

**THE OPERATION OF INFORMAL MOTOR VEHICLE MECHANIC SMALL ENTERPRISES IN THE
TZANEEN CENTRAL BUSINESS DISTRICT, LIMPOPO PROVINCE**

By

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Supervisor: **Ms M.F Rangongo**

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LETTER FROM THE LANGUAGE EDITOR

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CERTIFICATE

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DECLARATION

I, **Mashau Welly Mulaudzi**, declare that this mini-dissertation submitted to the University of Limpopo, for the degree of Master of Business Administration has not been previously submitted by me or any other person known to me for a degree at this or any other university. This work is my own in design and execution and all material contained therein has been duly acknowledged.

MR. MULAUDZI M.W

Date

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ABSTRACT

The positive role and fundamental contribution of SMMEs on a global and national level is key to economic growth. Various perspectives and opinions exist in terms of the role, extent and nature of the contribution made by SMMEs in the local economy. The main aim of this study was to investigate ways in which the informal motor vehicle mechanic businesses operating in Tzaneen CBD can be assisted to become formalised businesses for long-term sustainability and contribution to the local economy.

The research was qualitative in nature. Group interviews were conducted with motor mechanics operating opposite Tzaneen bus rank in the town of Tzaneen, Limpopo Province as well as with their representatives (i.e. their executive committee). The purpose of the interviews was to find out what they thought about possibilities of being formalised and what their needs are. In addition, questionnaires were designed and handed out to officials from GTM LED, SEDA and GTEDA. The purpose of the questionnaires was to explore what these institutions have done previously and what they were willing to offer to help formalise the informal motor mechanic operations.

The research results show that the motor mechanics understand what formalising their enterprises entails and they are willing to cooperate with the government organisations to convert them into sustainable enterprises. The representatives from government agencies showed willingness to support these motor mechanics, they are also willing to prioritise and develop necessary support programmes.

The study recommends that the motor mechanics be helped with infrastructure; registering their businesses; mentoring and coaching be offered to them; marketing their business; and training and development occurring on a continuous basis.

Key terms: Small, medium, micro enterprises (SMMEs); Entrepreneurship; Sustainability; Local Economic Development (LED)

LIST OF ACRONYMS/ABBREVIATIONS

CBD-Central Business District

GTEDA-Greater Tzaneen Economic Development Agency

GTM-Greater Tzaneen Municipality

LED-Local Economic Development

SARS-South African Revenue Services

SBC-Small Business Corporation

SEDA-Small Enterprise Development Agency

SMME-Small, Medium and Micro-Enterprises

TABLE OF CONTENTS

Letter from the language editor	ii
Declaration	iii
Acknowledgements	iv
Abstract.....	v
List of acronyms/abbreviations.....	vi
1. CHAPTER ONE: OVERVIEW OF THE STUDY.....	1
1.1. Introduction	1
1.2. Problem Statement	2
1.3. Rationale of the study	3
1.4. Significance of the study	3
1.5. Aim of the study	4
1.6. Objectives of the study.....	4
1.7. Research questions	4
1.8. Contextualisation of the study.....	5
1.9. Definition of concepts.....	6
1.9.1 Motor Mechanic.....	6
1.9.2 Central Business District (CBD)	6
1.9.3 Small Enterprise Development Agency (SEDA)	6
1.9.4 Small, Medium, Micro-Enterprises (SMME)	7
1.9.5 Greater Tzaneen Economic Development Agency (GTEDA)	7
1.10. Choice and rationale of research design.....	7
1.11. Ethical considerations.....	8
1.11.1 Permission to conduct the study	8
1.11.2 Informed consent	8
1.11.3 Confidentiality.....	8
1.11.4 No harm	8
1.11.5 Report	9
1.12 Outline of the dissertation	9

2. CHAPTER TWO: LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Overview of SMMEs in South Africa.....	10
2.3 Contribution and importance of SMMEs.....	14
2.3.1 Job or employment creation	14
2.3.2 Poverty alleviation	14
2.3.3 Equity and participation	15
2.3.4 Social stability	15
2.3.5 Economic growth and development	15
2.3.6 Contribution of SMMEs to sustainable development.....	16
2.3.7 Contribution of SMMEs to economic growth	16
2.3.8 Contribution of SMMEs to employment.....	16
2.3.9 Competition.....	17
2.3.10 Aiding big firms.....	17
2.3.11 Other contributions by SMMEs.....	17
2.4 Challenges faced by SMMEs in South Africa	18
2.4.1 Lack of training and education	18
2.4.2 Limited access to financial resources.....	19
2.4.3 Inaccessibility of markets	19
2.4.3.1 Rivalry among competitors.....	20
2.4.3.2 Threats to new entrants	21
2.4.3.3 Threats to substitute commodities	21
2.4.3.4 Customers' bargaining power	21
2.4.3.5 Suppliers' bargaining power	22
2.4.4 Lack of support structures.....	22
2.4.5 Inaccessibility of appropriate technology.....	22
2.4.6 Lack of access to other resources such as human resources..	23
2.5 Performance of SMMEs.....	23
2.5.1 Business Growth	24
2.5.1.1 Indicators of business growth.....	25
2.5.1.2 Characteristics of growing businesses	26

2.5.1.3	Success factors of growth	27
2.5.2	Financial measures of performance	27
2.6	Growth as an objective of SMMEs.....	28
2.6.1	Financial Growth	30
2.6.2	Strategic Growth	31
2.6.3	Structural Growth	31
2.6.4	Organisational Growth	31
2.7	Resource requirements of SMMEs.....	31
2.7.1	Human resources.....	32
2.7.2	Financial resources.....	32
2.7.3	Physical resources	33
2.7.4	Information resources	33
2.8	Institutions that promote and support SMME development in South Africa	34
2.8.1	Financial and non-financial support mechanisms.....	35
2.8.2	The role of some of SA public institutions in supporting SMME development	37
2.8.2.1	Khula Enterprise Finance Limited	37
2.8.2.2	Small Enterprise Development Agency (SEDA).....	37
2.8.2.3	The Industrial Development Agency (IDC).....	38
2.9	Performance of SMMEs in selected countries	38
2.9.1	Performance of SMMEs in Botswana.....	38
2.9.1.1	Opportunities of SMME growth /development in Botswana	40
2.9.1.2	Challenges for Botswana's SMMEs	40
2.9.2	Performance of SMMEs in Nigeria	41
2.9.2.1	Contribution of SMMEs in the Nigerian economy.....	42
2.9.2.2	Challenges facing SMMEs in Nigeria	43
2.9.3	Performance of SMMEs in China	44
2.9.3.1	China's business environment	45
2.9.3.2	Labour issues for SMMEs in China.....	45
2.10	Common challenges faced by SMMES	46
2.11	Summary	46

