

**A DETERMINATION OF CHALLENGES AND OPPORTUNITIES FACED BY
SMALL, MEDIUM AND MICRO ENTREPRISES (SMMEs) IN FETAKGOMO
LOCAL MUNICIPALITY, SEKHUKHUNE IN LIMPOPO PROVINCE.**

By

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DECLARATION

This serves to certify that I, Debeila Seripele Ozymancious, hereby submit this mini-dissertation in partial fulfilment of the requirements for the degree Master of Business Administration at the University of Limpopo as my original work that has never been submitted for any other degree in this university or another.

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DEDICATION

I would like to dedicate this work to my family, especially my wife, Manthlome Olga Debeila, and my parents, the late Matatsi 'Phaahla 'a Molo and Mathabathe 'Hunadi 'a Mphela' Debeila. You rallied behind me in my quest to realise my dream. All your untold sacrifice, patience and encouragement were a great source of motivation and did not go unnoticed.

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ABSTRACT

In a country with a high unemployment rate, such as South Africa, the role played by small, medium and micro enterprises (SMMEs) cannot be undermined in creating jobs. SMMEs are crucial in the labour market, as they aim to curb and stimulate economic growth and development in South Africa.

The aim of this study is to revisit or establish challenges and opportunities for the growth of SMMEs. The study was based on data collected from SMME entrepreneurs in the Sekhukhune area of Fetakgomo Municipality in Limpopo Province.

The population of this study consisted of 53 respondents. The researcher had previously administered the instruments to a pilot group to examine the user-friendliness, comprehensiveness and adequacy of the data collection procedures and instruments. In addition, the data were analysed to establish the adequacy of the data analysis plan of action

Sampling refers to the procedure by which a given number of subjects from a population are selected to represent that population. According to Babbie et al. (2001:104), a sample representative of a population or universe is taken from any portion of that population or universe. In terms of sample size consideration, according to Maree (2007), larger samples are better in terms of representativeness, statistical analysis and accuracy. In the present study, 53 people were interviewed to thoroughly determine the challenges and opportunities of SMMEs in the area. Snowball and convenience sampling methods were utilised to interview the SMMEs.

The data were analysed using descriptive statistics. The results indicate that to improve the growth of SMMEs, the government should actively hold campaigns to enlighten the public of their supportive service structures that they offer to encourage emerging SMMEs to partake in various local business chambers to access business support. Internally, the entrepreneurs and their staff should engage in business training to enhance their entrepreneurial skills. The study recommends that the government needs to realign the current policy on SMMEs to encompass the dynamic economic changes in supporting the role made by this sector in the

business environment with a view to improve their growth. The study established the need for an increased awareness to emerging SMMEs on opportunities available to them to develop and grow their businesses. Furthermore, this development and growth can be improved by creating incentives for financiers to extend their credit and loan offers to SMMEs, coupled with tax incentives for that comply.

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LIST OF ACRONYMS

CSF	Critical Success Factor
DTI	Department of Trade and Industry
EDD	Economic Development Department
FLM	Fetakgomo Local Municipality
GEM	Global Entrepreneurship Monitor
IDC	Industrial Development Corporation
LED	Local Economic Development
LGDS	Limpopo Growth and Development Strategy
LIBSA	Limpopo Business Support Agency
NAFCOC	National Federated Chamber of Commerce
NDP	National Development Programme
RDT	Resource Dependency Theory
SAMAF	South African Micro Apex Fund
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SMMEs	Small, Medium and Micro Enterprises
TEP	Tourism Enterprise Community
TWB	Technology for Women in Business
WEF	World Economic Forum

CHAPTER 1

BACKGROUND AND ORIENTATION OF THE STUDY

1.1 INTRODUCTION

The study was motivated by the need to investigate the constraints, challenges and opportunities faced by rural Small, Medium and Micro Enterprises (SMMEs) in Fetakgomo Local Municipality. Limpopo is a pre-dominantly rural province with approximately 89% cent of its population living in rural areas. SMMEs play an important role in the development of the national economy. They are a crucial sector because of their contribution to creation of employment, wealth as well as economic growth and development. Thus, in 1995, the South African government developed the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, which recognises that SMME's. In 2008, the Department of Trade and Industry (DTI) established a number of public sector institutions that cater for the needs of SMMEs. The present study, seeks to establish the constraints, challenges and some of the opportunities that are faced by SMME's in Fetakgomo Local Municipality (FLM). The study also analyses the SMME's role in local economic development (LED) and how the FLM aligns them with its LED policies (Ladzani and Netswera, 2009: 225–239). The chapter discusses opportunities presented to SMMEs in the advent of e-commerce and how rural SMMEs are capitalising on them; the focus is more on how the Asian private–public sector has influenced SMMEs in Africa. Mandated to advise the national, provincial and local spheres of government on social and economic policy that promotes the development of small business

Revenue, assets or the number of employees generally defines SMME's. Firm growth is measured by turnover and the number of employees. Both of these factors are important—turnover has a strong bearing on the wealth being created in the economy, whereas employment has an obvious social impact. Garwe and Fatoki (2012:452) defined firm characteristics as traits or specific features that can positively or negatively affect the performance of a firm. They further claimed that emphasising the role of firm characteristics has become an increasingly important consideration in empirical studies examining performance.

1.2 BACKGROUND OF THE STUDY

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) indicated that South African economic policy continues to regard highly entrepreneurship as the critical driver of growth and job creation. Entrepreneurial development has evolved over the years, and institutions have been set up, but SMMEs' growth still proves to be a mammoth task. A report by the Small Enterprise Development Agency (SEDA, 2013:23) states that SMME entrepreneurs' efforts are likely to have the greatest all-round impact in terms of wealth creation, economic growth and innovation. Properly harnessed, their contribution could be truly transformative.

SMMEs' growth index was considered mainly to study the dynamics of the country's under-examined formal small and medium enterprise sector over a certain period, the results of the index reveal that aspiring entrepreneurs who have had no previous experience and possibly even little exposure to a mature corporate environment launch most SMMEs. The enterprises are not planned appropriately, do not analyse their markets and commercialise their products/services; their marketing is not adequate or imaginative, and they frequently lack good corporate governance.

However, many rural entrepreneurs have failed to grow their business and transform them into small-to-medium enterprises and ultimately large companies and corporations. Against this background, this present study is aimed at determining challenges and opportunities that confront rural entrepreneurs in FLM. Despite the availability of a wide range of public-sector institutions, provincial government agencies and financial institutions, rural SMMEs still experience challenges in accessing finance and suffer a high failure rate, which hamper entrepreneurial development (Mazanai and Fatoki, 2011). Herrington et al. (2009) stated that lack of financial support is a major problem for the South African entrepreneur and is the second most reported contributor to low creation of new firms and failure after entrepreneurial education and training.

1.3 PROBLEM STATEMENT

Although the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) was developed to assist in minimising the challenges that SMMEs face in the municipality and rural areas, it does not serve as a solution for Fetakgomo SMMEs. The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) further outlines that governments accept the fact that entrepreneurship is a powerful tool for economic development and poverty alleviation. This is especially the reality in poor and developing countries such as South Africa. Governments have prioritised rural entrepreneurship as a vehicle for socio-economic development of their rural population in particular and their countries in general.

Despite the availability of a wide range of public-sector institutions, provincial government agencies and financial institutions, rural SMMEs still experience challenges in accessing finance and suffer a high failure rate, which hampers entrepreneurial development (Mazanai and Fatoki, 2011).

Against this background, the present study seeks to determine constraints, challenges and opportunities that confront rural entrepreneurs in FLM. It again reiterates the call to look into solutions, which can be implemented to curb these undesirable conditions in our economy and SMMEs.

1.4 RATIONALE OF THE STUDY

The overall aim of the present study was to determine and analyse some of the challenges and opportunities faced by SMMEs in FLM. The need to explore constraints, challenges and opportunities, and factors of growth and efficient production from the SMMEs has prompted rigorous and empirically grounded work to establish truth based on facts. Through the present study, it is envisaged that new knowledge and evidence will emerge that will help SMMEs to take advantage of some of the opportunities that have been made available for their development and that programmatic solutions for entrepreneurial development will be provided.

1.5 SIGNIFICANCE OF THE STUDY

The integrated strategy on the promotion of entrepreneurship and small enterprises of 1995 defines SMMEs and, unless specifically demarcated, covers the full spectrum of business enterprises other than large enterprises or corporations and publicly owned enterprises. The present study may play an instrumental role in reigniting public debate on the policy and strategy used to control and regulate SMMEs in rural areas. The study may assist the municipalities to effectively address challenges that have negatively affected SMMEs. The Government of South Africa may use the findings of the present study to guide future SMMEs' decisions and policies. Fellow researchers and academics may use this study to benchmark future studies on SMMEs. Lastly, the study may help in minimising and addressing challenges and problems the SMMEs are facing in municipalities. The study is relevant as it focuses on topical issues in the socio-political economy of the Limpopo Province of South Africa.

1.6 THE OBJECTIVES OF THE STUDY

The following objectives were imperative as they composed the main aim of the present study:

- to find whether government is playing its pivotal role of supporting the SMMEs in FLM,
- to identify constraints and challenges that SMMEs face in the study area,
- to understand if there is a governmental policy and strategy that support SMMEs,
- to identify the challenges faced by SMMEs in FLM,
- to assess the procedure through which the government finances SMMEs in FLM,
- to recommend measures of improving the effectiveness of SMMEs' opportunities in FLM,
- to understand whether there is a policy and strategy of supporting SMMEs, and
- to identify challenges faced by SMMEs in FLM.

1.7 RESEARCH QUESTIONS

Main Question

The main question is as follows: What are the constraints, challenges and opportunities faced by SMMEs in Fetakgomo Local Municipality?

Sub-questions

The sub-questions are as follows:

- Are there policies and strategies for providing support to SMMEs in Fetakgomo Local Municipality?
- What challenges confront the SMMEs in Fetakgomo Local Municipality?
- What procedure does the government use to finance SMMEs in Fetakgomo Local Municipality?
- What measures can be recommended to improve the effectiveness of SMMEs' opportunities in Fetakgomo Local Municipality?

1.8 DEFINITION OF CONCEPTS

1.8.1 SMALL, MEDIUM AND MICRO ENTERPRISES

The integrated strategy on the promotion of entrepreneurship and small enterprises of 1995 defines SMMEs and, unless specifically demarcated, covers the full spectrum of business enterprises other than large enterprises or corporations and publicly owned enterprises.

This strategy includes categories known as small, micro, survivalist, informal sector enterprises and formal small and medium-sized enterprises. It also covers businesses in all stages of evolution, from pre-establishment to start-up, emerging, stable or expanding enterprises and those in distress. Furthermore, it includes enterprises that can be characterised as family-owned, black-owned, women-owned or co-operatively owned.

Enterprise development is about ensuring that SMMEs have meaningful opportunities to access markets, finance and long-term business development. It is different from offering banking services to small enterprises, in that it seeks to make specific limited interventions. In the past, enterprise development models implemented in South Africa tended to focus on grant funding and free linked enterprise development and preferential.

This has led to greater focus on enterprise development in the legislative framework and a call from the South African Government for more innovative and sustainable support, particularly for black SMMEs (Stanbic Bank, 2013)

The National Small Business Act defines small business as medium, small, very small and micro enterprises based on certain characteristics, which are defined according to the five categories established by the industrial sector and sub-sectors based on the number of paid employees, turnover and asset value.

Table 1.1 Classification of the Sector

Sector or sub-sector in accordance with the standard classification	Size or class	Total number of full-time paid employees less than	Total annual Turnover Less than	Total gross asset value less than
Agriculture	Medium	120	R 4.00 million	R 4.00 million
	Small	50	R 2.00 million	R 2.00 million
	Very Small	10	R 0.40 million	R 0.40 million
	Micro	5	R0.15 million	R0.10 million
Mining and Quarrying	Medium	200	R 30.00 million	R 18.00 million
	Small	50	R 7.50 million	R 4.50 million
	Very Small	20	R 3.00 million	R 1.80 million
	Micro	5	R0.15 million	R0.10 million
Manufacturing	Medium	200	R 40.00 million	R 15.00 million
	Small	50	R10.00 million	R 3.75 million
	Very Small	20	R 4.00 million	R 1.50 million
	Micro	5	R0.15 million	R0.10 million

Electricity, Gas and Water	Medium	200	R 40.00 million	R 15.00 million
	Small	50	R10.00 million	R 3.75 million
	Very Small	20	R 4.00 million	R 1.50 million
	Micro	5	R0.15 million	R0.10 m
Construction	Medium	200	R 20.00 million	R 4.00 million
	Small	50	R 5.00 million	R 1.00 million
	Very Small	20	R 2.00 m	R 0.40 million
	Micro	5	R0.15 million	R0.10 million
Retail and Motor Trade	Medium	120	R 4.00 million	R 4.00 million
	Small	50	R 2.00 million	R 2.00 million
	Very Small	10	R 0.40 million	R 0.40 million
	Micro	5	R0.15 million	R0.15 million
Wholesale Trade	Medium	120	R 30.00 million	R 5.00 million
	Small	50	R 15.00 million	R 2.50 million
	Very Small	10	R 3.00 million	R 0.50 million
	Micro	5	R0.15 million	R0.10 million
Catering	Medium	120	R 10.00 million	R 2.00 million
	Small	50	R 5.00 million	R 1.00 million
	Very Small	10	R 1.00 million	R 0.20 million
	Micro	5	R0.15 million	R0.10 million

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1.8.2 ENTREPRENEURSHIP

According to Schumpeter (2009), entrepreneurship is “the carrying out of new combinations”, whereas Mugobo and Ukpere (2011:828) defined it as an act or process of actually organising and managing the enterprise during business exploration.

1.8.3 RURAL ENTREPRENEURSHIP

Fieldsend and Nagy (2008) elucidated that rural entrepreneurship, both agricultural and non-agricultural, is an important component of sustainable rural development. Businesses, which are mostly labour intensive, offer not only employment opportunities. Sustainable rural development can be defined as maintaining or increasing the wealth-generating capacity of rural communities whilst maintaining the long-term capability of the community and its built and natural environment to support this capacity (Fieldsend et al., 2008). Increasingly, rural entrepreneurship and small business ventures have been seen as a strategy for rural development (Hoy, 1996). According to Salleh (1990), rural to rural folks and income sources of rural entrepreneurs ultimately generate a favourable impact on income distribution.

1.9 CHOICE AND RATIONALE OF THE RESEARCH DESIGN

This research is a positivist study. It is cross sectional in nature as data are collected only once. The study is also descriptive and analytical. A mixed method, which is the use of both qualitative and quantitative methods, was employed. The qualitative research method (use of the literature and secondary data sources) enables the researcher to get insights into the developments, market access compares findings and makes generalizations across social settings, and the quantitative research method (use of a survey questionnaire) ensures validity and reliability of research findings through data triangulation. Determining constraints, challenges and opportunities faced by SMMEs requires specific information on available resources and dynamic capabilities of an entrepreneur that can only be collected through a direct survey effort. Yin (2008) postulated that such an approach requires data to be tailored to specific research needs.

