

**The constraints and prospects facing the development and growth of the small businesses in the Giyani area: A case study of the Giyani Business Centre**

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**at the**

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**by**

**Maswanganyi Willie Masiza**

**Supervisor:**

**Prof. J.T Van Niekerk**

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**Declaration**

I declare that the dissertation hereby submitted to the University of Limpopo for the degree of Masters in Development Studies has not previously been submitted by me for the degree at this or any other University, that it is my own work in design and in execution, and that all material contained therein has been duly acknowledged.

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## **Forward**

I believe that small businesses are, after all, the seeds corn for the future larger enterprises. It is, therefore, vital that they should be given comprehensive support as well as creating the necessary environment that will alleviate the constraints and enhance the prospects facing them. Small businesses in their own right play a leading role in alleviating unemployment by creating massive job opportunities. A study of this nature will thus play a crucial role in contributing to the sustainability, development and growth of the small businesses and result in contributing to economic development and growth and development in the country.

Completing a study of this kind has been an enormous challenge but positive attitude, perseverance and dedication coupled with the support and encouragement from the members of my family resulted in the completion of the study. The author thus wishes to express his sincere gratitude and appreciation to the following people.

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### **Abbreviations/Acroyms**

SPSS	:	Statistical Products and Service Solutions
DTI	:	Department of Trade and Industry
BEDU	:	Botswana Enterprise Development Unit
BITS	:	Building Industrial Training Schemes
SMEs	:	Small and Medium Sized Enterprises
SMMEs	:	Small, Medium and Micro Sized Enterprises
VAT	:	Value Added Tax
SBCD	:	Small Business Development Corporation
IBEC	:	Informal Business Enrichment Can
IBTT	:	Informal Business Training Trust
IDC	:	Industrial Development Corporation
RFI	:	Retail Financial Intermediaries
SDI	:	Spatial Development Initiatives
BEE	:	Black Economic Empowerment
TQM	:	Total Quality Management
IT	:	Information Technology
WWW	:	World Wide Web
LIMDEV	:	Limpopo Economic Development Enterprise
SOEs	:	State Owned Enterprises
CIDB	:	Construction Industry Development Board
HID	:	Historically Disadvantaged Individual
DPA	:	Department of Public Works
LIMAC	:	Limpopo Manufacturing Advisory Council

US	:	United States
TAC	:	Tender Advice Centre
ICT	:	Information Communication Technology
RDP	:	Reconstruction and Development Programme
NGOs	:	Non Governmental Organisations
ABSA	:	Amalgamated Banks of South Africa
FNB	:	First National Bank
UK	:	United Kingdom

## **Abstract**

Small businesses in the Limpopo Province in general and the Giyani area in particular face varied constraints that negatively affect them on a daily basis. These constraints present themselves in a number of ways that range from infrastructural resources to a lack of basic skills of the entrepreneurs. In spite of these constraints, there are small businesses that continue to face these challenges and succeed.

Against this background, the aim of the study has been to investigate all the constraints that affect the development and growth of small businesses in the Giyani area, using the Giyani Business Centre as a case study. In addition, the study has identified and described factors that can enhance the development and growth of small businesses in the Giyani area.

The researcher grouped the small businesses in the Giyani Business Centre into service and retail while a stratified simple random sampling was conducted within the business strata.

The researcher employed both the qualitative and quantitative methods. A considerable amount of literature review was done on the study while the advanced computer program called Statistical Products and Service Solutions was used to analyse and interpret the data.

Some of the interesting findings that emerged during the study were the following:

- A large number of respondents in both the service and retail businesses did not pin the Chamber of Commerce while they were satisfied with the government regulations, access to markets and neutral about access to finance.

- In addition, the majority of the respondents in the service and retail businesses were very unsatisfied with the state of the water and sanitation infrastructure while the respondents in the retail small businesses were satisfied with the state of water and unsatisfied sanitation and both were unsatisfied state of electricity infrastructure. The respondents in both the service and retail small businesses were satisfied with the state of roads and telecommunication network infrastructure in their business environments.
- The study has also shown that the majority of the respondents in the service businesses attended business training courses or workshops while the majority of the respondents in the retail businesses did not. Most of the respondents in both the service and retail businesses were satisfied with their managerial skills.
- A large number of the respondents in both service and retail businesses did not experience crime but experienced a moderate level of tax and rent payments. This is significant to the study as these factors constitute conducive (friendly) environments for small businesses to operate and flourish as well as enhancing the culture and spirit of entrepreneurship.
- Most of the respondents in both the service and retail businesses experienced demand opportunities in their businesses, while most of the respondents in service businesses indicated that the festive season tended to enhance and create more business opportunities for their businesses, while most of the respondents in the retail businesses had the same level of business opportunities throughout the year. A high number of respondents in the service businesses had business contacts with other businesses while on the other hand, most of the respondents in both the service and retail businesses did not use computers in their businesses and they were not using information technology as they were not aware about its contribution to business success. Further more, majority of the respondents in the service businesses mentioned that special events tended to create and enhance

more business opportunities in the sense that they were very busy or there was a high demand for their services.

It is a positive response to realize that a large number of the respondents in both the service and retail businesses had been experiencing life improvement since they started their businesses while a large number of the respondents in the service businesses further suggested that regulating trading, provision of adequate premises and more sales would contribute to and enhance the success of their businesses. Majority of the respondents in the retail businesses suggested that access to adequate premises and finance will contribute to and enhance the success of their business.

The study can be used by the Municipalities, Institutions responsible for small business development, citizens in the Greater Giyani area, especially the business people and the prospective/potential entrepreneurs, as a vital and comprehensive guiding tool to reach or realize their business and economic development objectives.



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## CHAPTER ONE

### 1. Introduction and contextualization

#### 1.1 Introduction

Throughout the world, small businesses are the engines of economic growth as they enhance and influence economic growth and development by creating more job opportunities than larger ones. Agmon and Drobnick (1994:9) hold that small firms play a greater role in the economy than is often realized. In smaller countries, an even larger percentage of the workforce is employed by small firms. More importantly, these smaller organizations are creating the new employment opportunities, not their bigger, better-known counterparts. Storey (1994:172) cites the statement made by the UK Chancellor of the Exchequer in his Budget Speech on 16 March 1993: “Small firms play a crucial role in our economy. Small businesses do not follow the economy they lead it”.

Against this background, small businesses continue to face some external and internal constraints that severely affect their development and growth. The external constraints, which are beyond the control of small businesses themselves, are largely environmental in nature, and range from a lack of or an unreliable business friendly infrastructure to market access. Niewenhuizen et al. (1997:37) reiterate that the external environment is regarded as that part of the business environment which is situated outside the enterprise and consists of the market and the macro-environments.

The internal constraints which are within the small businesses themselves affect small businesses on a daily basis. They include among others, a lack of or inadequate business management often due to a lack of or an inadequate education and a shortage of a skilled or a well-trained labour force.

Niewenhuizen et al. (1997:37) remark that the internal environment constitutes the enterprise itself, and is referred to as the microenvironment. In addition, the study also focuses on the prospects of success or growth opportunities facing small businesses through the creation of small business friendly environment or regulations to broader support from the Government and financial institutions.

## **1.2 Problem statement**

Small businesses in the Limpopo Province in general and the Giyani Business area in particular face varied constraints that negatively affect them on a daily basis. These constraints present themselves in a number of ways that range from infra-structural resources to lack of basic skills of the entrepreneurs. In spite of the constraints, there are small businesses that continue to face these challenges but still succeed.

The study will thus investigate the precise factors that negatively and/or positively influence the Giyani business environment and suggest specific recommendations that will be based on the findings.

## **1.3 Aims and objectives**

### **1.3.1 Aims of the study**

The primary aim is to identify and describe all the constraints that affect the development and growth of small businesses in the Giyani area. In addition, it will identify and describe factors that can enhance and influence the development and growth of small businesses in the Giyani area

### **1.3.2 Objective of the study**

The objective of the study is to determine the constraints and prospects facing the small businesses in the Giyani area and to formulate proposals and recommendations to remedy deficiencies and gaps in the running of small businesses around Giyani.

### **1.4 Research questions**

The study will answer the following questions:

- ❖ What are the constraints and prospects facing the development and growth of small businesses in the Giyani area?
- ❖ What type of interventions or recommendations can be developed to alleviate the constraints to enhance growth opportunities for small businesses?

### **1.5 Research methodology**

Mouton and Marais (1994:16) state that research methodology is a “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.”

#### **1.5.1 Type of research**

The researcher employed both qualitative and quantitative research for data collection and analysis.

### **1.5.1.1 Qualitative research**

According to Mariam (1988:18-20) qualitative research is the primary instrument for data collection. Denzin and Lincoln (2003:27) add that qualitative researchers deploy a wide range of interconnected interpretive practices, hoping to come to a better understanding of the subject matter at hand.

The researcher employed qualitative research because the researcher needed to be involved physically in the process. In this regard, the researcher conducted the study at the natural setting of the small businesses concerned or where small businesses were located. In other words the researcher did not use telephonic interviews or distribute the questionnaire to respondents, but the researcher visited them in their business premises and also observing some of the obvious constraints affecting small businesses such as lack of adequate premises/site for business expansion. It is out of the interacting with the respondents that the researcher managed to observe some of the constraints and prospects facing small businesses around Giyani area. This physical interaction with the respondents in their own small businesses helped the researcher to be able to categorise data in words than in numbers.

### **1.5.1.2 Quantitative research**

After the collection of data through face-to-face interview, the researcher employed statistics and numbers to interpret data. Tables, numbers and percentages were used to present the data through an advanced computer programme called Statistical Products and Service Solutions (SPSS) in order to interpret the results.

## **1.5.2 Research design**

According to Mouton and Marais (1994:16), research design is an exposition or plan of how the researcher has decided to execute the formulated research problem. The objective of the research design is to “plan, structure and execute the project concerned in such a way that the validity of the findings are maximised”.

Bless and Higson-Smith (1995:63) state that a research design has two meanings. It can be understood as the planning of any scientific research from the first to the last step. In this sense, it is a programme to guide the researcher in collecting, analysing and interpreting observed facts. Very often this process is described as research management or planning.

The research methodology used in the study was the analytic survey method. According to Leedy (1985: 173) “the analytic survey study takes data that are essential in nature and analyses these data by means of appropriate statistical tools”. The purpose was to prove those data by means of statistics so that we may infer certain meanings, which lie hidden within the data. The researcher therefore employed the quantitative research method. The importance of quantitative data is that it is measurable.

### **1.5.2.1 Literature survey**

The researcher relied more on the library for the reviewing of literature whereby books, journals mostly of World Developments, Papers, Reports and Reviews from Agencies, were read. According to Barzun and Graff (1977:51) literature review “is the finding of facts from books, journal and other documents”

### 1.5.2.2 Sampling

Bailey (1976:82) mentions that a sample is a subset or portion of the total population while Bless and Higson-Smith (1995:88) reiterate that one of the major issues in sampling is to determine samples that best represent a population so as to allow for an accurate generalization. Devos et al. (2002:199) add that a sample comprises the elements of the population considered for actual inclusion in the study.

The researcher used stratified random sampling in his data collection. According to Bless and Higson-Smith (1995:91), the principle of stratified random sampling is to divide a population into different groups, called strata, so that each element of the population belongs to one and only one stratum. Then, within each stratum, random sampling is performed using either the sample or the interval sampling method. Devos et al. (2002:212) state that in stratified sampling, a researcher first divides the population into sub-populations (strata) on the basis of supplementary information. After having divided the population into strata, the researcher draws a random sample from each sub-population. He or she can sample randomly within strata using simple random or systematic sampling. The advantages of stratified sampling are that the researcher controls the relative size of each stratum, rather than letting random processes control it.

A stratified random sampling was used whereby small businesses in both the service and retail were grouped according to their class or business type while simple random sampling was conducted within various business strata. This has been done by assigning or giving numbers to all the small businesses that formed part of the sample, and then simple random sampling was applied within the various business strata while other small businesses were eliminated. Through this approach, each an every small business had an equal chance of being sampled.

### **1.5.2.3 Data collection method**

According to Bless and Higson-Smith (1995-99), data consist of measurements collected as a result of scientific observations. Furthermore, Bless and Higson-Smith (1995:99) state that when researchers collect their own data for the particular purpose of their research, such data are called primary data. Data collected in this way are the most adequate to fulfil the aims of the research since the gathering of the data is directed towards answering precisely the question raised by the researcher.

A pilot study was initially undertaken before the real collection of data was done at small business owner-managers in the Giyani Business Centre. The purpose of this approach was to determine whether the relevant data can be obtained from the respondents.

The aim for conducting a pilot study was to verify whether the questionnaire was understandable or not. This was done in order to maximise quality of the findings of the study. A few business owners/managers were thus selected to respond to the questionnaire through structured as well as face-to-face interviews. After the pilot study, the necessary changes were effected. As the obstacles were cleared, the collection of data was therefore undertaken.

The researcher used structured interview, as it was suitable for this study. This was done in order to maximise the quality of the findings of the study. According to Bless and Higson-Smith (1995:111), structured interviews have definite advantages. First, they can be administered to respondents who cannot read or write. Second, they help overcome misunderstandings and misinterpretations of words or questions; so that, the answers given are clearer. All of these are possible because in cases of doubt the interviewers can ensure that the respondents correctly understand the questions while the interviewers can also ask the

respondents for explanations concerning some of the answers. Third, interviewers can ensure that all items on the questionnaire have been considered and that the respondents did not omit difficult questions. The interviewer can finally reassure the respondents and encourage them to persevere.

For the purpose of this study, face-to-face interviews were conducted. According to De Vos et al. (2003:253), face-to-face interviews have the highest response rates and permit the longest questionnaires. They have the advantages of the telephonic interview, and interviewers also can observe the surroundings. Well-trained interviewers can ask all types of questions, even complex ones, and can use extensive probes.

The main aim of the researcher was to get the respondent's opinions on the constraints and prospects facing their small businesses.

#### **1.5.2.4 Data analysis**

According to De Vos et al. (2003:339), data analysis is the process of bringing meaning to the mass of collected data. Descriptive statistics were used to describe the collected data, making use of tables, numbers and percentages.

### **1.6 Area of the study**

The Giyani Business Centre has emerged as the main shopping centre of the former Gazankulu homeland. It occupies a space of almost 1km<sup>2</sup> and it is situated next to one of the oldest hospital (Nkhensani). It is almost three kilometers away from the former Gazankulu house of Parliament. It is also situated along side of the 75 KM road from Moketsi to Malamulele.

The Giyani Business Centre was initially named "Ben Store". This was the name of the person who had opened the first shop in the Centre more than 100 years



ago, while many small businesses later followed. This name has gained popularity amongst the residents of the Giyani area. Two new business centres (Tiveka Bukuta and Masingita complexes) were built towards the end of the 1990s in the Giyani Business Centre.

The Giyani Business Centre is dominated by trading stores and supermarkets. Most super-markets sell a variety of items in order to meet the needs of the rural people. It has a number of informal sectors or survivalist businesses such as selling fruits and vegetables, unlicensed restaurants and tyre dealers. The Greater Giyani Municipality has not yet illegalised informal trade in the Centre. Therefore, it is still a free market area. It also has big businesses such as Shoprite and Checkers, Metro Wholesalers, Cuthberts, Jet, and Sales House.

The centre accommodates the following financial institutions: FNB, Standard Bank, Net bank, African Bank, People's Bank, and ABSA.

### **1.7 Significance of the study**

The findings of the study will be shared with all small business people in the Giyani area, with the belief that to a certain extent, it will alleviate some of the constraints facing such businesses and contribute towards long-term job creation and economic development.

The findings of the study might probably be used as vital guiding tools in policy making. In this regard, it might assist and guide the Department of Economic Development in Limpopo as well as in the Greater Giyani Municipality and other local governments in South Africa.

Government institutions such as the Limpopo SMMEs Support Agency, Limdev, LIMAC, Khula Enterprise Agency, Ntsika Enterprise Promotion Agency, and others may use the study to guide them with regard to the provision of

comprehensive support to small businesses in the Giyani area and other areas in South Africa. This will aid small businesses to grow into medium and large sized enterprises, resulting in long-term job creation and economic growth and development in the Limpopo Province. It will also broaden and contribute to the small business knowledge in the field of development studies as well.

## **1.8 Limitations**

The study has the following limitations:

- ❖ The study was conducted in the Giyani Business Centre only, with the result that the findings may not necessarily reflect the same constraints and prospects in other business areas in South Africa.

## **1.9 Definition of concepts**

A number of concepts have been defined so that the reader will be able to understand what the researcher is referring to when using them.

### **1.9.1 Small businesses**

According to Govender (1991:314), there is no universal definition of what a small business is, but there are various criteria that have gained widespread acceptance for defining a small business, for example, the number of persons employed, the sales volume in rand, the profits earned, and ownership.

According to Segal Quince Wicksteed SA and Ntsika Enterprise Promotion Agency (1997:4), a small business is an enterprise with full-time employees less than 50, a turnover of less than two and 25 million and an asset value of less than 1 and 4 million rand.