3. CHAPTER THREE: RESEARCH METHODOLOGY	48
3.1 Introduction.....	48
3.2 Research design.....	48
3.3 Target population.....	49
3.4 Sample	49
3.5 Study area	49
3.6 Method of data collection.....	50
3.7 Research instrument	50
3.8 Method of data analysis.....	51
3.9 Summary	52
4. CHAPTER FOUR: RESEARCH RESULTS.....	53
4.1 Introduction.....	53
4.2 Demographic profile of respondents	54
4.2.1 Age of respondents.....	54
4.2.2 Home language.....	54
4.2.3 Gender.....	55
4.2.4 Municipal cluster	55
4.2.5 Length of time in operation	55
4.2.6 Highest qualification.....	56
4.2.7 Area of specialisation.....	56
4.3 Themes identified from interviews with motor mechanics	57
4.3.1 Starting of the business.....	57
4.3.2 Clientele/customers.....	58
4.3.3 Experience/training	58
4.3.4 Business needs.....	58
4.3.5 Strategies/methods used to meet business needs.....	59
4.3.6 Business continuity	59
4.3.7 Government/agencies support	59
4.3.8 Understanding of formalisation of businesses.....	59
4.3.9 Challenges identified.....	60
4.4 Themes identified from interviews with the Executive committee of the motor mechanics.....	62

4.4.1	Current and future business plans	63
4.4.2	Business training and background	64
4.4.3	Envisaged business model and business sustainability	64
4.4.4	Reasons for the suggested business model	65
4.4.5	Stakeholder support	65
4.4.6	Understanding of business formalisation	66
4.4.7	Challenges identified.....	66
4.5	Themes identified through interviews with the support stakeholders	67
4.5.1	Relationship with the motor mechanics.....	67
4.5.2	Engagements with motor mechanics	68
4.5.3	Plans to ensure motor mechanics' business sustainability.....	69
4.5.4	Support offered to the motor mechanics in the past.....	69
4.5.5	Support to be offered to motor mechanics in the future	69
4.5.6	Suggested business model for the long-term operation and sustainability of motor mechanics	70
4.5.7	Current and future business plans	70
4.6	Summary.....	71
5	.CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS	72
5.1	Introduction.....	72
5.2	Summary and discussion of the results	72
5.2.1	Biographical information.....	72
5.2.2	The motor mechanics' understanding of formalising their business.....	73
5.2.3	The needs of the motor mechanics	73
5.2.4	Awareness of government initiatives that are available to support formal SMMEs in the country (SA)	74
5.2.5	Challenges faced by motor mechanics in attempting to access finance	75
5.3	Services that the Government stakeholder organisation is willing to offer the motor mechanic enterprises	75
5.4	Conclusions	76
5.4.1	Formalisation of the business	76
5.4.2	Motor mechanics' cooperation	76

5.4.3 Stakeholders' cooperation	76
5.4.4 Benefits for motor mechanics	77
5.4.5 Benefits for the state agencies in the study	77
5.4.6 Benefits for the community	77
5.4.7 Benefits to business.....	78
5.5 Recommendations.....	79
5.5.1 Business registration.....	79
5.5.2 Coordination of services	79
5.5.3 Accessibility of services	79
5.5.4 Marketing	79
5.5.5 Education and training	80
5.5.6 Infrastructure.....	80
5.5.7 Seed funding.....	80
5.6 Summary	80
REFERENCES.....	82
APPENDIXES	
APPENDIX A: Letter of permission to conduct the study	93
APPENDIX B: Research Guides/ Questionnaires	94
Appendix B1-Section A-Bibliographical information –management of stakeholder organisations.....	95
Appendix B1-Section B- Question schedule for management of stakeholder organisations.....	97
Appendix B2 –Section A-Bibliographical information- motor Mechanics	98
Appendix B2 –Section B-Question schedule for motor Mechanics	101

Appendix B3-Section A-Bibliographical information-Executive Committee of Motor Mechanics	103
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Appendix B3-Section B- Question schedule for Executive Committee of Motor Mechanics	106
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LIST OF TABLES AND FIGURES

TABLES

Table 4.1 Age category of Respondents	54
Table 4.2 Home Language of Respondents	54
Table 4.3 Place of Residence of the Respondents	55
Table 4.4 Length of Time in Operation	56
Table 4.5 Education Level	56
Table 4.6 Area of specialisation	57
Table 4.7 Source of Funding	60
Table 4.8 Financial institutions that support the Respondents	61
Table 4.9 Training needs of the Motor Mechanics	62

FIGURES

Figure 2.1 Competitive Forces Model.....	20
Figure 2.2 Dynamics of Growth.....	30
Figure 3.1 The Research Process.....	48

CHAPTER ONE

OVERVIEW OF THE STUDY

1.1 INTRODUCTION

According to the National Small Business Amendment Act no. 29 of 2004, p.2 “a small enterprise organisation means any entity, whether or not incorporated or registered under any law, consisting mainly of persons carrying on small enterprise concerns in any economic sector and established for the purpose of promoting the interests of or representing small enterprise concerns and includes any federation consisting wholly or partly of such association and any branch of such organisation”. The informal motor vehicle repair business has been in operation for over 11 years in Tzaneen Central Business District (CBD). To date there are 52 mechanics who service, repair and do maintenance work on every car brand imaginable. These mechanics used to operate their businesses next to the Letaba River (opposite Tzaneen Cash and Carry wholesalers) until 2013 when the Greater Tzaneen Municipality decided to repair and extend the stretch of road next to where they were operating. As a result the mechanics were left without a site to operate on. The mechanics were quick to identify a site next to the Tzaneen bus rank and they are currently occupying this site without any valid permit to do so. However, they still enjoy support from motor vehicle owners who still bring their cars for repairs and service.

