003: 42).

In a developing country, the small business sector is widely regarded as the driving force behind job creation (Lunsche & Baron, 1998:1). The Limpopo Provincial Government has allocated R 102 million to 200 emerging businesses that would contribute to the provincial LED. For this reason, and as indicated in a statement by Premier Ramathlodi (2002: 1), a total of 50 SMMEs also received business training.

With regard to the Seshego industrial site, the potential for LED needs to be fully exploited. This was an industrial site that used to be vibrant with hundreds of people being employed, but now the area has been deserted. This is surprising given that LED emphasises the utilization of all the buildings available in a specific area for socio-economic reasons such as employment generation. Therefore, there should be a stimulating environment that would foster the utilisation of the vacant buildings at the Seshego industrial site.

1.1 LITERATURE REVIEW

It has been identified that insufficient business structure, low buying power and lack of training facilities, have a negative impact on the existence of SMMEs. In addition, other factors such as lack of marketing skills, financial support and poor networking between SMMEs and local authorities, also lead to the unsustainability of SMMEs. It was further indicated that about 60% of small business cease to operate in South Africa, within five-year period of their existence (Dube, 2001: 38-39). Jamson (2000: 43-49) also purports that training is one of the factors that has largely been neglected in the SMME sector by academic researchers, human resource planning, development and management specialists until recently.

In the light of the above, all these issues lead to a negative growth impact on the part of LED. They also reflect that institutional and lack of finances contributes to the decline of LED. Therefore, the importance of literature review in this research field is to assist in giving a subjective analysis relating to the research study. Furthermore, it will help in identifying the relevancy of this research into the existing research topics.

1.2 MOTIVATION

It is indisputable that unemployment in the Limpopo Province is rife. For this reason, something needs to be done to alleviate the economic plight of poor communities. The unemployment rate within the Polokwane Municipality area stands at 38.8 % as compared to a total of 46% for the whole of Limpopo Province (Polokwane Municipality Integrated Development Plan, 2003: 16).

The Integrated Development Plans (IDP), on the other hand are designed or put in place to act as a vehicle that will facilitate development on or within municipal areas. This has also created expectations from local communities that the state has to provide employment. This lack of understanding of what the IDP seeks to achieve has not allowed communities to exploit the available resources to create self-employment and become self-reliant.

These empirical insights are drawn on non-utilised industrial buildings in Seshego, which could be put to use for a good purpose in improving local economic development. The Seshego industrial site was once a vibrant growth point area with good prospects of economic sustainability. The advent of the new dispensation created a positive industrial development, but also led to the collapse of existing industrial activities with the closure or relocation of some industries. This has led to a situation wherein some of the industrial buildings remained vacant for a long period. Presently, companies are gradually re-occupying the industrial buildings of Seshego. Seshego comprises numerous emerging SMMEs operating from their residences. These emerging SMMEs encompass various fields such as plumbing, sewing, mechanics, electricians etc.

Owing to this, the Limpopo Department of Trade and Industry, SMME Directorate, has a financial and non-financial support programme to give support to emerging SMMEs, through parastatals such as Limpopo Business Support Agency and Limpopo Development Corporation, with intentions to further enhance local economic development.

1.3 PROBLEM STATEMENT

Local economic development in Seshego might prevail if the existing infrastructure is used for a proper purpose. The influence or activities of some emerging SMMEs have not yet reflected their positive impact on the local economy of Seshego. This has led to the underdevelopment of some emerging SMMEs, which further impedes their contribution towards local economic development. This study, however, proposes to investigate the impact of local economic development, with particular emphasis on the recent and historical trends of the Seshego Industrial Site.

1.4 RESEARCH QUESTION

What led to the closure or relocation of business or industrial activities at the Seshego Industrial Site?

1.5 AIM AND OBJECTIVES OF STUDY

The overarching aim of this study is to formulate a set of recommendations on how the Seshego Industrial Site could be revived to address local economic development. In doing so, the study proposes to explore the impact of LED in the case of Seshego Industrial Site. In order to achieve the abovementioned aim, the specific objectives of the study are to determine the following:

- The reasons that led to the closure or relocation of the Seshego Industrial Site?
- Whether support was provided to the SMMEs using the Seshego Industrial Site; and
- How the Seshego Industrial Site could be optimally utilised to encourage LED in Seshego?

1.6 RESEARCH METHODOLOGY

Research Methodology is the "study of the research process in all its broadness and complexity; the various methods and techniques that are employed, the influence of methodological preferences on the types of data analysis employed and the subsequent interpretation of findings" (Mouton and Marais, 1994:16). This research would apply both qualitative and quantitative research methods. Qualitative methodology assists the researcher in verifying the validity of data by way of comparison on various kinds of data and methods that would be in the form of observations and interviews at the same time (Silverman, 1995:156). Quantitative research method "attempts to attain real and valid data and from a rational stand point, the approaches are inductive" (Leedy, 1993: 142).

Application of these two methodologies would aid the researcher to provide an in-depth and detailed information through direct quotations and careful description of existing situations. They are also relevant for this study since they complement each other in defining research targets and presentation outcomes. The two methodologies further determine time frames and instruments for data collection and sampling. Through quantitative research methodology, the researcher would observe, collect and measure acquired data. Whilst on qualitative research methodology, the researcher would also acquire primary data through observation and interaction with the research subjects to gain multiple perspectives. The two methodologies would therefore validate participants' perceptions regarding this research study (Glesne and Peshkin, 1992:5).

1.6.1 RESEARCH DESIGN

Research design is a detailed plan or method for obtaining data scientifically “in such a way that the validity of the findings are maximised” (Mouton and Marais, 1994:193). Furthermore, it is the “arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure”. It serves as an exposition or plan of how the researcher decides to execute the formulated research problem (Selltiz, 1965:50).

The researcher subjected the research participants to questionnaire questions. And in order to create an enabling environment for interviewees, clear introductions were made prior to the process of data collection. This involved obtaining authority, ensuring confidentiality and creating partnership to conduct a research. Research objectives were outlined to the interviewees, coupled with the necessary arrangements, such as planning the days and time frames for data collection.

1.6.2 DATA COLLECTION

The research aimed at collecting both secondary and primary data. Secondary data help to provide information that increases the efficiency of the research and examines varieties or trends between the existing data and new data (Stewart and Kaminf, 1993:5). Such data also give a theoretical perspective from previous research studies. These data were acquired from journals, books and other published and unpublished reading materials, in order to provide a reflection of the local economic development. Primary data were collected through questionnaires designed in a closed-ended format.

The sampled population from various stakeholders such as SMME Directorate (DTI), LIMDEV, the Polokwane Municipality, Limpopo Business Support Agency, Emerging SMMEs, Functional and Non Functional industries were requested to respond to questionnaires. The advantage of questionnaires is that the researcher would know that there is some guarantee of consistency or greater uniformity of responses, and also that questionnaires are more easily processed (Babbie and Wagenaar, 1992: 147).

1.6.3 DATA ANALYSIS

The collected data were analysed through statistical tables, charts and histograms, to explain clearly and explicitly the data gathered.

1.6.4 SAMPLING

The researcher aimed at applying stratified sampling in data collection. Stratified sampling method is one of the probability sampling methods whereby the researcher identifies specific sampling elements to be included in the sample. Stratified sampling method helps a researcher to divide the population or strata so as to “control the relative size of each stratum, rather than letting random processes control it” (Neuman, 1997:212). This method enables a researcher to be accurate with the intended population size.

The total number of the functioning industrial buildings is one hundred and thirty (130) and the research targeted a sample of thirty-nine (39) as a proportion of the total population. Each industrial building was represented by a manager. The research targeted, inter alia, motor mechanics, confectionery bakeries, security companies, civil construction businesses, furniture manufacturing businesses, clothing wholesalers, steel craft industries and coffin manufacturing,

because they are highly labour intensive.

The functioning industrial buildings were targeted due to the fact that they would provide recent information regarding the operation and the economic status of these industries. In terms of the non-functioning industries, information was obtained from institutions that were managing their affairs, in order to find out reasons that led to their closure or relocation. Out of the twenty-seven (27) non-functioning industries, ten (10) industries have been identified as a sampled part of the targeted population. Information regarding the whereabouts of the businesses that either closed or relocated at the Seshego industrial site was obtained from LIMDEV.

With regard to other sampled parts of the targeted population, questionnaires were distributed to the following institutions, LIMDEV, SMME Directorate, Limpopo Business Support Agency (LBSA), emerging SMMEs and the Polokwane Municipality. The researcher interacted with some of the research subjects in order to get more information from the respondents.

1.7 AREA OF STUDY

Seshego is a township situated 10 km north-west of Polokwane in the Limpopo Province. It was established in the late 1960s and currently consists of nine (9) sections (zones), with a population of approximately eighty five thousand (85 000) people. Currently, Seshego forms part of the Polokwane Municipality, which incorporates one hundred and eighty one (181) villages and one other township (Mankweng). Seshego is also adjacent to Moletjie village, which also falls within the Polokwane Municipality.

The infrastructural resources commonly available in Seshego are as follows: vacant industrial buildings; technical colleges and health centres (hospital, clinics, and private surgeries); and municipal and government offices. Unemployment is a major concern in this area and the situation is aggravated by the influx of people from the surrounding rural areas.

Seshego has the potential to improve economically due to the following reasons:

- there are a lot of emerging SMMEs who currently operate from their residences or backyards;
- there are vacant industrial sites, proper infrastructures and support services;
- the township is situated next to Polokwane, which is the capital city of Limpopo Province; and
- the township is also close to the Polokwane International Airport.

1.8 SIGNIFICANCE OF THE STUDY

The intended outcome of the study would be the following:

- Lay a foundation for a more elaborate study;
- Provide guidelines to areas caught up in the same situation with regard to utilisation of available under-utilised industrial infrastructure;
- Broaden and capacitate the horizon of Seshego Emerging SMMEs;
- Make recommendations to the Department of Trade and Industry (SMME Directorate) and the Polokwane Municipality;
- Enlighten local economic development stakeholders, including emerging SMMEs, about the importance of optimally utilising available industrial infrastructure for LED purposes; and
- Encourage collaboration of industrial activity in Polokwane by linking large business sector with SMMEs.

1.9 STRUCTURE OF THE RESEARCH REPORT

- Chapter 1: Introduction and background research problems/questions, objectives of the study and research design.
- Chapter 2: Literature Review (Local and International Perspectives on LED and SMMEs)
- Chapter 3: Research Methodology
- Chapter 4: Presentation of Results
- Chapter 5: Discussion of Results
- Chapter 6: Recommendations and Conclusions

2

LOCAL AND INTERNATIONAL PERSPECTIVES ON LED AND SMMEs

Internationally, the failure of deconcentration strategies, which aimed at relocating industry to depressed areas, has led local government authorities to seek their own solutions to economic problems. This approach has come to be termed “local economic development” (LED). It refers to locally inspired efforts to increase growth and employment and to develop markets (Rural Development Framework, 1997: 35). Although South Africa experiences political stability, her economy is characterized by a high unemployment rate and a low growth rate. The country is currently, in the first decade of the 21st century, characterized by economic restructuring, and much emphasis is also placed on small, medium and micro-enterprises (SMMEs) to create jobs, alleviate poverty and contribute to economic development (Lunsche & Barron, 2000:1). According to the Small Business Enabling Act, SMMEs are defined as enterprises that are privately and independently (or co-operatively) owned and managed, and which generate an annual turnover of less than R10 million (Khula, 2002: 1). This study attempts to illustrate the importance of (LED) and (SMMEs) worldwide, with specific reference to the Seshego Industrial Site in Zone 6, Limpopo Province (Polokwane Region).