### **1.9.2 Infrastructure**

Sundrum (1983:98) mentions that infrastructure refers to such services to producers such as transport and communications, power, water supply, irrigation, and drainage systems.

### **1.9.3 Constraints**

For the purpose of the study, constraints can be regarded as those external and internal factors that are negatively affecting small businesses.

### **1.9.4 Business failure**

According to Murphy (1996:23), a business can be said to have failed when it is disposed of, or sold, or liquidated with losses to avoid further losses.

### **1.9.5 Business prospects**

For the purpose of the study, business prospects can be regarded as factors that can enhance and provide business opportunities.

### **1.9.6 Entrepreneur**

According to Hisrich and Peters (2002:10), an entrepreneur is one who brings resources, labour, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order.

Phillipson (1995:12) defines an entrepreneur as a person who undertakes or controls a business or enterprise and bears the risk of profit or loss.

### **1.9.7 Entrepreneurship**

Prokopenko and Pavlin (1991:17) define entrepreneurship as the ability to create and build something from practically nothing

Prokopenko and Pavlin(1991:17) further defines entrepreneurship as the “process of creating value by pulling together a unique package of resources to exploit an opportunity”.

### **1.9.8 Inflation**

According to Allen (1984: 377), inflation is the general rise in prices; increase in supply of money regarded as cause of such a rise.

### **1.9.9 Over concentration of experience**

Over concentration of experience can be regarded as when a small business owner/manager puts more concentration (unbalanced concentration) on one or few aspects of his/her business, such as financial management and sales and completely neglecting other vital sections such as marketing and human resource development, which are also critical to the business’s success.

### **1.9.10 Information technology**

Mody and Dahlman (1992:1703) hold that the term information technology (IT) includes computer and communications technology, as well as the associated software.

### **1.10 Small business owner**

Loucks (1990:24) defines small business owner as an individual who establishes and operates a business for the principal purpose of furthering personal goals, the owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires.

### **1.11 The structure of the study**

Chapter One: Introduction and contextualisation to the study

Chapter Two: Literature review

Chapter Three: Data presentation, analysis and interpretation.

Chapter Four: Summary, conclusions and recommendations.

### **1.12 Summary**

This chapter has provided the introduction and conceptualisation for the study. It has amongst others, presented the following: the introduction, the problem statement, the research methodology, the research aims and objectives, the significance of the study, the area of the study, the limitations and definitions as well as the structure of the study.

## **CHAPTER TWO**

### **2. Literature review**

#### **2.1 Introduction**

Throughout the world, small businesses are the keys with regard to the provision of massive job opportunities. Although small businesses play an important role in the economic development and growth of any country in the world today, but they continue to face some constraints that affect their development and growth. According to the Department of Trade and Industry (1995:8) there can be no doubt that, compared to big businesses in South Africa and in other countries, small businesses face a wider range of constraints and problems and are less able to address the problems on their own than big businesses, even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory environment confronting SMMEs, the access to markets, finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, the quality of business infrastructure in poverty stricken areas and in some cases, the heavy tax burdens. In the South African context the constraints have been felt particularly by entrepreneurs in rural areas and by women. The researcher has grouped the constraints affecting the development and growth of small businesses into external and internal constraints. This chapter, accordingly, focuses on the constraints and prospects facing the development and growth of small businesses.

#### **2.2 External constraints**

External constraints are largely environmental and are often beyond the control of small businesses themselves. According to Segal Quince Wicksteed SA and Ntsika Enterprise Promotion Agency (1997:5), the principal external constraints include

highly competitive markets, a lack of market infrastructure, as well as a politically unstable and often violent business environment.

### **2.2.1 Inconducive business environment in rural areas**

Business environments that are not conducive often tend to be a huge constraint for businesses in generally. For example in rural areas of Limpopo Province, small businesses thus tend to experience constraints that are less likely to be felt by their urban counterparts. Nieuwenhuizen et al. (1997:37) even mentions that the business environment comprises all the factors that can affect the establishment, growth and survival of an enterprise positively and/ or negatively. The business environment can therefore promote or impede the enterprise objectives. Havers (1995:3-4) argues that rural areas also suffer from a range of other problems peculiar to or exacerbated by the rural context, such as the following:

#### **2.2.1.1 Limited resources**

Most of the businesses in rural areas are experiencing resource shortage problems while rural businesses people frequently lack finance to kick- start their businesses.

Rural businesses frequently suffer from a lack of access to the personal resources, which are often required to start and run a business. These resources include finance; skills and equipment. The only resources they may be available albeit in limited quantities are land and agricultural products.

#### **2.2.1.2 Lack of entrepreneurial diversity**

An analysis of rural economy by the National Union of Mine workers (Num) has found that there is a real lack of awareness of the types of products and services that could be produced locally. There is also a tendency for business people to concentrate on a few standard activities, thereby copying what others are already

doing and consequently reducing margins to unacceptable level.

### **2.2.1.3 Tendency to equate rural with agriculture**

Rural people frequently have a misleading mind-set that regards agricultural economic activity as the only viable economic activity and, therefore, disregarding non-farm ventures altogether.

## **2.2.2 Inadequate infrastructure**

The lack of infrastructure in rural areas often adversely affects the development and growth of small businesses. The general infrastructure such as roads, electricity, water, telecommunications that are critical to the success and growth of small businesses are often not adequately available. Havers (1995:4) further argues that rural enterprises are badly affected by the very poor quality of general infrastructure, particularly in the former homelands. The inadequacy of the existing infrastructure and its effect on the development of small businesses is therefore, deliberated:

### **2.2.2.1 Lack of adequate electric power supply**

Lack of adequate electric power supply can be regarded as the insufficient supply of electricity power to a particular business area. Since poor and unreliable supply of electricity tend to adversely affect a wide variety of small enterprises as they rely on electricity as the main source of power. In retail small businesses, an unreliable and insufficient electric power supply tend to cause a great loss as the frozen products get damaged due to poor and unreliable supply. Unreliable and poor electric power supply also disrupts production in the manufacturing industries. According to Gulyani (1999:1749), many developing countries are unable to provide their industries with reliable electricity. Not only must industrial firms contend with an insufficient electric power-supply, but also with its poor



quality. In a country such as India, the quantity shortage or demand-supply gap makes it difficult for firms to get electric-connections from public resources and when firms do get connected, the “sanctioned load” is often lower than their demand and they face frequent-scheduled and unscheduled-power cuts. In addition, the quality problem, in particular, fluctuations in the voltage and frequency of power supplies cause machine damage, material losses, and variations in product quality. Consequently, production volumes, manufacturing costs and output quality are all adversely affected.

Power cuts tend to damage machines in the manufacturing industries and this is very costly in the sense that some of the machines are extremely expensive, and it takes some time to replace and repair them. Damaged machines automatically bring the productions to a halt, resulting in huge financial losses.

In an example cited by Gulyani (1999:176), unreliable power adversely affected a supplier firm’s cost and performance, and its customer Maruti<sup>1</sup>, in three ways.

- ❖ First, power outages and an inadequate supply of electricity disrupted production at the supply level, which directly affected production planning at Maruti.
- ❖ Second, the unpredictable voltage fluctuations and power cuts led to material losses, variations in component quality, and damage to machines which adversely affected the cost, quality, and delivery schedules of components for Maruti.
- ❖ Third, to hedge against these problems and the unpredictability that they introduced into the system, both Maruti and its suppliers had to hold higher “buffer” inventories. It can thus be concluded that, power constraints raise the total inventory, which in turn, is a major inefficiency, plaguing even the leading auto assemblers in Indian.

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<sup>1</sup> Maruti is an Indian Car Industry (Indian Auto Assembler)

An unreliable power imposes direct costs on suppliers, which directly or indirectly, raise the costs for assemblers. In other words, poor public power has a cascading, negative effect on the supply chain and accordingly, adversely affects Maruti's competitiveness as an auto assembler. Further more, Gulyani (1999: 1963) holds that the problem is that unreliable electricity reduces the efficiency of Maruti's suppliers and the reliability and competitiveness of its supply chain as a whole.

#### **2.2.2.2 Poor transportation system**

A well-developed and maintained transport infrastructure is critically important to the success of businesses throughout the world. The lack of proper or well-developed transport infrastructure is a major constraint facing the development and growth of small businesses in most of the rural areas. According to Gulyani (2001: 1157-58) industrial firms in developing countries usually have to contend with a highly ineffective freight transportation system. The physical infrastructure, the water ports, airports, and roads, and rail networks are capacity constrained and poorly maintained by private and public sector operators and thus tend to be limited in range, poor in quality, and often technologically obsolete. Consequently, industrial firms in these countries operate under a handicap relative to their competitors in advanced industrialized countries.

Thus literature, primarily generated by development practitioners and institutions such as the World Bank, notes that poor transportation systems result in the slow movement of goods and in high unit cost of freights. Perhaps, because it is difficult to estimate the value of time, this literature relies on indicators such as "unit freight cost" and "vehicle operating cost" to estimate the relative costs or benefits of different transportation systems. From this perspective, the key problems with badly maintained and inadequate road networks is that they directly raise the cost of freight by:

- ❖ Increasing the cost of operations and maintenance (due to greater wear and tear and higher fuel consumption); and
- ❖ Increasing transit time, which, in turn, means that both labour (driver) and capital (the truck) are deployed for a longer period of time to complete a given delivery.

An inadequate transportation system also increases the damages incurred in transit, the total inventories that firms have to maintain, and the ordering and overhead costs associated with managing material flows. Taken together, these variables constitute the “total logistics cost” borne by a firm. This total logistics cost equation offers a more comprehensive approach for calculating the direct costs that poor transportation imposes on a firm. Specifically,

Total logistics cost = Freight + damages + Inventory + Ordering/overhead costs + Packing costs

This equation allows for a better estimation of quantifiable firm-specific costs, but it does not capture those transportation created costs that go beyond a particular firm and affect the supply chain as a whole (i.e. the external diseconomies). This analysis reveals that auto assemblers are seriously concerned about the inefficiency and unreliability that poor transportation systems introduce into their supply chains. Assemblers find that poor transportation is a major obstacle to their efforts to implement lean production and supply chain management strategies. Poor transportation systems thus affect their competitiveness not only by raising the direct costs, but also by creating external diseconomies that adversely affect the efficiency of the supply chains and, indeed, the entire networks of firms.

The literature on logistics indicated that both the length and predictability of travel or transit time affect inventory levels. In this study an analysis of qualitative and quantitative data from Maruti suggests that there are two mechanisms by which infrastructure and transit time directly affect its supply chain and inventory:

- ❖ First, poor infrastructure raises the total transit time, which translates into higher “in-transit” or “pipeline” inventories. That is, goods that have been dispatched by the supplier take longer to reach the assembly plant, and capital is tied up for longer periods.
- ❖ Second, with poor transportation infrastructure not only does freight stay in-transit significantly longer than it does in countries such as the United States, but the transit time is also relatively unpredictable.

### **2.2.2.3 Poor water supply**

Water plays the most important role towards the success of most of the manufacturing industries. A lack of an adequate supply of water tends to adversely affect production in most of the small firms. According to Davis et al. (2001:1760) enterprises in Lugazi<sup>1</sup> viewed the existing water supply situation, especially the cost of water, as one of the greatest obstacles to their growth, comparable to other infrastructural constraint (electricity, roads, waste disposal), as well as macro economic factors such as inflation, credit and tax bureaucracy.

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<sup>1</sup> Lugazi is a town in Uganda

#### **2.2.2.4 Lack of industrial site**

The availability of enough industrial sites plays an important role in developing and expanding a business. Lack of Industrial site for expansion adversely affects the future potential growth of the business. Grosh and Somolekae (1996:1882) argues that very few firms ever graduated out of the Botswana Enterprise Development Unit (BEDU) premises, some staying as long as 16 years, largely because they were unable to find new premises. Furthermore, Grosh and Somolekae (1996: 1882) hold that Botswana is not the only country where access to industrial sites is an important constraint. While Levy (1991: 29) reports that the lack of an appropriate site ranks with access to capital as a constraint on expansion in Tanzania as well.

The Department of Trade and Industry (1995: 27) adds that in the rural areas and many of the resettlement villages, there is often a critical shortage of build-up workspaces, combined with the lack of access to electricity, water and telephones.

#### **2.2.2.5 Lack of suitable secure premises**

The lack of suitable secure premises is a constraint facing many rural enterprises. Some of the enterprises have good prospects for growth due to high demands for their products, but such prospects are frequently crushed by the lack of better premises. There is often no room for the expansion of the premises as well. This makes it extremely difficult for small enterprises to grow. According to McCormick et al. (1997: 1107), many firms, especially mini-manufacturers, find their efforts to expand blocked by the lack of suitable secure premises. Garment manufacturers especially need sufficient space to organize their production, electricity to run machines, sanitation, and access to input and product markets. Ideally, they should also be accessible to communications and financial infrastructure.

### 2.2.3 Cultural barriers to enterprise development

Some cultures demotivate people from engaging themselves in business related activities. This is often influenced by a lack of education (inadequate education) as well as a lack of, or poor entrepreneurial innovativeness and creativity as well as institutions to facilitate enterprise development. According to Bridge, et al. (1998: 214) the barriers considered above are those that affect small businesses once they are established. Market failure as a barrier to enterprise, refers specifically to enterprise in the context of small business. However, there are other barriers that are more apparent when the development of enterprise culture is considered, such as, barriers of culture or of education frequently prevent people from starting businesses, or even thinking of doing so. Its social and political problems are severe and some suggest that it has a dependency culture. It is therefore lacks a strong small business tradition and the culture that might support one. In this situation, social conditions are such that the option of entrepreneurship as a form of employment is not commonly recognised.

According to Maas and Fox (1997:91), in a public environment, social and cultural factors can impede entrepreneurship. In addition, individuals generally feel non-committal and are reluctant to take part in activities challenging cultural norms and traditional ways of doing things. Powell (1990:7) discusses the example of Latin American countries where short-term thinking makes it difficult to make long-term plans. The disdain Latin Americans generally have for manual labour is a hindrance to developing entrepreneurial skills. India's Hindu Spiritualism and philosophy of reincarnation and renunciation too, discourage some acting with economic rationality, and the Arabian 'Fahlawi: personality; i.e. deny personal responsibility, may withhold some from entrepreneurial thinking. Ahmed, et al. (2001:1958) adds that income-generating opportunities for rural Bangladeshi women are largely dictated by patriarchy and the religious norms of "purdah", a pervasive social construct that restricts them in the domestic

sphere.

#### **2.2.4 Commercial institutions as a barrier to the development and growth of small businesses**

Most often, small businesses experience obstacles with regard to obtaining financial resources from the financial institutions since they tend to regard small businesses as a risky area of investment. The Department of Trade and Industry (1995:25) holds that not unlike other developed countries, South Africa's commercial banks have in the past been reluctant to provide comprehensive services for the fragmented, risk prone and geographically dispersed small enterprise sector. The Department of Public Works (2000/2001: 20) also reiterates that access to finance remains the single major challenge facing black contractors. Black contractors in general have a high-risk profile and banks (and other financial institutions) are reluctant to lend them money. They are regarded as a high-risk enterprises run by people who do not have a track record.

#### **2.2.5 Discrimination against women small business owners**

Discrimination against women in the formal credit markets impedes the development and growth of small businesses. According to Baydas, et al. (1994:1073), it is also often argued that women are frequently discriminated against by informal credit markets in developing countries. The belief in discrimination against women in formal credit markets, often based upon the limited number of women borrowers in the market, is perceived as an outcome of lenders' rejection of womens' applications for loan contracts. Bydas, et al (1994:1073) further emphasized that there are: "two major factors which restrict women's access to formal credit more than men's. These are related to women's lack of control over economic resources and the nature of their economic activity. Baydas, et al. (1994:1074), further emphasized gender-based credit constraints, such as limited education, inferior legal status and unpaid reproductive

responsibilities that exacerbated the problems women face when operating small businesses.

Baydas, et al. (1994:1074) further state that the FAO study on the promotion of womens' activities in marketing and credit explored the issue of institutional supply of credit through addressing the question of whether or not banks, views women as bankable. Banks with limited experience in working with women may perceive that female entrepreneurs do not represent the best customers to make profits and reduce costs, but some banks are adjusting their practices to reach more women. The study also investigated the demand for formal financial services and revealed that from the womens' point of view, the majority of banks in developing countries are not satisfactory sources of finance for number of reasons, such as, the time involved to process loan applications, inconvenient bank working hours, requirements for guarantors, and the high margin charged on loans. However, the reasons presented in the study are not only pertinent to women, but to most poor people in developing countries.

#### **2.2.6 Credit rationing as a form of financial discrimination**

To a large extent, credit rationing affects the development and growth of small businesses. The bottom line is that entrepreneurs with no banking records are the obvious victims of credit rationing in the sense that bank managers don't even look at them. According to Baydas, et al. (1994: 1074-75) credit rationing can be interpreted as a form of discrimination against particular types and classes of borrowers that occurs as a result of asymmetric information problems that lenders confront when they are unable to distinguish credit worthy from noncredit worthy customers.