In 2012 efforts were made by the Greater Tzaneen Municipality Local Economic Development (LED) unit together with the Greater Tzaneen Economic Development Agency (GTEDA) to relocate these motor mechanics to a facility that will enable them to operate effectively and comply with regulations stipulated by the municipality (by-laws). These efforts did not materialise because consultations with the motor mechanics were poor and one-sided (solutions were imposed on them without involving them in decision making process). To date the motor mechanic operation is continuing and growing.

Therefore, this research was aimed at consulting all stakeholders, i.e. the motor mechanics, the Greater Tzaneen LED unit, the GTEDA and the Greater Tzaneen Local Municipality to come up with recommendations that will assist in identifying a business model that will aid in understanding, regulating, supporting, capacitating and ensuring sustainable operation for this motor mechanic enterprise.

1.2 PROBLEM STATEMENT

South Africa (SA) has long entertained the idea that entrepreneurs and small businesses should be encouraged and supported to help create jobs. But, despite dedicated government agencies, funding, training initiatives and private-sector involvement, small businesses in SA are in a dire state. Though government policies emphasise the need for a vibrant small, micro and medium enterprise (SMME) sector and SA's roadmap, the National Development Plan, envisages that about 90% of jobs will be created in small and expanding companies by 2030, progress has been disappointing (Herrington, 2013) Herrington (2013) reported that it is not only the lack of finance that hampers SMMEs, lack of skills is equally disabling. Our main problem is the lack of proper education. Until that is fixed, it does not matter what we do in the short term, it is not going to help. Herrington further states that research shows that the more highly educated the entrepreneur, the more likely they are to create jobs. However, SA's education system is not effectively developing people with the skills or the confidence needed to be successful entrepreneurs. Though education will take time to fix, government could relax the regulatory environment to make things a little easier for small business owners.

Accordingly, the informal motor vehicle mechanic business has long been operating in the Tzaneen CBD. However, the problem is that as they are not organised into formal businesses, they have not enjoyed the support offered to similar formalised operations that draw the support of state institutions which offer financial support, training and skills acquisition and a favourable regulatory environment. Previous efforts to explore and support this operation did not yield tangible results hence new interventions must be found to explore and understand this operation. The National Treasury Research (2008) indicates that SMMEs contribute 60% to job opportunities in the economy and are able to inject between 52%-57% in terms of GDP per year. It is against this background that the agencies (i.e. the Greater Tzaneen municipality

and GTEDA) explored practical ways of assisting the mechanics to ensure they formalise their businesses for long-term sustainability and eventual contribution to the local economy.

1.3 RATIONALE FOR THE STUDY

The motor mechanics in Tzaneen CBD have been operating informally for over 11 years now. They seem to enjoy the support of the community in terms of business support, i.e. the community take their cars to them for repairs and servicing. So these motor mechanics are able to compete with fully fledged and regulated competitors. However, they do not have any form of security as they are not formalised. Furthermore, in extreme weather conditions, like rainy days, their businesses suffer as they normally operate out in the open. They also do not enjoy the benefits that other formalised small businesses get from government support initiatives that are put in place to support small businesses. So this study explored ways of assisting these mechanics so that they can be formalised to comply with applicable regulations and draw support in terms of capacity building, infrastructure and financial opportunities from state agencies such as the Small Enterprise Development Agency (SEDA), Limpopo Economic Development Agency (LIEDA) and GTEDA.

1.4 SIGNIFICANCE OF THE STUDY

The study explored the working conditions and/or environment of informal motor vehicle mechanics in the Tzaneen CBD and the support that can be offered by state agencies to regulate, capacitate and sustain this business operation. The study further explored ways to formalise the motor mechanic businesses to ensure the businesses are sustainable and contribute to job creation. The study made recommendations which will hopefully assist policy makers, municipalities and state agencies/entities to regulate, support and formalise informal businesses operating in their area of jurisdiction with the aim of growing the local economy and ensuring job creation. Furthermore, it will contribute to existing literature on SMME development and support especially in the predominantly rural Limpopo Province of South Africa.

1.5 AIM OF THE STUDY

The main aim of this study was to investigate ways in which the informal motor vehicle mechanic businesses operating in the Tzaneen CBD can be assisted to become formalised for long-term sustainability and contribution to the local economy.

1.6 OBJECTIVES OF THE STUDY

The objectives of the study were as follows:

- To explore the support (financial, training, infrastructural) that the state organs (the Greater Tzaneen Local Municipality, GTEDA, SEDA and the Greater Tzaneen LED) are willing to offer towards the development of the informal motor mechanic businesses currently operating in the Tzaneen CBD;
- To investigate what the motor mechanics' understanding of formalising their businesses entails;
- To find out the needs and ideas of the informal motor vehicle mechanics in Tzaneen in terms of converting them into formal businesses;
- To investigate if these motor mechanics are aware of government initiatives that are available to support formal SMMEs in the country (SA).

1.7 RESEARCH QUESTIONS

Research questions of the study included the following:

- What kind of support are the state organs (the Greater Tzaneen Local Municipality, GTEDA, SEDA and the Greater Tzaneen LED) willing to offer to the development of the informal motor mechanic businesses currently operating in the Tzaneen CBD?
- What is the motor mechanics' understanding of the implications of formalising their businesses?
- What are the needs of the informal motor mechanics operating in the Tzaneen CBD to convert into formal businesses?

- Are the motor mechanics aware of government SMME support initiatives that are available in the country?