Local Economic Development strategies at international level are regarded as an important tool in developing neglected and stagnating local economies. It has been noticed that the LED strategies assisted most of the communities in economic development to arouse out of poverty cycles through their efforts. Furthermore, it has been established that a good economic plan is one that is not only realistic but one that also recognizes the place of the local community in the context of the broader economic and political environment (Tamasane, 2002: 1).

The South African economy is currently undergoing a period of structural adjustment as a result of South Africa re-entering the global economy after the sanctions era. This period of liberalization may have profound effects on the nature of the economy. The relaxation of capital controls, for example, should result in the corporate sector shedding its non-core activities because foreign avenues will be available for surplus capital. This should affect the SMME sector in a positive manner as it stand to gain from outsourcing arrangements. However, South African firms are lagging behind their international counterparts in this respect. South African companies appear to be slow in adapting their practices to reap the benefits of links with SMMEs (Luiz, 2002: 4, 12).

Drawing on the World Bank, Luiz (2002: 14) outlines various methods that have been used internationally to link small and large businesses. Korea introduced mandatory links, by requiring that 2,200 contractors supply 1,200 items in 40 industrial sectors. In Korea today, 98% of all business falls within the SMME sector and accounts for 66% of all jobs and 40% of all exports. The mandatory links have been effective because they have been integrated with other programmes. In Ireland, linkage programmes are coordinated by a 20-person team that focuses on building relationships between SMMEs and big business.

In South Africa, the links between large corporate sectors, small sectors and the government would foster job creation whilst beginning to align quality and productivity. The link should also consider introducing incentives for large corporate sectors that subcontract work to SMMEs.

In relation to the area of study, the Seshego Industrial Site in Polokwane (Limpopo Province), SMMEs would remain an important component of Local Economic Development. The SMME sector accounts for approximately 60% of the country's employment and contributes towards 40% of output, and thus plays a major role in employment creation, income generation and output growth (Polokwane Municipality, 2003: 38).

2.1 LED IN SOUTH AFRICA: LIMPOPO PROVINCE (POLOKWANE REGION)

Applied LED is still in its infancy stage in South Africa. The primary reasons for this are to be found in the long and oppressive history of apartheid, which discouraged black communities from asserting themselves or from taking economic initiatives. Nevertheless, planners in South Africa, conscious of international development and the potential of LED, are seeking to facilitate and assist the emergence of local initiatives. It should be noted that community economic development is more commonly referred to as Local Economic Development or LED in South Africa (Nel, 1996: 1-2).

During the course of 1994 and 1995, significant progress in the development and drafting of LED policies and strategies was made. In 1995, the South African National Civics Organisation (SANCO), a national organization representing hundreds of community structures within townships and rural areas released its own document (Nel, 1996: 5). The civic movement in South Africa, following the demise of apartheid, identified the need to bring together all key stakeholders to develop a common vision that can filter development information to grass-roots level. Key aspects of the proposed LED strategy included the need to support public works programmes, local procurement policies, support for (SMMEs), public-private partnerships, and the need to develop appropriate regulatory and planning frameworks (Nel, 1996: 6).

The Draft Rural Development Strategy considered LED as the primary mechanism to create employment opportunities. Other development options identified by the rural development strategy were the, viz, the promotion of rural markets; the promotion of small, medium and micro enterprises in rural areas; the support of agricultural programmes; and the promotion of tourism and ecotourism (Nel, 1996: 7). The Draft Green Paper on LED also devoted considerable attention to the current and possible roles of a range of government/community organizations and local authorities, and the way in which their activities can assist LED. In addition, it advocates that provincial governments establish core teams of LED facilitators to support and initiate the process in the most deprived areas. However, the government could not clearly back a particular approach that could spell out a defined role for itself nor indicate how it can or will fund LED (Nel, 1996: 7-8).

Given the above scenario, Limpopo Province was cited as the second poorest province in South Africa. Figures reflect that over 80% of the population living within the boundaries of Polokwane earns less than 18 000 per annum with close to 64% earning nothing within the formal economy (Polokwane Municipality Integrated Development Plan, 2003: 39). Therefore, it is essential that the LED programme in Polokwane ensure sustainable livelihoods for the entire population.

Presently, the largest growth sector in terms of major economic trends is that of services, followed by mining, and trade/catering. Agriculture and manufacturing have shown a decline in terms of percentage contribution to the total contribution of the Gross Geographic Product (GGP) of Limpopo. Mining has a potential to increase spin-offs for the entire economy. Its relatively advanced infrastructure provides Polokwane to be a mineral process centre for emerging mining

industry in Limpopo (Polokwane Municipality IDP, 2003: 40, 48).

2.2 THE ROLE OF MUNICIPALITIES IN THE IMPLEMENTATION OF LED

Local authorities are seen as playing a key role in LED and are encouraged to take a more proactive stance in the area of economic development. Modifying municipal procurement policies to support local entrepreneurs and “buy-local” campaigns are seen as important aspects of LED. Local authorities are further expected to focus on key features such as, the promotion of SMMEs, employment opportunities and capital works, partly through public works endeavours and support for housing and infrastructure development (Nel, 1996: 6-7).

Municipalities are co-responsible to, inter alia, eradicate poverty, boost local economic development, create jobs and generally promote the process of reconstruction and development. The implementation of Integrated Development Plans (IDP's) should be seen as a tool that would be used in the eradication of the developmental legacy of the past through the restructuring of municipalities; promotion of social equality; creation of wealth and fighting poverty; and enabling inter and intra governmental co-operation (Polokwane Municipality Integrated Development Plan, 2003: 2).

IDP's must be seen as the first tangible step, which aims to the impact of scarce resources and limited capacity through development planning interventions within a specific geographical, social, economic, political and environmental domain. In an attempt to meet its development goals, the Polokwane Municipality identified four key performance areas, which are (1) meeting basic needs, (2) local economic development, (3) community participation and empowerment and (4) transformation of the municipal structure (Polokwane Municipality Integrated

Development Plan, 2003: 2, 17).

There has been a shift from non-developmental LED approaches; wherein social objectives are secondary to investment attraction, to developmental LED; wherein the aim is not only to promote the local economy but also to integrate disadvantaged communities into the formal economy. This has meant that a wide range of role players have to be included in the process, and although local government is a major role player, the inclusion and participation of other players is key to both the sustainability and success of LED initiatives. The approach now is for local government and the community to manage their existing resources and enter into partnerships with the private sector or other role players in order to create jobs and stimulate economic activity in a defined economic space (Tamasane, 2002: 1).

2.3 SMMEs AS PART OF LOCAL ECONOMIC DEVELOPMENT

SMMEs play an important role in economic development and job creation. SMMEs are affected by various factors and are often disadvantaged by the large businesses due to their size. Obstacles preventing or impeding SMMEs from functioning effectively should be addressed (Van der Walt, 2002: 1-3).

The author further indicates that SMMEs have limited bargaining powers, often pay higher prices for purchases, are charged with higher interest rates and get limited credit facilities. Economies of scale enable large businesses to dominate many markets that can lead to the demise of SMMEs.

If SMMEs can combine their flexibility and market knowledge with economies of scale they will be able to compete with large businesses and survive competition. South African SMMEs, especially in rural areas, experience various problems such as insufficient business structure; relatively low buying power and lack of training facilities (Van der Walt, 2002: 3).

SMMEs within the Polokwane Municipal area have the potential to facilitate and lead the local economic development. A coherent institutional support from state institutions and large corporate sectors could enable the SMME sector to survive (Polokwane Municipality Integrated Development Plan, 2003: 38, 43).

2.3.1 THE ADVANTAGES OF SMMEs

Rwigema and Karungu (1999: 111-112) put forward the following:

- Small enterprises, broadly defined, have shown a remarkable capacity to absorb labour;
- Assistance of small enterprises displays sensitivity to poverty mitigation;
- SMMEs are usually locally owned and controlled, and can strengthen the extended family, other social systems and cultural traditions;
- SMMEs are scattered throughout the country ensuring a more equitable distribution of employment opportunities;
- SMMEs provide a nursery and proving ground for entrepreneurship and innovation;
- SMMEs provide employment to, and sometimes exploit the entrepreneurial talents of women;
- SMMEs tend to use less capital, less management, a scarce resource, than large businesses; and

- Research in industrialized countries suggests that people working in small enterprises are happier in their work than those who work in large business, despite generally lower wages and poorer working conditions.

2.3.2 THE DISADVANTAGES OF SMMEs

Luiz (2002: 13) also classifies the major obstacles or challenges faced by SMMEs under the seven headings mentioned below:

- Finance – Commercial banks were singled out as being far too conservative and risk averse in their lending of money to SMMEs;
- Labour legislation was criticized repeatedly for raising the costs associated with employment. Complying with tougher labour laws was a costly exercise to SMMEs;
- Trade – Although South Africa has seen significant deregulation in the past decade, some felt that over regulation was still an issue and that licensing, health and safety laws, and the like, needed to be relaxed;
- Tax – The complexity of the tax system raised the cost of doing business because SMMEs do not have the capacity to administer this area and find it difficult to afford accountants;
- Procurement – The public sector tendering system was regarded as inaccessible and complicated to SMMEs;
- Infrastructure – This is a particular problem in the townships where inadequate roads, as well as electricity and telephone networks, hampered SMME development; and
- Demand – The growth of this sector was being stunted by the lack of a steady demand for their products.

2.3.3 THE OBJECTIVES OF SMMEs

The SMME programme has the objective of ensuring that all sector development policies incorporates the development, growth and investment measures with regard to maximizing small business contribution to the total economy. In supporting the latter, the Department of Trade and Industry (2004: 1) presents the following objectives in assisting SMMEs:

- Lowering the barriers to entry to stimulate the participation and growth of small business and micro-enterprises across all sectors of the economy;
- Providing support to existing small businesses and micro-enterprises in particular, taking into account the specific factors that underline the difficulties and weaknesses that limit their growth; and
- Providing an effective and localized supply infrastructure.

2.3.4 SMMEs IN LIMPOPO (POLOKWANE REGION)

The advantage with Polokwane as the capital city of Limpopo is that it has the largest number of employed people, which provides a unique opportunity for SMME development, skills development, migration and investment promotion. It is further indicated by the Polokwane Municipality Integrated Development Plan (2003: 38) that SMME development, development of labour intensive industries and skills development strategy, can respond positively to the creation of jobs in the medium to long term.

Polokwane, as part of its strength, has an average of thirty-five percent vacant industrial land, which includes developed sites with factory buildings in Industria and Seshego, and also buildings that have no superstructures.

The industrial land available is sufficient to support an extensive industrial development programme (Polokwane Municipality, 2003: 45).

Another important development instrument or strategy that can be applied to promote local industrial development is to link LED Unit with other SMME support agencies, Manufacturing Support Center, SMME Advice Center, with the view to create one stop shop. This initiative can boost manufacturing, as it is currently the fourth largest major economic potential in the local economy of Polokwane, representing 12.6% of local production value. It can also increase the 65% occupation of Industrial Parks and create an environment conducive for SMMEs to flourish (Polokwane Municipality Integrated Development Plan, 2003: 47,102).

2.3.5 THE ROLE OF VARIOUS ORGANISATIONS IN ASSISTING SMMEs

The Polokwane Municipality Integrated Development Plan (2003: 37) highlights that education and training form an integral part of almost every economic development project. Improving the level of education and specific skills of the labour force is of vital importance to improve labour force competitiveness. This, in turn, will contribute towards improved productivity levels and more competitive workforce. The local and provincial authorities have an important role to play in improving educational and training facilities for SMMEs.