### **2.2.7 Inability to access training**

Training is the key towards competency and high productivity. Since a lack of access to training results in incompetency and low productivity. According to Department of Public Works (2000/2001: 22) the lack of capacity and the skills gap still remain a fundamental barrier to the success of emerging contractors. It seems that training is a critical challenge in this respect.

Furthermore, the Department of Public Works (1997:32) holds that a primary constraints facing SMEs is access to training to improve their business skills and develop trade skills within their labour force. Small contractors are often unregistered and unaffiliated to the main employer bodies. They pay no levies and have limited or no access to the training programmes offered by the current industry training boards. They are, therefore, not in a position to improve their productivity.

The Department of Public Works (1997:32) also states that without access to available training institutions, many subcontracting firms train their own operatives “on the job”. However, the erratic availability of construction work diminishes the value of informal, on-the-job training. In contrast to the continuity and depth provided by the old apprenticeship system, it is unlikely that new generations of semi-skilled labour will be sufficiently experienced to pass on adequate skills to their operatives in the future. The industry can therefore expect to see a progressively deteriorating standard of skilled work on site. A second problem concerns the appropriateness of current training options. The training provided in the construction sector through the Building Industries Training Scheme (BITS) and the Civil Engineering Industry Training Scheme has mainly focused on providing technical and supervisory skills.

### **2.2.8 Lack of information and advice**

Access to information and advice plays an important role towards the development and growth of small firms. A well informed entrepreneur/small business owner-manager is capable of running the business successfully even in the most hostile/turbulent periods. Du Toit (1998:205) indicates that information can be used as a competitive weapon by an enterprise in order to change the structure of competition as well as to erect barriers to potential competitors. According to the Department of Trade and Industry (1995: 22) lack of access to appropriate, relevant and understandable information and advice is one of the most important problems of small enterprises. Due to past discrimination and lack of opportunities, this problem is most severe among black entrepreneurs. Bridge, et al. (1998:254) adds that small businesses are believed to be at a disadvantage, relative to larger ones because of their limited ability to scan the environment and filter for information relevant to their progress.

### **2.2.9 Low demand**

Low demand is a constraint facing all kinds of businesses at some time and low demand is associated with lack of business, and severely tends to affect the growth of businesses in the long run. McCormick et al. (1997:1103) argue that the general finding that most entrepreneurs see low demand as a serious barrier to firm growth is not surprising. Nearly all listed lower demand as either an “extremely important” or “very important”.

## **2.2.10 Regulations and laws facing small businesses**

### **2.2.10.1 Inconducive regulatory environment**

A conducive regulatory environment plays the most critical role in creating an enabling environment for SMEs to take place and flourish. An inconducive regulatory environment tends to create very unfriendly/unproductive business environment and as a result it severely affects the development and growth of SMEs. Ntsika Enterprise Promotion Agency (1998: 20) reiterates that the general feeling is that the present regulatory environment is not conducive to the development of the small business sector. Small business operators easily point to some existing laws and regulations that in their view discourage the start of new small businesses and hinder the growth of existing ones. A major concern frequently raised, is that the cost of compliance with certain rules and regulations is disproportionately heavier on small businesses compared to large ones.

Ntsika Enterprise Promotion Agency (1998:20) further emphasizes legal and regulatory environment of business as being important in determining what activities are carried out in the informal sector, and how easily firms can grow and prosper. This refers to some regulatory environments that inhibit firms from operating at medium and large scale businesses, forcing them into the informal sector, where they have no access to formal capital markets or the legal system for the enforcement of contracts, with a resulting curtailment in their (and hence the nation's) growth.

### **2.2.10.2 Regulation and administrative implification**

Restrictive regulatory conditions tend to serve as an obstacle to the development and growth of small enterprises. Some regulatory conditions are very complicated for small businesses with limited skilled employees to follow them; and force small business-owner-manager to neglect some vital managerial work to spend more time in trying to meet them. According to Bridge, et al. (1998:245), it is noticeable that regulations or, more colloquially, red tape and bureaucracy, tend to come at or near the top of any list when surveys are made either of the problems of small businesses, or of the constraints on their growth. Clearly, a certain level of regulation is needed in the areas of health and safety, employment rights, environmental protection and reducing anti-competitive practices, and, as is often claimed, one man's right is another man's burden. Nevertheless, it has been argued that statutory regulations in the above areas and in taxation, statistical reporting, and company registration are disproportionately burdening some small businesses. Value added tax (VAT) compliance, data protection registration and other statutory requirements have also been listed as barriers (Bridge et al: 1998: 245).

Some tax regulations enforce small firms to remain at the small level and not to graduate and grow into larger firms. Grosh and Somolekae (1996: 1882) hold that regulatory obligations and their uneven enforcement can create discontinuities in cost structures as firms grow. Levy (1991:25-26) found in Sirlanka that tax obligations were not enforced on the smallest firms (1-5employees), but on the larger firms (6-15 or more employees). As a result, enterprises that grow, risk finding themselves liable for very large increases in tax obligations and may, therefore, limit their efforts at expansion. On the other hand, when tax obligations are enforced on the smallest firms, they often impose a disproportionate burden.

Furthermore, Kilby (1971:359-360) argues that it happens that there is an

unintentional bias, which works against the further development of a growing small firm. In most cases this bias takes the form of a handicap; although in some instances, it appears as an incentive to remain in the unregulated small scale sector, e.g., avoidance of minimum wage law, provident fund taxation and safety standards.

Industrial laws of developing countries often require that factories above a certain minimum size, be registered. Where this is a mere routine procedure for statistical and regulatory purposes, the only barrier to growth which it imposes is that small industrialists may hesitate to graduate into the registered group for the reasons just noted. However, in some countries approval is necessary, in the form of a license, which is more than a routine procedure, for establishing an industrial unit larger than a certain small size or for expanding production beyond the previously licensed limit. Such approvals involve delay and require entrepreneurs to spend time and effort convincing government officials of the soundness of their proposals. The effect is to place yet another barrier in the way of growth (Kilby 1971:359-360).

### **2.2.10.3 Government regulations and paper work**

According to Siropolis (1994:189-190) few subjects spark more complaints among entrepreneurs than government alone as there are currently more than 90 regulatory agencies issuing hundreds of new rules each year. The force of these rules is felt by every person and every business, large or small. Regulatory agencies exist not only at the federal level but also at local and state levels. Only with a lawyer's help can entrepreneurs learn about, and cope with, the mazes of regulations and paper work that affects their venture.

### **2.2.11 Lack of tendering opportunity**

Access to tendering opportunities often creates a platform for small businesses to grow and graduate into bigger size businesses. But, the lack of tendering opportunities to a larger extent tends to deny small businesses to develop and grow. According to Ntsika Enterprise Promotion Agency (2000: 13), the recent Regulatory Advisory Board identified the lack of accessibility to tenders as a hindrance to SMME development, mainly due to the lack of information about tenders; cumbersome tender procedures and requirements; and unfair competition from big business.

### **2.2.12 Market barriers to small business development**

#### **2.2.12.1 The advantages of big businesses over small businesses**

Big businesses play a crucial role towards the downfall of small businesses as they frequently use their huge financial muscles to market and advertise their products. They use television as a distractive weapon of advertisement while small businesses cannot even afford a radio advert. According to Bridge, et al. (1998:212-213) there are multinational firms with turnovers that exceed the gross national product of most nations. The sheer size and economic power of such firms allow them to dominate consumer and factor markets. They can use huge advertising and marketing expenditure to gain a foothold in their markets and they can benefit from economies of scale. In the procurement field, large firms can secure discounts and organise just in time contracts that shift the burden of stockholding to their suppliers. In labour markets they can attract the best staff with their competitive remunerative packages and career prospects for employees.

According to the Public Sector Procurement Reform in South Africa (1995: 9) small, medium and micro enterprises (SMMEs) usually regard market constraints

and the inability to sell their products and services as one of the most serious obstacles to the starting of businesses and grow beyond mere subsistence level.

The Department of Trade and Industry (1995: 23) holds that small enterprises usually regard market constraints and the inability to sell their products and services as one of the most serious obstacles to the starting of businesses and growth beyond mere subsistence level. This perception has been reinforced by many studies - in South Africa and internationally - which view market access as a critical factor in business growth, in particular in the case of entrepreneurs from disadvantaged communities.

Most of the small businesses are unable to reach international markets and are thus forced to confine their products in the local markets, selling their products at very low prices due to stiff competition. According to Ntsika Enterprise Promotion Agency (2000: 53) not many very small businesses attempt to break into international markets, and so they are likely to be dependent on the domestic markets. Thus, competition could be very stiff, especially for the entrepreneur still trying to establish its clientele base. Carson et al. (1995:145-6) reiterate that looking at the characteristics of SMEs from a marketing perspective, three broad types of constraints on marketing may be identified. These are:

- ❖ Limited resources, e.g. limitations on finance, marketing knowledge and time, may all contribute to limited marketing activity as compare to a large companies and large competitors.
- ❖ Specialist expertise may be a constraint because managers and entrepreneurs in SMEs tend to be generalists rather than specialists.
- ❖ Limited impact in the market place may be a constraint because SMEs have few orders and few customers and employees than larger companies.

Havers (1995: 3) shares the view that the most important obstacle to the

development of small businesses in rural areas is probably limited market opportunities. In general, rural people are poor and have very limited income which usually barely covers food and a limited range of other basic needs. Many of these products are also mass-consumption items and, accordingly mass produced within the South African economy. This means the market ups and returns local producers can get are very low.

### **2.2.13 The economy as a barrier**

A business friendly economic situation is often vital for the development and growth of small businesses. But hostile trade cycle tends, to a larger extent, to contribute to the death of many small businesses. When the economy is in a bad state, customer is demotivated to spend money. Furthermore, if taxation is increased by the state, customers tend to economise. As a result small businesses tend to suffer very serious economic casualties under such circumstances. Most of them struggle to bounce back and do business competitively and profitably. According to Bridge et al. (1998:244) most governments strive for stable growth, low inflation, low interest rates, and a steady exchange rate as the economic backcloth against which it is felt that businesses can plan effectively in the context of reasonable certainty of future trading circumstances. It is obvious that the impacts of taxation and public spending are self evidently critical important policy intervention measures. The effects of the trade cycle upon both, death and growth rates of all businesses are well known, and the effects can be particularly severe, on the more vulnerable small firm sector.



#### 2.2.14 Macro economic conditions

The growth of the nominal interest rate tends to adversely contribute to the poor performance and failure of small businesses. Storey (1994: 96) holds the view that a number of recent studies have attempted to relate macro economic conditions to business failure in small firms. Countries with bad economic management tend to create an unfriendly and hostile business environment for SMEs in the sense that they fail to progress. Grosh and Somolekae (1996:1885) hold that with the widespread advent of structural adjustment, it has finally become generally understood that mismanagement of the macro economy can cause problems for micro enterprises.

Bad macro economic conditions also further exacerbate to the failure of the small businesses because of high level of taxation they face. Harmon (1979: 61) reiterates that taxes can be a quadruple burden to the manager of small businesses in the following ways:

- ❖ First, they have to pay them. Never before in US history, for instance, has the individual, particularly the business owner, had such a heavy tax burden. The real danger is that investment and expansion capital are siphoned off to government in taxes, instead of going to buy new equipment.
- ❖ Second, the manager may have to hire additional clerical people to help keep records for the government. Many owners say this expense is greater than taxes.
- ❖ Third, the small business manager has to hire a tax consultant to interpret tax laws and fill out tax forms.
- ❖ Fourth, there is the burden of the “psychic energy drain”. The manager’s creative efforts may be used in the non-productive area of trying to reduce taxes rather than being applied to new processes, new products, new procedures, and expansion programmes.

### **2.2.15 Inflation**

According to Harmon (1979: 61-63) inflation has been listed as the number one problem in America by the President, numerous congressional representatives, economists, writers, and, most importantly, by the small business owners themselves.

- ❖ First, inflation discourages business people from expanding, because the cost of borrowing is extremely high. Business owners frequently put off building the new warehouse they need and refrain from hiring additional people. Employment is cut back and productivity is held down.
- ❖ Second, inflation destroys the owner's ability to motivate employees with pay raises. During inflation, pay raises are virtually useless.
- ❖ Third, inflation discourages citizens from saving, because the rate of inflation cannot be overcome adequately by interest earnings or dividends on stock. If investment capital is not made available for others to borrow, productivity goes down, prices continue to go up, and inflation feeds on itself.
- ❖ Fourth, inflation forces some employers to export jobs to foreign countries where they can get the work done more cheaply. Such actions affect productivity and domestic employment.
- ❖ Fifth, inflation can lead to deterioration in the quality of products. With competition for goods greater than supply, buyers may be forced to overlook quality and forced to cut expenses and reduce quality.

### **2.2.16 Crime as an obstacle**

Crime is an obstacle to the development and growth of small businesses. A higher crime area is not a friendly or conducive environment for business development and growth. Therefore, entrepreneurs are not attracted to establish and invest their small businesses in such crime prone areas as it has negative consequences with regard to the growth of the businesses. Harmon (1979: 63-64)

holds that crime is one of the major causes of small business failures and crime losses in small firms are 35 times greater than in large firms. The Department of Trade and Industry (1995: 27) further argues that higher crime rates and continuing violence are serious obstacles to small business growth since they increase the risks for small enterprises and often cause major losses of stock, damage to buildings or reduced turn over.

### **2.2.17 Lack of appropriate support for SMEs**

Support for SMEs is the key towards their sustainability and success. Well supported SMEs tend to grow into large size businesses while lack of appropriate support for SMEs tends to adversely affect it from expanding and graduating into medium and larger size businesses. Segal Quince Wick steed SA and Ntsika Enterprise Promotion Agency (1997: 15-17) support this argument by highlighting some obstacles related to the lack of support:

#### **2.2.17.1 There is no strategy in place to support SMEs in rural areas specifically**

Just over half the SMEs (54%) interviewed in Kgautswane, Leboeng and Alverton had received some type of support: either financial or non-financial. However, there is no strategy for reaching SMMEs in rural areas. Although the Provincial SME desk is making concerted efforts to promote SMEs, including those in rural areas SME development is not a strategic priority at the local level. NGOs are the main players in delivering support to rural SMEs whereas government, banks and corporations play a limited role. SMEs receive limited, if any, support from banks, government departments or local large companies. Although the headquarters of banks (such as Standard Bank) promote a policy of supporting all SMEs, in rural areas these initiatives have not filtered through to the branches.

### **2.2.17.2 SME support measures are ad hoc and uncoordinated**

Even though organisations are providing support to SMEs in rural areas, these activities and initiatives are undertaken on an ad hoc basis. There is little coordination between role players.

### **2.2.17.3 Support does not reach all rural SMEs**

It appears that the barriers for SMEs in rural areas to access support services are a lack of information, rather than barriers such as cost, distance, or a lack of time. Support providers are located far from rural area and, therefore, some rural areas have no access to support services. The reality is that support providers have no direct incentive to reach SMEs in rural areas. The costs of reaching SMEs in rural areas are higher than reaching those in urban areas or small towns. As a result, not only is there limited accessibility to these areas (for example through a mobile service), providers are reluctant to locate their operations in rural areas. Support providers are based far away from rural areas, and are often not located in “the right” towns.

## **2.3 The internal constraints**

The internal constraints include among others, inadequate education, inadequate management, lack of access to finance and lack of adequate skills. Segal Quince Wicksteed SA and Ntsika Enterprise Promotion Agency (1997: 6) even mention that the principal internal constraints include the lack of adequate technical, administrative, and managerial skills, the lack of access to financing, which is a result of the inability to own land that can be used for collateral.

### **2.3.1 Lack of adequate skills**

Adequate skills are crucial to the growth and success of a business while lack or inadequate skills often tends to adversely affect the operations and productivity within the enterprise. Bridge et al. (1998: 244) argue that a firm's needs for skilled labour market is apparent at all levels of the organisation. The ability to access appropriate skills at affordable prices is an essential ingredient in any supportive economic environment. Small businesses, especially growing ones, would appear to have more acute difficulties in accessing skills. Indeed, small firms would appear to experience genuine problems in dealing with the formalities and legalities of recruitment. In particular, there is evidence that the small businesses are reluctant to recruit graduate labour and, in fact, have difficulty in doing so. The Department of Trade and Industry (1995: 12) adds that SMEs often lack the skills and resources to improve their own capabilities.

Lack of the adequate skills is exacerbated by the lack of or lower level of education. According to Grosh and Somolekae (1996: 1879) the lack of education is often a barrier to expansion. Furthermore, Grosh and Somolekae(1996:1885) given the lower levels of literacy and assets of most small enterprises, the vast majority may never qualify for credit from the banking sector.