1.8 CONTEXTUALISATION OF THE STUDY

The SMME sector is widely regarded as the driving force in economic growth and job creation in both developed and developing countries (Sunter, 2000:23). The important contribution that SMMEs can make to employment and income generation is recognised around the world and in particular South Africa. In the United States of America (USA), for example, SMMEs have introduced innovative products and services, created new jobs, opened foreign markets and in the process ignited the USA's economy into regaining its competitive edge in the global economy (Scarborough and Zimmerer, 1996:10). Japan's SMME sector accounts for the bulk of the country's business establishment, providing vital support for employment, for regional economies and, by extension, for the day-to day life of the Japanese people (Ministry of International Trade and Industry, 1997:11). In Taiwan, the SMME sector generates approximately 98 percent of the economy's GDP. Although these businesses are relatively small in scale, have limited funds and are weak in structure, they make significant contributions to national economic prosperity, create innumerable jobs and promote social stability (Scarborough and Zimmerer, 1996:12).

In South Africa, small, medium and micro-enterprise development was identified by government as a priority in creating jobs to solve the high unemployment condition. Rogerson (2008) argues that the significance of issues concerning finance, training and regulation has been a continuous threat in South African policy discussions about the development of the country's small, medium and micro-enterprise (SMME) economy for more than a decade. Better access to finance, skills and leadership training and more flexible regulations are identified as key strategic elements in supporting the three national pillars viz. promoting entrepreneurship; strengthening the enabling environment for SMMEs; and enhanced competitiveness and capacity at the enterprise level. The monitoring of research on the SMME economy in South Africa is viewed as a critical issue of high policy relevance. Against this backdrop, the aim was to provide a synthesis of existing research in South Africa concerning

the three important themes of: (1) finance; (2) training and skills acquisition; and (3) the regulatory environment for SMME development. Several research gaps were identified for further analysis. There is evidence that the national unemployment level currently estimated at 25.5 percent (Statistics South Africa [StatsSA], 2015, Q3), is increasing at an alarming rate. The unemployment rate in the Limpopo Province has grown by an annual average rate of 26.8% in the past decade. The youth however have an unemployment rate which is higher than the average unemployment rate in the province. This highlights the inability of the labour market in the province and Tzaneen in particular, to create sufficient jobs that will absorb the youth looking for employment (StatsSA, 2015, Q3). Therefore, it is important to support small businesses that will hopefully help in job creation and the overall local economy.

1.9 DEFINITION OF CONCEPTS

1.9.1 Motor Mechanic

For purpose of this study a motor mechanic will be defined as a person who repairs and services a variety of automobile makes or either in a specific area or in a specific make of automobile. In repairing cars, their main role is to diagnose the problem accurately and quickly. They often have to quote prices for their customers before commencing work or after partial dis-assembly for inspection. Their job may involve the repair of a specific part or the replacement of one or more parts as assemblies.

1.9.2 Central Business District (CBD)

Central business district is the focal point of a city/town. It is the commercial, office, retail and cultural centre of the city/town and usually is the centre point for transportation networks (Afram and Olympio, 2013).

1.9.3 Small Enterprise Development Agency (Seda)

Seda is an agency of the Department of Small Business Development. Seda was established in December 2004, through the National Small Business Amendment Act, Act 29 of 2004. One of its mandates is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in co-ordination and partnership with various role players, including global partners, who make international best practices available to local entrepreneurs.

1.9.4 Small, Medium, Micro-Enterprises (SMMEs)

In the South African context, an SMME is defined by the Small Business Development Act 1996. The classification of SMMEs is based on the staff complement of the enterprise and its annual turnover. Small business means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which includes its branches or subsidiaries.

1.9.5 The Greater Tzaneen Economic Development Agency (GTEDA)

The GTEDA is a 100% public agency owned by Greater Tzaneen Local Municipality. The Agency was established in March 2007 following a resolution by both the Industrial Development Corporation (IDC) and Greater Tzaneen Municipality to advance and leverage the development and job creation potential inherent within the Greater Tzaneen Municipal area (GTEDA, 2015).

1.10 CHOICE AND RATIONALE OF RESEARCH DESIGN

De Vos, Strydom, Fouche and Delport (2002) state that definitions of research design are rather ambiguous. Kumar (2008) defines it as a plan, structure and strategy of investigation with the sole purpose of finding solutions to questions and problems associated with research studies. A descriptive qualitative research methodology was applied in the study. The rationale of having used this method of research was to describe and explain, explore and interpret and to express views based on the findings. Steenkamp and McCord (2007) define a qualitative study as a study that relies on the collection of qualitative data from interviews, questionnaires, surveys, observations and inference. It is appropriate to understand the behaviours of systems or people in specific social and cultural contexts and to validate findings by interpretations of the data. Leedy and Ormrod (2014) define descriptive research as a category of research design involving either identifying the characteristics of an observed phenomenon or exploring possible associations among two or more phenomena. In every case, descriptive research examines the situation as it is.

The study focused on the informal motor vehicle mechanics operating in Tzaneen CBD. The targeted population consisted of: 52 motor mechanics, 5 Executive

committee members of the mechanics, the manager responsible for Local Economic Development in the Greater Tzaneen Municipality; Business Advisor working for SEDA Mopani office; and GTEDA's Project Coordinator. Thus the total targeted population (N) is 60. A census, i.e. the whole targeted population, was used for purposes of this study. The total number of people in the sample (=census) is sixty (n=60). Cooper and Schindler (2008) define a census as a research procedure, where every individual in the target population has an opportunity to participate in the research, a census is appropriate when the population is small and when the elements are quite heterogeneous. Data collection was conducted with the use of research guides that were designed and used during the interviews, one for the management of stakeholder organisations (see appendix B1, page 95 and 97), one for motor mechanics (appendix B2, page 98 and 101) and another one for the Executive committee of the motor mechanics (appendix B3, page 103 and 106) different managers. (More details on the research methodology followed in this study are provided in chapter three).

1.11 ETHICAL CONSIDERATIONS

The study adhered to the following ethical considerations:

1.11.1 Permission to Conduct the Study

Since the study explored the work environment of informal motor vehicle mechanics in Tzaneen, the researcher received permission to conduct the study from the Executive Committee of the mechanics in order to carry out the study. The Researcher also asked for permission from the CEO of GTEDA, SEDA Mopani Branch Manager and Planning and the Economic Development Director at GTM to interview and work with their staff in this study.