Educational and training projects/opportunities in the study area include:

- The construction of the Entrepreneurial Development Centre; and
- Local Business Support Centers, which will provide the communities with vital information and services.

Large businesses can also ignite the SMME sector by providing a real and reasonable source of demand. However, this could be achieved if the large businesses can closely monitor the work of the SMMEs to ensure that quality is not compromised in terms of the goods produced, and that set timeframes or targets are met. This approach would immensely assist SMMEs to be self-reliant by learning the required skills and knowledge.

Luiz (2002: 13) indicates that SMMEs require more nurture and assistance in the short run and longer contracts facilitate this. SMMEs find it easier to negotiate with finance houses once they have been awarded long contracts as these provide a guarantee of repayment, and secondly, SMMEs face steep learning curves and are unlikely to prove successful immediately. Therefore, the government should design a tendering system that is accessible by SMMEs and not complicated. He further stipulates that SMMEs had very little knowledge of DTI (Department of Trade and Industry) promotion programmes, whilst other local and national government promotion programmes had a higher awareness. Start-up capital was primarily sourced from individual and family savings with bank loans playing a very subordinate role. More than 50% of SMMEs surveyed had not used formal bank loans in the past five years (Luiz, 2002: 4).

2.4 CONCLUSION

Local Economic Development Strategic objectives in a macro context should accommodate the fast changing global, national and regional economic context as well as the constitutional and legislative framework and the developmental role of local government. Involvement of local agencies with interest in local economic development, i.e., Business, Unions, NGOs, CBO's and government agencies is of crucial importance (Polokwane Municipality Integrated Development Plan, 2003: 102).

This could be achieved through a coordinated effort of relevant LED stakeholders and the formulation of a strategy that would improve the role of SMMEs in the LED of Polokwane. Sustainable utilisation of local resources i.e. natural, human and social resources should also form the basis for LED development.

3

RESEARCH METHODOLOGY

This chapter outlines the methodological approach of the research, which aims at providing the basis for practical application to the research question under investigation. To this end, it elaborates on each component or element of the methodology it has employed in its investigation. These include research design, sampling, questionnaire and data collection. However, the breadth and depth of this work's scope proves pivotal regarding the prominence of the research outputs.

3.1 Research design

At the operational level, the design of this work adopted both qualitative and quantitative approaches to research. These two methodological options or elements allow for the exploration of untapped aspects of phenomena from previous research work. As Welman and Kruger (1994: 9) highlight, this supports the explanation of some previous misunderstood or ambiguous outputs. Both qualitative and quantitative approaches have their strengths and weaknesses, advantages and disadvantages. In many studies both qualitative and quantitative approaches are combined as they complement each other in many ways.

Qualitative methods are best understood as data enhancers in the sense that they provide data at macro level (or provide a more generalized, and coherently comprehensive picture) whereas quantitative methods are seen as data condensers because they provide or address issues at a more concrete level (provide micro-analysis of issues or problems at hand) (Neuman, 1999: 7).

This research commenced by securing appointments with the relevant managers of the sampled population, i.e., LIMDEV, SMME Directorate, Limpopo Business Support Agency, Emerging SMMEs, Functioning and Non-functioning industrial buildings. During the meetings, the objectives of the research study indicating how their organizations could benefit from the exercise were outlined. The researcher ensured that a partnership for an effective research development was created. Upon obtaining authority, managers of the thirty-nine (39) functioning industrial buildings of Seshego were interviewed through closed-ended questions.

With regard to the non-functioning industrial buildings, the researcher located the companies through institutions that were managing their affairs, i.e., LIMDEV. The researcher had to employ telecommunication services and related technological support in the event where companies relocated to other provinces. LIMDEV assisted with the provision of contact numbers of closed and relocated businesses that operated in the Seshego Industrial site.

In terms of other sampled populations, the data collection process was also in the form of closed-ended questions. Prior to the process of data collection, thorough preparations and clear introductions were done to create an enabling environment for the research targets. The researcher personally administered the questionnaire among all the research subjects or research target participants. The data collecting process was carried out over a two-week period.

3.2 Sampling

The researcher applied probability sampling and specified in advance what each segment of the population would represent in the sample. Probability sampling provides methods for estimating the degree of probable success. It also offers two special advantages. First, probability samples are typically more representative than other types of samples. Second and more importantly, probability theory makes provision to estimate the accuracy or representativeness of the sample (Babbie and Wagoner, 1992: 197,200). The selected sampling design that could enable the researcher to determine certain facts from each strata or layer is proportional stratified sampling. The research separated several distinct elements in the total population and selected from each of the individual groups a random sample proportionately representative of the numerical strength of each of the components (Leedy, 1993: 210).

The sampled population composed of LIMDEV; SMME Directorate; Limpopo Business Support Agency; Emerging SMMEs; the Polokwane Municipality; and the Functioning and Non-Functioning industrial buildings. The total number of the functioning industrial buildings was one hundred and thirty (130) and the research targeted thirty percent 30% of these industries. This made a sample of thirty-nine (39) as a proportion of the total population represented by a manager from each of the industrial buildings. In terms of twenty-seven (27) of the non-functioning industrial buildings, ten (10) industries were targeted for this study. However, only seven (7) industries were located. The other industries could not be located despite several attempts made by the researcher. It needs to be noted that the researcher consulted broadly and even used the Telkom directory services (i.e., 1023). It was learned during the research that the other industries have either closed or relocated. Lastly, two members or officials from the other institutions, namely, LIMDEV, SMME Directorate, Limpopo Business Support Agency, Emerging SMMEs and the Polokwane Municipality, were also targeted for this research study.

3.3 Questionnaire

The distinction between an interview schedule and a questionnaire is that, in the former, it is the interviewer who asks the questions (and if necessary, explains them). In the case of a questionnaire, there is no one to explain the meaning of questions to respondents and, therefore, it is even more important that questions are clear and easy to understand. The sequence of questions should be easy to follow and be developed in an interactive manner.

The respondents should feel as if the questionnaire is talking to them. For this reason, the researcher piloted twenty (20) questionnaires to colleagues across each research subject.

With regard to non-functioning industries, the research also limited itself to the use of a questionnaire because potential respondents were scattered over a wide geographical area. The use of a questionnaire thereof remained comparatively convenient and inexpensive. If the network systems were not properly functioning, the research would consider mailing the questionnaire to prospective respondents. Hence, a pre-paid, self-addressed envelope with the questionnaire enclosed, were to be sent to the respondents. Every mailed questionnaire was to be accompanied by a covering letter describing the relevance and objectives of the study. The entire research adopted the use of closed-ended questions, as this format was considerably useful for eliciting factual information and easy to analyse (Kumar, 1996: 110-119).

3.4 Data Collection and Analysis

The use of various methods and techniques is vital as it increases the reliability of data (Mouton, 1996: 156). Therefore, the research applied both primary and secondary sources in collecting data (primary sources provided first-hand information and secondary sources provided second-hand data). Several methods, such as observation, interviewing and questionnaire, could be used to collect primary data, but the researcher in this regard decided to solely apply a questionnaire.

However, none of the methods of data collection provides 100 percent accurate and reliable information. For this reason, the researcher ensured that respondents clearly understood the purpose and relevance of the study, and also clarified questions that respondents posed. Respondents were also assured of the anonymity of the information they provided (Kumar, 1996: 104-105).

The particular method of collecting data that appeared to be relevant to this research study was the use of secondary sources such as government or semi-government publications, articles and journals. Although there may be certain problems or factors upon the choice of a particular method, the proficiency of the research lies either in controlling or minimizing the effect of these factors in the process of data collection (Kumar, 1996: 124-125). For the collected data, statistical analysis was employed, which involved the use of statistical tables, charts and histograms thus providing explicit insight into the outputs of data gathered. Computer software package employed to analyse the data was Microsoft Excel.

3.5 Conclusion

The research methodology describes the way in which the research study has been designed, how data have been collected, what type of questionnaires the researcher used, the procedure and lastly the data analysis techniques used. The next chapter deals with the presentation of results.

4

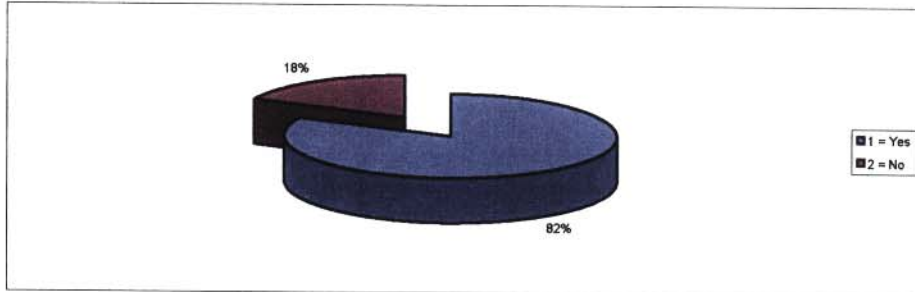
PRESENTATION OF RESULTS

The data collected for this study are discussed in the figures, graphs and tables below. The graphs presented for each variable represent the outcome of the data collected from the Functioning and Non-Functioning industries of Seshego. The tables represent data collected from various stakeholders involved in the Local Economic Development and SMME development of the entire province, including Seshego Industrial Site.

4.1 Functioning Industrial Buildings

Figure 4.1.1 Labour from Seshego

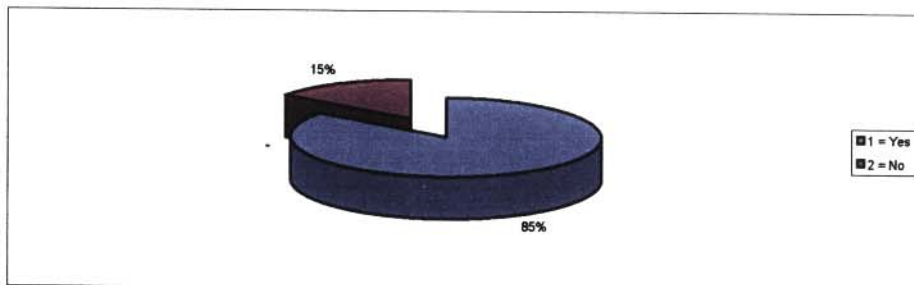
1 = Yes
2 = No



82% of the respondents at Seshego Industrial Site indicated that the labour force is sourced from the local township (Seshego). 18% of the respondents indicated that they do not source labour from Seshego.

Figure 4.1.2 Suitability or Location of Seshego Industrial Buildings

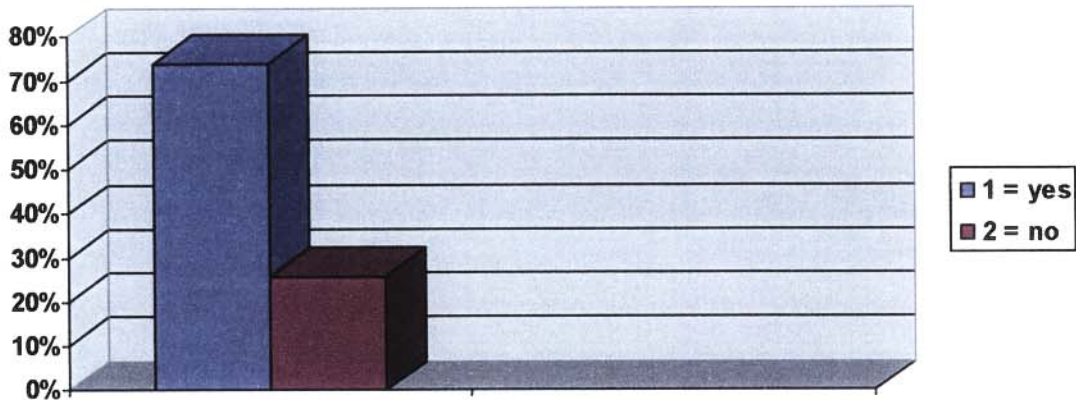
1 = Yes
2 = No



85% of the respondents finds the location of Seshego Industrial Buildings suitable for business, while 15% does not find the location appropriate for business.