1.10 POPULATION

Kruger and Mitchell (2011:47) defined a population as all the people with an interest in the study, from which a limited sample is selected to take part in a study. In a situation where it is not possible to survey the entire population within a reasonable time and with resources at the researcher's disposal, the researcher must identify a the target population that is accessible, the sample of the study should be taken from the identified target group (Henning, Van Rensburg and Smith, and 2004: 28).

The population of this study consisted of 53 respondents. The researcher had previously administered the instruments to a pilot group examining the user-friendliness, comprehensiveness and adequacy of the data collection procedures and instruments. In addition, the data were analysed to establish the adequacy of the data analysis plan of action. The respondents were interviewed using purposive, convenience and snowball sampling

1.11 SAMPLING

Sampling refers to the procedure by which a given number of subjects are selected from a population to represent that population. According to Babbie et al. (2001:104), a sample taken from any portion of a population or universe is considered representative of that population or universe. In terms of sample size consideration, according to Maree (2007), larger samples are better in terms of representativeness, statistical analysis and accuracy. Fifty-three people were interviewed in this study to thoroughly determine the challenges and opportunities faced by the SMMEs in the area. Snowball and convenience sampling methods were utilised to interview the SMMEs. According to O'Leary (2008:103), sampling is a process that is always strategic and sometimes mathematical and involves using the most practical procedures possible for gathering a sample that best represents a larger population. Kumar (2008:179) argued that purposive sampling is extremely useful in the construction of a historical reality, description of a phenomenon or development of something about which only little is known.

In the present study, the sample size was determined based on the list of all the SMMEs that were benefiting. Fifty-three people were interviewed to thoroughly determine challenges and opportunities faced by the SMMEs in the study area. Snowball and convenience sampling methods were utilised to select the SMMEs.

Convenience sampling refers to situations when population elements are selected because they are easily and conveniently available. It is typically quick and affordable, but it does not result in representative samples. It is useful in exploratory research, in which a researcher is interested in getting an inexpensive, quick approximation of the truth and in pilot studies where few respondents are required to test the questionnaire.

1.12 ETHICAL CONSIDERATIONS

Based on Leedy and Ormrod (2010:53), the following ethical considerations were observed in the present study.

- i. **Ethical clearance:** This was obtained from the University of Limpopo's Research Committee.
- ii. **Consent forms:** All participants signed consent forms before interviews were conducted. The consent was voluntary, informed and preferably in written form.
- iii. **Social and cultural prejudices:** All social and cultural prejudices likely to endanger the social status of participants were dealt with consistently throughout the research process.
- iv. **Fairness and transparency:** The selection of research participants was based on principles of fairness and transparency.
- v. **Confidentiality of the participants:** To protect the confidentiality of the participants, all of them were requested not to disclose their names.

1.13 OUTLINE OF THE STUDY

Chapter 1 sets the tone of the present study by outlining its contextual framework and significance to various constituencies.

Chapter 2 focuses on benchmarking the study on scholarly views of researchers who previously studied outsourcing.

Chapter 3 outlines the methodology that was employed to select research participants and to collect and analyse research data.

Chapter 4 presents the summary of research findings as reflected by the participants' views.

Chapter 5 focuses on conclusions and recommendations of the present study.

1.14 CONCLUSION

The determination of constraints, challenges and opportunities faced by SMMEs in Fetakgomo Local Municipality have been highlighted in this chapter. The background, the aim, objectives and concepts have been defined. The next chapter reviews relevant issues regarding SMMEs. All research concepts are also discussed in Chapter 2.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter, the researcher focuses on deepening understanding of the challenges faces by SMMEs in South Africa, particularly in Fetakgomo Local Municipality, which is situated in Sekhukhune District Municipality of Limpopo Province. This chapter presents a critical analysis of the structure of SMMEs, including their stabilising role in the local economy. The chapter further clarifies the crucial role played by the government and business institutes in alleviating challenges faced by locals as well as the financial and operating leverage of the SMMEs.

2.2 THEORETICAL DRIVERS OF THE STUDY

Since South Africa's democratic transition in 1994, promotion and upgrade of SMMEs has been a continuous thread and objective of discussions on national government policy (Rogerson, 2004, 2008a; Timms, 2011; Malefane, 2013). The SMMEs' economy is considered a crucial element of addressing several major objectives for post-apartheid reconstruction and development, including economic restructuring and poverty alleviation. In addition, the promotion and support of the SMMEs' economy is seen as an important vehicle for job creation, particularly in the context of the slow increase in the number of new employment opportunities in large formal enterprises (Masutha and Rogerson, 2014).

According to Fakoti (2012), in South Africa, SMMEs have been identified by the government as a priority in increasing the number of jobs and thus reducing the high unemployment rate, which is currently estimated at 23.9% (Statistics South Africa, 2012). In addition, SMMEs have an important role to play in reducing wealth inequality and improving the economic growth of South Africa (Pahad, 2008). Adeniran and Johnston (2011) noted that despite the highlighted importance of the SMMEs, the failure rate of SMMEs in South Africa is estimated between 70% and 80%. The high failure rate of SMMEs casts doubt on their ability to create sustainable employment and reduce poverty. Bowen et al. (2009:17) stated that

given this high failure rate, it is crucial to research into factors that affect how SMMEs to survive and improve their performance.

The significance of issues concerning finance, training and regulation has been a continuous thread of South African policy discussions about the development of the country's SMME economy for more than a decade. Better access to finance, skills and leadership training and regulations that are more flexible have been identified as key strategic elements in supporting the three pillars of national development: promoting entrepreneurship, fostering an enabling environment for SMMEs', and enhancing competitiveness and capacity at the enterprise level.

The monitoring of research on the SMMEs' economy in South Africa is viewed as a critical issue of high policy relevance (Rogerson, 2008). The failure rate of SMMEs is very high in South Africa. The country's economy is characterised by a low growth rate, high inflation and a high rate of unemployment. SMMEs employ half of the working population and contribute 50% to the gross domestic product of South Africa (Gumede, 2004; Mutezo, 2005; Rogerson, 2008). However, despite their notable contribution mentioned above, SMMEs in South Africa suffer a high failure rate.

According to Brink et al. (2003), the failure rate of SMMEs in South Africa is estimated between 70% and 80%. As a result, many SMMEs do not reach their full potential and fail to grow, resulting in losses of jobs and wealth in regions in which the SMMEs are based. Sha (2006) noted that given this high failure rate, it becomes crucial to research the factors of SMMEs' survival. Problems encountered by small businesses are numerous and differ in nature; for example, they can be environmental, financial or managerial in nature (Fatoki, 2011).

2.3 ENTREPRENEURSHIP IN SOUTH AFRICA

South Africa faces numerous economic, political and social challenges in its new democracy, of which a key challenge is that of massive and growing unemployment. This problem is especially evident amongst the country's youths, who more often than not lack the experience, skills and education necessary to access employment in formal sectors. Given the additional difficulties faced by the youths, namely a lack of financial or business resources, many young people are unable to find any form of

viable or legal employment. These young people are forced to create their own opportunities and to attempt to provide their own form of employment (Herrington and Kew, 2010). Entrepreneurial activity is considered an important mechanism for economic development through its job creation, innovation and welfare effect, which has led to a growing policy interest in entrepreneurship at a national level. Entrepreneurship is an important force in shaping the changes that take place in the economic environment. Entrepreneurial development is important for economic development, but for entrepreneurship to be seen as a viable income-generating activity, it must be linked to factors that influence confidence, a positive perception of entrepreneurship and the desire to take the risk necessary to start a new business. A culture of entrepreneurship could unleash the economic potential of all people in South Africa, particularly the youths who need to be provided with options that allow them to actively contribute towards the economy (Herrington and Kew, 2010).

2.4 THE ROLE OF SMME'S IN THE SOUTH AFRICAN ECONOMY

There is growing recognition of the important role small and medium enterprises (SMEs) play in economic development. They are often described as efficient and prolific job creators, the seeds of large businesses and the fuel of national economic engines. Even in the developed industrial economies, it is the SME sector, rather than the multinationals, that is the largest employer of workers (Mullineux, 1997; Abor and Quartey, 2010). Abor and Quartey (2010), further stated that in the Republic of South Africa, it is estimated that 91% of the formal business entities are SMEs. They also contribute between 52% and 57% to GDP and contribute approximately 61% to employment. Notwithstanding the recognition of the important roles SMMEs play in this country, their development is largely constrained by a number of factors, such as lack of access to appropriate technology; limited access to international markets; the existence of laws, regulations and rules that impede the development of the sector; weak institutional capacity; lack of management skills and training; and, most importantly, finance.

South Africa has consistently ranked very poorly in the Global Entrepreneurship Monitor survey in terms of entrepreneurial activity. It is clear that South Africa's economy is not sufficiently entrepreneurial; (Luiz and Mariotti, 2011).

2.5 SMME'S AS EMPLOYMENT CREATORS IN AFRICA, SOUTH AFRICA AND LIMPOPO PROVINCE

The most pressing problem facing South Africa today is the absence of sustained economic growth and job creation, which are essential in reducing poverty and improving people's living conditions. The transition to a multi-racial democracy in 1994 posed difficult political, social and economic challenges, and South Africa's noteworthy achievements in surmounting these challenges have been widely recognised. However, the events of the last few years demonstrate clearly that the challenge did not end with the transition of power to a new government. What lies ahead is the daunting task of ensuring that South Africa's rich natural and human resources are employed for the benefit of all, thus promoting sustainable livelihoods, improving social conditions, and alleviating poverty (Lewis, 2002). Rogerson (2004) stated that the SMMEs' economy in South Africa makes only a weak contribution to employment creation because most SMMEs do not grow; existing government SMME programmes have been largely biased towards small and medium-sized enterprises and have, to a large extent, bypassed micro enterprises and the informal economy. The inherent characteristics of SMEs afford these enterprises the potential to absorb unskilled labour and to nurture and develop entrepreneurial skills (Smit and Watkins, 2012).

In developed countries, SMEs have historically played a vital role in creating jobs, spurring innovations and creating new products and have thus contributed to economic growth. South Africa, as a developing country, should not overlook the importance of promoting, nurturing and supporting small businesses. In South Africa, five out of seven new small businesses fail within their first year of operation. It is, therefore, obvious that these small businesses experience challenges that limit their success. The main constraint that SMMEs encounter is the lack of financial support (Kim, 2011; Entrepreneur, 2014; Cant, Erdis, and Sephapo, 2014).

2.6 CHALLENGES FACED BY SMME'S IN SOUTH AFRICA

Ahmad et al. (2010) pointed out that for SMMEs, the critical resources are likely to be held by individual entrepreneurs and include those entrepreneurs' skills such as their ability to improve technology, lack or gain of knowledge, work experience and lack or gain of education. The lack of separation between ownership and control in SMMEs suggests that business owners themselves are responsible for the direction and development of their businesses to grow. It is an owner's responsibility to market and finance his/her business, unlike other businesses such as oligopolies and monopolies. Hence, the success or failure of the SMMEs is largely influenced by the skills and abilities of the owners. Marshall and Oliver (2005) observed that the hardships encountered by entrepreneurs often stem from a lack of knowledge or skill, a lack of finances, or the lack of a supportive social network. Within the entrepreneurial process, three basic categories of capital contribute to a successful venture: human, financial, and social. Herrington et al. (2009) found that lack of education (a subset of human capital) and training is the most important cause of failure for new SMMEs in South Africa. Gumede and Ramussen (2002) found that most SMMEs in South Africa do not engage in networking, thereby implying a lack of social capital (Fakoti, 2011).

According to Bulut (2008:74) and Chen et al. (2008:217), today's firm managers face a rapidly changing and fast-paced competitive environment. To cope with such challenges, an entrepreneurial approach to strategy making may be crucial for organisational success. Herrington et al. (2009) pointed out that access to finance is a major problem for the South African entrepreneur. Lack of financial support is one of the causes of weak performance and failure of SMEs in South Africa. Zou et al. (2009:296) used the Resource Based View (RBV) to demonstrate the importance of financial capital to the performance of SMEs. Access to financial capital to purchase fixed and current assets is important in sustaining a firm's competitive advantage. According to Atieno (2009:34), a vast majority of SMMEs depends on internal finance (contribution from the owners, family and friends). However, the growth of SMMEs is constrained by the owner. By contrast, firms that make use of external funds exhibit growth rates far above what can be supported by self-finance. Therefore, SMEs often need capital from external sources (Fakoti, 2012).

A number of factors, including lack of finance, managerial skills, equipment and technology; regulatory issues; and access to international markets (Anheier and Seibel, 1987; Steel and Webster, 1991; Aryeetey et al., 1994; Gockel and Akoena, 2002) hampers sMMEs' development. SMMEs tend to attract motivated managers but can hardly compete with larger firms. The scarcity of management talent, which is prevalent in most countries in the region, has a magnified impact on SMEs. Lack of a unit cost of support services can hamper SMMEs' efforts to improve their management, because consulting firms are often not equipped with appropriate cost-effective management solutions for SMEs. Besides, despite numerous institutions providing training and advisory services, there is still a lack of skills in the SMME sector as a whole, such as business and financial management (Kayanula and Quartey, 2000). This is because entrepreneurs cannot afford the high cost of training and advisory services, and others do not see the need to upgrade their skills due to complacency. In terms of technology, SMMEs often have difficulties in gaining access to appropriate technologies and information on available techniques (Aryeetey *et al.*, 1994). In most cases, SMMEs utilise foreign technology through leasing, with rare shared ownership. They typically acquire foreign licences because local patents are difficult to obtain (Abor and Quartey, 2010).

Regulatory constraints also pose serious challenges for SMMEs' development, and although wide-ranging structural reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm level. The high start-up costs for firms, including licensing and registration requirements, can impose excessive and unnecessary burdens on SMEs. The high cost of settling legal claims and excessive delays in court proceedings adversely affect SME operations. In the case of Ghana, the cumbersome procedure for registering and commencing business is often cited as the main issue. The World Bank Doing Business Report (2006) indicated that it takes 127 days to deal with licensing issues, and 16 procedures are involved in licensing a business in Ghana. It takes longer (176 days) in South Africa, and 18 procedures are involved in dealing with licensing issues. Meanwhile, the absence of an anti-trust legislation favours larger firms, and the lack of protection for property rights limits SMEs' access to foreign technologies (Kayanula and Quartey, 2000). Previously insulated from international competition, many SMEs are now faced with greater external competition and the need to expand

their market share. However, their limited international marketing experience, poor quality control and product standardisation as well as little access to international partners continue to impede SMEs' expansion into international markets (Aryeetey *et al.*, 1994). They also lack necessary information about foreign markets (Abor and Quartey, 2010).