1.11.2 Informed Consent

The purpose of the study was explained to all participants prior to conducting the study and consent was accorded.

1.11.3 Confidentiality

The researcher assured that all participants were assured that the information obtained from them shall be treated with confidentiality and that their names

shall not be mentioned anywhere. They were also informed that they have every right to withhold their identities.

1.11.4 No Harm

The study and results from it will not be used to harm the participants in any way.

1.11.5 Report

The results of the study will be made available and accessible to all interested stakeholders.

1.12 OUTLINE OF THE MINI-DISSERTATION

The research comprises of five chapters as outlined below:

- **Chapter one: Overview of the Study**

This chapter includes introduction, background and contextualisation of the study. It also contains the aim, objectives, rationale and significance of this study.

- **Chapter two: Literature Review**

This chapter includes literature review on SMMEs and their contribution towards job creation and economic development; Small Medium Enterprise Development Programme (SMEDP); Incubation Support Programme (ISP), Co-operative Incentive Scheme (CIS) and Black Business Supplier Development Programme (BBSDP). It further reviewed the internal business environment within the context of SMMEs in South Africa.

- **Chapter three: Research Methodology**

This chapter discussed the research methodology followed in this study. The chapter gives a detailed approach on how data were collected and methods used to analyse the data.

- **Chapter four: Results**

This chapter includes results and discussions. The chapter outlines how results were interpreted and discussion reached.

- **Chapter five**

This chapter contains the summary of results, conclusion and recommendations for future research and, importantly for this study, possible model(s) of business operation for the motor mechanics.

CHAPTER TWO LITERATURE REVIEW

2.1 INTRODUCTION

This chapter presents the literature review that is relevant to the research problem at hand. The literature review focuses on:

- An overview of SMMEs in South Africa
- The contribution and importance of the SMME sector in South Africa
- The challenges faced by SMMEs
- SMME performance and performance measures
- The growth of SMMEs
- Resource requirements of SMMEs
- Infrastructure support for SMMEs
- Performance of SMMEs in other countries

2.2 OVERVIEW OF SMMEs IN SOUTH AFRICA

SMMEs in South Africa continue to contribute positively to the economy of the nation. According to Deputy Minister Elizabeth Thabethe (March, 2012). “*The primary agenda of any country that is geared towards development such as South Africa is the creation of a vibrant private sector, the development of entrepreneurship and the creation of small and medium-sized enterprises (SMMEs). These SMMEs are considered to be the principal driving force in economic development*”. The government has therefore targeted the SMME sector as an economic empowerment vehicle for previously disadvantaged people.

SMMEs are interpreted differently in various countries because they respond to diverse national and local government challenges and circumstances. From the South African legislative perspective, notably the National Small Business Act 102 of 1996, SMMEs are categorised into five stages of development: (1) survivalist, (2) micro, (3) very small, (4) small and (5) medium-sized enterprises. Survivalist enterprises form part of the informal economy, are undertaken by unemployed persons whose primary objective is to survive economically (Turner, Varghese and Walker, 2008:8). Little capital is invested in survivalist enterprises and therefore they do not generate as much necessary income and assets. The owners possess

inappropriate business skills and training to run the business and the opportunities for growing the business are limited.

In South Africa, small, medium and micro-enterprise development was identified by government as a priority in creating jobs to solve the high unemployment condition. Rogerson (2008) argues that the significance of issues concerning finance, training and regulation has been a continuous threat in South African policy discussions about the development of the country's small, medium and micro-enterprise (SMME) economy for more than a decade. Better access to finance, skills and leadership training and more flexible regulations are identified as key strategic elements in supporting the three national pillars of viz.: promoting entrepreneurship; strengthening the enabling environment for SMMEs; and enhanced competitiveness and capacity at the enterprise level. The monitoring of research on the SMME economy in South Africa is viewed as a critical issue of high policy relevance.

Against this backdrop, the aim of research on SMMEs is to provide a synthesis of existing research in South Africa concerning the three important themes of: (1) finance; (2) training and skills acquisition; and (3) the regulatory environment for SMME development. Several research gaps are identified for further analysis. There is evidence that the national unemployment level currently estimated at 25.5 percent (Statistics South Africa [StatsSA], 2015) is increasing at an alarming rate. The unemployment rate in the Limpopo province has grown by an annual average rate of 26.8% in the past decade. The youth however have an unemployment rate which is higher than the average unemployment rate in the province. This highlights the inability of the labour market in the province and Tzaneen in particular, to create sufficient jobs that will absorb the youth looking for employment (StatsSA, 2015). Therefore, it is important to support small businesses that will hopefully help in job creation and the overall local economy.

Post-apartheid South Africa faces socio-economic problems that need urgent attention. The challenges include a very high unemployment rate, skills shortages, high illiteracy rate, an ever escalating crime rate and rural poverty. According to Chalera (2007:9), these challenges are more prevalent in rural communities. SMMEs should be empowered to be able to help solve some of these challenges in South

Africa. South African SMMEs are diversified and operate in different industries, including retailing, wholesaling, tourism, mining, farming, manufacturing, construction and service. Similar to SMMEs in other developing countries, SMMEs in South Africa also face challenges that affect their growth and survival. When the substantial contribution of SMMEs is considered in South Africa, it is important that they should receive much attention. The South African government does acknowledge the importance of a strong and vibrant SMME sector. This is demonstrated in its commitment to the promotion and the support for SMMEs that aim at increasing the number of new enterprises and creating an enabling environment to ensure their survival and growth. The government hopes to achieve such goals through the National Small Business Act of 1996. The National Small Business Act 102 of 1996 provides the regulatory and support framework for SMMEs. This Act defines an SMME as a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more, which includes its branches or subsidiaries, if any, and is predominantly carried out in any sector or subsector of the economy.