Figure 4.1.3 Rental of Seshego Industrial Buildings

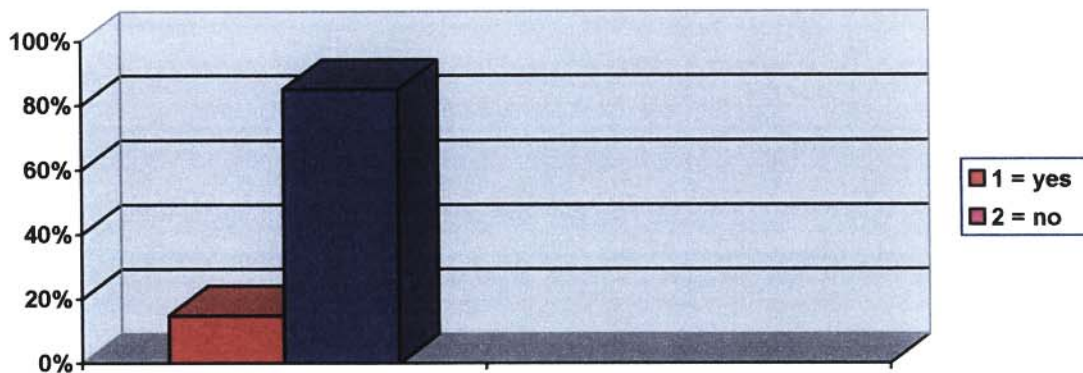
1 = Yes
2 = No



74% of the respondents finds the rental of the Industrial Buildings affordable, while 26% views the rental to be high.

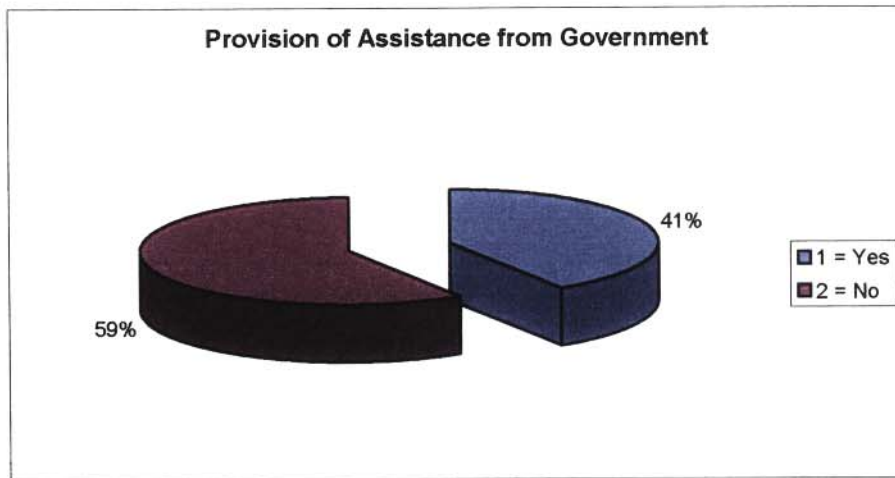
Figure 4.1.4 Provision of Incentives by the Lessor (LIMDEV)

1 = Yes
2 = No



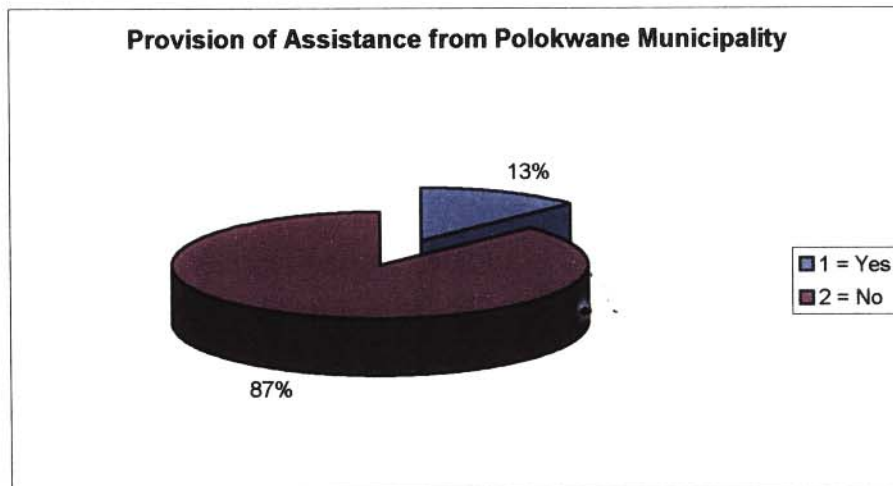
15% of the respondents pointed out that it receives incentives or benefits from the LIMDEV, while 85% of the respondents indicated that it did not receive anything from LIMDEV.

Figure 4.1.5 Provision of Assistance from Government



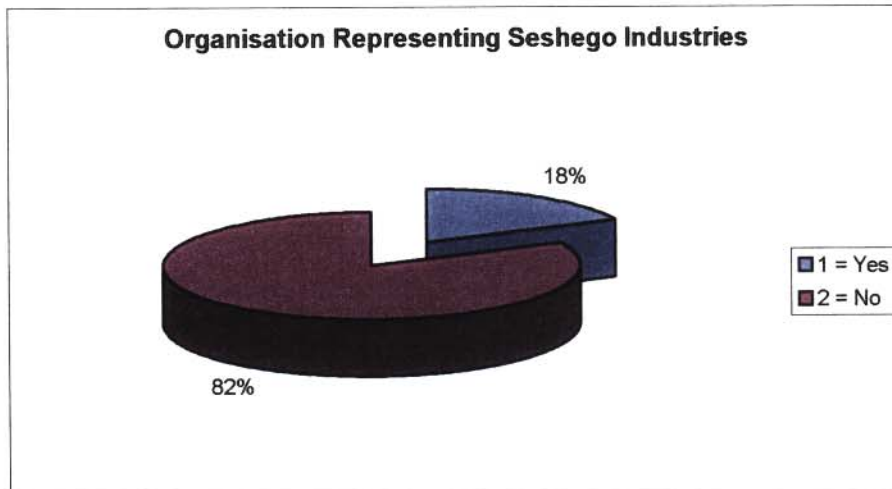
41% of the respondents acknowledged to have received assistance from the government, while 59% of the respondents received none.

Figure 4.1.6 Provision of Assistance from Municipality



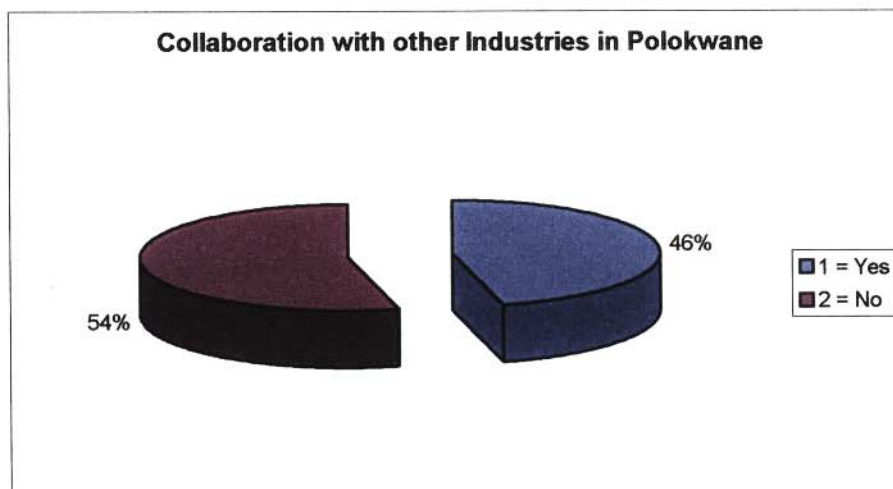
13% of the respondents indicated that it is provided with assistance from the Polokwane Municipality, while 87% of the respondents received none.

Figure 4.1.7 Organisation Representing Seshego Industries



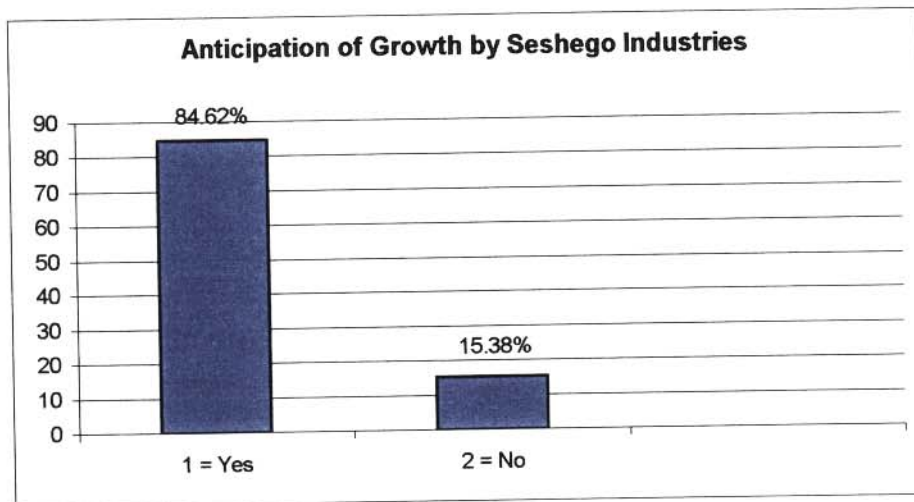
18% of the respondents acknowledged that it has an organization that represents them, while 82% of the respondents highlighted that it does not have such an organization.

Figure 4.1.8 Collaboration of Industrial Activities in Polokwane



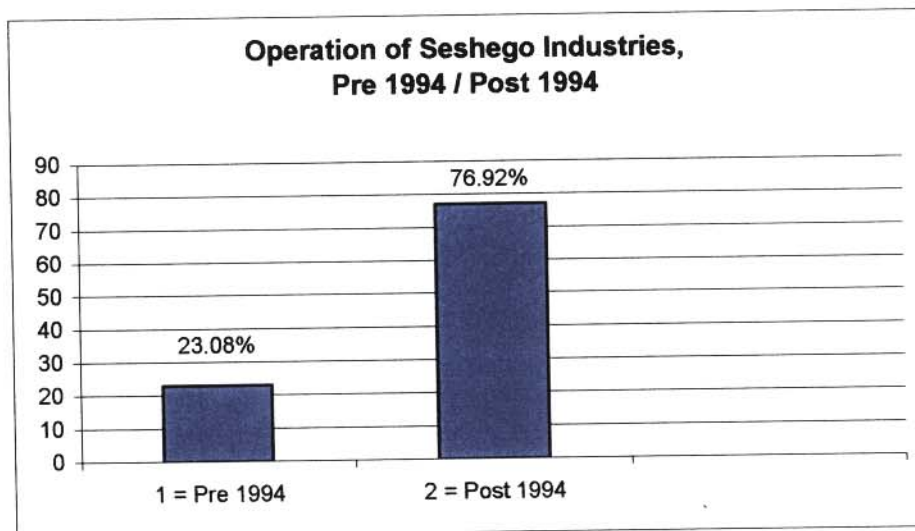
46% of the respondents agreed that it has a coordinated business relationship with other industries in Polokwane, while 54% does not have that business links with other industries in Polokwane.