### **2.3.2 Inadequate management**

Adequate management is required for the small enterprise to be successful since a lack of adequate management often tends to affect the success of the enterprise. Megginon et al(1991:22) hold that inadequate management, in the form of limited knowledge, poor planning, poor leadership, and no sense of direction, is the second problem facing small firms. Many owners tend to rely on one-person management and seem reluctant to vary from this managerial pattern. They tend to guard their positions very jealously and, therefore, may not select qualified

employees, or fail to give them enough authority and responsibility to manage adequately. Often problems are caused by inbreeding, whereby members of the family who are not capable are brought into the firm in positions of authority.

### **2.3.2.1 Causes of inadequate management**

Strategic business management is vital for the success of a business. But, lack of strategy to deal with business threats and opportunities tends to lead an enterprise to lose priceless opportunities and in the long run, it will continue to face some catastrophic economic implications. According to Pickle and Abrahamson (1986: 22) failure to identify and respond to changing social, economic, and environmental conditions will lead to serious problems or eventual failure of the firm. A number of problems faced by small business managers caused by inadequate management are discussed below:

### **2.3.2.2 Lack of experience in line**

Sometimes owner-managers may lack experience in the line of business they enter. They may have a strong background in one line of business, but lack experience in another, normally owing to their unfamiliarity with the specific problems of the new line of business (Pickle and Abrahamson: 1986:22). A case in point is the mortician who sold his mortuary business and purchased a jewellery store. Within a year the jewellery store closed. The primary cause of this unsuccessful business venture was that the owner lacked experience in this completely different line of business. Hodgetts and Kuratko (1998: 18) reiterate this experience by pointing out that failure is often due when the owner enters a business field unfamiliar to him.

### **2.3.2.3 Over concentration of experience**

The owner-manager's balance experience of the operation of the different section of the firm is the key to the firm's success. Unbalanced or over concentration of experience to one aspect of the firm's activities will lead to managerial failure. An over concentration of experience in one function may present a problem to small firm owner-manger. Owner-mangers must have the ability to view the firm conceptually. This means, they should be able to perceive the need for, and interrelationship of all activities within the firm. If owner-managers devote a major portion of their time and energy on the one function that lies within field of interest, specifically, either sales, production, or finance and neglect the others, such an approach is likely have an adverse effect on the total firm. Hodgetts and Kuratko (1998: 18) even mention that the second most common reason why businesses fail is unbalanced experience. This means owners do not have well-rounded experience in the major activities of the business, such as finance, purchasing, selling, and production. Because the owner lacks experience in one or more of these critical areas, the enterprise gradually fails.

### **2.3.2.4 Incompetence of management**

Incompetence or lack of knowledge how to run the firm tends to drive the firm into failure as well. The major hazard of the small firm is frequently the incompetence of the manager. Owner-mangers are incompetent when they do not possess the leadership ability and knowledge necessary to operate their own funds. Hodgetss and Kuratko (1998: 18) further mention that year after year, the major reason why business fail is incompetence. The owners simply do not know how to run the enterprise. They make major mistakes an experienced, well-trained entrepreneur would recognize quickly and easily sidestep. Incompetence is exacerbated by the lack of managerial experience. The table below shows some of the internal constraints contributing to small business failures.

**Table 2.1 Causes of business failure**

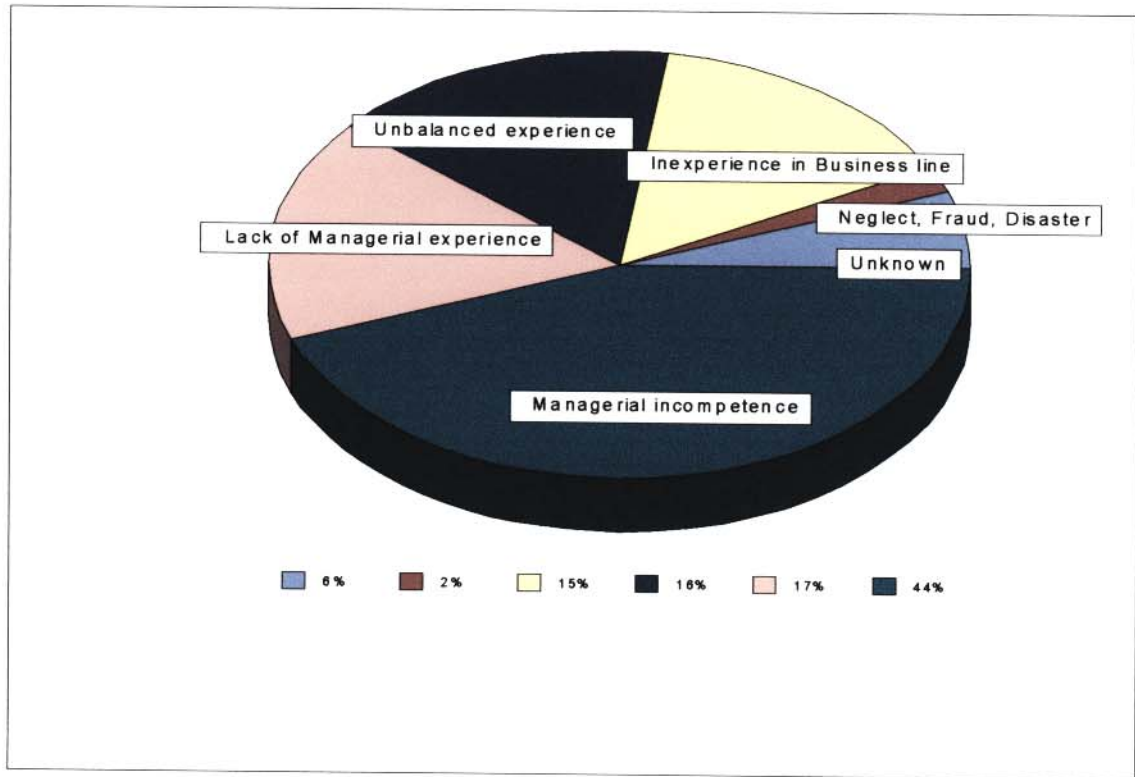
<b>Causes of failure</b>	<b>Percentages of business</b>
Incompetence	44%
Lack of managerial experience	17%
Unbalanced experience	16%
Inexperience in line	15%
Neglect	1%
Fraud or disaster	1%
Unknown	6%
	100

Source: Siropolis, 1990: 12

From the above table it is evident that the four factors of inadequate management are incompetence; lack of managerial experience; unbalanced experience; and inexperience in line. However, incompetence is the number one contributing factor to inadequate management that leads to business failure.



**Figure 2.1 Causes of small business failure**



Source: Carland and Carland : 1990: 30

Figure 2.1 shows in percentages how the four factors of inadequate management, namely incompetence, inexperience in business line, unbalanced experience, and lack of managerial experience largely contributed to business failure. Managerial incompetence is the leading cause of business failure, occupying 44% of the pie.

**Table 2.2 Some common causes of small business failure**

<b>Causes</b>	<b>Percent of total failures</b>
Inadequate management	97.8
Lack of experience in line	9.9
Lack of managerial experience	9.8
Unbalanced experience	23.8
Incompetence	54.3
Neglect	0.6
Fraud	0.3
Disaster	1.3

Source: Pickle and Abrahamson, 1986: 23

Table 2.2 thus reveals that incompetence as the main cause of inadequate management, contributes 54.3 out of 97.8 to inadequate management. Unbalanced experience is the second contributing factor to inadequate management, with 23.8%.

## **2.4 Specific managerial causes of small business failure**

There are specific managerial causes of small business failure<sup>1</sup>. According to Hodgetts and Kuratko (1998:19), ten of the more specific managerial causes of small business failure are:

### **2.4.1 Inadequate records**

Nine bankrupt firms of those under investigation had inadequate records. One of them, for example, often had bid unsuccessfully on government contracts. The bids were consistently too high. Being unable to land any contracts this way, the

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<sup>1</sup> These causes were derived from a business study conducted by Small Business Administration in USA.

company then hired a consultant who did not only cost it a lot of money but also involved the firm in a disastrous subcontract. Since the firm was unable to establish an adequate record keeping system, the firm simply had no basis for estimating its costs and identifying the problem. Another firm had a good product line but failed to keep revenue and expense records. The partners never knew where they were in terms of finances. During the bankruptcy proceedings, the accountants admitted they were unable to reconstruct even the simplest form of income statements from the record they had found. In fact, the office records consisted of piles of unsorted papers jammed into an old fashioned safe. Oshagbemi (1983: 46) remarks that the level of ignorance of some entrepreneurs in record keeping and financial management is appalling. Many of them cannot or do not want to employ the services of qualified accountants. On their part, many owner-managers are not knowledgeable enough to understand the basic principles of accounting and bookkeeping. They also cannot interpret or use the practical applications of the account figures if provided. The result is that many businesses operate in confusion and are unable to differentiate between periodic gains and losses. Profit tends to be overstated most of the time, while personal expenses often are not distinguishable from business expenses. This type of modus operandi leaves much to be desired, as it is one of the sure causes of business failure.

#### **2.4.2 Expansion beyond resources**

Some of the firms had grown rapidly and their bookkeeping systems were not designed to handle such dramatic growth. In three cases management simply tried to save money on its bookkeeping system by taking shortcuts - all with disastrous effects.

### **2.4.3 Lack of information about customers**

Half the unsuccessful firms lacked information about their customers. For example, one company had been shipping goods to customers without making credit investigations. As a result, its receivables were in a terrible state. Most of the accounts were 90 days or more in arrears. Additionally, one of its customers had gone bankrupt and had not made a payment in more than a year, but, the company still kept on shipping goods to him.

### **2.4.4 Failure to diversify markets**

Three firms failed to diversify their markets and ended up selling their goods to a mere handful of customers. A loss of any one customer would have had a tremendous effect on the overall revenue. One company contracted all of its output to one buyer. When that buyer cancelled the contract, the company went bankrupt.

### **2.4.5 Lack of marketing research**

Small firms tend to experience failure when they embark on major business investments without conducting adequate marketing research concerning their businesses. Two firms undertook major ventures without conducting any market research while three adopted a rather simple solution to their marketing problems by contracting their entire plant output to a single buyer. In all cases, changes in market conditions left them in a very poor position.

#### **2.4.6 Nepotism**

Favoritism is one of the major obstacles facing small firms today. People who are not qualified and experienced are employed and paid highly without adequately contributing to the firms' business activities.

In three instances favouritism towards family members had contributed to enterprises' failure. One of the most typical examples was the practice of carrying on the payroll family members who received high salaries but contributed little to the overall running of the business. Additionally, in certain cases, meddling by these family members in important business matters resulted in severe financial setbacks.

#### **2.4.7 One person management**

In three cases, one person management led to the failure of the company. This occurred in one instance when the individual who had built the firm from nothing began to experience poor health and sold out to a group of investors who did not realize that the man's technical genius was the reason for the company's success. Without that, the business failed within a year.

#### **2.4.8 Lack of technical competence**

Two companies suffered from a lack of technical competence. One had been purchased by a group of investors who had little technical knowledge and lacked the expertise for choosing a technically skilled vice president. The firm's previous reputation carried it for a while, and it had no difficulty landing a contract to supply gun parts. However, the first two shipments were rejected because they did not meet the quality stipulated in the contract. Eventually, the contract was cancelled, and the firm went bankrupt.

#### **2.4.9 Absentee management**

Small firms frequently experience failure because of absentee management. The owner-manager tends to stay away from the business activities resulting in major areas of business operations not being attended.

One firm had a long period of profitable operation. Then it went through a number of years of absentee management. The owner stayed away constantly, and operations gradually deteriorated. Financial records were neglected, and the bookkeeper failed to make several years' tax payments. Given such developments, the company failed.

#### **2.4.10 Late payment of debts**

Late payment of debts by customers has been behind the financial constraints experienced by so many small businesses. Bridge et al. (1998: 252) argue that payment by customers can be a severe handicap to small businesses and the consequent adverse effect on cashflow and viability has been a constant complaint by small firms and their representative organisations.

#### **2.4.11 Employee theft**

Employee theft is a serious constraint facing small businesses and has been responsible for the collapse or failure of so many small businesses. Megginson et al. (1991:681) state that employee theft is a major source of loss. It may range from the act of an individual who takes only one or two items (such as pens or paper clips) to raids by groups that remove truckloads of merchandise. Pickle and Abrahamson (1986:381) add that employee theft is wide spread and accounts for business losses in billions of dollars each year. Most authorities claim that employee theft accounts for more losses than either shoplifting or burglar.

## **2.4.12 Financial factors affecting small businesses**

**The following financial factors affect the development and growth of small businesses:**

### **2.4.12.1 Inadequate financing**

Adequate financing is critical to a small firm's success. The lack of adequate financing often affect the firm's output. Megginson et al. (1991: 22) even mention that inadequate financing was listed as a basic (primary/fundamental) cause of failure. Without adequate funds, a business is unable to acquire and maintain facilities, hire, and reward capable employees, produce and market your product, or do the other things necessary to run a successful business.

### **2.4.12.2 Lack of access to finance**

Access to finance plays a contributory role in the development and growth of a small business while a lack of access to finance often tends to adversely affect their development and growth. According to the Department of Trade and Industry (1995: 24), surveys among small enterprises all over the world, revealed that access to finance comes out as one of most urgently felt needs. This remains' true even though other problem areas (such as marketing, technical skills, poor product quality, and weak management) often aggravate the financial position of small enterprises and hamper their access to funds.

The Department of Trade and Industry (1995:24) further mentioned that financial needs of different types of SMEs vary widely, with access problems particularly severe in rural areas, among start-up micro-enterprises and among those owned or controlled by women as well as other formerly disempowered groups, and higher risk business categories.

### **2.4.12.3 Lack of collateral as a financial obstacle**

The lack of security is a major obstacle facing the new emerging entrepreneurs with regard to borrowing loans from commercial banks. According to McCormick et al. (1977:1106), because banks and other financial institutions consider small-enterprise lending to be high risk, they often insist on collateral far in excess of the loan amount. Morduch (2000: 622) adds that the scenario indicates that of a poor borrower unable to obtain loans from formal sector banks for lack of collateral. The story is well -known; banks are reluctant to lend because it is difficult to identify the truly reliable borrowers, to then monitor borrower's behaviours, and, if needed, to implement effective punishments. The same kinds of difficulties emerge when the micro finance programme itself seeks commercial funds, since it lacks collateral to back its portfolio. Banks focusing on poor borrowers are likely to face the greatest difficulties in creating leverage, since their portfolios are likely to appear much riskier to capital suppliers.

Grosh and Somolekae (1996: 1880) also reiterate that many surveys have indicated that owners of micro enterprises report that their chief constraints on expansion are difficulty in obtaining access to finance.

Given the problems of low levels of collateral and even of literacy, most micro enterprises do not have access to loan capital, so they are constrained to expand via retained earnings. Mumbengegwi (1994) found too that lack of credit is ranked as the number one constraint by indigenous entrepreneurs out of 16 possible responses listed in their questionnaire.



## **2.5 The prospects for the development and growth of small businesses**

In addition, this chapter focuses on the prospects for the development and growth of small businesses. However, emphasis is on the critical success factors that influence and enhance the development and growth of small businesses such as the relaxation of regulations or the creation of small business friendly regulations; the provision of adequate general infrastructure, financial and other support; tendering opportunities; the promotion of interfirm linkages; the use of advanced technology in managing small businesses as well as implementing Total Quality Management, and building networks.

### **2.5.1 Implementation of small business enabling regulations**

The creation of small business conducive regulations tends to facilitate and enhance an entrepreneurial culture as people get encouragements and motivation to participate in the economic activities without experiencing some restrictive regulations. Longenecker and More (1991: 705) reiterate that recognition of the burdensome nature of small business regulation has led to legislative attempts to reduce the problem. According to the Department of Trade and Industry (1995:49), government is committed towards appropriate regulations, which are the result of transparent, consultative processes, with all the interest groups having a chance to state their interests and concerns, and with national economic growth and job creation within the RDP framework the overriding objective. Small business friendly regulations are vital to the development and growth of small businesses. According to Ntsika Enterprise Promotion Agency (1998: 20), as a matter of fact, the White Paper on the National Strategy for the Development and Promotion of Small Businesses of 1995, emphasized the need to create an enabling regulatory environment for small businesses. Government is, therefore, committed to overhauling the regulatory framework in so far as small business developments is concerned. It has, chosen to do this through a transparent, consultative and all-inclusive process that takes the interests and concerns of all

concerned into consideration.

The national small business regulatory review is a key element of the national small business strategy. The purpose of the Regulatory Review is to help create an enabling regulatory environment for the small business sector. In particular, it seeks to, among other things, make the sector competitive, enhance its job creation potential, and generally facilitate its sustainable development. In pursuit of these objectives, the Advisory Board, in 1997 established eight tasks teams and mandated them to scan the legal and regulatory environment, and to defect laws that constrain the development of small businesses and flag them for review.