Abor and Quartey (2010) stated that one important problem that SMMEs often face is access to capital (Lader, 1996). Lack of adequate financial resources places significant constraints on SME development. Cook and Nixson (2000) observed that notwithstanding the recognition of the role of SMEs in the development process in many developing countries, SME development is always constrained by the limited availability of financial resources to meet a variety of operational and investment needs. A World Bank study found that approximately 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Parker *et al.*, 1995). Levy (1993) also found that limited capital is available to smaller enterprises compared to that available to larger organisations, and the consequences for their growth and development. The role of finance has been viewed as a critical element for the development of SMMEs (Cook and Nixson, 2000). A large portion of the SME sector does not have access to adequate and appropriate forms of credit and equity or to financial services in general (Parker *et al.*, 1995). In competing for the corporate market, formal financial institutions have structured their products to serve the needs of large corporates.

2.7 THE ROLE OF ENTERPRISE DEVELOPMENT INSTITUTIONS IN LIMPOPO PROVINCE

A landmark in policy development for South Africa's economy was the production of the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, which launched new directions for supporting small businesses (Department of Trade and Industry, 1995). From 1995, the national government began to roll out a set of policy initiatives and a list of institutions that were targeted to support SMMEs based on international best practice (Rogerson, 2004; Malefane, 2013). Further support was channelled to upgrade the capacity and potential opportunities for SMMEs that were involved in South Africa's higher growth or priority economic sectors (Rogerson, 2008). Masutha and Rogerson (2014) further

stated that in light of continued high levels of unemployment and poverty across the country, SMME development continues to be a policy priority for the Government of South Africa 20 years after democratic change. The establishment of the national Small Enterprise Development Agency (SEDA) in 2004 was a clear signal of the government's commitment to improving the coordination of national support for small enterprise development. One further indicator of the high level of policy commitment to SMME development in South Africa was the creation of the Ministry for Small Business Development in 2014 as part of government restructuring. Further evidence of the critical role of SMMEs finds expression in the significance attached to SMME development in national economic development planning. Within the New Growth Path, the major guiding economic strategy and policy documents of the Department of Trade and Industry (DTI), the ministry responsible for the economy that has a mandate for enterprise development, continued emphasis is placed upon support for the SMMEs (Department of Economic Development, 2010; DTI, 2012a). In the National Development Plan (NDP), which offers a vision for 2030, a commitment to the upgrade of the SMME economy is reasserted (National Planning Commission, 2011). In relation to its Vision for 2030, the NDP sets forth an ambitious target of generating 11 million new employment opportunities in South Africa, of which 90% are expected to be created within the SMME economy (Masutha and Rogerson, 2014).

2.8 CURRENT STATE OF SMME'S IN FETAKGOMO LOCAL MUNICIPALITY

Local Economic Development for Fetakgomo Local Municipality is tasked with supporting local business, communities and other stakeholders in creating a favourable environment for the local economy to grow.

2.8.1 BUSINESS SECTORS

The SMMEs in Fetakgomo Local Municipality are classified into the following sectors: construction, manufacturing and retail.

2.8.1.1 The construction sector

This sector comprises entrepreneurs who deal with the infrastructural development through government and private tenders. There are 115 small companies in this sector.

2.8.1.2 The manufacturing sector

This sector is composed of companies that normally deal with building, stock farming and vegetable farming around Fetakgomo Local Municipality. Seventy-eight recognised micro entrepreneurs play a pivotal role in this sector.

2.8.1.3 The retail sector

This sector dominates all the business sectors in the Fetakgomo Local Municipality, particularly because it entails all restaurants, bottle stores, and renting out of retail outlets in malls. There are 1 120 recognised medium entrepreneurs within the jurisdiction of the present study.

2.9 GOVERNMENT SUPPORT INSTITUTIONS

According to Malefane (2013:674), governments can play a more influential role in building an impact-driven financing model for SMMEs. Malefane (2013) further indicated that government legislation can strengthen good finance governance and sustainability of small businesses. The Government of South Africa, through the DTI has established a number of public sector institutions that cater for the needs of SMMEs. The role of the DTI is discussed below

2.10 THE ROLE OF THE DEPARTMENT OF TRADE AND INDUSTRY IN SMME 's DEVELOPMENT

According to the DTI (Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, 2008:109), its SMME programme seeks to achieve the following objectives:

- increasing the number of new small businesses, particularly SMMEs with growth potential;
- increasing the number of businesses that grow from the micro category to the small or medium-sized category, while
- decreasing the failure rate of small businesses; and
- concomitantly raising the productivity of existing small businesses.

The strategy document is clear on how DTI can eliminate structural barriers that lock SMMEs out of the crucial financial market. The following government initiatives have been put in place to improve access to financial resources by SMMEs.

2.10.1 THE ROLE OF KHULA ENTERPRISE FINANCE

Khula's mission is to ensure improved availability of loan and equity capital to small, medium, and micro enterprises by offering in a sustainable manner loans, guarantees and seed funds to retail financial intermediaries (RFIs) in need of capital and capacity (Republic of South Africa, 2006:1). The Khula Credit Guarantee provides a range of guarantee products to registered commercial banks and other private sector financial services to the SMME sector. The guarantee scheme is based on a risk-sharing arrangement, through which Khula assumes a portion of risk associated with lending in the SMME sector (Republic of South Africa 2006:1).

2.10.2 THE ROLE OF THE SMALL ENTERPRISE DEVELOPMENT AGENCY IN SMME DEVELOPMENT

SEDA is tasked with driving the government's strategic programmes and efforts to support the development of small businesses in South Africa. SEDA has the responsibility to put the necessary mechanism and non-financial support in place to help small businesses (Republic of South Africa, 2006:1).

2.10.3 THE ROLE OF THE INDUSTRIAL DEVELOPMENT CORPORATION

One of the three objectives of the IDC is to develop SMMEs. Its strategy is to provide risk capital for the widest possible range of industrial projects, to promote entrepreneurship through the development of competitive industries, to ensure that those industries' activities support the diversity of African societies, to establish local and global involvement in the industries' projects and to identify unrecognised business opportunities (Republic of South Africa, 2006:1).

2.10.4 THE ROLE OF THE NATIONAL EMPOWERMENT FUND

The National Empowerment Fund (NEF) specifically assists black people and communities to purchase shares in privatised government enterprises and private businesses. The loaning framework of the NEF specially targets the SMME sector.

The NEF Generator Funds is for the creation of start-up businesses that require funding from R250 000 to R1 million. The NEF Accelerator Fund is for the development and expansion of existing businesses that require funding from R1 million to R3 million (Republic of South Africa, 2006:1).

2.10.5 THE ROLE OF THUSO MENTORSHIP

The Thuso Mentorship Programme provides integrated mentorship support to SMMEs that have received funding from Khula and requires mentorship support.

2.11 CHALLENGES OF SMME'S

Expensive internet: ICT SMMEs need good and low-cost connectivity to the internet backbone, preferably a fibre optic connection that has less interference or latency than a wireless/satellite link. Most SMMEs need to arrange their own wireless or DSL data links, which prove to be less reliable and more expensive than those they could get if they pooled resources and then demanded and pushed for wholesale pricing on bulk connectivity options (Rogerson, 2007; Rogerson, 2010, 2012; Sibanda, 2013; Rogerson, 2014).

Inflexible lease terms: Leases can often be paid as far back as three years in advance and do not provide flexibility in terms of changing the terms of a lease or expanding (contracting) it into a larger (smaller) space as a company grows (contracts).

Individual resources: Companies generally have to provide their own resources, such as generators, receptionists, security personnel, kitchens, water tanks, and internet connections, as they cannot rely on other building tenants to maintain shared resources. An ICT SMME is much more vulnerable to downtime than other SMMEs—it is like a factory, in which no power means no income. ICT service industries supporting global customers need a 99% uptime. It is expensive for one to build, maintain infrastructure and environment in an older building.

Unattractive locations: SMMEs often take the most affordable real estate available—a garage/floor of a house or a crowded market area. This can project a negative image to potential customers. Image is important for an aspiring SMME trying to establish its credibility, especially one that has only a few employees and seeks to get service contracts from larger corporations.

Appropriate support services: Most SMMEs are launched by aspiring entrepreneurs who have had no previous experience, possibly without even little exposure to a mature corporate environment. The entrepreneurs do not plan the enterprises appropriately, assess markets, commercialise products; marketing of the enterprises is not adequate or imaginative; and good corporate governance is frequently lacking. There is a crisis across Africa due to the nature of a tight labour market and few good opportunities for employment for graduates through which they can explore and learn best practices. Business plan competitions encourage individuals, understandably but regrettably, to embark on their own projects. These individuals have little access to financial products and services and little training in project management and scheduling. They are unaware of basic business practices, such as feasibility studies, and, even worse, people, networks as well as existing support programs that could be of assistance to their businesses.

Okpara (2011:157) posited that problems facing the growth and survival of SMMEs in Africa could be generally classified into four broad categories: administrative, operational, strategic and exogenous problems.

Although this form of industry networking and lobbying is well developed in Europe and the United States, it appears to be inadequate in Africa and can be possibly linked to larger sizes of some markets, which result in increased competition, rivalry and mistrust. Increasing competition in international markets on survival rates of small businesses. Increased globalisation means high costs that SMMEs accrue in terms of establishing and maintaining foreign distribution and marketing networks. Such costs and inadequate protection of intellectual property rights make it difficult for SMMEs to coordinate complex business–labour relationships.

2.12 CONCLUSION

The inavailability of debt finance or resource poverty is one of the critical failure factors of SMEs in South Africa (Fakoti, 2012). At the heart of the difficulties facing these SMMEs are their continued inability to access market opportunities, lack of access to finance or credit and their support institutes' failure to deliver. At the national level, more shortcomings are disclosed in the inadequate support that provincial and local levels of government provide to SMMEs across South Africa as part of 'place-based' economic development programming (Rogerson, 2007; Rogerson, 2010, 2012; Sibanda, 2013; Rogerson, 2014).

SMME development was identified by the new South Africa government as a priority in creating jobs to reduce the high unemployment rate. The country's unemployment figure is currently at 24%; in other words, 6.9 million people out of a possible economically active population of 18.8 million are unemployed (SSA, 2009). The growth of the labour force in South Africa is approximately 2.8% per annum. An average annual real economic growth rate of approximately 6% is required to keep pace with the labour force growth.

SMMEs are considered the engines of growth in developing countries. In developed countries, SMMEs have historically played a pivotal role in creating jobs, spurring innovations, and creating new products, thus contributing to economic vitality and growth (Consultancy Africa Intelligence, 2011:1)

Recently, the strong presence of Asian SMMEs in Africa and increasing competition has negatively affected local SMMEs. The purpose of the present study is to revisit and determine challenges and opportunities facing the growth of SMMEs in South Africa, with a special focus on SMMEs in Fetakgomo Local Municipality.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter begins with conceptualisation and contextualisation of SMMEs. This chapter then explains the general situation of SMMEs globally, in Africa and in South Africa. Finally, impediments are explored by looking at some case studies.

The preceding chapter presents the relevant literature review for the determination of challenges and opportunities faced by SMMEs in Fetakgomo Local Municipality, which is situated in Greater Sekhukhune District Municipality. This chapter further outlines the constraints and opportunities faced by SMMEs in Fetakgomo Local Municipality by exploring and describing the internal factors that influence an entrepreneur.

In this chapter, the writer describes the research design and methodological orientation of the present study as well as the physical context of the problem. Research paradigms, approaches and techniques are clarified to address the research objectives indicated in chapter one. The research methods of the present study were employed to identify, analyse and evaluate challenges and opportunities faced by SMMEs in Fetakgomo Local Municipality.

3.2 RESEARCH DESIGN

Husse and Hussey (2007:54) defined methodology as the overall approach evident in the research process from the theoretical foundation to strategies that are used in the collection and analysis of data. Methods, by contrast, refer to the specific means by which data are collected and analysed. The critical social science approach was adopted for the present study. This approach was appropriate for the present study for two reasons. First, the research instrument that was used in the study had been developed and tested in a different context. Secondly, the issues in this particular research have been studied by other researchers; hence, a substantial body of literature exists.

The paradigm a researcher adopts has a direct relationship with the research methodology available to him/her. Research paradigms incorporate the fundamental philosophical concepts and values about the nature and the scientific pursuit of knowledge. Creswell et al. (2012) stated that it is important to delineate the research design clearly and succinctly. The research design for the present study is descriptive and exploratory. The descriptive research by Creswell et al. (2012:34) described the characteristics of an existing phenomenon; it seeks to answer questions relating to the fundamental characteristics that define the research subject, and exploratory studies are primarily concerned with finding out what is happening and discovering new insights into a phenomenon. The researcher conducted an in-depth literature search and interviews with experts in the field and/or focus group discussions. Bless and Higson-Smith (2006) suggested that in conducting explorative and descriptive research, the survey design can be used to collect information from several units of analysis. Although some information was known about the development and challenges confronting small businesses, the study was still exploratory in that it was conducted in a different context (rural Fetakgomo Local Municipality) and more information was needed before developing a theoretical framework (Sekaran, 2006). In addition, the study was descriptive in that it was conducted to determine and describe “the opportunities and challenges facing SMMEs in Fetakgomo Local Municipality.

The mixed method approach, which draws on both positivism and phenomenological, was adopted for the study. The use of multiple research methods enables the researcher to increase the reliability and validity of findings. Weaknesses of one method are balanced by strengths of other methods incorporated in a study.

3.3 RESEARCH APPROACH

According to Creswell (2014), research approaches are strategies and techniques for the carrying out of research that covers steps ranging from broad assumptions to detailed methods of collecting data to analysing and interpreting them. There are several decisions involved in choosing research approaches. The overarching decision involves the determination of an approach to be used to study a topic. Creswell (2014) further stated that this decision should be informed by the

philosophical assumptions that the researcher brings to the study, such as research designs or procedures of inquiry and methods of data collection, analysis, and interpretation. The author further stated that the choice of a research approach is also guided by the nature of the research problem or subject matter being tackled, the personal experiences of researchers, and the study audience.

A number of different methods can be used to collect the data from respondents. Each method has advantages and disadvantages, and some methods are better than others in some circumstance. The two most commonly used primary data collection methods are the self-administered questionnaire and interviews. Questionnaires are most widely used in surveys with descriptive or exploratory purposes. The interview is very common in descriptive research such as surveys but can also be used to collect valid and reliable data in other types of research. In contrast to questionnaires, interviews generally tend to make use of open-ended questions and small, deliberately selected purposive sampling and give a large, potentially unlimited, information yield.

3.4 POPULATION

Kruger and Mitchell (2011:47) defined a population as all the people with an interest in a study, from which a sample is selected to partake in the study. In a situation where it is not possible to survey the entire population within a reasonable time and with the resources at the researcher's disposal, the researcher must identify the part of the target population that is accessible and take the sample of the study from that part (Henning, Van Rensburg and Smith, 2004:28).