The guidelines appearing in the National Small Business Act 102 of 1996 ascertain that SMMEs can be defined in both qualitative and quantitative terms. Nieman and Pretorius (2004:3) mention the qualitative criteria, which also relate to the ownership structure that can be used to define SMMEs. The mentioned qualitative criteria stipulate that SMMEs should be separate and distinct business entities, cannot be part of a group of companies, must include subsidiaries and branches when determining their size, should be managed by their owners and can be a natural person in the form of a sole trader or partnership. They can also be a legal person such as a close corporation or a company. The Act also classifies business ventures into very small, micro, medium and small sizes using quantitative criteria (Nieman and Pretorius, 2004:4). Total full-time paid employees, total annual turnover and the gross asset value are the quantitative criteria that are set in terms of the standard classification by industry in the Act.

Cronje, Du Toit and Motlatla (2001:492) identified the characteristics observable in SMMEs. The characteristics are that:

- SMMEs are generally more labour intensive than larger businesses;

- on average, SMMEs generate more job opportunities per unit of invested capital;
- they are an instrument for utilising the talents, energy and entrepreneurship of individuals who cannot reach their full potential in larger organisations;
- SMMEs often flourish by rendering services to a small or restricted market which larger businesses do not find attractive;
- they are also breeding grounds for entrepreneurial talent and the testing ground for new industries;
- SMMEs contribute to the competitiveness of the economy; and
- SMMEs create social stability, cause less damage to the physical environment than large factories, stimulate personal savings, increase prosperity in rural areas and enhance the population's general level of economic participation.

SMMEs are also characterised by their small size. In pricing, they are usually followers, whilst ingenuity, creativity and devotion are typical characteristics of SMMEs (Cronje *et al.*, 2001:492). Because of their size, SMMEs are most suited for rural communities where the markets are too small to justify the existence of large businesses (Dzansi, 2004: 33).

Agupusi (2007:1) reports that since 1994, South Africa has been promoting small business as an engine for economic growth and socio-economic integration. More recently, due to the growth of unemployment, there has been a renewed focus on the promotion of SMMEs. This is from both the government and the private sector. They are not simply focusing on SMMEs as an engine for growth, but more importantly as the key to job creation and poverty reduction, especially among historically disadvantaged groups. Chalera (2007:1) states that the South African government established institutions and programmes designed to improve the access of the SMME sector to critical resources. The major resources include finance, infrastructure, training and counselling, information, markets and technology.

A call for efforts to strengthen the SMMEs' associations and chambers as well as efforts to improve the legislative and regulatory environment for the small, medium

and micro business sector is being heard. SMMEs are expected to function as a driving force, both in South Africa's social and economic transition. This will however be possible if they are supported by the supply side measures, targeting enterprise's constraints. Kesper (2000) suggests that only the few, more dynamic SMMEs in South Africa show a potential to contribute to rapid employment creation, while survivalist activities constitute the vast majority of the South African SMME economy. Kesper (2000) also argued that South African SMMEs grow in numbers, not in size.

2.3. CONTRIBUTION AND IMPORTANCE OF SMMEs

It can be argued that most entrepreneurial activity takes place in SMMEs. Nieman and Nieuwenhuizen (2009:3) confirm that SMMEs form 97% of all businesses in South Africa, generating 35% of the Gross Domestic Product. Nieman and Nieuwenhuizen (2009:276) are of the view that SMME development was identified by the new South African government as a priority in creating jobs to solve the high unemployment rate in the country. They further make it clear that the promotion of entrepreneurship and small business development was seen by the new South African government in 1994 as a way of addressing generic developmental goals in the country. Those goals are now discussed.

2.3.1 Job or Employment Creation

According to Nieman and Nieuwenhuizen (2009), the formal sector will have to absorb the high and growing number of job seekers in the country, there has been increased attention paid to entrepreneurship, mainly because of the potential that it possesses in contributing to significant economic growth and employment creation.

2.3.2 Poverty Alleviation

Poverty occurs throughout the whole world. It is only the level of poverty that varies. Research indicates that poverty is significantly higher in developing countries than in developed countries. The government of South Africa has identified SMMEs as a key to poverty alleviation. SMMEs combine the resources of societies efficiently to produce goods and services for the society in which they operate (Du Toit, Erasmus and Strydom, 2009:49).

2.3.3 Equity and Participation

The South African government's strategy has been focusing primarily on the development of SMMEs in previously disadvantaged communities. Previously disadvantaged communities have been described as those sections of the population that had been disadvantaged by apartheid and segregationist development policies before 1994. It is SMMEs that commonly provide economic and employment opportunities to the general members of the community. Income inequality between population groups in South Africa is still believed to be high and SMMEs are expected to help contribute towards reducing this problem (Du Toit, Erasmus and Strydom, 2009:51).

2.3.4 Social Stability

The government recognises the importance of developing a strong SMME sector. It is internationally accepted and acknowledged that the SMME sector is an essential factor in promoting and achieving economic growth and development, as well as in the widespread creation of wealth and employment which contributes to social stability (Nieman and Nieuwenhuizen, 2009:276).

2.3.5 Economic Growth and Development

SMMEs are often the vehicle by which the people who earn the lowest income in the South African society gain access to economic opportunities. Central to the growth of the economy, is the development of a vibrant SMME sector, which development experts agree, is the key to resolving many societal challenges, including job creation (Entrepreneur SA, 2005:3). Estimates in the year 2009 showed that SMMEs contributed more than 35% of South Africa's Gross Domestic Product and employed close to three quarters of the nation's employed population. Comparative studies of large and small businesses carried out in other countries, confirm that SMMEs generally employ more labour per unit of capital and require less capital per unit of output than large businesses (Luiz, 2002:16). Antonites (2003:9) argues that the SMME sector provides employment, pays taxes and can be included in the government statistics and in labour market information analyses. SMMEs also act as training grounds by offering apprenticeships for the youth.

SMMEs can also contribute largely to the sustainable development of South Africa in areas of economic growth, employment generation, poverty alleviation and community development. They also enable people to meet their basic needs and thus survive. Through job creation, SMMEs are able to help raise the standard of living for South African citizens.