## **2.5.2 The partial availability solutions towards addressing lack of financial accessibility**

Even though small businesses experience financial constraints, there are limited solutions towards providing financial accessibility to small businesses

### **2.5.2.1 Implementation of strategy towards financial support to the small businesses**

The Department of Trade and Industry (1995: 24) holds that the government is committed to strengthening the link between small enterprises and those existing as well as evolving financial institutions, so that available funds are channelled to areas where they are most urgently needed. Areas for direct and indirect government and parastatal involvement in the financial sphere include the following:

#### **2.5.2.1.1 Commercial banks**

During recent years there have been welcome signs that commercial banks are giving increasing attention to the needs of SMEs, with many innovative financing schemes having been introduced to assist particular types of SME clients.

#### **2.5.2.1.2 SME - focused financing institutions**

About a dozen former homeland development corporations (or their small business subsidiaries), the Small Business Development Cooperation (SBDC) and few other specialised lending institutions such as Get Ahead, the Informal Business Enrichment can (IBEC), the Informal Business Training Trust (IBTT) and others, have over the years tried to fill in part of the vacuum in SME funding.

#### **2.5.2.1.3 Credit guarantees**

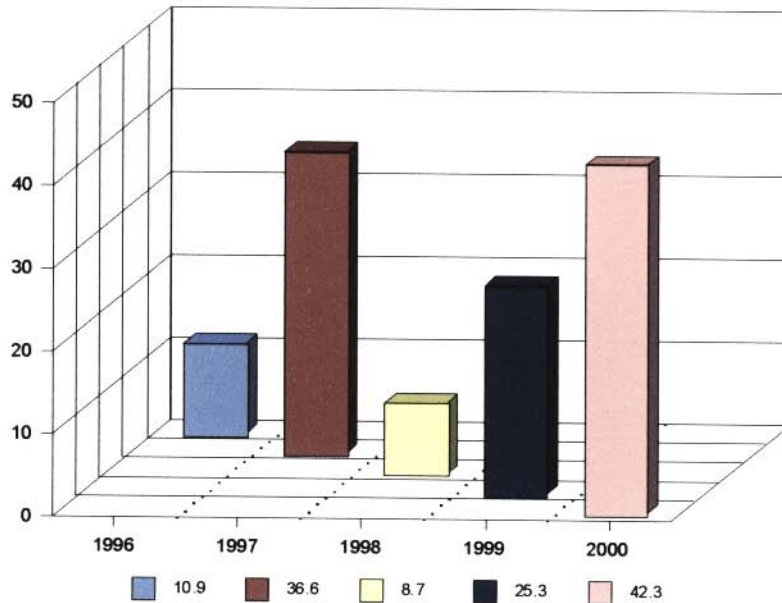
In order to strengthen the commercialized funding of SMEs, the government and relevant private institutions are developing an expanded and differentiated credit-guarantee system, which will be commercially run and jointly funded. Such a system also offers scope for targeted additional support to the disempowered, women and other categories of entrepreneurs.

#### **2.5.2.2 The Industrial Development Cooperation support to the SME sector**

Ntsika Enterprise Promotion Agency (2000: 67) mentions that the IDC intensified its involvement in the SME sector, pushing up the share of SMEs in the total value of approvals from 11% in 1996 to 40% in 2000, representing 90% of the total number of authorisations. Further, since 1996, the IDC has given more than

R4 billion to 1200 SMEs, creating more than 35000 jobs and generating export earnings of over R4, 3 billion.

**Figure 2.2 SME's as a % of total IDC approval value**



Source: Ntsika Enterprise Promotion Agency: 2000:67

Figure 2.2 shows the IDC's role in promoting economic development through financial support to the SME sector. The IDC intensified its financial support for the SME sector from 11% in 1996 to 40% in 2000. This figure reflects a positive attitude towards financing SMEs

#### **1.1.1.1 Access to finance: Khula Enterprise Finance LTD**

Ntsika Enterprise Promotion Agency (2000: 11) argues that Khula's main mandate is to reach out to the formerly disadvantaged individuals who, for entrepreneurial purposes, need access to finance. There are various mechanisms that have been put in place to perform this function.

The Khula-start programme is an entry-level programme that provides loans to

first time borrowers in the survivalist sub-component of the SMME sector. The next level of financial support follows the growth of the business, which are larger loans provided by Retail Financial Intermediaries (RFI's) through the micro lending programme support products thereafter targets the commercial banks and aims to assist the more established entrepreneur through the Khula Credit Guarantee Scheme. Khula's Equity Fund services the top end of the market. It acquires an equity stake in the venture, thereby improving the gearing ratio and allowing the entrepreneur to expand or initiate a business. An exit/profit sharing strategy is predetermined.

The Khula Thuso Mentorship programme assists clients in terms of pre and post loan support. The network of experienced mentors, both individuals and organisations, covers all major metropolitan and most rural locations.

#### **2.5.2.4 Entrepreneurial finance plays a role in industrial development**

The availability of finance is often the key towards enhancing and promoting the culture of entrepreneurial development. According to Industrial Development Corporation of South Africa Limited (1999: 34), the functions of the Entrepreneurial Finance Department are the provision of assistance to the emerging entrepreneurs in preparing their proposals as well as the promotion of IDC financing. In this instance, emerging entrepreneurs are defined as individuals with limited experience in managing their own industrial concerns, who have a minimum loan requirement of R200 000 and whose projects may require some form of equity participation by the IDC to ensure the sound structuring of their businesses.

The Entrepreneurial Finance Schemes are aimed at empowering industrialists from previously disadvantaged communities and assisting all other emerging industrialists in establishing new enterprises or expanding existing industrial concerns.

#### **2.5.2.5 Access to venture capital finance**

According to Ntsika Enterprise Promotion Agency (2000:12) venture capital has become an increasingly important source of funding for enterprises in South Africa that require expansion funds in excess of the amount covered by the Khula Credit Guarantee. With the total amount of funds under management by venture capital and private equity funds in South Africa of approximately R28 billion, this complements various government efforts to promote small enterprises. Investments made in the industry represent about 1.5 percent of South Africa's GDP. The number of venture capital funds has increased dramatically since 1994, and the sources of funds have also increased to include government and agency support.

Ntsika Enterprise Promotion Agency (2000:12) further reiterated that the term venture capital has been applied differently in different countries. Broadly speaking, venture capital firms invest in enterprises in exchange for an equity stake. Strictly speaking, venture capital is a subset of private-equity and refers to riskier equity investments, in particular, in the early development stages of the enterprise's life cycle. Therefore, the overriding feature of venture capital participation is the level of risk involved.

#### **2.5.2.6 The role of “equity” financing**

Pretes (2002: 1344) states that equity financing in the form of grants, can successfully address some of the inherent problems of credit financing. Equity financing, which is a common source of capital for most enterprises in Western Industrial countries, need not be the exclusive source of start up capital for a micro enterprise. For example, innovative businesses in the United States, Europe and Japan, especially those in the high technology sector, where product innovation is essential, initially rely on equity financing, which is later supplemented with credit once the business becomes established. Most high technology business start-ups have as little initial access to bank loans as do any of the poor in developing countries, because they lack the same requirements, such as credit history and collateral. Therefore many business start-ups look to venture capitalists who agree to share the risks as well as the rewards. This is especially true of enterprises with interested products, untested markets, or where the entrepreneur is largely unknown.

Equity financing provides reduction of risk (by sharing it between the entrepreneur and the financier) and lower transaction costs. With shared risk, the poor can consider starting new enterprises or adopting innovations that might prove too risky if financed through borrowed capital. The transaction costs of small grants may also be lower than the transaction costs of small loans, because processing and collecting a small loan takes a great deal of time but does not

generate much revenue. Equity grants avoid the cost of collection entirely and minimize processing costs, because the recipient's credit history does not need to be thoroughly researched. A further benefit of equity financing is that it can create credit worthiness for the entrepreneur. An established business, after initially being started with a grant, stands a much better chance of qualifying for credit than does an unknown start up. An equity grant creates a partnership between the entrepreneur and the financier, both of whom have an interest in the success of the business.

## **2.6 Property Development**

The provision of adequate and proper infrastructure is crucial to the development and a growth of small businesses. According to the Industrial Development Corporation of South Africa Limited (1999: 39), the primary objective of the Property Improvement Department is to promote industrial development through the provision of general-purpose factory buildings for SMEs, as well as serviced industrial land for light and general industry. Leased buildings are available in various locations within Spatial Development Initiatives (SDIs) and other areas in South Africa. Buildings within SDIs are located at Middleburg (Mpumalanga), Atlantis, East London, Durban, Richards Bay, and Saldanha Bay.

## **2.7 Tendering's role to the success of small businesses**

### **2.7.1 Access to tendering opportunities for small businesses**

Tendering opportunity is often significant to the development of small businesses. According to Public Sector Procurement Reform in South Africa (1995: 11), an objective of the Procurement Reform process is to create an enabling environment for SMEs and to promote participation by emerging enterprises in public sector procurement activities. There is, therefore, an urgent need to develop an interim strategy for a preference mechanism, which promotes easy access for the SMEs



and those persons previously disadvantaged.

### **2.7.2 The establishment of tender advice centre**

SMEs. According to the Public Sector Procurement Reform in South Africa (1995: 4), TAC will be located at the state and Provincial Tender Board Offices. This initiative will be developed in consultation with the Department of Trade and Industry who has also indicated their interest to finance this initiative in conjunction with its role in providing support structures for SMEs with particular reference to its responsibility for providing access to information and advice. The Department of Public Works(1997:6) adds that through the transformation of tender process, DPW is intergrating smaller enterprises, especially those run by women, youth ad disabled people into Construction and property operations, and is enhancing its maintenance operations via outsourcing and subcontracting. The DPW is developing closer ties to key Department of Trade and Industry programmes with financing, technical backup, training and logical matters.

### **2.8 IDC empowering black businesses**

The Industrial Development Cooperation (IDC) (2001: 48), over the past years, it has fully embraced the challenge of effectively contributing to the rapid advancement of Black Economic Empowerment (BEE). In its mission statement it affirms that balanced and sustainable economic growth is only attainable through the full participation of all South Africans. The IDC views BEE as a process through which the historically disadvantaged acquire build and increase their share in the wealth creation of the economy. Thus, the multidimensional process involves addressing the inequalities of the past, releasing resources and creating opportunities for entrepreneurial development while accelerating job creation and affirmative advancement in the work place. The Department of Public Enterprises (2002/2003) adds that in line with the Government policy framework, SOEs have been playing a leading role in BEE procurement aimed at

enhancing enterprises owned by HDIs.

## **2.9 Interfirm linkages**

A business should not be an island and no business can operate competently and productively in isolation. For a firm to be successful, the establishment of linkages with other firms is a must as interfirm linkages enhance the sharing of business knowledge and information. According to McCormick et al, (1997: 1101), interfirm linkages are gaining attention as researchers increasingly recognize that firms rarely exist in total isolation from one another and that their interconnections might affect their chances of success. The study thus gathered limited information about the various types of firms and entrepreneurial interactions that may point the way to future research on firm linkages. All categories of firms seem to have established networks of suppliers, machine vendors, workers, and customers. The way businesses choose suppliers illustrates the interaction of markets and other networks.

Location is a tangible basis for interfirm links. Recent literature on developing country industrial clusters particularly emphasises the opportunities they provide for marketing and production linkages. The most common linkages involve firms, assisting one another in cases of machine breakdown or with new designs and patterns. General trade associations, sectoral, and subsectoral associations are all ways in which firms, especially small firms, can share information and increase their bargaining power.

Levitsky and Mikkelsen (2001:55) reiterate that interfirm cooperation can be developed and enhanced through the creation of networks. Networking creates a good environment for learning by self discovery to small business owner-managers. Hendry et al. (1995:37) even mention that the value of networks in the early development of the small firm is widely recognized, especially in the growth of high technology firms. Networks are beginning to be seen as a general strategic

resource for all kinds. Briefly, networks are the means by which firm gains knowledge of their customer markets and access to various materials, financial and human resources for doing business. Jones and Tilley (2003:156) reiterate that those literature on small firms have increasingly acknowledged the contribution of personal contact networks and, in particular, the networking of the owner-manager to the success of the small business. It is argued that networks provide the owner-manager with access to a whole range of complementary experiences and expertise that, if managed effectively, helps to reduce risk and speed up decision-making, and act as a safe environment where ideas can be tested out with trusted others.

#### **2.10 Implementing Total Quality Management (TQM) in small businesses**

Total Quality Management (TQM) plays a vital role in effective and efficient management of the small business sector. It emphasizes the involvement of every employee in the affairs of the organisation. According to Hodgetts and Kurattiko (1998:366-372) Total Quality Management (TQM) refers to an all-encompassing, quality-focused approach to managing a firm's operations. A small business that adopts a philosophy of total quality management must be dedicated to the pursuit of its activities. This philosophy is described as a cultural phenomenon, an adoption of basic values related to quality. Building a TQM programme that produces a superior-quality product or service takes dedication and the best efforts from the entire organization.

## **2.11 Empower employees - Generate new ideas**

Employees tend to be effective and productive when empowered. They bring creative ideas that can contribute to the success of the organization. Hodgetts and Kuratko (1998:369) mention that empowerment is the authority to personally take control and make decisions. Baldrige Award<sup>1</sup> - winning firms invest a great deal of time and effort in teaching and encouraging their personnel to become more personally involved and to use their empowered authority to accomplish tasks.

Thus, closely linked to the concept of empowerment is the goal of generating new ideas. In addition to giving employees the authority to make decisions, Baldrige Award winners encourage personnel to think up new ways to accomplish tasks and submit these ideas for review and implementation.

## **2.12 The use of technological advancement in effective small business management**

### **2.12.1 The use of information technology**

Information technology has become a key towards the success of all kinds of businesses. It provides business information to business people. Information technology empowers small business owners with the most relevant and most needed business information. According to Wysocki and Demichilli( 1997:5), the main reason for the interest in information by modern business enterprises is the development of information technology because it allows an enterprise to become more active within the internal and the external environment and is considered to be the cornerstone for achieving competitive advantage(DuToit:1998:205). According to Wormell (1991:203) information technology is strongly affecting

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<sup>1</sup>The U.S. Congress created “ Malcolm Baldrige Quality Award” to encourage quality management in US businesses

the economy, changing the rules of competition, transferring the nature of products, process and enterprises. Alcorta (1994:758) adds that information technologies, have led not only to a series of developments in consumer electronics, but also, and perhaps more importantly, to the fabrication of more advanced design and manufacturing equipment.

### **2.12.2 The World Wide Web and its role in providing information**

The World Wide Web has become very useful with regard to providing knowledge and information to the business community. Shokane (2001: 21) shares this idea that the continuous changes in technology, i.e., particularly the proliferation of the World Wide Web as a valuable tool for acquiring business information in rural areas, has undoubtedly become a stimulating subject. The World Wide Web is conscientizing business managers how easily information can be stored in different locations in a variety of formats.

Shokane (2001:34) further argues that enterprises in rural areas have begun to realize that the WWW makes it easier to deploy enterprise wide messages through electronic mail. It is seen as a means of communicating with employees, and as a tool to interact with customers. This encourages new opportunities to gather feedback about products. The use of electronic mail also reduces business enterprises' printing and postage costs.

### **2.12.3 Internet**

The availability of the Internet has brought some vital business opportunities to all kinds of businesses. At the press of a button, small business managers/entrepreneurs can get access to vital business information that can contribute to their business' success. Through information on the Internet, small businesses can be managed effectively in a sustainable way. According to Longernecker et al. (2000:470-471), the Internet allows its users to receive and

disseminate information around the globe. It has become an indispensable means by which small firms can reach large untapped markets and communicate with both suppliers and customers.

The failure of a small firm to incorporate the Internet into its plans is almost equivalent to not using a computer at all. The Internet has something to offer to all small business owners, not just those who are technologically advanced. Firms all over the world are using the Internet to develop entirely new ways of doing business—for example, dealing directly with suppliers, customers, and millions of potential individual on-line shoppers. Also, in today's information economy, where rapid access to knowledge is critical to the success of any firm, the Internet helps small firms to keep up with new knowledge.

Once considered too difficult for small business owners to use, the Internet is now a powerful and cost-effective way to communicate with clients and associates and to learn the latest about what is happening in a given field. It has become a significant tool for smaller firms seeking to become more competitive. Effective use of the Internet is independent of firm size a small company can look like a big company on the Internet. Two primary means of using the Internet are electronic mail (e-mail) and the Web browser. Warner (1997:11) even mentions that the Internet is the latest example of the impact of a new technology. The result is far-reaching and complex social change, with significant contribution for business around the world.

### **2.13 The benefits of using information technology**

The information technology brought massive benefits to small business managements. Mody and Dahlman (1992: 1708) reiterate the significant technological developments for companies and other organizations:

- ❖ First, they reduce unit costs of operation. Essentially this occurs through the reduction of processing time, lower transaction costs, lower

inventory costs, and smaller material wastage. In developed countries, the resulting lower labour costs also help.

- ❖ Second, it can provide first –mover and other strategic advantages when used creatively to produce new products or control a distribution channel.

#### **2.14 Summary**

This chapter has focused on the constraints that hinder the development and growth of small businesses. Small businesses are faced with both external and internal constraints that severely affect their success. It also examined on the critical success factors such as the creation of small business friendly regulations, tendering opportunities, access to finance, interfirm linkage, the use of information technology, implementation of Total Quality Management, the use of Internet and the benefits of using information technology.