The population of present study consisted of 53 respondents. The researcher had already administered the instruments to a small pilot group to examine the user-friendliness, comprehensiveness and adequacy of the data collection procedures and instruments. In addition, the data were analysed to establish the adequacy of the plan of action for data analysis.

Fifty-three respondents had to be interviewed using purposive, convenience and snowball sampling.

3.5 SAMPLING

Sampling refers to the procedure by which a given number of subjects are selected from a population to represent that population. According to Babbie et al. (2001:104), a sample from any portion of a population or universe is taken as representative of that population or universe. In terms of sample size consideration, according to Maree (2007), larger samples are better in terms of representativeness, statistical analysis and accuracy. In the present study, 53 people were interviewed to thoroughly determine the challenges and opportunities faced by SMMEs in the study area. Snowball and convenience sampling methods were utilised to interview the SMMEs. According to O'Leary (2008:103), sampling is a process that is always strategic and sometimes mathematical and that involves using the most practical procedures possible for gathering a sample that best represents a larger population. Kumar (2008:179) argued that purposive sampling is extremely useful in constructing a historical reality, describing a phenomenon or developing something about which only little is known.

In this present study, the sample size is determined after getting the list of all SMMEs that were benefiting. Fifty-three people were interviewed in the present study to thoroughly determine challenges and opportunities of SMMEs in the study area.

3.5.1 QUESTIONNAIRE

Questions are used as the vehicle for extracting primary research data. When questions are designed, it is essential for a researcher to have a substantial amount of knowledge regarding the subject to ensure that the most appropriate questions are asked. It is also important to keep the potential audience in mind; this guides the level of question complexity (Hussey and Hussey, 2007:164–165). The length of a questionnaire depends on the type of respondent. Depending on the individual respondent, a questionnaire should only require up to 10 minutes to complete. Longer than that may risk causing the respondents to delay completing the questionnaire until they have more time (Allison, O'Sullivan, Owen, Rice, Rothwell and Saunders, 2006:73–74).

3.6 RATIONALE FOR THE USE OF A QUESTIONNAIRE

Anderson (2014:208) contended that surveys using questionnaires are perhaps the most widely used data-gathering technique in research. Prior to the selection of the questionnaire over other data collection methods, the key advantages and disadvantages of questionnaires (Robson, 2012:233–234; Denscombe, 2013:161; Brynard and Hanekom, 2015:38–39; Kumar, 2006:130–131) pertaining to the study were considered.

3.7 VALIDITY AND RELIABILITY

Boyd (2016) indicated that in research, internal validity is the extent to which one is able to say that no other variables except the one studied caused the result.

The Laerd Dissertation (2014) indicated that in a quantitative research, the concept of external validity is important because researchers want to be able to say that the conclusions they made in their dissertation can be generalised, whereas in a qualitative research design, the level of internal validity is affected by the type of quantitative research design adopted (i.e. descriptive, experimental, quasi-experimental or relationship-based research design) and potential threats to internal validity that may have influenced the results. This further indicated that external validity is based on the question: To what extent can the conclusion be generalised to a wider population and/or across populations, treatments, settings/contexts, and time?

3.8 ETHICAL CONSIDERATIONS

Based on Leedy and Ormrod (2010:53), the following ethical considerations had to be observed during the course of the present study.

Ethical clearance: Ethical clearance to conduct the study was obtained from the University of Limpopo's Research Committee.

Consent forms: All participants signed consent forms before interviews were conducted. The consent was voluntary, informed and preferably in written form.

Social and cultural prejudices: All social and cultural prejudices likely to endanger the social status of participants were dealt with consistently throughout the research process.

Fairness and transparency: The selection of research participants was based on principles of fairness and transparency.

Confidentiality of the participants: To protect the confidentiality of the participants, all of them were requested not to disclose their names.

3.9 CONCLUSION

The selection of a research approach was based on the nature of the research problem combined with the researcher's personal experiences and on the study's audience. The study was undertaken using a methodology that is both quantitative and qualitative (mixed method) to gather the most appropriate data to answer the research questions. From the discussions in this chapter, it is evident that the combination of approaches, methods, design and techniques to conduct the research was prudent. All the research approaches and methods are relevant as long as they are used appropriately in a study. The next chapter focuses on data collection, analysis, and interpretation. Since the research methodology was based on the interpretivism paradigm, the qualitative method was employed to collect, modify and analyse the research results.

The next chapter summarises the findings of the study. A protocol consisting of a written questionnaire and email and telephone interviews were used to obtain the data.

CHAPTER 4

CHALLENGES AND OPPORTUNITIES IN FETAKGOMO LOCAL MUNICIPALITY

4.1 INTRODUCTION

The previous chapter deals with the research methodology that was used to collect data in the present study. The aim of the study was to determine opportunities and constraints available for SMMEs in Fetakgomo Local Municipality, Limpopo Province. Numerous opportunities have been availed for SMMEs, yet the critical challenges and constraints continue to be recorded. The study assessed entrepreneurs' attitudes as critical success factors (CSFs) for developing SMMEs in relation to entrepreneurial motives. Furthermore, the study assessed the relationship between entrepreneurial motives and entrepreneurs' attitudes as well as entrepreneur's characteristics as has been highlighted in the previous section.

4.2 CHARACTERISTICS OF ENTREPRENEURS IN FETAKGOMO

The interest in entrepreneurship is largely caused by finding that new business enterprises are the primary source of new employment opportunities (Boshoff, Theron, and Schutte, 2008). Successful entrepreneurship is seen as a major component of a healthy market economy and an important source of job creation (Van Wyk and Boshoff, 2014) and thus plays a critical role in economic development. Acs and Storey (2007) found evidence that geographical areas that experience a rise in the formation of new firms subsequently experience economic development.

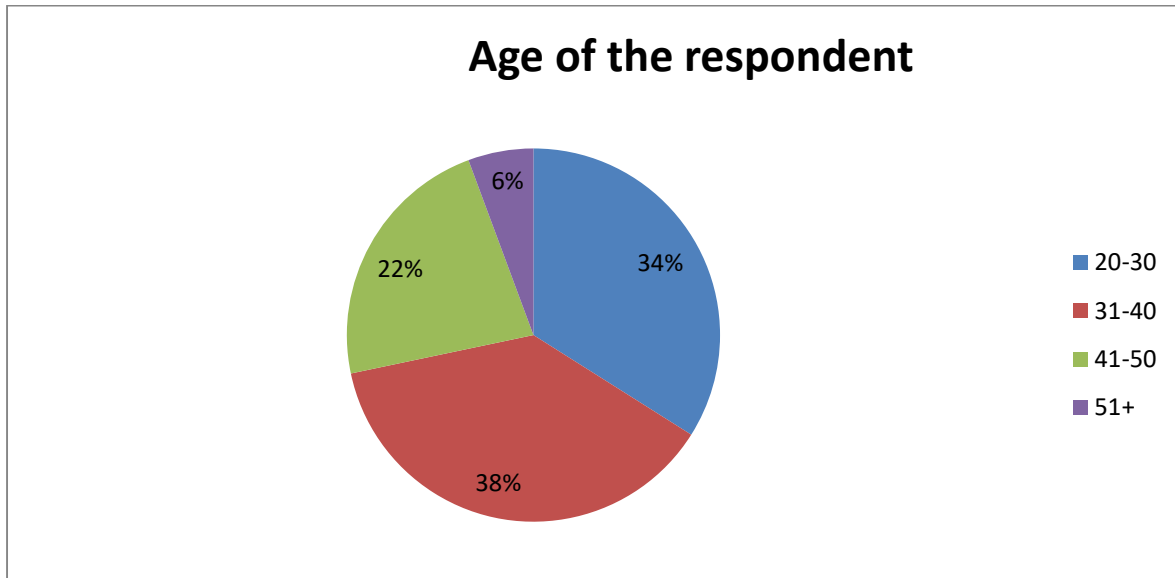
Table 4.1: Gender of the respondent

Gender	Number	Percentage
Male	28	52.8
Female	23	47.2
Total	53	100

Source: Survey data (2014)

Of the 53 people that were interviewed, close to 53% of the respondents were males, and females constituted 47.2%. This suggests that many women are taking business initiatives.

Figure 4.1: Age of the respondent



Source: Survey data (2014); N = 53

Thirty-eight percent of the respondents were aged between 31 and 40 years, while those between 20 and 30 years constituted 34%. Twenty-two percent were between 41 and 50 years of age. Only 6% were over 50 years of age. The study reveals that the young generation is taking up opportunities being presented by the government to start SMMEs.

Table 4.2: Marital status of the respondents

Respondents' marital status	Frequency	Percentage
Single	19	35.8
Married	27	50.9
Widowed	3	5.7
Separated	4	7.5
Total	53	100

Source: survey data (2014); N = 53

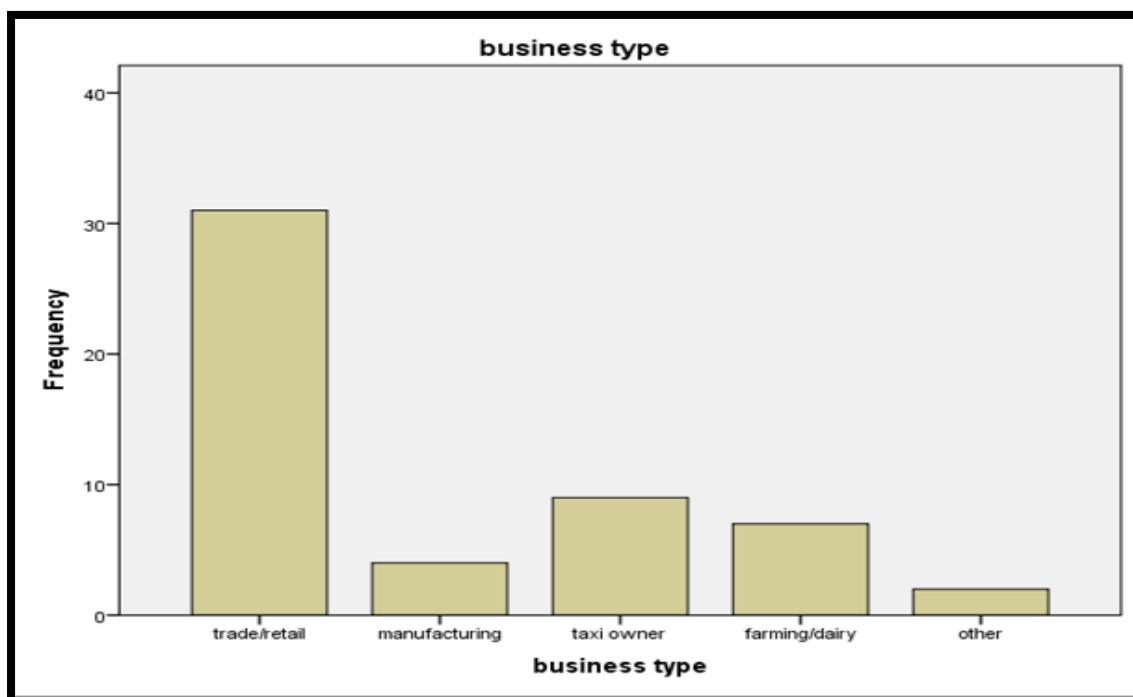
Fifty-one percent of the respondents were married, whereas approximately 36% were single.

Table 4.3: Occupation of the respondents

Respondents' occupation	Frequency	Percentage
SMME	16	30.2
Employment	34	64.2
Renting a business	3	5.7
Total	53	100

Source: Survey data (2014)

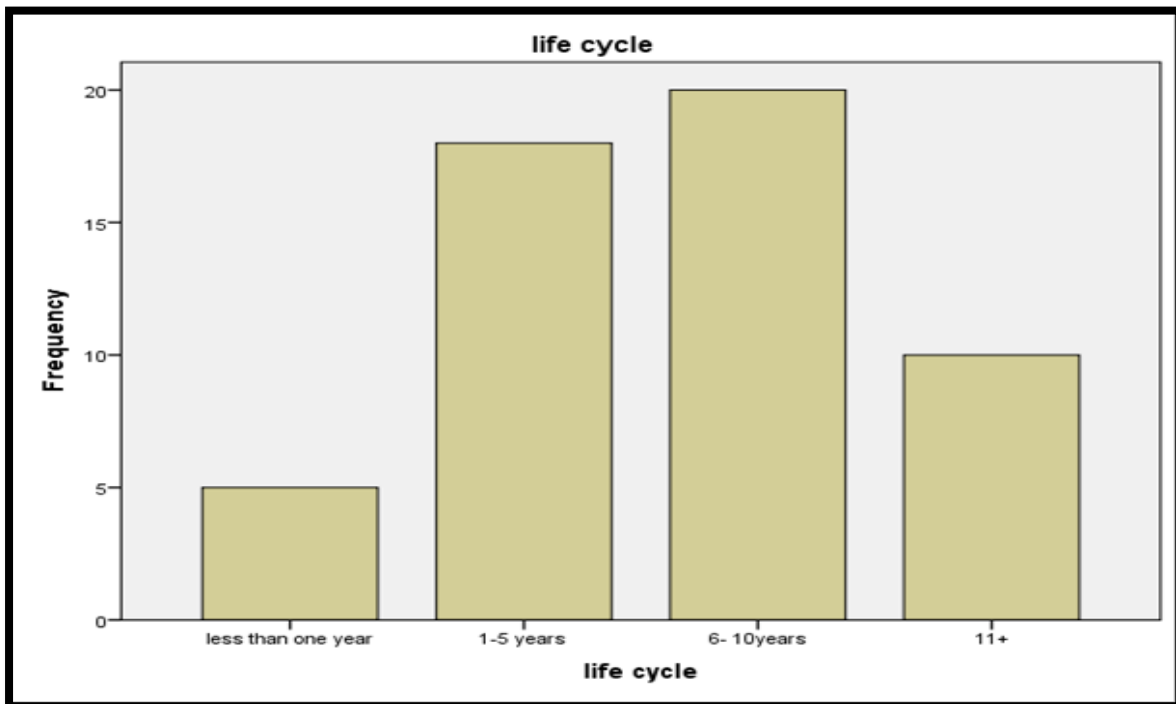
Figure 4.2: Business type of the organisation



Source: Survey data (2014)

Approximately 30 of the respondents were in the trade/retailing business, 10 were taxi owners, 8 were in farming.