2.3.6 Contribution of SMMEs to Sustainable Development

The World Business Council for Sustainable Development (2004) advises that improving the performance of SMMEs is one of the key drivers of sustainable development through contribution to economic growth, poverty alleviation, employment generation, crime reduction and community development.

2.3.7 Contribution of SMMEs to Economic Growth

The World Business Council for Sustainable Development (2004) points out that the key to poverty alleviation is economic growth that is inclusive and reaches the majority of the people. Wealth creation, one of the core competencies of the private sector, plays an important role in the poverty alleviation process. Thus, it should be attempted to improve the performance and sustainability of local entrepreneurs and SMMEs because they play a major role in helping to achieve sustainable growth. According to the National Small Business Act (2003), SMMEs are expected to be an important vehicle to address the challenges of job creation, sustainable economic growth, equitable distribution of income and the overall stimulation of economic development. Small firms are also an important source of innovation in the development of new products, services and technologies. The Accelerated and Shared Growth Initiative South Africa (2014) indicates that a growth rate of 5% on average between 2004 and 2014 was needed to achieve the social objective of the government and it was expected that SMMEs could contribute significantly to the expected growth rate.

2.3.8 Contribution of SMMEs to Employment

Du Toit, Erasmus and Strydom (2009:50) noted that SMMEs are able to provide jobs needed by the growing population. They argued that SMMEs create jobs whereas large corporations are shedding off jobs or retrenching. Kesper (2000:172) agrees that SMMEs are seen as a vehicle to address the problem of high unemployment

levels in South Africa, since they have a high labour absorptive capacity. It is known that SMMEs employ a significant number of South Africans and that they contribute 43% of the total value of salaries and wages paid in South Africa (Nieman and Nieuwenhuizen, 2009:3). According to Nieman and Nieuwenhuizen (2009:3), SMMEs employ 55% of all formal private sector employees in South Africa. In the year 2009 estimates showed that a staggering 74% of South Africans active in the economy were employed in SMMEs (The Business Place, 2009:1). This shows that SMMEs play a major role in reducing the problem of high unemployment rates that is faced in many of the African countries, South Africa included.

2.3.9 Competition

SMMEs compete against large producers and improve the nature of the competitive environment leading to quality products and services in the economy (Du Toit *et al.*, 2009:50). They also compete against one another which is of benefit to customers in terms of quality and price of goods and services.

2.3.10 Aiding big firms

Some functions can be performed more efficiently and effectively by SMMEs than larger firms. This therefore means that SMMEs can contribute to the success of large firms. It is thus possible that SMMEs can perform the distribution and supply function for large firms (Du Toit *et al.*, 2009:50). SMMEs, such as wholesale and retail outlets, perform a valuable service for big firms by distributing their products to customers. They can also function as suppliers to and sub-contractors for large firms. Where large firms agree to a long term relationship with SMMEs, the latter can supply a specified level of quality goods, offer lower prices, thereby generating cost-saving to customers.

2.3.11 Other Contributions by SMMEs

Besides the already mentioned issues of job creation, economic growth and development and an increase in GDP, other potential benefits directly accruing to local governments because of the activities of the SMME sector, include the empowerment of local citizens, competition among the developing businesses in line with the positive benefits of quality by the suppliers as well as a broader base and

choice for the consumer. It also includes a reduction in crime rates, since instead of being idle, citizens are productively engaged in the economy (Yanta, 2001:44).

2.4. CHALLENGES FACED BY SMMEs IN SOUTH AFRICA

Although the SMME sector in South Africa has received much attention from the government, they still face many challenges. Nieman and Nieuwenhuizen (2009:35) identified common challenges that are faced by SMMEs in South Africa, these challenges include:

- Lack of training and education,
- Limited access to financial resources,
- Inaccessibility to markets,
- Lack of support structures,
- Inaccessibility to appropriate technology and
- Lack of access to other resources e.g. human resources.

The above mentioned challenges are discussed as follows:

2.4.1 Lack of Training and Education

In South Africa, the lack of education is seen as one of the most significant barriers to entrepreneurial activity as mentioned by Nieman and Nieuwenhuizen (2009:31). They also noted that education is positively related to entrepreneurial activity. Lack of management skills by SMME owners and managers can be attributed to a lack of education and training. Education and training help develop management competencies which are necessary for the success of the enterprise. Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen (2008:98) define managerial competencies as sets of knowledge, skills, behaviours and attitudes that can contribute to personal effectiveness. Management competencies are crucial for the survival and also for the growth of a business venture. Herrington and Wood (2003) point out that in South Africa, it is lack of education and training that has reduced management capacity in SMMEs. The lack of education and training is one of the reasons why there is a very high failure rate of SMMEs (especially the newly established) and low level of entrepreneurial creation.

2.4.2 Limited Access to Financial Resources

All businesses require finances to start trading and also to fund growth initiatives. Fatoki and Garwe (2010:731) provide evidence that the lack of financial resources is the second most reported contributor to failure of SMMEs, after education and training in South Africa. Foxcroft, Wood, Kew, Herrington and Segal, (2002) show that 75% of applications for bank loans by SMMEs are often rejected in South Africa. FinMark (2006) found that only 2% of new SMMEs in South Africa are able to access finances. SMMEs often find it difficult to access bank finances, mainly because they lack collateral or security, the required bank deposit and or a credit record. Poor presentation of business plans is also another reason for failure to access bank finances by SMMEs in South Africa.

2.4.3 Inaccessibility of Markets

In order to survive and to achieve success, SMME owners and managers need to understand the dynamics of competition in their industry and develop skills and also competencies that will give them a competitive advantage/edge. To understand the market dynamics, operators of SMMEs need to scan and interpret environmental changes, mainly the extent of current and future competition. This will help them to maintain their firm's/ enterprise's viability, as well as performance. The extent of competition and potential competition affects the market potential and growth opportunities of SMMEs. Although the intensity of competition among firms varies widely across industries (David, 2007:86). Failure of some SMMEs to access markets can be attributed to industry competition, which is determined by what was explained by Michael Porter as the five competitive forces (Du Toit *et al.*, 2009:101).