## CHAPTER THREE

### 3. Empirical data analysis

#### 3.1 Introduction

This Chapter presents the interpretation and analysis of data collected from service and retail businesses at Giyani Business Centre by means of a questionnaire comprising closed and open-ended questions. The researcher used face-to-face and structured interviews to collect the data from the sampled small businesses. In analysing the data, tables, numbers and percentages were used to present the data through the advanced computer programme called Statistical Products and Service Solutions (SPSS) in order to interpret the results.

The following aspects will be scrutinized in this chapter: the position or title of the respondent in the enterprise; the educational level of the owner/managers; the period of operating the current business; the number of employees including the owner/manager; the chamber of commerce and its contribution to business success; the satisfaction with the business location; the level of satisfaction with government regulations and laws; the level of satisfaction with access to finance; the level of satisfaction with government support; the level of satisfaction with market access; business premises; water, sanitation, electricity, road and telecommunications infrastructure; the attendance of business training courses/workshops; the benefits for attending business training/workshops ; the level of satisfaction with managerial skills; the effects of various types of crimes on businesses; the level of rent payment; the level of tax payment; the business marketing; the business advertisement; the types of advertisements; the three main constraints severely affecting small businesses; the demand opportunities; an explanation of the demand opportunities facing businesses; business contacts; computer usage; business opportunities through the use of information technology; other business opportunities; the level of owner/manager's life improvement since operating the business, and suggestion that can lead to



improvement and success of a business.

### 3.2 Nature/ type of businesses

The study focussed on a number of respondents running different types of small businesses at Giyani Business Centre.

**Table 3.1 Distribution of respondents by type/nature of businesses**

Service Businesses	No	%
Hair Salon	5	33.3
Restaurant	4	26.6
Printing business	2	13.3
Financial Services	1	6.7
Car Wash	1	6.7
Multi Service	1	6.7
Dry Clean	1	6.7
<b>Total</b>	15	100
Retail Businesses:	No	%
Hard wares	8	14.3
Bookshop	2	3.6
Trading stores	13	23.2
Frozen foods	5	8.9
Motor spares	3	5.4
Supermarkets	12	21.4
Record bars	6	10.7
Electronic shops	2	3.6
Steels and bolts	2	3.6
Juice businesses	1	1.7
Furniture Shops	2	3.6
<b>Total</b>	56	100

Table 3.1 reflects the distribution of respondents according to type of businesses in both service and retail businesses.

In service businesses, the highest percentage (33.3%) of the businesses visited were hair salons, the second highest percentage (26.6%) of the businesses to be visited were licensed restaurants, followed by (13.3%) printing businesses; (6.7%) financial services; (6.7%) car wash; (6.7%) multi service, and (6.7%) dry cleaners.

In retail business, the highest percentage (23.2%) of the businesses visited were the trading stores, followed by (21.4%) supermarkets; 8 (14.3%) hard wares; (10.7%) record bars; (8.9%) frozen food; (5.4%) motor spares; (3.6%) bookshop; (3.6%) electronic shops; (3.6%) steel and bolts; (3.6%) furniture business, and (1.7%) juice business.

### 3.3 Position of the respondent in the enterprise

**Table 3.2 Position of respondents in the enterprise.**

	Business type				Total		
	Service		Retail				
	No	%	No	%	No	%	
Position of the respondent	Owner	5	33.3	14	25.0	19	26.8
	Manager	10	66.7	42	75	52	73.2
Total		15	100	56	100	71	100

Table 3.2 shows that the majority of both the service 10 (66.7%) and the retail 42 (75.0%) respondents indicated at the time of the survey that they were the managers of their businesses. This can be attributed to the fact that most of the small business owners employed other people to manage their small businesses on their behalves.

### 3.4 Gender

**Table 3.3 Gender**

	Business type				Total	
	Service		Retail			
	No	%	No	%	No	%
Gender	Male	53.3	35	62.5	43	60.6
	Female	46.7	21	37.5	28	39.4
	7					
Total	15	100	56	100	71	100

Table 3.3 reflects that majority of both the service 8(53.3%) and retail 35(62.5%) respondents were males. The fact that most of the respondents in both services and retail respondents were males shows that it is still a major concern with regard to addressing and promoting gender equity at work places. The New Labour Relation Act of 1995 emphasises the promotion of gender equity at work places by employing women at senior managerial positions. In terms of what has been reflected above, it is clear that gender equity is not likely to be realised as most of the small businesses are not considering it.

### 3.5 Educational level of the respondent

**Table 3.4 Distribution of respondent by educational level.**

		Business type				Total	
		Service		Retail			
Education		No	%	No	%	No	%
	None			2	3.6%	2	2.8
	Primary			3	5.4%	3	4.2
	Secondary	11	73.3	27	48.2	38	53.5
	Diploma	4	26.7	14	25.0	18	25.4
	Degree			10	17.9	10	14.1
Total		15	100	56	100	71	100

Table 3.4 shows that the majority of both the service 11(73.3%) and retail 27(48.2) respondents indicated that they had “secondary education” as their highest educational qualification. It is a positive attitude to realise that the respondents of the both the service and retail businesses had more than basic literacy education. This is also a positive attitude towards effective small business management, as their education will provide them with more opportunities for further business education.

### 3.6 Number of years operating your enterprise

**Table 3.5 Number of years in business**

		Business type				Total	
		Service		Retail			
Years in business		No	%	No	%	No	%
	0-1yr	1	6.7	4	7.1	5	7.0
	1-2yr	4	26.7	13	23.2	17	23.9

	3-5yr	6	40.0	18	32.1	24	33.8
	6-10yrs	2	13.3	11	19.6	13	18.3
	10 yrs	2	13.3	10	17.9	12	16.9
<b>Total</b>		15	100	56	100	71	100

Table 3.5 indicate that the majority of both the service 6(40.0%) and retail 18(32.1%) respondents have been in business operations for “3 to 5 years”. This can be attributed to the fact that some of the small businesses were inherited from parents and it is still unknown as whether they will still be sustainable after period of ten years. The fact that some respondents in both service and retail businesses have been in business operations for 6 to 10 years and 10 years and above shows that there is an element of business sustainability.

### 3.7 Number of employees

**Table 3.6 Number of employees including the owner/manager**

	Business type						Total	
		Service		Retail				
			No	%	No	%	No	%
No. of employees	1-5	12	80.0	38	69.1	50	71.4	
	6-10	2	13.3	10	18.2	12	17.1	
	11-15	1	6.7	5	9.1	6	8.6	
	20-30			2	3.6	2	2.9	
<b>Total</b>		15	100	55	100	70	100	

Table 3.6 shows that the majority of both the service 12(80.0%) and the retail 38(69.1%) respondents indicated that their businesses employed “1 to 5 employees”. The fact that most of the small businesses employed 1 to 5 employees is an indicative that they still experience some constraints that affect their growth. This low number of employees in the majority of the small

businesses suggests that they are not doing well and that they were not even increasing the number of employees for a very long period. As a result, small businesses seems not to be playing role in creating job opportunities as well as alleviation of chronic unemployment.

### 3.8 Chamber of Commerce

**Table 3.7 Chamber of Commerce**

			Business type				Total	
			Service		Retail			
			No	%	No	%	No	%
Chamber of Commerce	Yes	4	26.7	11	20.0	15	21.4	
	No	11	73.3	44	80.0	55	78.6	
Total		15	100	55	100	71	100	

Table 3.7 shows that majority of both service 11(73.3%) and retail 44(80.0%) respondents indicated that they did not belong to a chamber of commerce. This is a great concern because Chamber of Commerce often tends to give business advices and information, business opportunities as well as business training and workshops to their respective members.

### 3.9 Name of chamber

**Table 3.8 Name of chamber of Commerce**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Name of chamber of commerce	Pbg	2	50.0			2	13.3
	Nafcoc	2	50.0	7	63.6	9	60.0
	Others			4	36.4	4	26.7
Total		4	100	11	100	15	100

Table 3.8 reflects that a significant number 2(50.0%) of the service businesses affiliated to Pietersburg Chamber of Commerce while in retail businesses, there was no respondent affiliated to Petersburg Chamber of Commerce. Another significant number of service businesses affiliated to NAFCOG while most of the respondents 7(63.6%) in the retail businesses affiliated to it.

### 3.10 Contribution to the business by the chamber of commerce

**Table 3.9 Contribution to the businesses by the chamber of commerce.**

Contribution to the business by the Chamber of Commerce		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
None		11	73.3	51	91.1	62	87.3
Business information		2	13.3	4	7.1	6	8.5
Business knowledge		2	13.3	1	1.8	3	4.2
Total		15	100	56	100	71	100

Table 3.9 reflects that the majority of both the service 11(73.3%) and retail 56(91.1%) respondents indicated that they did not benefit out of joining the Chamber of Commerce. This can be attributed to the fact that business chambers often did not give business advices and information based on the business needs of their members. As a result, most the members of the respondents terminated their memberships and even discouraged other small business people not to join Chamber of Commerce.

### 3.11 Location satisfaction

**Table 3.10 Satisfaction with business location**

Business Type									
Service					Retail				
	No	Mean	Std. Deviation	Std. Error Mean	No.	Mean	Std. Deviation	Std. Error Mean	P. Value
Location Satisfaction	15	8.13	2.167	.559	56	6.36	2.838	.379	.0028

The above table shows the results of a test which has been done to compare mean business location satisfaction scores between service and retail businesses. The mean for service businesses (8.13), differs significantly from the mean for retail businesses (6.36) with P. value of 0.028. This means that service businesses are more satisfied with location than retail businesses. This can further be attributed to the fact that most of the service businesses such as the hair salons and restaurants choose a business location while looking at customers' movements and that they can easily be moved from one area to another as opposed to general dealers or supermarkets which require big premises.



### 3.12 Satisfaction with government regulations

**Table 3.11 Satisfaction with government regulations**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Satisfaction with Government regulations	V. Satis	5	33.3	11	19.6	16	22.5
	Satisf	5	33.3	20	35.7	25	35.2
	Neutra	2	13.3	19	33.9	21	29.6
	Unsati	2	13.3	3	5.4	5	7.0
	V. Unsa	1	6.7	3	5.4	4	5.6
Total		15	100	56	100	71	100

According to Table 3.11, 5(33.3%) of service and 20(35.7%) of retail respondents indicated that they were “satisfied” with government regulations.

A significant number 5(33.3%) of the service respondents indicated that they were “very satisfied” with government regulations. On the other hand, 11(19.6) respondents were satisfied with government regulations.

A significant number of the retail 19(33.9%) respondents indicated that they were “neutral” with government regulations.

The above interpretations indicates that most of the respondents in both the service and retail businesses were not experiencing constraints with regard to the government regulations. This positive attitude constitutes towards the creation of conducive environment that can allow small businesses to operate at maximum level with minimum constraints. This will definitely result in the maximisation of profit. Small business friendly regulations tend to attract potential entrepreneurs

to establish their enterprises, and resulting in the creation of more job opportunities and the alleviation of unemployment.

### 3.13 Satisfaction with access to finance

**Table 3.12 Satisfaction with access to finance**

		Business type				Total	
		Service		Retail			
		No	%	No	%		
Satisfaction with access to finance	V. Satisfied	3	20.0	2	3.6	5	7.0
	Satisfied	2	13.3	4	7.1	6	8.5
	Neutral	2	13.3	7	12.5	9	12.7
	Unsatisfied	1	6.7	2	3.6	3	4.2
	V. Unsatisfied	7	46.7	41	73.2	48	67.7
Total	Total	15	100	56	100	71	100

Table 3.12 reflects that the majority of the respondents in both the service 7(46.7%) and retail 41(73.2%) indicated that they were very unsatisfied with regard to access to finance, and their reasons were that “ they experienced collateral related barrier” to financial accessibility. This clearly reflects the fact that financial accessibility is still a barrier facing most of the small business people without sound business records. A collateral requirement as a prerequisite in financial accessibility still hinders the start and development of small businesses, and financial institutions play big role in this regard.

### 3.14 Satisfaction with government support

**Table 3.13 Satisfaction with government support**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Satisfaction with access to finance	V. Satisfied	3	20.0	3	5.4	6	8.5
	Satisfied	1	6.7	4	7.1	5	7.0
	Neutral	3	20.0	10	17.9	13	18.3
	Unsatisfied			2	3.6	2	2.8
	V. Unsatisfied	8	53.3	37	66.1	45	63.4
Total		15	100	56	100	71	100

Table 3.13 shows that majority of both service 8(53.3%) and retail 37(66.1%) respondents indicated that they were “very unsatisfied” with support from the government, and their reasons were that institutions responsible for SME development were not effective. The fact that there was no adequate support to small businesses often tends to affect their development and growth as well as contributing to their unsustainability and resulting in unemployment. Lack of support to small business sector also discourages and demotivates potential entrepreneurs from starting new enterprises. As long as there is no effective policy in place to support SME, poverty and unemployment will remain a chronic problem.

### 3.15 Satisfaction with market access

**Table 3.14 Satisfaction with market access**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Satisfaction with market access	V. Satisfied	6	40.0	12	21.4	18	25.4
	Satisfied	8	53.3	22	39.3	30	42.3
	Neutral			14	25.0	14	19.7
	Unsatisfied			5	8.9	5	7.0
	V. Unsatisfied	1	6.7	3	5.4	4	5.6
Total		15	100	56	100	71	100

Table 3.14 shows that the majority of the respondents in both the service 8(53.3%) and retail 22(39.3%) indicated that they were satisfied with access to market. This is a positive attitude towards small business success and growth as access to market often provides fundamental and unlimited business opportunities. Access to market often motivates and encourages small business people to be at the higher level of productivity. This further encourages the potential entrepreneurs to start new enterprises.

### 3.16 Satisfaction with business premises

**Table 3.15 Satisfaction with business premises**

Business type									
Service					Retail				
Business premises satisfaction	No	Mean	Std. Deviation	Std. Error or mean	No	Mean	Std. Deviation	Std. Error mean	P. value

	15	6.80	3.342	.863	56	6.66	2.752	.368	0.868
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Table 3.15 shows the results of a test which was done to compare the mean business premises satisfaction scores between service and retail businesses. The mean for service businesses (6.80), does not differ significantly from the mean of retail businesses (6.66) with P value of 0.868, which means that both retail and service business were less satisfied with their business premises. Their reasons were based on the fact that there was no space available to build other business premises as their premises were jam-packed and there was no conducive space necessary for effective productions.

### 3.17 Level of satisfaction with the state of water infrastructure

**Table 3.16 Level of satisfaction with the state of water infrastructure**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Satisfaction with The state of water infrastructure	V. Satisfied	2	13.3	11	19.6	13	18.3
	Satisfied	3	20.0	31	55.4	34	47.9
	Neutral			4	7.1	4	5.6
	Unsatisfied	2	13.3	3	5.4	5	7.0
	V. Unsatisfied	8	53.3	7	12.5	15	21.1
Total		15	100	56	100	71	100

Table 3.16 shows that the majority 8(53.3%) of the service respondents were very unsatisfied with the state of water infrastructure in their business environments. They indicated that their reasons were based on the fact that they experienced frequent water cut-offs. This can further be attributed to the fact that most of the service businesses depended on water to provide services. While on the other hand, the majority 31 (55.4) of the retail respondents were satisfied with the state of water infrastructure in their business environments. This can be attributed to the fact that retail businesses do not use water frequently like service businesses

such as restaurants. Even if there can be water cut offs, the businesses will still continue without experiencing major problems that can force them to shut down for the whole day.

### 3.18 Level of satisfaction with the state of sanitation infrastructure

**Table 3.17 Level of satisfaction with the state of sanitation infrastructure**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Satisfaction with the state of sanitation	V. satisfied			4	7.1	4	5.6
	Satisfied	1	6.7	2	3.6	3	4.2
	Neutral			6	10.7	6	8.5
	Unsatisfied	4	26.7	30	53.6	34	47.9
	V. unsatisfied	10	66.7	14	25.0	24	33.8
Total		15	100	56	100	71	100

Table 3.17 reflects that most of the respondents in both the service 10(66.7%) and retail 30(53.6%) indicated that they were largely very unsatisfied and unsatisfied with the state of sanitation infrastructure in their business environments, and their reasons were that there were no adequate and proper toilet facilities. This can further be attributed to the fact that there have been frequent toilets blockage in the Giyani Business Centre and that negatively affected business activities.

### 3.19 Satisfaction with the state of electricity

**Table 3.18 Level of satisfaction with the state of electricity**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Satisfaction with the state of electricity	V. Satisfied	5	33.3	12	21.4	17	23.9
	Satisfied	2	13.3	3	5.4	5	46.5
	Neutral			7	12.5	7	9.9
	Unsatisfied	7	46.7	26	46.4	13	46.5
	V. Unsatisfied	1	6.7	8	14.3	9	12.7
Total		15	100	56	100	71	100

Table 3.18 shows that a high number of respondents in both the service (7(46.7%)) and retail (26(46.4%)) indicated that they were unsatisfied with the state of electricity in their business environments, and they indicated their reasons were that they experienced frequent electricity cut-offs. Electricity as the main source of power plays a vital role to the success and development of small businesses. The fact that there was dissatisfaction in both the service and retail respondents means that the state of electricity is not conducive to small businesses development as well as the promotion and creation of the culture of entrepreneurship.