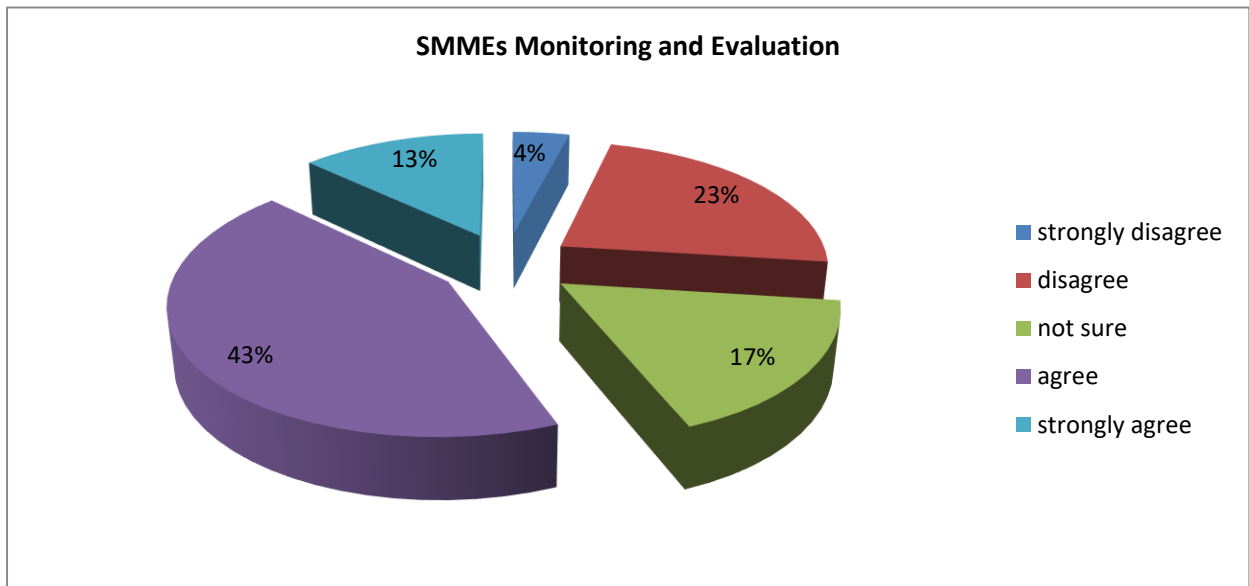
Figure 4.3: Life cycle of the business



Source: Survey data (2014); N = 53

Approximately 20 of the respondents had been running their business for 6–10 years, whereas 18 had been running their business for 1–5 years. The number of those whose business was in its early stage was approximately 5. Approximately 31% had more than 5 employees, 25% had more than 20 employees, 32% said it was a family business, and 13% said they were survivalists. Figure 4.4 below sought to establish whether the businesses had received viability training.

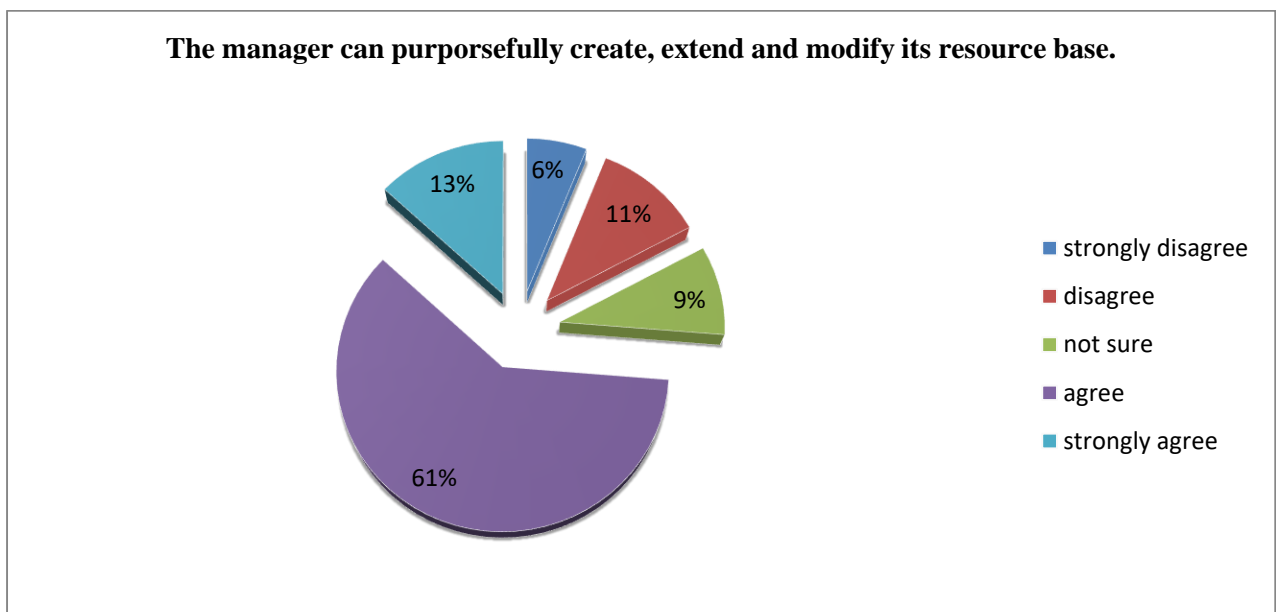
Figure 4.4: Lack of skills such as bookkeeping has an effect on the growth of a business.



Source: Survey data (2014); N = 53

Thirteen per cent of the respondents strongly agreed that lack of skills such as bookkeeping skills had an effect on SMME development, whereas 43% disagreed.

Figure 4.5. The manager has the capability to purposefully create, extend and modify its resource base.

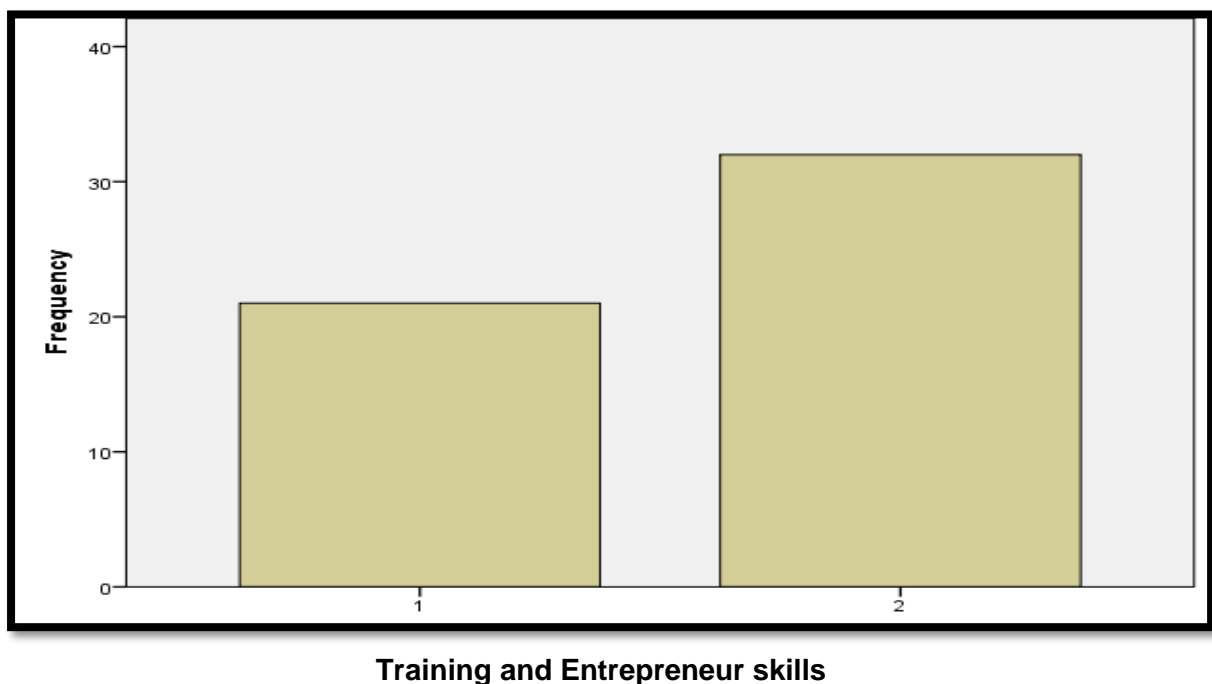


Source: Survey data (2014); N = 53

4.3 CRITICAL SUCCESS FACTORS

A study by Bhutta et al. (2008:130) found that “education, a generation setting up the business, and the number of partners have a significant relationship with the health of SMMEs.” In other words, do firm size and managers’ characteristics determine their entrepreneurial attitudes? This is best answered by understanding the definition of entrepreneurship, which has been viewed as opportunity seeking, recognition, and exploitation through novel resource recombination (Zahra, Korri, and Yu, 2005:86).

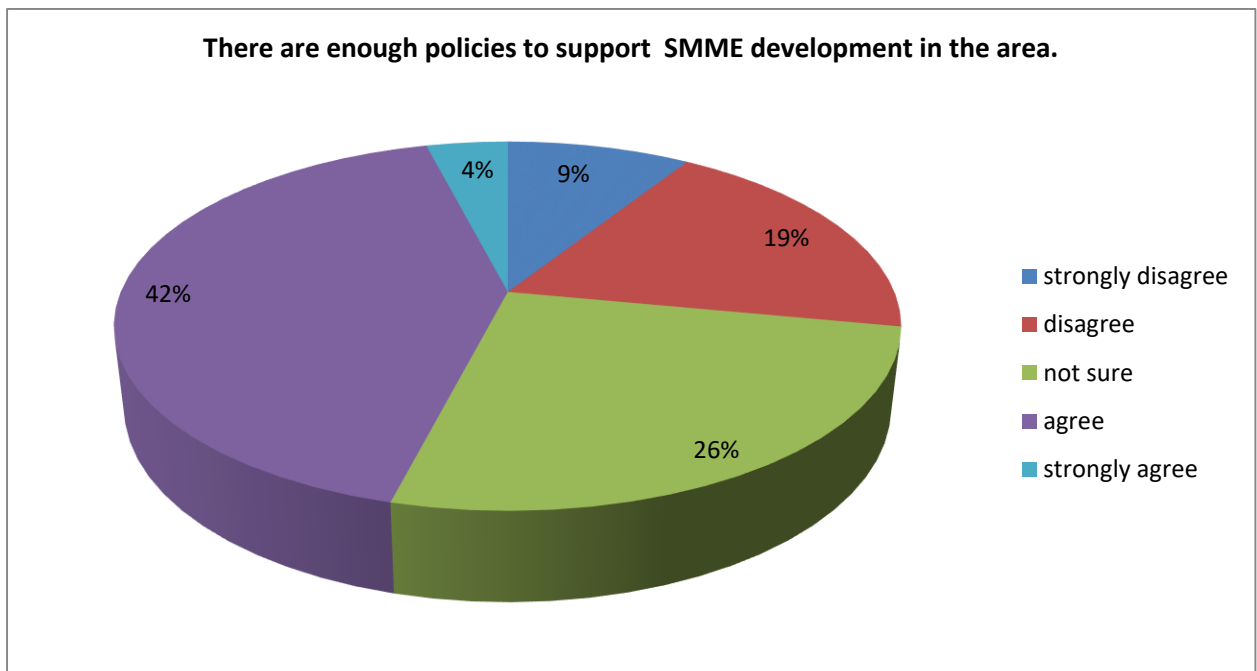
Figure 4.6: Training viability



Source: survey data (2014): 1, yes; 2, no. N = 53

The majority of the respondents (approximately 32) had not received training for the SMMEs, whereas 21 said they had received training. A follow-up question was asked regarding whether they would take up job opportunities if they came along, and 66% of the respondents said yes, 32% said no, and one person (2%) was not sure. On whether the public sector is offering encouraging support to SMMEs, 43 of the respondents said yes, whereas 10 said the private sector was not encouraging them in any way. The following 5.5 presents the respondents feelings regarding public sector support for SMMEs.

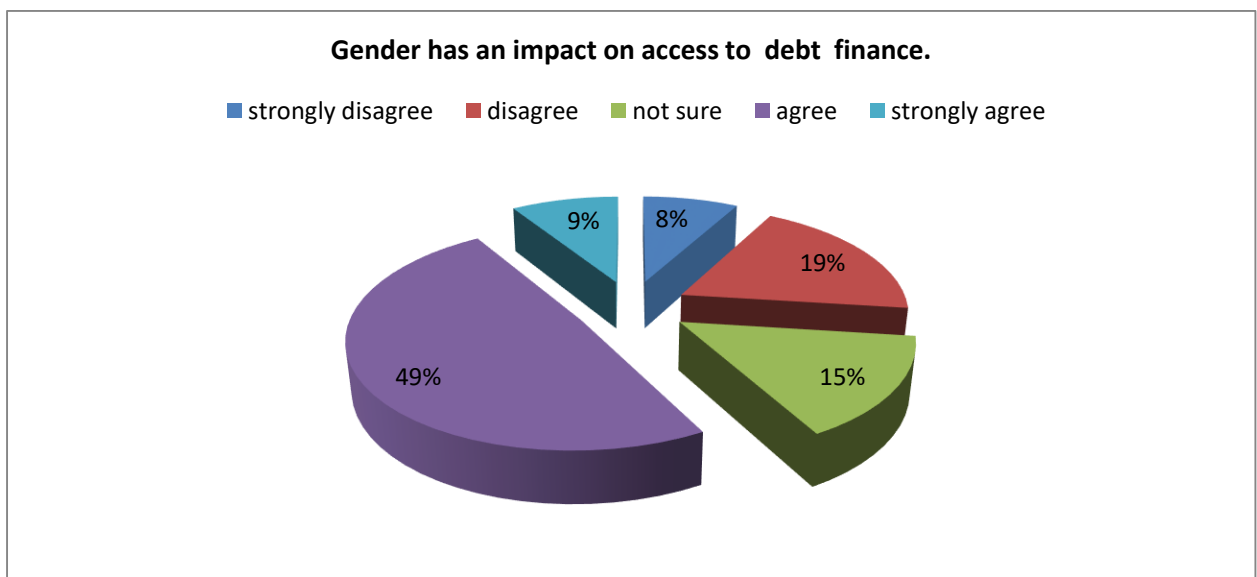
Figure 4.7: There are enough policies and strategies in place to provide support and financial access to SMMEs.



Source: Survey data (2014)

Forty-two per cent of the respondents agreed that there are enough policies to support SMME development in the area; 26% were not sure of the policies; and 19% disagreed, i.e. believed that the services were not enough.