Figure 4.1.9 Anticipation of Growth by Seshego Industries



85% of the respondents anticipates growth in terms of their industrial operations in the Seshego Industrial Site, while 15% is not positive about the growth of their industrial activities.

Figure 4.10 Operation of Seshego Industries



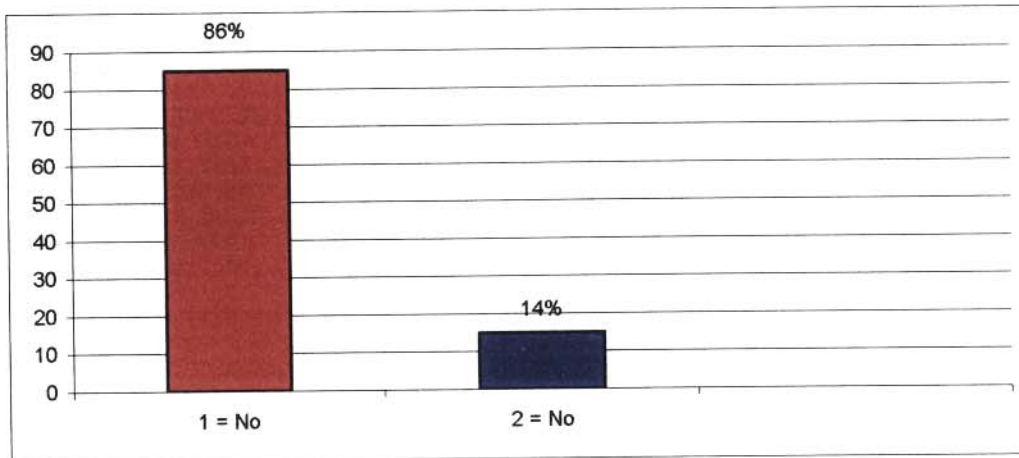
23% of the respondents indicated that it occupied and operated in the Seshego Industrial Buildings before 1994, while 77% occupied and operated in the Industrial Site after 1994.

4.2 Non-Functioning Industries

Figure 4.2.1 Suitability or Location of Seshego Industrial Buildings

1 = Yes

2 = No

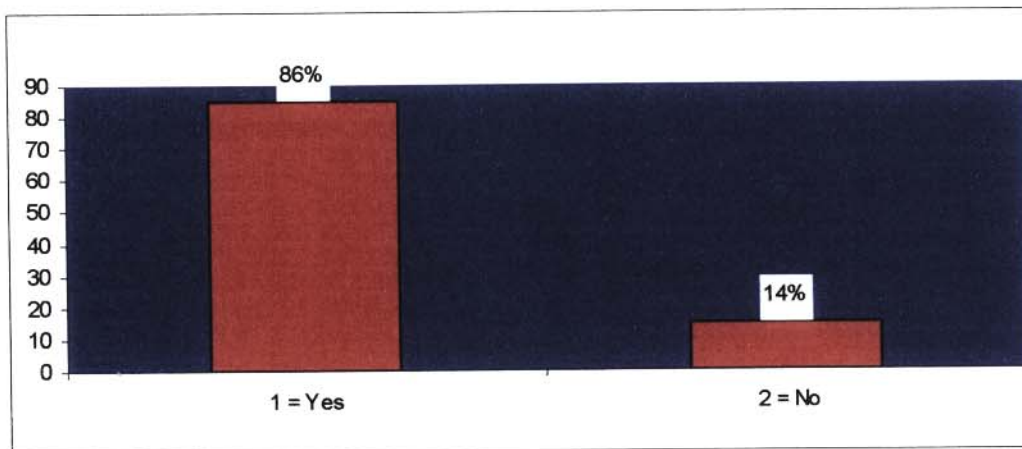


86% of the respondents found the Industrial Site in Seshego suitable for business, while 14% found the Industrial Site unsuitable for business.

Figure 4.2.2 Rental of Seshego Industrial Buildings

1 = Yes

2 = No

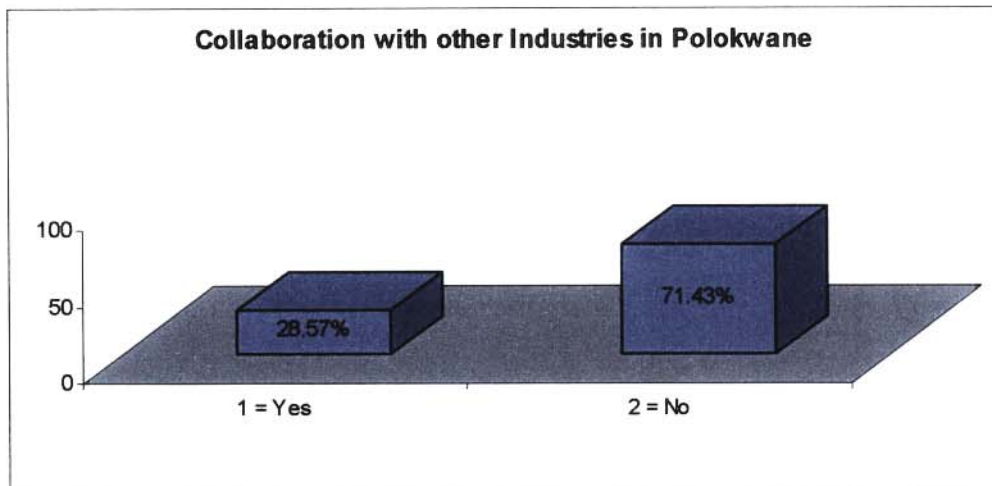


86% of the respondents found the rental of the industrial buildings reasonable, while 14% had the opposite view.

Figure 4.2.3 Provision of Incentives or Assistance by LIMDEV (Lessor), Government and Polokwane Municipality

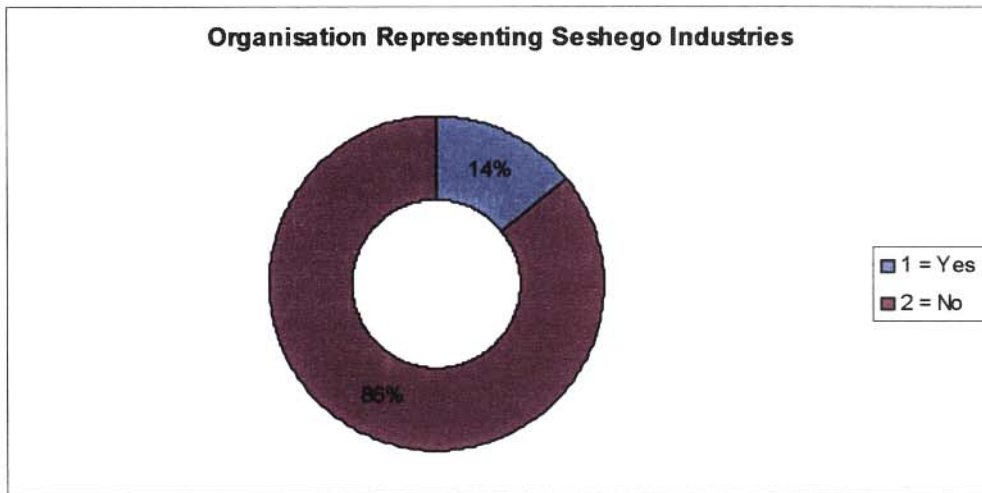
All respondents highlighted that they did not receive any incentives or benefits from the Lessor (Limpopo Development Corporation (LIMDEV)) during their operation in the Seshego Industrial Site. The respondents further highlighted that neither the government nor the Polokwane Municipality offered them assistance.

Figure 4.2.4 Collaboration of Industries in Polokwane



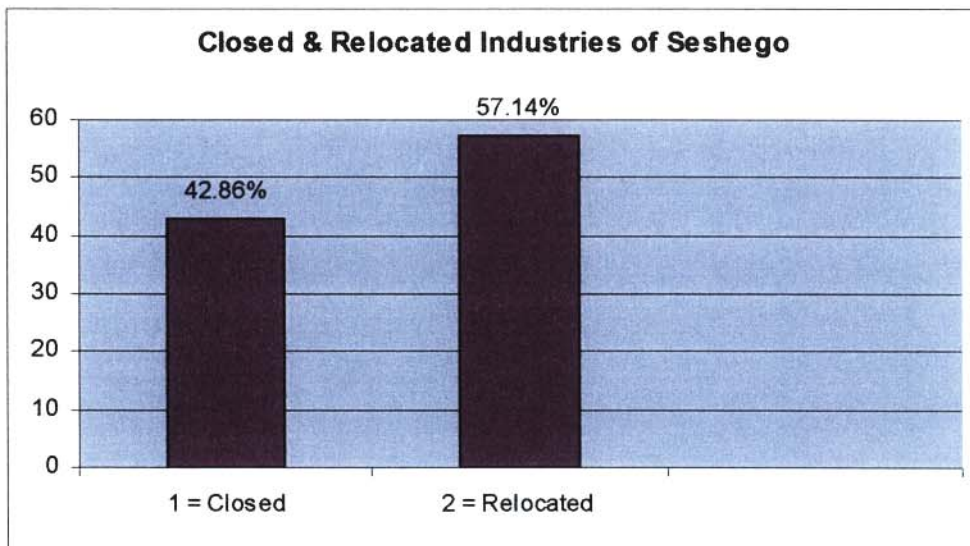
29% of the respondents agreed that it had collaborated with other industries in Polokwane in terms of their industrial activities. On the other hand, 71% stated that there was no business collaboration or coordinated industrial activity.

Figure 4.2.5 Organisation Representing Seshego Industries



14% of the respondents highlighted that there was an organization that represented its interests, while 86% indicated that there was none.

Figure 4.2.6 Closed and Relocated Industries of Seshego



43% of the respondents indicated that its companies closed down in the Seshego Industrial Site, while 57% of the companies relocated.

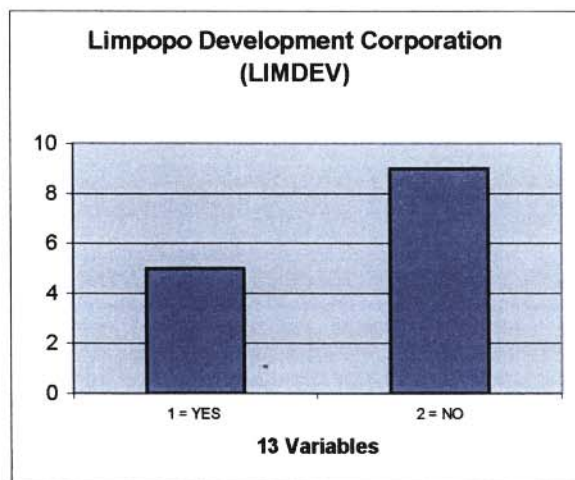
4.3 LIMPOPO DEVELOPMENT CORPORATION (LIMDEV)

The table and graph below present the responses received from LIMDEV respondents. The respondents provided similar answers, except for one variable (item 7 in Table 4.3.1). This is shown by the difference between the two bar charts in Figure 4.3.2.