### 3.20 Satisfaction with the state of road infrastructure

**Table 3.19 Satisfaction with the state of road infrastructure**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Satisfaction with state of roads infrastructu re	V. Satisfied	10	66.7	27	49.1	37	52.9
	Satisfied	5	33.3	17	30.9	22	31.4
	Neutral			2	3.6	2	2.9
	Unsatisfied			5	9.1	5	7.1
	V. Unsatisfied			4	7.3	4	5.7
Total		15	100	55	100	70	100

Table 3.19 reveals that the majority of the respondents in both the service 10(66.7%) and retail 27(49.1%) businesses indicated that they were very satisfied with the state of road infrastructure in their business environments. Adequate roads infrastructure tends to enhance development of small businesses as it contributes to smooth transportation of goods and services.

### 3.21 Satisfaction with telecommunication net work infrastructure

**Table 3.20 Satisfaction with telecommunication network infrastructure**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Satisfaction with telecommunica tion	V. Satisfied	8	53.3	25	44.6	33	46.6
	Satisfied	5	33.3	24	42.9	29	40.8
	Neutral	1	6.7	1	1.8	2	2.8
	Unsatisfied			2	3.6	2	2.8



network	V. Unsatisfied	1	6.7	4	7.1	5	7.0
Total		15	100	56	100	71	100

According to table 3.20, the majority of both the service 8 (53.8%) and the retail 25(44.6%) respondents indicated that they were “very satisfied” with the state of telecommunication infrastructure in their business environments. This can also be attributed to the regular servicing of telecommunication network as well as the availability of immobile phones, which makes business communication possible.

A significant number shows that 5(33.3%) of the service and 24(42.9%) of the retail respondents were “satisfied” with the state of telecommunication infrastructure in their business environments. It is a positive attitude to realise that a significant number of respondents in both the service and retail businesses were “satisfied” with the state of telecommunication infrastructure in their businesses.

### 3.22 Attendance of business training courses / workshops

**Table 3.21 Attendance of business training courses/workshops**

	Business type				Total		
	Service		Retail				
Business training		No	%	No	%	No	%
	Yes	9	60.0	25	44.6	34	47.9
	No	6	40.0	31	55.4	37	52.1
Total		15	100	56	100	71	100

Table 3.21 reflects that most of the respondents 9(60.0%) of the service businesses indicated that they attended business training courses/workshops. This is a positive attitude towards the growth of their businesses as business training often empowers small business people with business knowledge and information. While on the other hand, a high number 31(55.4 %) of the respondents in retail

small businesses mentioned that they did not attend business training courses/workshops. It is clear that retail small businesses were losing vital business knowledge and information because of not attending business training courses/workshops. Business training courses/ workshops are very important for the success of any kind of a business.

### 3.23 Business training/workshop benefits

**Table 3.22 The benefits for attending training/workshop benefits**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Training benefits	Not benefited	7	46.7	32	57.1	39	54.9
	Management skills	8	53.3	12	21.4	20	28.2
	Busi-knowledge			12	21.4	12	16.9
Total		15	100	56	100	71	100

Table 3.22 shows that the majority 8(53.3%) of the service respondent mentioned that they improved their management skills after attending business training courses/workshops. This is a positive attitude in the sense that managerial skills obviously contribute to effective and efficient business managements. Business skills often contribute to business sustainability and resulting in long term job creations. While on the other hand, the majority 32(57.1%) of the retail respondents indicated that they did not benefit out of attending business training courses/workshops. This can be attributed to the fact that training organizations often conducted their business training courses/workshops without consulting small business people (retailers) in order to find out their problematic areas, as well as to design training programmes that can meet their needs.

### 3.24 Managerial skill satisfaction

**Table 3.23 Satisfaction with managerial skills**

Business type									
Service					Retail				
Managerial skills satisfaction	No	Mean	Std. Deviation	Std. Error Mean	No	Mean	Std. Deviation	Std. Error Mean	P. Value
	15	7.93	2.404	.621	56	7.55	1.788	.239	0.501

The above table shows the results of test, which was done to compare the mean managerial skills satisfaction scores between service and retail businesses. The mean for service businesses, (7.93) does not differ significantly from the mean of retail businesses (7.55) with the P value = 0.501, which means that both retail and service businesses were satisfied with their managerial skills. This is a positive attitude towards effective business management as poor business management often contributes to small business failure.

### 3.25 Types of crimes affecting your small business

**Table 3.24 Types of crimes affecting your small business**

		Business type					
		Service		Retail		Total	
		No	%	No	%	No	%
Types of crime affecting small businesses	Employee theft	1	6.7	6	10.7	7	9.9
	Burglary	1	6.7	12	21.4	13	18.3
	Shoplifting			18	32	18	25.4
	Violent crime			2	3.6	2	2.8
	No crime	13	86.7	29	51.8	42	59.2

Total	15	100	67	119.5	82	115.6
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**NB. Some of the respondents had more than one problem that is why the percentages have exceeded more than 100%.**

According to table 3.24, the majority 13(86.7%) of the service and 29(51.8%) of the retail respondents indicated that they did not experience crime in their businesses. Low crime often tends to enhance and contribute to the creation of conducive environment for entrepreneurship and small business development. It is a positive attitude to realise that both service and retail small businesses don't experience severe crime problems. This will motivate prospective/potential entrepreneurs and small business people to start and invest in their small businesses in order to make them flourish and grow.

### 3.26 Level of rent payment

**Table 3.25 Level of rent payment**

		Business types				Total	
		Service		Retail			
		No	%	No	%	No	%
Rent payment Level	Very high	2	13.3	19	35.2	21	30.4
	High	1	6.7	8	14.8	9	13.0
	Moderate	12	80.0	24	44.4	36	52.2
	Low			3	5.6	3	4.3
Total		15	100	54	100	69	100

Table 3.25 shows that both the majority 12(80.0%) of service and 24(44.4%) of the retail respondents indicated that rent level was "moderate". It is motivating to realise that the majority of both the service and the retail businesses did not experience negative impact of rent in their businesses, and this will increase the maximisation of profits as well as influencing potential small business people to establish their small businesses.

### 3.27 Level of tax payment

**Table 3.26 Level of tax payment**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Level of tax payment	Very high	2	13.3	8	14.3	10	14.1
	High	2	13.3	2	3.6	4	5.6
	Moderate	11	73.3	44	78.6	55	77.5
	Low			2	3.6	2	2.8
Total		15	100	56	100	71	100

Table 3.26 reflects that the majority of both the service 11(73.3%) and the retail 44(78.6%) respondents indicated that tax level was “moderate”. Moderate tax level often tends to enhance the maximisation of profits as well as motivating potential entrepreneurs to establish their small enterprises. Moderate tax level is also regarded as a business friendly environment, which can play a vital role in enhancing and influencing the development and growth of small businesses.

### 3.28 Business marketing

**Table 3.27 Business marketing**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Business marketing	Yes	12	80.0	39	69.6	51	71.8
	No	3	20.0	17	30.4	20	28.2
Total		15	100	56	100	71	100

Table 3.27 shows that majority of both service 12(80.0%) and retail 39(69.6%) of the respondents indicated that they were marketing their businesses. This is a positive attitude to small business development as marketing is a way of increasing inflow of customers into their businesses. Business marketing will also alleviate poor business location as it will make it possible for potential customers to know the location of a business as well as the various types of services and products available.

### 3.29 Advertisements

**Table 3.28 Types of business advertisements**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Business advertisements	None	10	66.7	34	60.7	44	62.0
	News paper	2	13.3	9	16.1	11	15.5
	Radio	2	13.3	12	21.4	14	19.7
	Loudspeaker	1	6.7	1	1.8	2	2.8
Total		15	100	56	100	71	100

Table 3.28 shows that the majority of both the service 10(66.7%) and retail 34(60.7%) respondents indicated that they did not advertise their businesses. Advertisement often contributes to business success and growth by attracting customers into businesses. It is a great concern the fact that the majority in both the service and retail small businesses do not advertise their services / products, and this affects their growth potentials. Advertisements often play a very important role in bringing customers to new/unknown businesses or less visited businesses and businesses that are invisible in terms of the their poor locations.

### 3.30 The constraints affecting your businesses

**Table 3.29 Name the constraints affecting your businesses**

Business Type	Service		Total			
	No.	%	No.	%	No.	%
Constraints						
(a) None	1	6.7%	3	5.5%	4	5.7
(b) Inadequate premises	3	20.0%	16	29.1	19	27.1
(c) Water cut off	9	60.5%	9	14.5	17	24.3
(d) Poor sanitation facilities	7	46.7%	9	16.4	16	22.9
(e) Electricity cut off	3	20.0%	5	9.1%	8	2.9
(f) Lack of adequate water storm drainage	2	13.3%	3	5.5%	5	7.1
(g) Poor communication	0	0	2	3.6%	2	2.9
(h) Outskirt/invisible business location	2	13.3%	5	9.1%	7	10.0
(i) Low demand	1	6.7%	5	9.1%	6	8.6
(j) Unfair competition	2	13.3%	10	18.2	12	17.1
(k) Lack of finance	0	0	6	10.9	6	8.6
(L) Bad payment (dept)	2	13.3%	1	1.8%	3	4.3
(M) High rent	0	0	8	14.5	8	11.4
(N) Shoplifting	1	6.7%	13	2.6%	14	20.0
(O) Employee theft	0	0	5	9.1%	6	7.1
(p) Robbery/violence	0	0	4	7.3%	4	5.7
(S) Burglary	1	6.7%	5	9.1%	6	8.6
Total	34	226.75	101	175.4	143	194.3

**NB. Some respondents had more than one problem that is why the percentage exceeded 100%.**

Table 3.29 shows that about 3(20.0%) of service and 16(29.1%) of retail respondents indicated that “inadequate premises” affected their businesses. Most of the small businesses have small premises; therefore, there were no spaces for putting stock and for effective productions. Small businesses were jam-packed to put the stock as well as to create environment for effective productions. Adequate premises are the preconditions for effective production as well as creating a conducive working environment.

The majority 9(60.0%) of the service respondents reflected that water cut offs affected their businesses. This can be attributed to the fact that the majority of the service small businesses in the Giyani Business Centre were hair salons and restaurants, which are completely relying on water and they use it more frequently than retail businesses such as supermarkets and hard ware, which use water only for drinking and sanitation purposes.

A significant number of service 7(46.7%) and 9(16.4%) of retail respondents indicated that “poor sanitation facilities” constrained their businesses. This can be attributed to the fact that lack of adequate water supply often affect the quality of sanitation. In other words there is also a strong relation between lack of adequate water supply and poor state of sanitation.

The results also shows that 3(20.0%) of service respondents indicated that “electricity cut offs” constrained their businesses. While 10(18.2%) of the respondents in the retail businesses indicated that unfair competition affected their small businesses.



### 3.31 Demand opportunities

**Table 3.30 Demand opportunities facing your business**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Demand opportunities	Yes	14	93.3	52	92.9	66	93.0
	No	1	6.7	4	7.1	5	7.0
Total		15	100	56	100	71	100

Table 3.30 shows that the majority of the respondents in both the service 14(93.3%) and retail 52(92.9%) indicated that they experienced demand opportunities for their goods and services in their businesses. This is encouraging and motivating to realise that both services and retail small businesses experienced more demand for their services/products. This has a positive influence to the start, development and growth of the small businesses, resulting in the creation of massive job opportunities as well as the growth of the economy in the Limpopo and Giyani area in particular.

### 3.32 Explanation of demand opportunities

**Table 3.31 Explanation of demand opportunities facing your business**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
None		1	6.7	4	7.1	5	7.0
Festive seasons		8	53.3	19	33.9	27	38.0
School terms		3	20.0	10	17.9	13	18.3
Throughout the year		3	20.0	23	41.1	26	36.6
Total		15	100	56	100	71	100

According to table 3.30, the majority 8(53.3%) of the service respondents indicated that they tend to experience demand opportunities during the festive seasons. This can be attributed to the fact that people prefer to decorate their hair during the festive seasons than other times of the year. Hair businesses tend to be very busy during this time of the year. Restaurants as well, tend to be very busy during the festive seasons, and this can be attributed to the fact that people tend to spend more money as well as preference for restaurant foods (take a ways) than to prepare food in their homes during such busy times. While 23(41) of the retail indicated to experience their demand opportunities throughout the year

### 3.33 Business contacts

**Table 3.32 Business contacts**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
Business contacts	Yes	9	60.0	21	37.5	30	42.3
	No	6	40.0	25	62.5	41	57.7
Total		15	100	71	100	71	100

Table 3.32 reveals that the majority 9(60.0%) of the service small businesses indicated that they had contacts with other businesses. It is a positive attitude to realise that the majority of the service small businesses had contact with other businesses. Business to business contacts is necessary to share business ideas and information. Businesses that maintain contacts tend to influence the growth of each other's businesses. While the majority 25(62.5) of the retail respondents indicated that they had no business contacts with other businesses due to the fear of disclosing information. Retail small businesses were losing vital business opportunities as business to business contacts often contributes to business success and growth, as it is a very effective way of promoting interfirm linkages.

### 3.34 Computer usage

**Table 3.33 Computer usage**

		Business type				Total	
		Service		Retail			
		No	%	No	%	No	%
	Yes	2	13.3	24	44.4	26	37.7
	No	13	86.7	30	55.6	43	62.3
Total		15	100	54	100	69	100

Table 3.33 shows that the majority of both the service 13(86.7%) and the retail 30(55.6%) respondents indicated that they did not use computer in their businesses. This can be attributed to the fact that many small business people were computer illiterate. The respondents who were not using computers in their small businesses are loosing vital business opportunities because computers have the ability to speed up commercial transactions. Computers are so much clearer for storing and distributing information compared to the old paper systems with their enormous postal and filling component. They improve client services as well as increasing the productivity of employees.

### 3.35 Business opportunities through information technology

**Table 3.34 Business opportunities through information technology**

	Business type				Total	
	Service		Retail			
	No	%	No	%	No	%
Business opportunities through IT						
Business information	1	6.7	6	10.9	7	4.3
Deal with customers and suppliers			3	5.5	3	2.9
Bring new knowledge			2	3.6	2	2.9

Communicate with clients, associates			4	7.3	4	5.7
Simplify and contribute to effective management	1	6.7	5	9.1	6	8.6
Others			2	3.6	2	2.9
None	14	93.3	43	78.2	57	81.4
Total	16	106.7	65	118.2	81	108.7

**NB Some of the respondents used IT for more than one purpose that is why percentage exceeded 100%**

According to table 3.34 the majority of both the service 14(93.3%) and the retail 43(78.2%) respondents indicated that information technology provided them with no business opportunities. This is a great concern to realize that the majority of both the service and retail businesses were not applying IT in their businesses, hence IT is behind the success of many businesses worldwide. This can highly be attributed to the fact that most of the respondents in both service and retail small businesses were computer illiterate and getting deep into using IT for business purpose would be very difficult for them. It is without a doubt that most of the business people are continuing to loose vital business opportunities provided by the IT all over the world. Today, computer literate business people can communicate and advertise their services/ products through the Internet around the world.

**3.36 The factors that are influencing and enhancing the creation of more business opportunities for your business**

**Table 3.35 The factors that are influencing and enhancing the creation of more business opportunities for your business**

	Business type				Total	
	Service		Retail			
	No	%	No	%	No	%
Factors influencing business opportunities						
None	2	13.3	13	23.2	15	21.1
Weekends/Holidays	1	6.7	1	1.8	2	2.8
Special events	9	60.0	8	14.3	17	23.9
Seasonal changes	2	13.3	7	12.5	9	12.7
Festive seasons			9	16.1	9	12.7
School terms			9	16.1	9	12.7
Special sales	1	6.7	5	8.9	6	8.5
Government programmes			4	7.1	4	5.6
Total	15	100	56	100	71	100

Table 3.35 shows that the majority 9(60.0) of the service respondents indicated that special events provided more business opportunities. This can be attributed to the fact that when there is special event such as sporting activities and others, service businesses such as hair salons and restaurants benefited enormously because of providing hair decoration as well as providing quick food services. While on the other hand, the majority 13(23.2%) of the retail respondents indicated that they had nothing that provided other business opportunities in their businesses.

### 3.37 The level of life improvement since started operating the business

**Table 3.36 The level of life improvement since started operating the business**

	Business type				Total	
	Service		Retail			
	No	%	No	%	No	%
<b>The level of life improvement</b>						
Improved very much	4	26.7	8	14.6	12	17.1
Improved	8	53.3	39	70.9	47	67.1
Remained the same	2	13.3	7	12.7	9	12.9
Deteriorated	1	6.7	1	1.8	2	2.9
<b>Total</b>	15	100	55	100	70	100

Table 3.36 shows that majority of both the service 8(53.3%) and the retail 39(70.9%) indicated that their lives have “improved” since they started operating their businesses. It is a positive attitude to realise that the lives of most of the respondents in both the service and retail businesses have improved. This should serve as an example in encouraging and motivating other people to start small enterprises as well as investing in developing the existing ones.