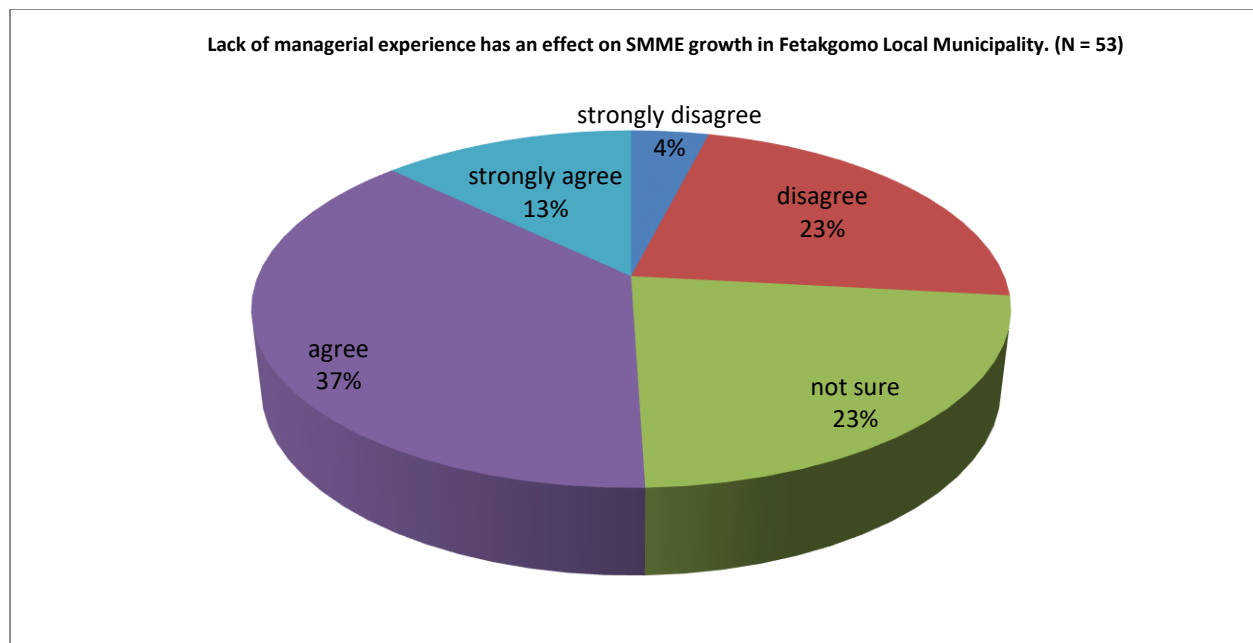
Figure 4.8: Gender has an impact on access to debt finance



Source: Survey data (2014)

Forty-nine per cent of the respondents agreed that gender has an effect on access to debt finance, whereas 19% disagreed.

Figure 4.9: Lack of managerial experience has an effect on SMME growth.



Source: Survey data (2014)

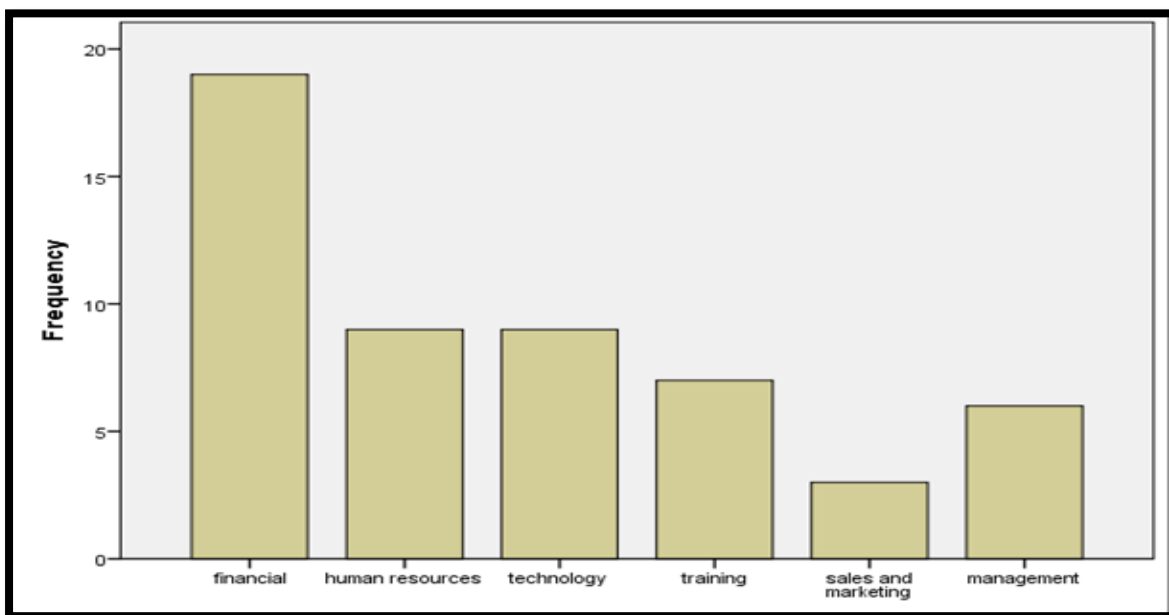
In a study by Huang and Brown (2007:73) of 973 small businesses in the western region of Australia, managers indicated that they were facing the following problems in descending order of importance: sales and marketing (40.2%), human resource management (15.3%), general management (14.3%) and production/operations management (8.6%). Sales and marketing is often the most dominant problem encountered by SMMEs, and it has also been acknowledged to be the most important of all business activities and to be essential for the growth of SMMEs.

4.4 PROBLEMS ENCOUNTERED BY SMME'S IN FETAKGOMO

One of the problems that SMEs often encounter in many countries is lack of institutional support for their operations (Sentsho et al., 2007:20). The Global Entrepreneurship Monitor (GEM) (2008) figures indicate that 8 in 100 adult South Africans own a business that is less than 3.5 years old, significantly less than other

low- to middle-income countries, where an average of 13 out of 100 adults build new businesses. It is also reported in the same study that only 2.3% of South Africans own businesses that have been established for over 3.5 years, indicating a high failure rate among start-ups—with South Africa ranking 41st out of 43 countries in the prevalence (survival) rate for SMME development—is very complicated and over-ambitious, coupled with a complex mix of strategies.

Figure 4.10: Problems encountered by SMMEs

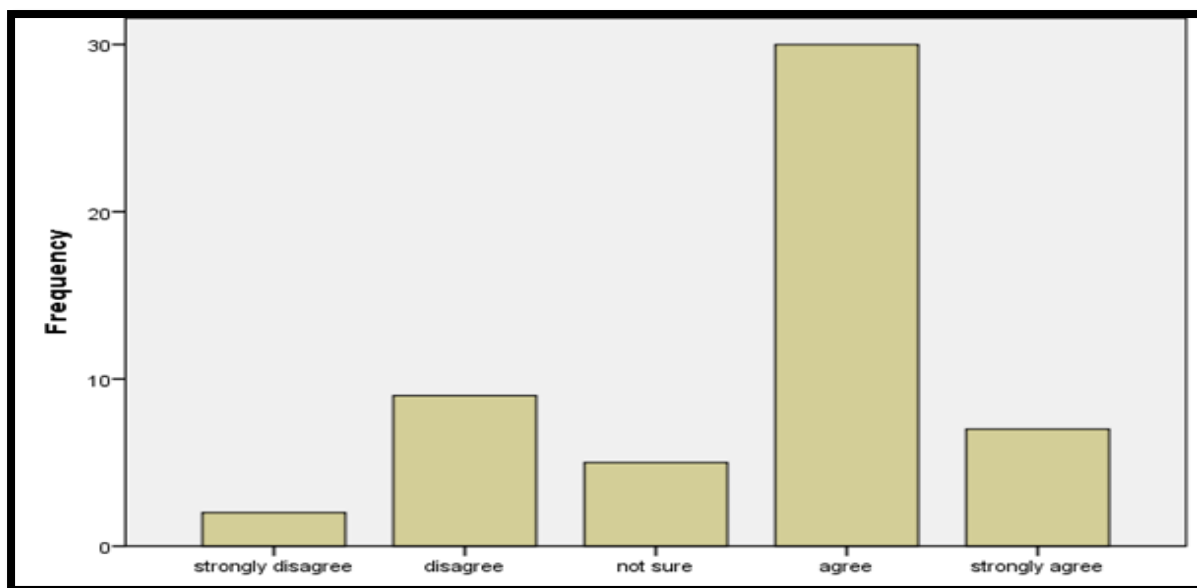


Problems encountered by SMME's

Source: survey data (2014); N = 53

Nineteen of the respondents said they were facing financing challenges, nine mentioned human resources, nine mentioned technology, and seven mentioned training. Three respondents said they were having challenges with sales and marketing, and six said management issues were a concern for them. Regarding labour laws being conducive to SMME growth, 57% said they were, 42% said they are not, and one person did not respond. Likert scale questions were asked to solicit more information. Figure 4.7 reveals the social status of the small business owner and whether he/she is happy by owning the business.

Figure 4.11: Social status of the small business owner and whether he/she is happy by owning the business



Social status for small business owners

Source: Survey data (2014)

Four percent of the respondents strongly disagreed, 17% disagreed, 10% were not sure, 57 agreed to the statement, and 13% strongly agreed.

Table 4.4: Establishing whether the business is providing a financial return

Respondents' responses	Frequency	Percentage
Strongly disagree	1	2
Disagree	13	25
Not sure	9	17
Agree	26	49
Strongly agree	4	8
Total	53	100

Source: Survey data (2014)

Two percent of the respondents strongly disagreed that their business did not give them a financial return, 25% disagreed, and 17% were not sure. Forty-nine percent

agreed to the statement that the business is not giving them a decent financial return, and 8% strongly. Table 4.5 presents respondents' responses to the statement that the government supports small businesses financially and technologically.

Table 4.5: Government supports small businesses financially and technologically.

Respondent	Frequency	Percentage
Strongly disagree	3	6
Disagree	9	17
Not sure	13	25
Agree	24	45
Disagree	4	8
Total	53	100

Source: Survey data (2014)

Forty-five percent of the respondents agreed that the government supports small businesses financially and technologically, 25% were not sure, and 17% disagreed. Table 4.7 indicates that start-up capital is the most challenging and difficult aspect for SMMEs.

Table 4.6: Start-up capital is the most challenging and difficult aspect for SMMEs

Respondents' responses	Frequency	Percentage
Strongly disagree	3	6
Disagree	5	9
Not sure	13	25
Agree	22	42
Disagree	10	19
Total	53	100

Source: Survey data (2014)

Access to capital markets is still under-developed, for both SMEs and retail lending

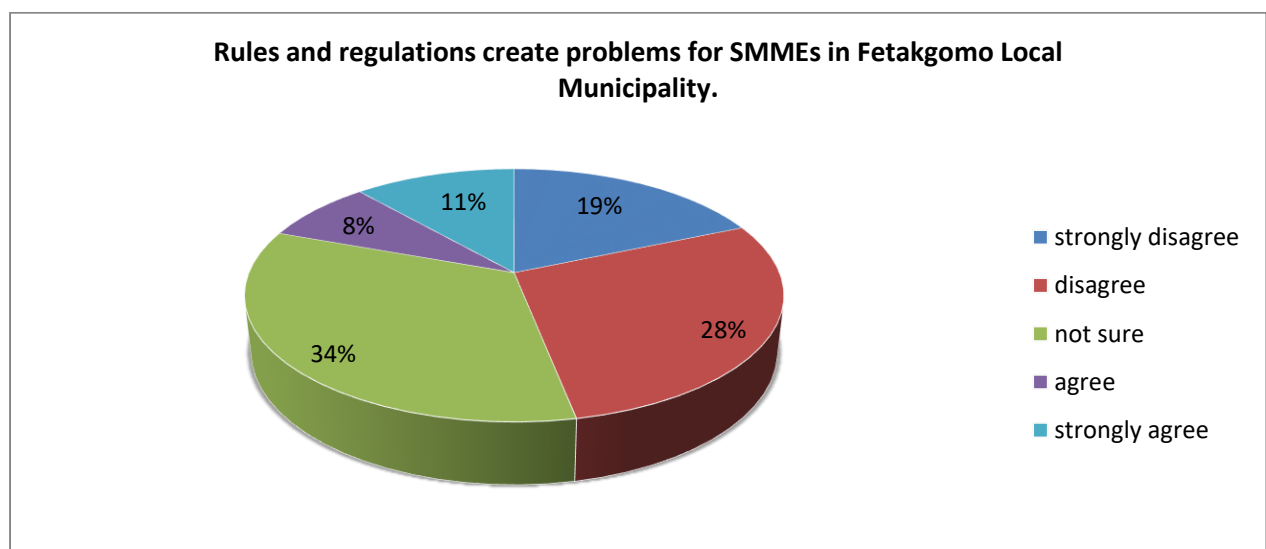
entities that could lead to them. Although direct market access carries transaction cost and liquidity problems, securitisation (for example, through CLO funds) has a significant potential for increasing access to capital and reducing the cost of capital. Several regulatory issues presently hinder the implementation of these solutions. Limitations on access to capital are a substantial obstacle to the growth of non-bank financial institutions (NBFIs) (including micro lenders), which in turn limits such institutions' ability to provide finance to SMMEs. The profile of capital to which non-bank financial institutions legally have access prevents these institutions from structuring optimum asset/liability structures. Thus, the origination of assets of the size and term structure required for SME financing becomes very difficult for NBFIs.

Table 4.7: Difficulties in understanding the new technological development

Respondents' responses	Frequency	Percentage
Strongly disagree	3	6
Disagree	8	15
Not sure	15	28
Agree	15	28
Strongly agree	12	23
Total	53	100

Source: Survey data (2014)

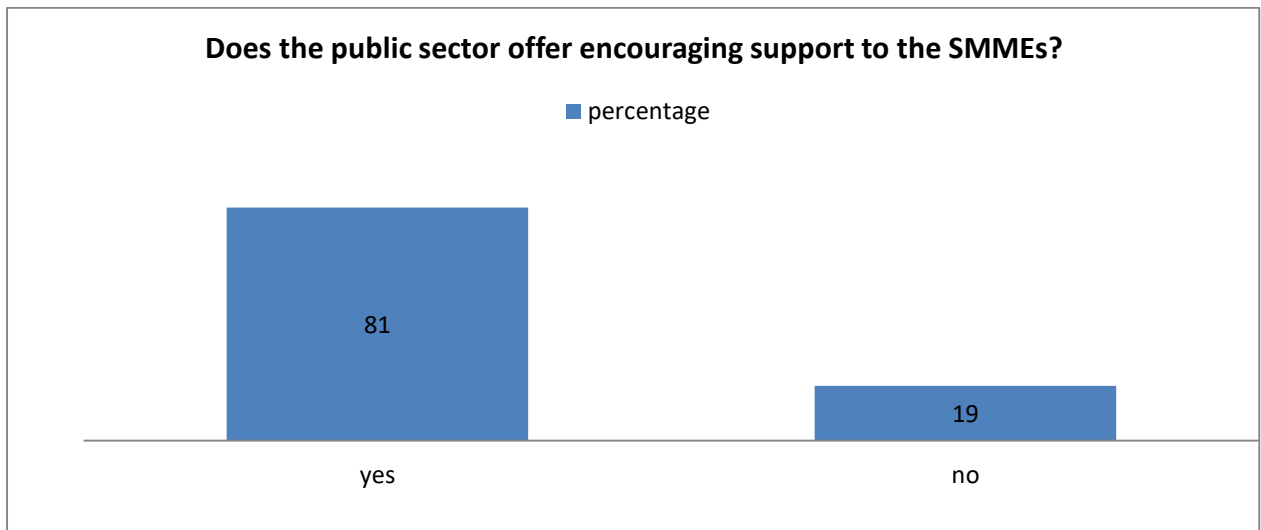
Figure 4.12: Government rules and regulations create problems for SMMEs.