Table 4.3.1

Variables		Respondent A	Respondent B
1.	LIMDEV manages and maintain the Seshego Industrial Buildings on its own	No	No
2.	Collaboration of industrial buildings in Polokwane	Yes	Yes
3.	Specification of period for leasing an industrial building	No	No
4.	Occupation of Seshego industries by SMMEs	Yes	Yes
5.	Requirements to occupy the Seshego industries are met by SMMEs	Yes	Yes
6.	SMMEs are allowed to partition large industrial buildings	No	No
7.	There is sound infrastructure in the Seshego Industrial Buildings	No	Yes
8.	Location of the Seshego Industrial Buildings suitable for business	Yes	Yes
9.	LIMDEV provides benefits or incentives to its Leaseholders	No	No
10.	LIMDEV has a marketing unit for the Seshego Industrial Buildings	No	No
11.	Most companies relocate from the Seshego Industrial Site	No	No
12.	Companies in the Seshego Industrial Site close down	No	No
13.	The Seshego Industrial Buildings are fully occupied	No	No

Figure 4.3.2 Limpopo Development Corporation (LIMDEV)



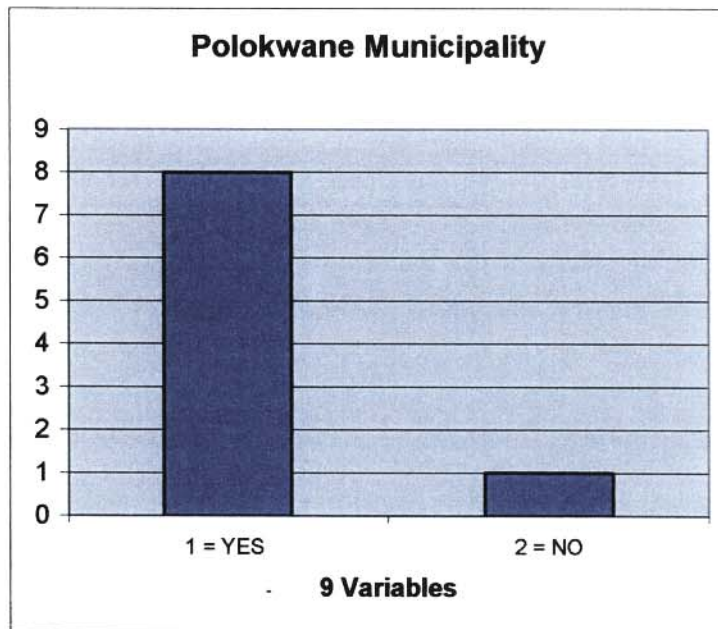
4.4 POLOKWANE MUNICIPALITY

The table and graph below indicate similar responses received from respondents of the Polokwane Municipality.

Table 4.4.1

Variables		Respondent A	Respondent B
1.	Assistance of emerging SMMEs	Yes	Yes
2.	Stakeholder relation in assisting emerging SMMEs	Yes	Yes
3.	SMMEs are an important economic component	Yes	Yes
4.	Provision of benefits or incentives to industries operating in Polokwane	Yes	Yes
5.	Collaboration of industrial activities in Polokwane	Yes	Yes
6.	Location of the Seshego industrial buildings suitable for business	Yes	Yes
7.	Marketing of SMME products by the Municipality	Yes	Yes
8.	Provision of assistance in maintaining the Seshego Industrial Buildings	No	No
9.	Creation of an enabling environment for the Seshego industries to thrive	Yes	Yes

Figure 4.4.2 Polokwane Municipality



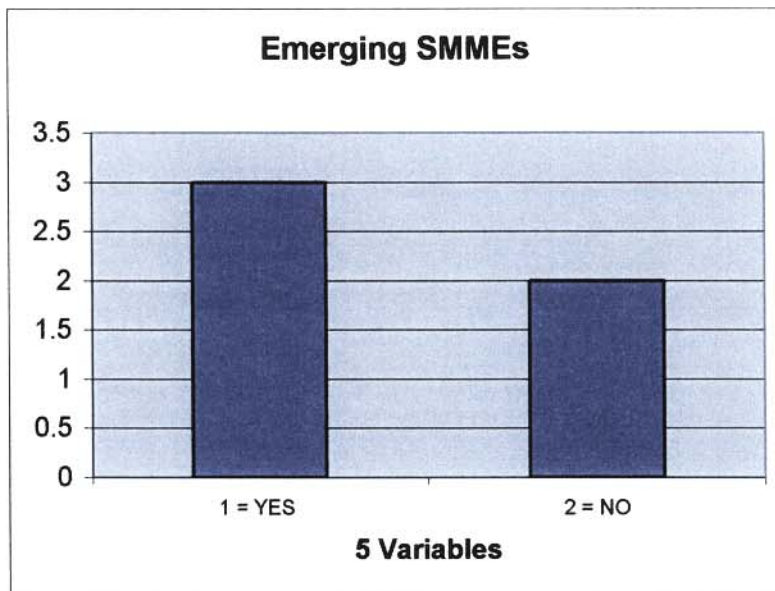
4.5 EMERGING SMME'S

The table and graph below indicate similar responses received from the respondents of Emerging SMMEs.

Table 4.5.1

Variables		Respondent A	Respondent B
1.	Support from Government	Yes	Yes
2.	Assistance from the Polokwane Municipality	No	No
3.	Assistance from the Limpopo Business Support Agency	Yes	Yes
4.	Collaboration between large and emerging SMMEs	No	No
5.	Location of the Seshego industrial buildings suitable for business	Yes	Yes

Figure 4.5.2 Emerging SMMEs



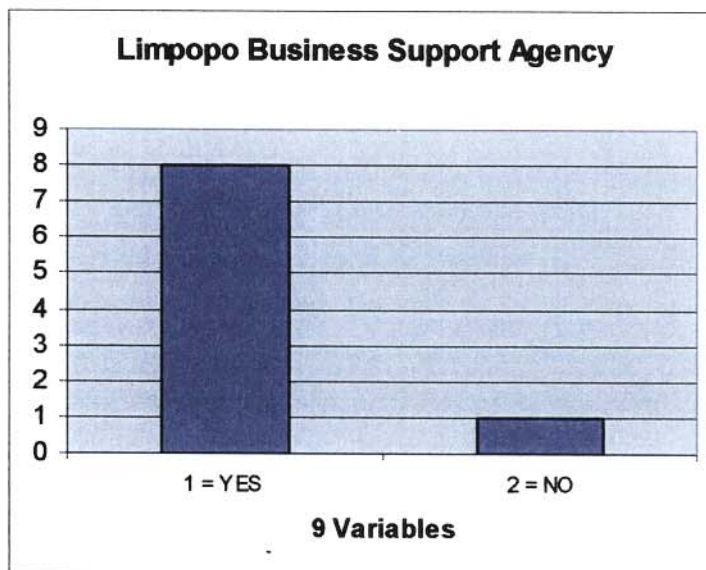
4.6 LIMPOPO BUSINESS SUPPORT AGENCY

The table and graph below indicate similar responses received from the respondents of Limpopo Business Support Agency (LBSA).

Table 4.6.1

Variables		Respondent A	Respondent B
1.	Direct work relation with SMMEs	Yes	Yes
2.	Assistance of emerging SMMEs	Yes	Yes
3.	Assistance in compiling business plans	Yes	Yes
4.	Stakeholder relationship in assisting SMMEs	Yes	Yes
5.	Marketing of SMME products	Yes	Yes
6.	Support of link between SMMEs and Large Business Sector	Yes	Yes
7.	Relationship with SMME Directorate	Yes	Yes
8.	Funding by SMME Directorate	Yes	Yes
9.	Observation in increase of the Seshego SMME industry	No	No

Figure 4.6.2 Limpopo Business Support Agency



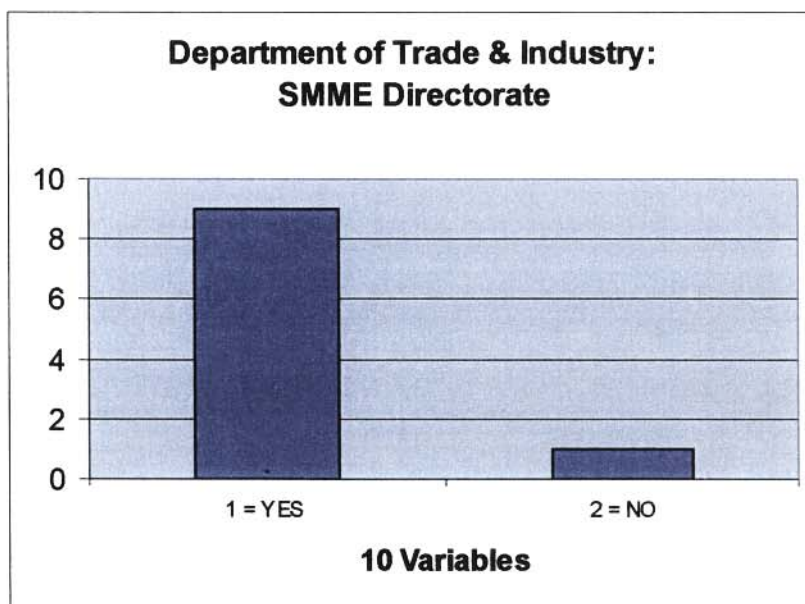
4.7 DEPARTMENT OF TRADE AND INDUSTRY: SMME DIRECTORATE

The table and graph below represent similar responses received from the respondents of the Department of Trade and Industry: SMME Directorate.

Table 4.7.1

Variables		Respondent A	Respondent B
1.	Direct work relation with SMMEs	Yes	Yes
2.	Assistance of emerging SMMEs	Yes	Yes
3.	Stakeholder relationship in assisting SMMEs	Yes	Yes
4.	Marketing of SMME products	Yes	Yes
5.	Support of link between SMMEs and Large Business Sector	Yes	Yes
6.	Relationship with the Limpopo Business Support Agency	Yes	Yes
7.	Report back by the Limpopo Business Support Agency	Yes	Yes
8.	Funding of the Limpopo Business Support Agency	Yes	Yes
9.	Monitoring Systems for the Limpopo Business Support Agency	Yes	Yes
10.	Observation in increase of Seshego SMME industry	No	No

Figure 4.7.2 Department of Trade & Industry: SMME Directorate



4.8 CONCLUSION

This chapter has covered the interpretation of the results in the form of graphs and tables to present the findings. The next Chapter will focus on the discussion of the findings of this research study.

5

DISCUSSION OF RESULTS

This chapter discusses or highlights the findings presented in Chapter 4 (Presentation of Results).

The aim is to make conclusions and recommendations based on the outcomes of the preceding chapters. The research study focused on 7 (seven) research themes which involved in particular, the following organizations: Limpopo Development Corporation, Polokwane Municipality, Department of Trade and Industry: SMME Directorate, Limpopo Business Support Agency, Emerging SMMEs, Functioning and Non-functioning Industries of Seshego. The latter organizations were used to evaluate the impact of local economic development through SMMEs in the Seshego Industrial Site, Zone 6 (six).

5.1 Limpopo Development Corporation (LIMDEV)

LIMDEV acknowledged that is not solely responsible for the management and maintenance of the Seshego Industrial Buildings. It was established that the occupants or tenants of the Industrial Buildings are also expected to maintain the part they occupy until the end of business operation. With regard to the occupation of Seshego Industrial Buildings, LIMDEV indicated that SMMEs meet the requirements to occupy the industrial buildings according to their set qualifying criteria. It became evident during the data collection process that most of the occupants of the industrial buildings are SMMEs. Their respective lease agreements do not specify the period or duration for leasing an industrial building nor partitioning of the large industrial buildings. However, the respondents at management level indicated that SMMEs are not allowed to partition the industrial buildings.