**3.38 Suggestion that can enhance the development and success of your business**

**3.37 Suggestion that can enhance the development and success of your business**

	Business type				Total	
	Service		Retail			
	No	%	No	%	No	%
Suggestion						
Access to finance	1	6.7	11	19.6	12	16.9
Regulating trading	4	26.7	4	7.1	8	11.3
Access to advertising			1	1.8	1	1.4
Adequate premises	4	26.7	13	23.2	17	23.9
Stop crime			2	3.6	2	2.8
Improve customer service	2	13.3	7	12.6	9	12.7
Lower rent			3	5.4	3	4.2
Access to tender			4	7.1	4	5.6
More sales	4	26.7	6	10.7	10	14.1
Sell quality goods / services			4	7.1	4	5.6
Staff training			1	1.8	1	1.4
Total	15	100	56	100	71	100

Table 3.36 shows that a significant number 4(26.7%) of the service respondents indicated that regulating trading will lead to the improvement and success of their businesses. This can be attributed to the fact that there was no control over trading and that Greater Giyani Municipality allows people to sell goods/services every place in the shopping centre without any restriction. While 11(19.6) of the retail respondents suggested that access to finance will contribute to the success of their businesses.

The results show that a significant number in both the service 4(26.7%) and retail 13(23.2) respondents mentioned that access to adequate premises would enhance the development and success of their businesses. This can be attributed to the fact

that most of the small businesses did not have bigger space necessary for effective productions.

The results reflect that most of the service 4 (26.7%) respondents suggested that more sales would enhance the development and success of their small businesses.

### **3.39 Summary**

This chapter focused on the collection, analysis and presentation of data on businesses in the Giyani Business Centre. The focus was especially on the type of businesses, the number of years running/operating its businesses, the educational level, number of employees, Chamber of Commerce and its contribution to business success, the satisfaction with the business location, the level of satisfaction with the government laws and regulation, the level of satisfaction with government support, the level of satisfaction with access to finance, the level of satisfaction with the state of business premises, the level of satisfaction with the state of water and sanitation of infrastructure, the level of satisfaction with the state of road infrastructure, the level of satisfaction with the state of the telecommunication infrastructure, attendance of business training, the level of satisfaction with managerial skills, the level of satisfaction with business skills, the effects of types of crimes of small businesses, the level of rent payment, business marketing, advertising, constraints affecting small businesses, demand opportunities, business contacts, computer usage, business opportunities through IT usage, the level of owner/manager's life improvement since operating his/her business, and suggestions that can lead to the improvement and success of small businesses.



## CHAPTER FOUR

### 4. Summary, conclusion and recommendations

#### 4.1 Summary

Since no research has been conducted before to determine the constraints and prospects facing small businesses in the Giyani area, the study has attempted to determine the constraints facing small businesses in this area, and to determine the type of such constraints. In addition, the study has focused on the prospects for the development and growth of small businesses in the Giyani region. As such, the discussion that follows reflects the conclusions made from the empirical data collected from the Giyani Business Centre while on the other hand, also giving the most appropriate recommendations to alleviate and address the constraints as well as highlighting those factors that are contributing and enhancing to the development and growth of the small businesses.

#### 4.2 Conclusions

After the analysis of the empirical data, the conclusions made from the investigation may be summarised as follows:

Most of the businesses in the Giyani Business Centre were retail businesses that were dominated by trading stores and supermarkets. Supermarkets tended to provide the needs of the rural people. A high number of the service businesses were hair salons and restaurants and the people who were running small businesses in both the service and retail businesses were the managers of their businesses. The majority of both the service and retail respondents were mostly males who had a fair level of education while only a few seemed to have no educational background in retail business. A large number of respondents in both the services and retail businesses had been operating their businesses between 3 to

5 years and 1 to 2 years and they employed 1 to 5 employees while only 2 of the respondents in retail businesses employed 20 to 30 employees.

A large number of the respondents in both the service and retail businesses did not join the Chamber of Commerce on the other hand, and respondents in service businesses were more satisfied with their business locations than retail businesses while a high number of respondents in both service and retail businesses were satisfied with government regulations, access to markets and very unsatisfied with access to finance as well as less satisfied with their business premises.

Most of the respondents in the service businesses were very unsatisfied with the state of water and sanitation infrastructure while respondents in the retail small businesses were satisfied with the state of water and unsatisfied with the state of sanitation and electricity infrastructure. The respondents in both the service and retail small businesses were very satisfied with the state of road and telecommunication network infrastructure in their business environments. The majority of the respondents in the service businesses attended business training courses/ workshops and they stated that they benefited with regard business management and business knowledge, while a high number of the respondents in retail businesses did not attend business training courses/workshops and the majority of respondents in both the service and retail businesses were satisfied with regard to their managerial skills.

A large number of the respondents in both service and retail businesses did not experience crime in their businesses but experienced a moderate level of rent and tax payment. They also stated that they marketed their businesses while most of the respondents in both the service and retail businesses highlighted inadequate premises as their constraints, followed by unfair competition in retail small businesses.

The majority of the respondents in both the service and retail businesses experienced demand opportunities in their businesses, while most of the respondents in service businesses mentioned that the festive season tended to enhance and create more business opportunities for their businesses, while most of the respondents in the retail businesses had the same level of business opportunities throughout the year. A high number of the respondents in the service businesses had business contacts with other businesses while the majority of the respondents in the retail businesses did not. Most of the respondents in both the service and retail businesses did not use computers in their businesses, as they were unaware of the business opportunities provided by the information technology. While most of the respondents in the service businesses indicated that special events tended to create and enhance more business opportunities in the sense that there was a high demand for their services/products. A large number of the respondents in both the service and retail businesses have been experiencing life improvement since they started their businesses while most of the respondents in the service businesses indicated that regulating trading, provision of adequate premises and more sales would contribute to and enhance the success of their businesses. While on the other hand, the majority of the respondents in the retail small businesses indicated that provision or access to adequate premises would contribute to and enhance the success of their small businesses. The majority of the respondents in both the service and retail small businesses highlighted that access to finance and the improvement in provision of goods and services to their customers would contribute to success and the development of their businesses.

### **4.3 Recommendations**

Following the conclusions made from the data analysis process, the following are proposed as recommendations:

The respondents of both the service and retail businesses should be encouraged to join Chambers of Commerce as this will provide them with business advice, knowledge and information while prospective entrepreneurs should make use of conducive or business friendly governmental regulations to start and develop their own small businesses.

Financial institutions and other small business funding agencies should create entrepreneurship and small business development friendly policies by removing the constraints hampering financial accessibility as well as lowering their collateral requirements for respondents in both the service and retail small businesses. This will make it easier for small business people and prospective/potential entrepreneurs to get access to financial resources. Government should contribute to the growth and success of the small business sector by developing and intensifying comprehensive support strategies for SMMEs as this will result in their growth and development, thereby creating employment opportunities as well as contributing to economic development of the Limpopo Province and Giyani area in particular.

Small business people and potential/prospective entrepreneurs in both the service and retail businesses should make use of market access opportunities to start and develop their businesses as well as maximising their profits. The Greater Giyani Municipality should improve the quality of water and sanitation infrastructure as it has been affecting service businesses while a satisfactory level of the state of water provision would raise retail related business opportunities as they are not water based.

An adequate and reliable state of electricity is vital for business success and growth. Therefore, the state of electricity should be improved in order to continue enhancing productivity in both the service and retail small businesses and that the state of road infrastructure was conducive to both the service and retail businesses. This positive state of the road infrastructure should be maintained in order to influence and enhance the success of small businesses.

There is a satisfactory level in both the service and retail businesses with regard to the state of the telecommunication infrastructure. This satisfactory state of telecommunication network infrastructure should be maintained to create and enhance further business opportunities for the existing small businesses with regard to the smooth transportation of goods and services as well as attracting potential entrepreneurs to establish new enterprises.

Most of the service business owners/managers had attended business training courses or workshops. This positive trend should be maintained and as it will continue to improve their managerial and business skills, thereby enhancing the growth and expansion of their respective small businesses. The retail small business owners/managers should consider attending business training courses/workshops as this will broaden their business knowledge and improve their managerial and business skills while training institutions should conduct business needs investigations and analysis to develop the relevant training materials that will benefit the service small businesses people.

The owners/managers of the businesses in both retail and service sectors were satisfied with regard to their managerial skills. This positive trend should be maintained in order to continue improving their business managerial work, as it will lead to the success and growth of their small businesses.

Most of the service and retail small businesses were not affected by crime. This is a positive attitude towards the creation of conducive/friendly small business

environments. The lower crime level should be maintained as small business people and potential entrepreneurs tend to be motivated to start and invest in their businesses. This will in the long run result in the creation of more job opportunities, thereby alleviating unemployment and chronic poverty as well as contributing to economic growth.

The rent level was moderate in the both the service and retail small businesses. This is a positive attitude towards small business success and growth as a lower rent allows small businesses to maximize their profits. A moderate rent level should be maintained as it motivates the start of new small businesses as the development of the existing ones. The tax level was moderate in both the service and retail businesses. This is a promising future as low or moderate tax level tends to promote the culture of entrepreneurship as well as the maximization of profits. Moderate taxation is another way of creating conducive environment for small businesses this positive attitude towards small business success and growth should be maintained.

Small business owners/managers in both the service and retail small businesses should be maintained and continued to market their small businesses, as this will attract customers, resulting in high profits and leading to their growths and successes. They should also develop and implement effective advertising strategies, as this this will often enhance the inflow of customers to their respective businesses.

A large number of the respondents in both the service and retail businesses should invest in improving and expanding their premises as adequate premises tend to influence and enhance high productivity due to the bigger space necessary for more productions. That both the service and retail businesses had been affected by the poor state of sanitation infrastructure. As such, some mechanism should be developed and implemented in order to improve the standard of sanitation. The Greater Giyani Municipality should invest in improving the standard of sanitation.

Both the service and retail small businesses experienced high demand opportunities for their goods and services in their respective small businesses. This positive attitude should be used to motivate people to participate in entrepreneurial activities. Service businesses mainly experienced their demand opportunities during the festive seasons. This should be communicated to entrepreneurs/small business people in order to mobilise their businesses in advance for the festive seasons. The majority of the respondents in retail businesses experienced their demand opportunities throughout the year. This should be used to motivate potential retail entrepreneurs/business people to start and develop their businesses and take advantage of this lucrative business opportunity.

The majority of the service businesses had contacted other businesses for business purposes. Business to business contacts should be maintained and promoted as they often create networking or interfirm linkages, which are vital for business success and growth and contribute to better business performances in service businesses. While retail businesses should introduce and implement business to business contact strategies in order to expand their businesses as business to business contacts often allow business people to comprehensively discuss or exchange business ideas and information, as well as business opportunities.

A large number the respondents in both the service and retail businesses did not use computers in running their business operations and they should consider to start using computers in running their small businesses since computer usage tends to comprehensively simplify and contribute to effective business management. The service and retail businesses should both apply/implement information technology strategies in their businesses as they will provide them with many business opportunities, contributing to their success and growth. Through information technology, business opportunities are endless.

Most of the service respondents regarded special events as an opportunity that creates other business opportunities for their businesses. Potential and prospective entrepreneurs should make use of these opportunities to mobilise their small businesses in order to increase their sales as well as to establish more service related businesses.

There has been life improvement in the majority of both the service and retail respondents. This should serve as an incentive to encourage and motivate other people to get involved in small businesses and entrepreneurial activities. There should be regulation of trading in order to prevent unfair competition and as to create a conducive business atmosphere in the service businesses. Both the service and retail respondents should strive to invest in acquiring adequate premises because the latter tend to create the opportunity for business expansion.

There should be an improvement of customer service in the retail businesses. Customers tend to be loyal and consistent in buying from small businesses that promote and maintain good customer care services while more sales often lead to the growth of a business. Both the service and retail small businesses should aggressively maintain their marketing strategies to further attract customers as this will lead to more sales and result in the growth of their small businesses.



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## APPENDIX (A) 1: QUESTIONNAIRE TO BUSINESS PEOPLE

### Questionnaire to be answered by business owners (managers)

1. Position or title of the respondent in the enterprise/business (e.g. owner)

.....

2. Gender:

1	Male	
2	Female	

3. Educational level of the respondent:

1	Never attended school	
2	Primary School	
3	Secondary School	
4	Diploma/Certificate	
5	Degree	
6	High Degree	

4. Number of years operating your enterprise/business

1	Less than a year	
2	1-2 years	
3	3-5 years	
4	6-10	
5	More than 10 years	

5. Number of employees including the owner/manager.....

.....

6. Do you belong to Chamber of Commerce?

1	Yes	
2	No	

7. If your answer is yes, which one of the following?

1		Petersburg Chamber of Commerce
2		NAFCOC Branch
3		Others, Name them.....

8. In which of the following did such a Chamber of Commerce contribute to the success of your business?

1	None	
2	Business information	
3	Business knowledge	

9. On a scale from 0 to 10, indicate your level of satisfaction with regard to the place where your business is located?

N.B The high the number, the more the satisfaction and visa-versa

0	1	2	3	4	5	6	7	8	9	10

10. Indicate your level of satisfaction with regard to the government regulation and laws facing small businesses:

1	Very satisfied	
2	Satisfied	
3	Neutral	
4	Unsatisfied	

5	Very satisfied	
---	----------------	--

Give reason(s) if not satisfied:.....

11. How satisfied are you with regard to access to finance for business purposes

1	Very satisfied	
2	Satisfied	
3	Neutral	
4	Unsatisfied	
5	Very satisfied	

Give reason(s) if not satisfied:.....

12. Indicate your level of satisfaction with regard to the support from the government:

1	Always satisfied	
2	Most of the time satisfied	
3	Sometimes satisfied	
4	Hardly ever satisfied	
5	Never satisfied	

Give reason(s) if not satisfied:.....

13. Indicate your level of satisfaction with regard to access to market:

N.B The high the number, the more the satisfaction and visa-versa

0	1	2	3	4	5	6	7	8	9	10

Give reason(s) if your not satisfied:.....

14. Indicate your level of satisfaction with regard to the state of infrastructure facing your business:

			1	2	3	4	5
			Very satisfied	Satisfied	Neutral	Unsatisfied	Very unsatisfied
Water							
Sanitation							
Electricity							
Roads							
Telephones							

Give reason(s) if not satisfied:.....

15. Did you attend business training courses or business workshops in the last three years?

1	Yes	
2	No	

If your answer is no, please give reason(s):.....

16. Indicate which of the followings business training/workshops benefited your Business? (a) Not benefited (b) Managerial skills (c) Business knowledge.

17. On a scale from 0 to 10, indicate your level of satisfaction with regard to managerial skills:

NB The high the number, the more the satisfaction and visa-versa

0	1	2	3	4	5	6	7	8	9	10

18. Indicate the types of crimes affecting your business:

1	Employee theft	
2	Burglary	
3	Shoplifting	
4	Violent crime	
5	Others (name them).....	
6	None	

19. Indicate the level of rent payment facing your business:

1	Very high	
2	High	
3	Moderate	
4	Low	
5	Very low	

20. Indicate your level of tax payment facing your business:

1	Very high	
2	High	
3	Moderate	
4	Low	
5	Very low	

21. Do you market your business?

1	Yes	
2	No	

If your answer is yes, please give reason(s): .....

22. How do you advertise your business?

1	None	
2	News paper	
3	Radio	
4	Loud speaker	

23. Mention the three top constraints severely affecting your business:

- 1.....
- 2.....
- 3.....

24. Are there any demand opportunities facing your business?

1	Yes	
2	No	

25. In which time do you experience demand opportunities in your business?

1	None	
2	Festive seasons	
3	School terms	
4	Throughout the year	

26. Do you have any contact with other businesses in the same field?

1	Yes	
2	No	

If your answer is no, please give reason(s) :.....

27. Do you use a computer in your businesses?

1	Yes	
2	No	

28. Which of the following opportunities did information technology provide for your Business?

1	Business information	
2	To deal directly with suppliers	
3	To bring new knowledge	
4	To communicate with clients and associates	
5	To simplify and contribute to effective management	
6	Others, specify.....	
7	None	

29. Which of the following factors are influencing and enhancing the creation of more opportunities for your business?

1	None	
2	Weekends/Holidays	
3	Special events	
4	Seasonal changes	
5	Throughout the year	
6	School terms	
7	Special sales	
8	Government programmes	

30. Indicate the level of the improvement of your life since you started your business:

1	Improved very much	
2	Improved	
3	Remained the same	
4	Deteriorated	
5	Deteriorated very much	



31. State any suggestion that can enhance the development and success for your business:.....

**Thank you so much for your time**