Source: Survey data (2014)

4.5 INSTITUTIONAL SUPPORT

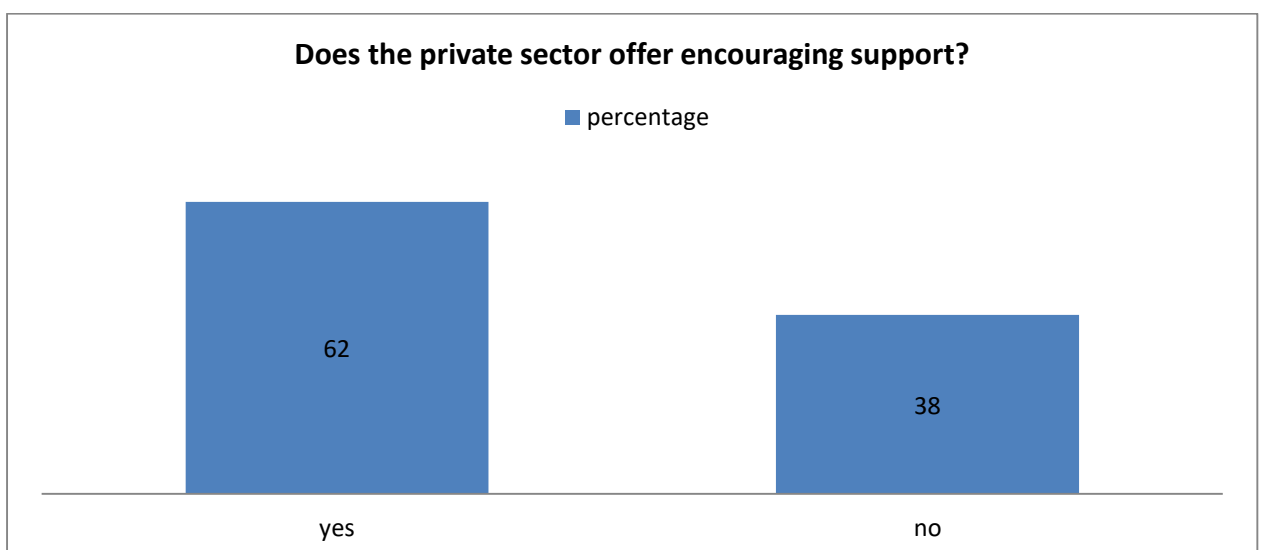
Figure 4.13: The public sector supports SMMEs.



Source: Survey data (2014); N = 53

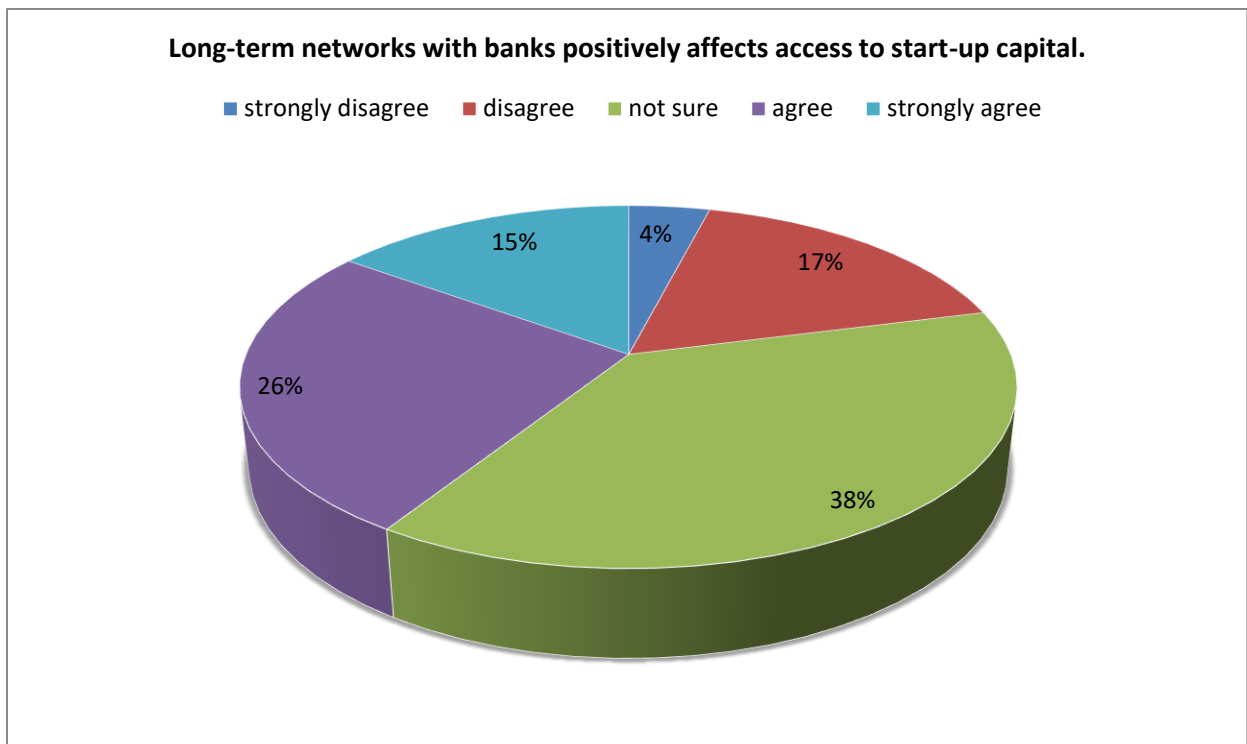
31 of the respondents said they would encourage someone to start a business as they had done, and 22% said no.

Figure 4.14: Does the private sector offer encouraging support?



Source: Survey data (2014)

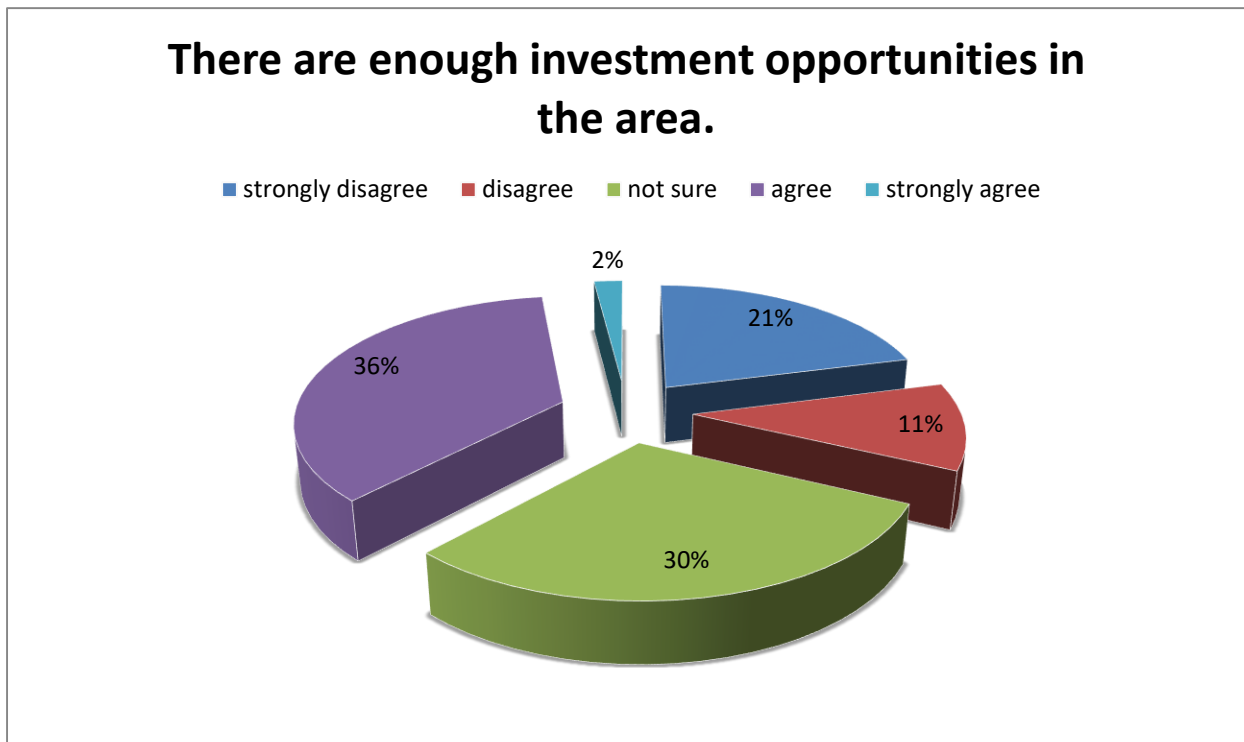
Figure 4.15: Networking and long-term relationships with banks positively affect access to start-up capital.



Source: Survey data (2014)

Burgeoning literature suggests that SMMEs secure start-up capital. Marketing as practiced in small firms seems to rely on personal contact networks (Hill and Wright, 2011). The researcher solicited confirmation for this from the respondents, as 26% agreed with the statement, 15% strongly agreed, and 17% disagreed.

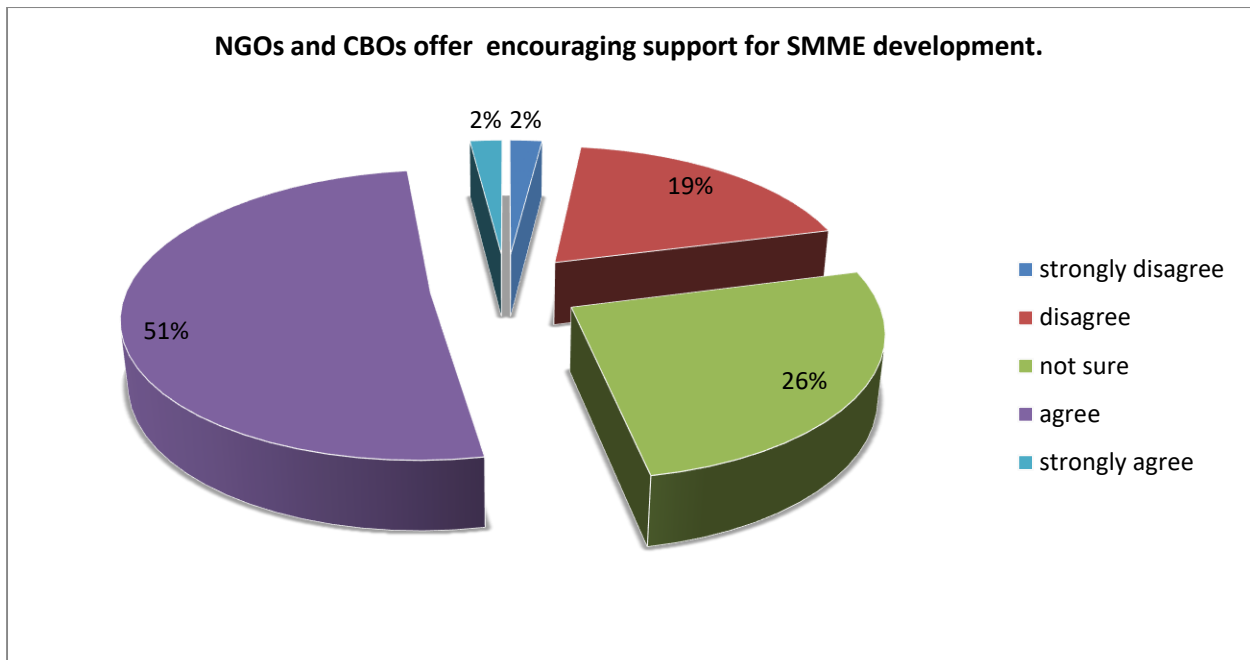
Figure 4.16. There are enough investment opportunities in the area.



Source: Survey data (2014)

With regard to whether SMMEs in the study area perceive that there are investment opportunities in the area, 36% agreed, and 30% were not sure. Twenty-one percent strongly agreed, thus revealing that the majority generally agrees that there are investment opportunities in the area.

Figure 4.17: NGOs and CBOs offer encouraging support for SMME development.



Source: Survey data (2014)

Fifty-one percent of the respondents agreed that a number of non-governmental organisations (NGOs) and community-based organisations (CBOs) offer encouraging support for SMME development. Twenty-six percent were not sure of the role of NGOs and CBOs in encouraging SMMEs in the area.

4.6 CROSS-TAB ANALYSIS

Pearson’s chi-squared test of association was used to identify significant two-by-two associations among pairs of categorical variables. At the 5% level, significant associations of p-values that are smaller than 5% were obtained. All cells were expected to have frequencies of 5 or above. This indicated that p-values obtained from cross-tab analysis were reliable. To find significant associations from Pearson’s chi-squared, tests of associations of factors of SMME development in Fetakgomo Municipality were conducted by determining opportunities and constraints for SMMEs in the area.

Two purposes of descriptive statistics are to describe the study groups with respect to the variables measured in the study and to identify possible departures from non-normality and outliers, which may act as points of influence for subsequent analysis.

The first aspect of comparison was whether opportunities had been created for SMME development, and the second one was whether there were constraints that inhibited SMME development. Differences among proportions in categorical variables were assessed using the chi-square test.

Table 4.8: Results obtained from Pearson’s chi-square test of associations for Model 1

Variable of the study associated with factors promoting SMME development	Pearson’s chi-squared (4)	pr-Value
Policies and strategies	31.5162	0.000
Evidence of supporting institutions	44.5903	0.000
Evidence of funding	44.6509	0.000
Training provided	38.2599	0.000
Start-up capital	56.2503	0.000

Table 4.4 indicates that there is a statistically significant relationship between SMME development and policies and strategies that have been formulated, supporting institutions, funding set aside as well as training provided for SMMEs.

Policies and strategies (chi-squared (with four degrees of freedom) = 31.5162, pr = 0.000); evidence of supporting institutions (chi-squared with four degrees of freedom = 44.5903, pr = 0.000); evidence of funding (chi-squared with four degrees of freedom = 44.6509, pr = 0.000); training provided (chi-squared with four degrees of freedom = 38.2599, pr = 0.000), ONE MORE (chi-square with four degrees of freedom = 56.2503, pr = 0.000)

Table 4.4 for Model 1 above indicates that a number of opportunities available such as policies and strategies, training and funding promote SMME development.