In terms of questions on the infrastructure of Seshego Industrial Buildings, the respondents had different responses. One of the respondent indicated that the industrial buildings are equipped with sound infrastructure, while the other respondent disagreed. With regard to collaboration of industrial activities within the Polokwane Municipality, the respondents agreed that there is collaboration of industries in terms of business. The respondents further agreed that the location of the Seshego Industrial Buildings is suitable for business. LIMDEV respondents also indicated that they do not have a marketing strategy or unit for the benefit of the activities found in the Seshego Industries and the Industrial Site itself. Furthermore, it was highlighted that they do not provide incentives or benefits to occupants or leaseholders of the Seshego Industrial Buildings.

Respondents lastly indicated that companies operating in the Seshego Industrial Site do not close down or relocate as previously done. Instead, the vacant industrial buildings are gradually being occupied by different leaseholders from the Limpopo Province and other provinces. This was noted as the occupation of the industrial site improved in terms of business activities as compared to year 2001 when this research study was started.

5.2 Polokwane Municipality

The respondents of the Polokwane Municipality indicated that they assist the emerging SMMEs through their Local Economic Development Unit. The municipality views SMMEs as an important component of Local Economic Development (LED) and work closely with other stakeholders in pursuing the interests of the SMME industry. They further indicated that they provide incentives and support to industries operating within their jurisdiction. The respondents also confirmed that there is collaboration of industrial activities within the Polokwane

Municipality. They supported this statement by further stating that they make an effort in creating an enabling environment for the Seshego Industries to thrive.

With regard to the marketing of Seshego Industries, the municipality highlighted that it has a unit that markets the industrial activities found in Polokwane, including the Seshego Industrial site. The municipality found the location of the Seshego Industrial Buildings suitable for business; however, they are not working closely with the Limpopo Development Corporation (LIMDEV) in managing or maintaining the Seshego Industrial site.

5.3 Department of Trade and Industry: SMME Directorate

The respondents from the SMME Directorate confirmed that they work directly and provide assistance to emerging SMMEs. The directorate manages this by working closely with other stakeholders in pursuing the interests of the emerging SMMEs. They encourage the large business sector to support the SMME sector in terms of transferring skills and outsourcing work to them. The respondents further indicated that the Directorate is also responsible for marketing the products of the SMME sector, including SMMEs based in Seshego. However, the respondents acknowledged that they have not noticed or observed any increase of the SMME sector in Seshego.

The Directorate does most of its work through the Limpopo Business Support Agency, which is bound to report back to the SMME Directorate regarding the developments. The Directorate funds and monitors the work done by the Limpopo Business Support Agency, and the SMME Directorate has an influence in respect of the operation or core business of the Limpopo Business Support Agency.

5.4 Limpopo Business Support Agency (LBSA)

The respondents of the agency indicated that they work directly with the emerging SMMEs. The agency assists emerging SMMEs in compiling Business Plans and work closely with other stakeholders in pursuing the interests of the emerging SMMEs. The agency offers non-financial support to emerging SMMEs, whereas LIMDEV, on the other hand, offers financial support.

The respondents further highlighted that the agency is responsible for marketing the SMME products and encouraging the large business sector to consider and support the SMME sector. However, the agency has not observed any increase of the SMME sector in Seshego. The Limpopo Business Support Agency reports back to the SMME Directorate regarding their developments. The SMME Directorate is responsible for funding and monitoring the work done by the Limpopo Business Support Agency.

5.5 Emerging SMMEs

The respondents representing Emerging SMMEs confirmed that they receive support from the government. They further highlighted that the Limpopo Business Support Agency provides them with assistance. The respondents, however, indicated that the Polokwane Municipality does not offer them any assistance or support. With regard to collaboration between the large business sector and the emerging SMMEs, it was confirmed by the respondents that there is no business relationship or link between the two business sectors. The respondents agreed that they find the Seshego Industrial Buildings suitable for business.

5.6 Functioning Industrial Buildings

It is clear from the results presented in Chapter 4 that the Seshego Industrial Site sources most of its labour from the local township (Seshego). 82% of the respondents confirmed that labour is sourced from Seshego. The remaining 18% indicated that it sources labour from the Limpopo Province at large. In terms of the suitability or location of Seshego Industrial Buildings, 85% of the respondents finds the location of the Industrial Site suitable for business. In addition, the rental of the Industrial Buildings was also found to be affordable by 74% of the respondents. 15% of the respondents pointed out that LIMDEV provides it with incentives or benefits by awarding it with tenders for renovating or maintaining some of Seshego Industrial Buildings. 85% of the respondents indicated that it does not receive incentives or benefits from LIMDEV. These respondents further complained that the lessor (LIMDEV) does not adequately maintain its industrial buildings.

With regard to the provision of assistance from the government, 41% of the respondents acknowledged to have received assistance from the government. The government has offered assistance through the services of the Limpopo Business Support Agency. The government also sends some of its vehicles to be repaired by mechanical and panel beating companies occupying the Seshego Industrial Site. Although most of the companies complain that the government does not supply them with sufficient work, 59% of the respondents occupying the same industrial site confirmed that it receives no assistance from the government. 13% of the respondents further indicated that it is provided with assistance from the Polokwane Municipality, while 87% of the respondents indicated that the municipality does nothing for it except the provision of municipal services such as refuse removal.

In terms of an organization representing Seshego Industries, 82% of the respondents indicated that there is no organization that represents the interests of Seshego Industries. These respondents further highlighted that efforts were made at one stage to have an organized union but this failed due to lack of coordination.

46% of the respondents agreed that it has a coordinated business relationship with other industries operating in Polokwane due to their nature of business, while 54% does not have that business relationship or link. In terms of anticipation of growth of the Seshego Industries, 85% of the respondents anticipates growth in terms of their industrial operations in Seshego Industrial Site, whereas 15% is pessimistic about the growth of their industrial activities. Their pessimism is based on the lack of visibility by various role-players such as government and the Polokwane Municipality in ensuring that their business operations thrive. The respondents further based their uncertainty of growth on the non-maintenance of the Seshego Industrial Buildings by the lessor (i.e., LIMDEV). The other industries revealed that competition is harsh and on the other hand their operations are still new. This can be supported by the fact that 77% of the respondents indicated that it occupied and operated in the Seshego Industrial Buildings after 1994. This information indicates that various role-players found in the discipline of local economic development have an important role to play in nurturing the goals and objectives of the new occupants of Seshego Industrial site.

5.7 Non-Functioning Industries

86% of the non-functioning industries found the Industrial Site in Seshego suitable for business, while 14% found the Industrial Site not suitable for business. Also, 86% of the respondents acknowledged that the rental of the Seshego Industrial Buildings was affordable. In terms of the provision of incentives or assistance by the lessor (i.e., LIMDEV, the Government and the Polokwane Municipality), the respondents indicated that none of the aforementioned institutions offered assistance to them. 29% of the respondents further agreed that it had collaborated with other industries in Polokwane in terms of their industrial activities. On the other hand, 71% stated that there was no business collaboration or coordinated industrial activity.

With regard to the question of an organization representing the Seshego Industries, 14% of the respondents highlighted that there was an organization that represented its interests, while 86% of the respondents indicated that there was none. Lastly, 43% of the respondents indicated that its businesses closed down in the Seshego Industrial Site, whereas 57% of the businesses relocated.

5.7.1 Primary reasons for the closure or relocation of industrial activities in Seshego Industrial Site – Post 1994

It was established during the interaction with some of the respondents that the closure or relocation of most businesses that operated in Seshego industrial site was prompted by the new dispensation, from 1994, wherein laws such as Decentralisation Policy governing industrial activities were phased out. For example, new lease contracts with different conditions from the former government and new systems and procedures were put in place. Incentives or subsidies that were offered also had to be cut-off.

It was further established that some businesses that relocated from Seshego moved to the new industrial site in the proximity of Polokwane. These industries have a good infrastructure and are viable in terms of business because of being situated next to the city of Polokwane.

5.8 Conclusion

This chapter concentrated on the discussion of results presented in the previous chapter. Chapter 6 will focus on recommendations and conclusions.

6

RECOMMENDATIONS AND CONCLUSIONS

This study was undertaken to, inter alia; provide recommendations on how the Seshego Industrial Site could be revived to address local economic development. This chapter summarizes the findings of the research study and provides recommendations for future research.

In view of the findings of this study, the following recommendations are herewith proposed, which, if implemented, could improve local economic development in Seshego.

6.1 POLOKWANE MUNICIPALITY

- The Polokwane Municipality should play an active role in encouraging growth and development through the utilization of the Seshego industrial site (Page 2 Paragraph 4, Page 16, 2.2 Paragraph 2 and Page 20, 2.3.4 Paragraph 2).
- Municipalities are, inter alia, co-responsible to appraise the current situation in the municipal area and boost local economic development. The municipality of Polokwane should not only concentrate on providing municipal services such as refuse removal to the industrial site, but rather should strive for a far more active role (Page 16, 2.2 Paragraph 3 and Page 48 Paragraph 2).
- The municipality's functions should be broadened, and be made more visible and acknowledged by the occupants of the Seshego Industrial Site (Page 16, 2.2 Paragraph 2 and 3 and Page 48 Paragraph 2).

- The municipality should identify key stakeholders that will add value to the development of the Seshego Industrial Site. The municipality should, in this regard, encourage the formation of various LED forums. The forums should be representative of different economic activities found within the Polokwane municipal area. The municipality should ensure that the roles and responsibilities of various stakeholders are clearly defined (Page 15 Paragraph 1 and Page 16, 2.2 Paragraph 1).
- The municipality should ensure that key factors that need to be considered within the different forums should include the provision of support, benefits or incentives to the leaseholders, promotion of collaborative industrial activities; and the importance of linking large business with emerging SMMEs (Page 13 Paragraph 3 and Page 50 Paragraph 1).

6.2 LIMPOPO DEVELOPMENT CORPORATION (LIMDEV)

- LIMDEV should clearly spell out in the lease agreement that its role, in terms of management and maintenance of the Seshego industrial buildings, is only limited to the renovation of the buildings before occupation by tenants (Page 44 Paragraph 2).
- LIMDEV should specify a period for leasing Seshego industrial buildings and ensure that the renewal of lease agreements would be considered upon a satisfactory conduct in maintaining the industrial building (Page 44 Paragraph 2).
- LIMDEV should also strive to achieve optimal utilization of the Seshego industrial buildings. Where possible, LIMDEV could partition some of the vacant industrial buildings to suit the needs of the SMMEs, depending on the nature of their business (Page 44 Paragraph 2 and Page 45 Paragraph 1).

- LIMDEV should develop sound monitoring and evaluation systems for review purposes (Page 44 Paragraph 2 and Page 45 Paragraph 1).
- LIMDEV should establish a marketing unit that would attract investors to fully occupy the Seshego industrial site (Page 2 Paragraph 4 and Page 45 Paragraph 1).

6.3 LIMPOPO BUSINESS SUPPORT AGENCY (LBSA)

- The Limpopo Business Support Agency should enhance its support of emerging SMMEs and ensure that it both nurtures and develop their skills (Page 3 Paragraph 1).
- The agency should enlighten the emerging SMMEs about the vacant industrial buildings at Seshego and their suitable location for business (Page 10 Paragraph 2, Page 47 Paragraph 1 and 2 and Page 48 Paragraph 1).
- The LBSA should continuously market the products of SMMEs occupying the Seshego industrial site and strive to improve a link between SMMEs and the large business sector (Page 47 Paragraph 2).

6.4 DEPARTMENT OF TRADE AND INDUSTRY: SMME DIRECTORATE

- The SMME Directorate should facilitate institutional support for emerging SMMEs in Seshego (Page 18 Paragraph 2 and Page 46, 5.3 Paragraph 1 and 2).
- The stakeholders identified should clearly define their roles and allocate necessary resources to assist emerging SMMEs. The SMME directorate should oversee that the identified relevant stakeholders provide continuous support to emerging SMMEs through the marketing of their products and encouraging the link between SMMEs and large business sector (Page 46 5.3 Paragraph 1).

- The SMME directorate should also strive to improve the processes followed by LBSA in supporting emerging SMMEs (Page 22 Paragraph 2 and Page 46, 5.3 Paragraph 2).
- The SMME directorate should encourage emerging SMMEs to utilize available infrastructures in their areas of business operation (Page 20, 2.3.4 Paragraph 2 and Page 46, 5.3 Paragraph 1).

6.5 EMERGING SMMEs

- Emerging SMMEs of Seshego should form an association that would represent their needs and aspirations, and also promote their interests and plans (Page 49 Paragraph 1).
- The association should further strengthen and positively exploit the relationship between the emerging SMMEs and large business sector (Page 13 Paragraph 2 and Page 47, 5.5 Paragraph 1).

6.6 FUNCTIONING INDUSTRIAL BUILDINGS

- The functioning industrial buildings of Seshego should unite and form an organisation that would represent and promote their interests (Page 49 Paragraph 1).
- The organisation should be responsible for, inter alia, marketing the products of Seshego industrial site, coordinating the relationship with other industrial sites operating in Polokwane municipal area, represent the functioning industrial buildings in local economic development forums and create an enabling environment for the industrial activities to thrive (Page 49 Paragraph 2).

6.7 CONCLUSION

Based on the outcome of this study, it is evident that the collapse of the Seshego Industrial Site was caused or due to lack of institutional support. Several stakeholders played a role but ignored the potential of the Seshego Industrial Site or it could be the fact that they did not act within their respective mandates. The Seshego Industrial Site could be competing globally provided collaborative efforts were put in place. The new dispensation also contributed to the collapse of the Seshego Industrial Site due to the introduction of the new government policies such as the Industrial Development Policy. The transformation of policies governing industrial activities by the new government should have been consultative and systematic to avoid any negative impact.

However, it is evident that the success of the proposals in this study relies on the roles and functions of the above strategic informants. An integration of relevant key stakeholders specializing in local economic development and the development of SMMEs in the Polokwane municipal area should be a stepping-stone to ensure success. It is further suggested that the aforementioned driving forces behind LED should formulate a strategy that would improve the role of SMMEs in the LED of Polokwane.

The development and promotion of SMMEs could be the solution for the optimal utilization of the Seshego industries. This could be achieved through strong leadership, clearly defined roles, and immense dedication by the above strategic informants and other relevant role players.

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RESEARCH
QUESTIONNAIRE ON THE
IMPACT OF LOCAL
ECONOMIC
DEVELOPMENT THROUGH
SMMEs IN SESHEGO
INDUSTRIAL SITE, ZONE 6

*FOR MASTERS DEGREE IN DEVELOPMENT
STUDIES*

*INSTITUTION: TURFLOOP GRADUATE
SCHOOL OF LEADERSHIP*

STUDENT NAME: MOHAPI M M

CONTACT NO: 082 673 2877

1618 Zone 1
SESHEGO
0742

Dear Respondent

**RESEARCH TOPIC: THE IMPACT OF LOCAL ECONOMIC DEVELOPMENT
THROUGH SMMEs ON SESHEGO INDUSTRIAL SITE, ZONE SIX (6)**

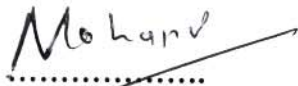
Kindly be informed that the questionnaire attached is compiled to meet the requirements of Masters Degree in Development Studies (MDEV) with the Turfloop Graduate School of Leadership, Faculty of Management Sciences, University of Limpopo.

The purpose of the questionnaire is to establish how the Seshego Industrial Site could be optimally utilized to encourage Local Economic Development through Small, Medium and Micro-Enterprises (SMMEs). The research study intends to further establish whether support from the relevant stakeholders was provided to the occupants of the Seshego Industrial Site, pre and post 1994. As a result, the findings of this research study aims to contribute towards the enhancement of the economic development of Seshego.

You are therefore cordially requested to complete this questionnaire to the best of your ability and to answer the questions in an honest manner to reflect your experiences.

The confidentiality of your participation will be respected.

Yours Faithfully



M.M. MOHAPI
STUDENT NO: 9417566

ANNEXURE A

1. MANAGEMENT OF THE FUNCTIONING INDUSTRIAL BUILDINGS

Please mark with **X** for your answer

1.1	When did your company start operating?	Pre 1994	Post 1994
1.2	Does your company source labour from Seshego?	Yes	No
1.3	Do you find the location of the Seshego industrial buildings suitable for business?	Yes	No
1.4	Is the rental of the Seshego industrial buildings reasonable?	Yes	No
1.5	Are there any incentives or benefits received by your company from the lessor (LIMDEV)?	Yes	No
1.6	Is there some form of assistance or intervention received by your company from the government?	Yes	No
1.7	Does the Polokwane Municipality assist your business in any form?	Yes	No
1.8	Is your company working closely with other industries found within the Polokwane Municipality area?	Yes	No
1.9	Is there some form of an organization that represents the interests of Seshego industries?	Yes	No
1.10	Does your company anticipate growth in its operation?	Yes	No

ANNEXURE B

2. MANAGEMENT OF THE NON - FUNCTIONING INDUSTRIES

Please mark with **X** for your answer

2.1	Did your company operate on a small or large scale?	Small	Large
2.2	Was the location of the industrial buildings suitable for business?	Yes	No
2.3	Did your company find the rental reasonable?	Yes	No
2.4	Were there any incentives or benefits received by your company from the lessor (LIMDEV)?	Yes	No
2.5	Was there some form of assistance or intervention received by your company from the government?	Yes	No
2.6	Did the municipality then offered any form of assistance?	Yes	No
2.7	Was your company working closely with the industries operating within the municipality in charge?	Yes	No
2.8	Did your company affiliate to any organization that represented its interests?	Yes	No
2.9	Did your company close down or relocate?	Close	Relocate

ANNEXURE C

3. DEPT. OF TRADE AND INDUSTRY: SMME DIRECTORATE

Please mark with **X** for your answer

3.1	Does the SMME Directorate work directly with the emerging SMMEs?	Yes	No
3.2	Does the directorate assist the emerging SMMEs in the business sector?	Yes	No
3.3	Is the directorate working with other stakeholders in promoting the interests of the emerging SMMEs?	Yes	No
3.4	Does the directorate market the products of the SMMEs?	Yes	No
3.5	Does the directorate encourage the large business sector to support the emerging SMMEs?	Yes	No
3.6	Is the directorate working closely with the Limpopo Business Support Agency?	Yes	No
3.7	Does the SMME Directorate have an influence on the operation of the Limpopo Business Support Agency?	Yes	No
3.8	Is the Limpopo Business Support Agency bound to report back to the SMME directorate regarding their developments?	Yes	No
3.9	Does the SMME directorate fund the Limpopo Business Support Agency?	Yes	No
3.10	Are there any monitoring systems in place to monitor the work done by the Limpopo Business Support Agency?	Yes	No
3.11	Has the Directorate observed increase of the SMME industry in Seshego?	Yes	No

ANNEXURE D

4. LIMPOPO BUSINESS SUPPORT AGENCY

Please mark with **X** for your answer

4.1	Does the agency work directly with the emerging SMMEs?	Yes	No
4.2	Is the agency offering some form of advice or financial assistance to emerging SMMEs?	Yes	No
4.3	Does the agency assist emerging SMMEs in compiling Business Plans?	Yes	No
4.4	Is the agency working closely with other stakeholders in promoting the interests of the emerging SMMEs?	Yes	No
4.5	Does the agency market the products of the SMMEs?	Yes	No
4.6	Does the agency encourage the large business sector to consider and support the emerging SMMEs?	Yes	No
4.7	Is the agency working closely with the SMME Directorate?	Yes	No
4.8	Does the agency report back to the SMME Directorate regarding their developments?	Yes	No
4.9	Is the agency receiving any funding from the SMME Directorate?	Yes	No
4.10	Has the agency observed increase of the SMME industry in Seshego?	Yes	No

ANNEXURE E

5. EMMERGING SMMEs

Please mark with **X** for your answer

5.1	Are the emerging SMMEs being given support from the government?	Yes	No
5.2	Does the Polokwane Municipality assist the emerging SMMEs?	Yes	No
5.3	Is the Limpopo Business Support Agency providing some form of assistance?	Yes	No
5.4	Is there any business collaboration between the large business sector and the emerging SMMEs?	Yes	No
5.5	Do the emerging SMMEs find Seshego Industrial Buildings suitable for business?	Yes	No

ANNEXURE F

6. POLOKWANE MUNICIPALITY

Please mark with **X** for your answer

6.1	Does the Polokwane Municipality assist the emerging SMMEs?	Yes	No
6.2	Is the Municipality working closely with other stakeholders in promoting the interests of the SMMEs?	Yes	No
6.3	Does the Municipality view SMMEs as an important component of Local Economic Development (LED)?	Yes	No
6.4	Is the Municipality offering any incentives or benefits to industries operating within its jurisdiction?	Yes	No
6.5	Is there any collaboration between the industrial activities found within the Polokwane Municipality?	Yes	No
6.6	Does the Municipality find the industrial buildings of Seshego suitable for business?	Yes	No
6.7	Does the Municipality have a unit that markets the products of Seshego Industries?	Yes	No
6.8	Is the Municipality working closely with the Limpopo Development Corporation (LIMDEV) in managing or maintaining Seshego Industrial Buildings?	Yes	No
6.9	Does the Municipality make an effort in creating an enabling environment for Seshego Industries to thrive?	Yes	No

ANNEXURE G

7. LIMPOPO DEVELOPMENT CORPORATION (LIMDEV)

Please mark with **X** for your answer

7.1	Is LIMDEV solely responsible for the management and maintenance of Seshego Industrial Buildings?	Yes	No
7.2	Is there any collaboration between the industries operating within the Polokwane Municipality?	Yes	No
7.3	Does LIMDEV stipulate a specific period or time for leasing an industrial building?	Yes	No
7.4	Do the emerging SMMEs qualify to occupy the industrial buildings?	Yes	No
7.5	Do most of the emerging SMMEs meet the requirements to occupy the industrial buildings?	Yes	No
7.6	Would LIMDEV allow emerging SMMEs to partition some of their large industrial buildings?	Yes	No
7.7	Are most of the industrial buildings still equipped with a sound infrastructure for business?	Yes	No
7.8	Does LIMDEV view the location of Seshego Industrial Buildings suitable for business?	Yes	No
7.9	Are there any incentives or benefits offered by LIMDEV to retain its leaseholders?	Yes	No
7.10	Does LIMDEV have a marketing unit that draws investors to occupy Seshego Industrial Buildings?	Yes	No
7.11	Do most of the companies presently operating in Seshego Industrial Buildings relocate?	Yes	No
7.12	Do most of the companies presently operating in Seshego Industrial Buildings close down?	Yes	No
7.13	Are the industrial buildings in Seshego fully occupied?	Yes	No
7.14	Where do most of the leaseholders in Seshego industrial site come from?	Polokwane	
		Other Provinces	
		International	