Table 4.9: Results obtained from Pearson’s chi-squared of associations for Model 2

Variable of the study associated with factors affecting SMME development in Fetakgomo Local Municipality	Pearson’s chi-squared (4)	Pr-Value
Lack of managerial skills	20.2416	0.000
Gender has an impact on access to credit	40.4483	0.000
Long-term networks with banks have an effect on access to credit	44.5225	0.000
Difficulties in understanding new technological development	21.4667	0.000
Sales and marketing	27.1652	0.000

Model 2 results in Table 4.9 indicate that viability and development of SMMEs in Fetakgomo Local Municipality is influenced by a number of factors such as lack of managerial skills, long-term networks that positively affect access to bank credit, understanding of new technological developments as well as sales and marketing. These results also indicate that there is a statistically significant relationship between the aforementioned factors and SMME development in the area.

4.7 CONCLUSION

The main challenges the most of SMEs have to cope with are a marked decline in the demand for products and services, liquidity- and credit-related problems, a sharp increase in the prices of raw materials, considerable fluctuations in currency exchange rates, and inflation pressure.

The SMMEs’ owners in Fetakgomo Local Municipality found themselves in a good social status, and they were happy about it. The owners preferred to work on their own projects than working in the public sector or for someone else in the private sector.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The present study's overview, findings, recommendations and conclusion are covered in this chapter. The findings and recommendations are based on the objectives indicated in Chapter 1. Recommendations and a general conclusion are also made in this chapter.

5.2 FINDINGS OF THE STUDY

As mentioned in Chapter 1, the objective of the present study was to identify the SMMEs in Fetakgomo Local Municipality that benefited from the government and other economic development agencies. The study adds to the knowledge of challenges that small businesses face in rural municipalities and how these challenges could be minimised. It further recommends that to increase the uptake and growth of small businesses, the government must intensify information campaigns of their support services and encourage business owners to affiliate with local business chambers for business support purposes

5.3 FINDINGS FROM LITERATURE

The study found that the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, which was released in 1995. This initiative was followed by the National Small Business Act of 1996, which defines SMMEs and provides for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency (Ntsika); these two main policies have been the drivers of small enterprise development in South Africa. In 2004, the DTI made a review called the Small Enterprise Development. To strengthen this review, the cabinet then approved the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, which encompassed a 10-year plan, with annual reviews that would assess current SMME and co-operative support programmes, to enable recommendations on ways of improving coordination and rationalisation, and five-year reviews. Several Departments such as the DTI and the Economic Development Department (EDD) and the Small Enterprise Finance

Agency (SEFA) have been involved in initiatives aimed at assisting SMMEs with funding.

Other agencies such as Khula Enterprise Finance have a mandate to improve the SMME sector's access to finance, primarily through the provision of 'wholesale finance' or guarantees to retail financial intermediaries, which, which, in turn, finance the SMME sector.

The National Development Plan (NDP) 2030 laid out an aggressive economic growth strategy, in which SMMEs play a significant part. One of its major economic goals is to reduce unemployment to 6% by 2030.

In 2014, the Minister of Small Enterprises Development, Ms Lindiwe Zulu, cited some of the problems that are faced by SMMEs as poor infrastructure, notably transport, energy and ICT, which she said are major impediments to business growth. These add enormously to the cost of doing business. She further highlighted that the 2014–2015 budget had committed R847 billion over the following three years for infrastructure investment as part of the National Infrastructure Plan, the bulk of which will be used for power generation and freight logistics. This will have an enormous impact on small business development with regard to market access and ease of doing business in the country and abroad. The minister said the strategic intervention in this regard must accelerate market access for small businesses and co-operatives.

The second objective of the study was to identify policies and strategies that were in place to provide support for rural SMMEs.

To fulfil this objective, a thorough review of publicly available documents and content analysis was carried out.

This study found that policies, strategies and institutions in South Africa had been put in place to support SMMEs. However, despite these policies and institutions, SMMEs in the country, particularly those in rural municipalities, still face numerous challenges. SMMEs have been used as the vehicle for job creation and economic development, but their growth since 1995, when the first policy was established, still

remains a nightmare. The 1995 White Paper identified a number of constraints for small enterprises. These relate to the legal and regulatory environment, access to markets, access to finance and affordable business premises, the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden, and access to quality business infrastructure in poor areas , which are referred to as poverty nodes. These are some of the challenges that respondents alluded to in the present study, 19 years after the policy was established. Cheung (2008:501) also found that small business owners often lack experience in and training for the management of their businesses. As a result, these owners cannot meet the future needs of society. Ahmad (2009:98) added that factors that hamper small business growth include a lack of abilities and skills. Better access to finance, business skills and training and more flexible regulations are identified as key strategic elements of promoting entrepreneurship, strengthening the enabling environment, and enhanced competitiveness and capacity at the enterprise level (Rogerson, 2008:62).

SMMEs in the country are subjected to mandatory and regulatory requirements that with which they have to comply. These regulations have somewhat been a major hindrance to the growth of the sector as they also have to comply with a number of laws. The present study recommends that the government look into these regulations and reduce the red tape involved.

This is currently not the situation. Government should take steps to connect investing networks with entrepreneurs through business plan competitions, information sessions, and public–private partnerships.

5.4 FINDINGS FROM EMPIRICAL RESEARCH

The present study found that politics has an impact on access to debt finance, as this was agreed by 49% of the people interviewed, because most of the individuals who joined a governing political organisation tend to stand a good chance of receiving the funding.

Lack of managerial experience also had an effect on the growth of SMMEs. Nineteen of the 53 respondents had challenges with financing, 9 mentioned human resource challenges, and others cited sales and marketing as well as training as their challenges.

There is a general feeling that there are enough investment opportunities as well as policies and strategies in the area, though no one fully capitalises on them. Most individuals who are politically inclined tend to be well informed about these opportunities, unlike those who are politically naïve.

Most of the respondents felt that their businesses did not provide enough returns; hence, at the slightest chance of getting employment, they would jump and take up the offer. They started businesses as a means of living, but it is not doing well; hence, the desperation from the business affiliates to look for some other alternatives, more particularly for employment to sustain their lives.

Cross-tab analysis was carried to determine whether there was any association between model opportunities and confounding factors identified, and the model identified an association and the some of the challenges identified.

Approximately 60% of the survivalist and the micro enterprises acknowledged that their businesses were not licensed. Boysang (2012) concluded that in terms of legal issues, the government does not actively provide support mechanisms for business registration to ensure the success of survivalist and micro enterprises. The study also indicated that there is poor communication between the government and small business owners.

5.5 FINDINGS FROM INTERVIEWS

From the respondents' responses, 52.8% of males took part in the study, meaning that women are taking business initiatives. Respondents aged between 31 and 40 years are taking up the opportunities being presented by the government to start SMMEs. Married and single people are more interested in business than the single and divorced (separated).

Most of the respondents were in the trade and retail business; taxi drivers were the fewest. The results indicate that 43% of the respondents lacked skills and did not attend training. This simply means that most of the SMMEs do not have skills in business management.

Two percent of the respondents strongly disagreed that their businesses did not give them a financial return, 25% disagreed, and 17% were not sure. Forty-nine percent agreed to the statement that the business did not giving them a decent financial return, and 8% strongly agreed to this statement. The results clearly indicate that most of the SMMEs need training to improve their skills.

With regard to whether the SMMEs in the area perceive that there are investment opportunities in the area, 36% of the respondents agreed, 30% were not sure, and 21% strongly agreed; this finding reveals that the majority generally agrees that there are investment opportunities in the area. Forty-five percent of the respondents agreed that the government supports small businesses financially and technologically, 25% were not sure, and 17% disagreed. Fifty-one percent of the respondents agreed that a number of NGOs and CBOs offer encouraging support for SMME development, 26% were not sure of the role of NGOs and CBOs in encouraging SMMEs in the area. From the results, one can say that the government supports SMMEs financially but they do not provide them with adequate training.

5.6 RECOMMENDATIONS

The following recommendations should be implemented to address the main aim of the study, which are divided into two areas as it indicated and outlined in the findings.

- The government should capacitate the SMMEs for their sustainability and growth.
- The governmental financial institutions should give SMMEs financial support to enhance business viability and encouragement for local business development.
- The government should develop alternative strategies and policies to empower SMMEs.
- The government should revisit the policy and formulate another one that considers the changing environment and dynamics.
- The government should ensure training and development of SMMEs.
- SMMEs should be made aware of opportunities the government provides for economic emancipation in the area of study.

- The independence emanating from ownership and management of one's own business allows entrepreneurs to pursue what they personally regard as important.
- The opportunity to realise a business's full potential makes entrepreneurship an instrument of self-actualisation.
- The owner-managers should capacitate themselves by undergoing management development courses. By attending the courses, they can be able to develop business plans, balance their financial statement and market their businesses.
- Since most of the SMMEs do not have enough capital to finance their own businesses, it is important for the governmental financial institutions to provide them with financial support to enhance business viability and encouragement for local business development.
- The government should develop alternative strategies and policies to empower SMMEs. It is also important that awareness on SMMEs be raised about opportunities the government provides for economic emancipation.

5.7 SUGGESTIONS FOR FURTHER RESEARCH

The present study does not claim to have successfully outlined all the problems related to challenges and opportunities faced by SMMEs. Making such a claim would be unrealistic as problems are not static but dynamic and situational. The study focused on challenges and opportunities faced by SMMEs in Fetakgomo Local Municipality. The recommended measures for improving the effectiveness of SMMEs are provided above. Therefore, the analysis of the study does not necessarily extend to other local municipalities in South Africa or other countries.

Further research is required for every research study because there is no research that is complete in itself. The following topics are recommended for further research:

- The role of SMME's in the local economy
- The role of Government towards SMME's

5.8 LIMITATIONS OF THE STUDY

The present study does not claim to have successfully outlined all the problems related to the determination of challenges faced by SMMEs in Fetakgomo Local Municipality in Greater Sekhukhune District Municipality. Making such a claim would be unrealistic as problems are not static but dynamic and situational.

Other limitations include the fact that the researcher only managed to collect data from 53 respondents randomly selected for the study. In addition, the researcher had scarce resources, including financial and time constraints at his disposal to achieve the intended goals and objectives; however, the researcher certainly hopes that the lessons learnt from the study will be applicable to other local municipalities in the all provinces in the country and beyond.

5.9 CONCLUSION

The study found that policies and strategies, evidence of supporting institutions, training provided and start-up capital were all crucial in SMME development. In other words, a positive association exists between the factors and opportunities available to SMMEs.

As for challenges, lack of managerial, with gender playing a role; long-term networks, which have affect access to credit; and difficulties in understanding new technology developments were all significant. Boysang (2012) found that factors that hinder the growth of small businesses in South Africa include a lack of awareness of the initiatives by government, poor financial management, overtrading, crime, poor credit records, a lack of management expertise, poor infrastructure, a lack of information and poor access to communication technology. Bowen et al. (2009:16) agreed that a lack of credit is one of the serious constraints facing small businesses and contributes to poor small business growth.

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Appendix A

Research Topic: A DETERMINATION OF CHALLENGES AND OPPORTUNITIES FACED BY SMALL, MEDIUM AND MICRO ENTERPRISES IN FETAKGOMO LOCAL MUNICIPALITY, SEKHUKHUNE, LIMPOPO PROVINCE.

Researcher: Debeila Seripele Ozymancious

Study Leader: Prof. Beyers

Dear Potential Research Participant

You are cordially invited to participate in this survey to assist in determining challenges and opportunities faced by small, medium and micro enterprises (SMMEs) in Fetakgomo Local Municipality. This survey is being conducted in partial fulfilment of the requirements for an MBA

Participation in this study is voluntary. If you do not wish to participate, simply discard. All responses will be completely anonymous and will be presented as summaries in the findings. Your name will not appear anywhere on the survey and is not requested in this questions. Your completion and returning of this questionnaire constitutes your consent to participate and is kindly appreciated. Please note that demographic information is for analysis only.

Should you wish to discuss any part of the questionnaire, you are free to contact me on 082 636 0090 or at seripele@seripele.co.za.

Please spare a short time to help me in the collection of these data; the questionnaire will take approximately 25–30 minutes

Thank you for your time

Section A: Demographic Information

1.1 Gender

Male	
Female	

1.2 Age category

20–30	
31–40	
41-50	
51+	

1.3 Educational levels

Grade 10	
Matric	
Diploma	
Vocational training	
Undergraduate degree	
Postgraduate degree	
Doctoral degree	

1.4 Marital status

Single	
Married	
Widowed	
Separated	

1.5 Occupation

Full-time business owner/manager	
Worker/specify	
Retired/pensioner	
Renting a business	

Section B: SMME's Projects

2.1 Business type

Trade/retail	
Manufacturing/specify	
Taxi owner	
Farming/dairy	
Other/specify	

2.2 Life cycles

Less than one year	
1–5 years	
6–10 years	
11+ years	

2.3 Type of business

Survivalist	
Family business	
More than 5 employees	
More than 20 employees	

2.4 Gender within the business

No. of males	
No. of females	

2.5 Did you receive viability training about your business?

Yes	
No	
If yes, from whom?	

2.6 Would you consider taking up a good paying job if offered?

Yes	
No	

2.7 Does the public sector offer encouraging support to SMMEs?

Yes	
No	

2.8 Does the private sector offer encouraging support to SMMEs?

Yes	
No	

2.9 Would you encourage someone to start to an SMME?

Yes	
No	

2.10 Are labour laws conducive to SMME growth?

Yes	
No	

2.11 Problems encountered in order of importance

Financial	
Human Resources	
Technology	
Training	
Competence	
Knowledge	
Sales and marketing	
Management	

Section C: Challenges and constraints of SMMEs in Fetakgomo Local Municipality

Please rank on a scale of 1–5 (1 = strongly disagree, 2 = disagree, 3 = not sure, 4 = agree, and 5 = strongly agree); if any response is ranked 4 (agree) or 5 (strongly disagree), please provide /explain the evidence further.

Parameter	<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Not sure</i>	<i>Agree</i>	<i>Strongly agree</i>
I feel happy and enjoy a good social status by owning a small business and working on it.					
My SMME doesn't give me the financial return that I was looking for.					
The government supports small businesses financially and technologically.					
The SMMEs fail because of ignorance of their owners in managing and supervising them direct.					
Start-up capital is the most challenging and difficult part for SMMEs.					
Difficulties in understanding the new technological development are one of the challenges for SMMEs.					
Selling and marketing the products is one of the problems facing SMMEs.					
Government rules and					

regulations create problems for SMMEs.					
There are enough policies and strategies for providing support and financial access to SMMEs.					
Gender has an impact on access to debt finance.					
Lack of managerial experience has an effect on SMME growth.					
Lack of skills such as bookkeeping has an effect on the growth of business.					
Networking and long-term relationships with banks positively affect access to start-up capital.					
There are enough investment opportunities in the area.					
NGOs and CBOs in the area offer support to SMMEs.					
The manager has the capability to purposefully create, extend and modify the business's resource base.					