According to Porter, the nature of competitiveness in a given industry can be viewed as a composite of the five forces (David, 2007:87). Firms or enterprises in any industry are directly affected by at least five competitive forces (Hellriegel *et al.*, 2008:98). These five competitive forces are (also known as the Porter's five forces):

- Rivalry among competitors,
- Threats of new entrants,
- Threats of substitute commodities,
- Buyers' bargaining power and

- Suppliers' bargaining power.

Porter's five forces model illustrate the competitive forces, thus the sources of competition in any industry. Porter's five forces model is illustrated in figure 1.1 below.

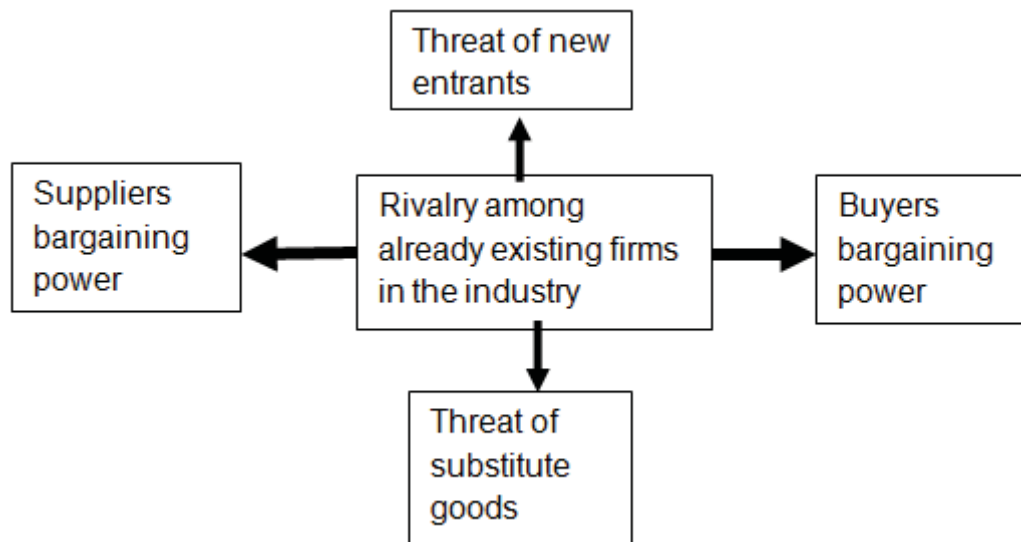


Figure 2.1: Competitive Forces Model

Source: Adapted from Hellrigiel et al., (2008:98)

The sources of competition appearing in figure 2.1 are discussed in the sections that follow.

2.4.3.1 Rivalry among competitors

Figure 2.1 illustrates that rivals or competitors are a force faced by almost every business today. Rivalry among competing firms is usually the most powerful of the five mentioned forces (David, 2007:88). According to David (2007:88), the intensity of rivalry among competing firms tends to increase as the number of competitors increases, as competitors become more equal, as the demand for the industry's commodities declines and as price cutting becomes common. Rivalry among competitors can also increase when customers can easily switch brands, when exit barriers are high and when the fixed costs are high.

Competitors are arguably the most important element of the micro-environment when it is viewed from a strategic point. Rivalry among competitors produces

strategies like price cutting, advertising promotions, enhanced customer services and improvements in service or product quality (Hellrigiel *et al.*, 2008:98). Competitors often use these strategies to improve their relative industry or market positions or to respond to others' actions. As rivalry intensifies, industry profits decline and the industry becomes unattractive (David, 2007:88). SMMEs usually find it difficult to fight competition with well established larger businesses. Larger businesses cut prices as a calculated strategy to remove other businesses from the industry.

2.4.3.2 Threats of new entrants

The threat of increased competition in an industry depends on how easily new firms can compete with already existing ones (McGee, Thomas and Wilson, 2005:150). In industries where there are no barriers to entry, competition will usually be severe. David (2007:88) argues that despite the barriers to entry, new firms can enter industries with high quality products, lower prices and market resources. Large and existing firms usually take advantage of barriers to entry in the industry and block new SMMEs from competing. It is important to note that whenever a new firm enters a particular market or industry, the intensity of competition will increase (David, 2007:88).

2.4.3.3 Threats of substitute commodities

All competitors produce substitute commodities (Hellrigiel *et al.*, 2008:99). The introduction of substitute products/services in the market by another firms can affect the demand of already existing commodities that serve the same purpose. With the extent of competition today, new products/services are always introduced into the market.

2.4.3.4 Customers' bargaining power

Customers always try to force prices down, obtain more and higher quality products/services and increase competition among sellers (McGee *et al.*, 2005:151). Customers' bargaining power is usually higher when there are many suppliers and fewer buyers.

2.4.3.5 Suppliers' bargaining power

The bargaining power of suppliers control the extent to which they can raise prices above their costs (make profits) or at least reduce the quality of commodities they provide before losing customers (Hellrigiel *et al.*, 2008:99; McGee *et al.*, 2005:151).

The combined force of all these five forces can affect the long term profitability of the business and calls for the owners and management to carefully monitor and diagnose each one of them, as well as their combined effect before making decisions. Van Aardt, Van Aardt, Bezuidenhout and Mumba (2008:55) explain that a mistake that an entrepreneur should never make is to assume that there is no competitor for a product or service that he or she offers. It is argued that the analysis and understanding of competitors is essential for the development of strategies to fight competition.

2.4.4 Lack of Support Structures

Most SMME owners and managers believe that they do not get enough support from the government. This may be as a result of a lack of information on the available organisations that are established and available to assist them. Most SMMEs in South Africa are not aware of government's efforts that are in place to assist them to thrive (Maas and Herrington, 2006). The South African Enterprise Development Agency (SEDA) Annual Report of 2009 stated that the South African government introduced support programmes for small-business development from this perspective. One of the core services in terms of this national priority is to provide structured coaching programmes for entrepreneurs. These incubation programmes focus on start-up businesses as well as struggling businesses.

2.4.5 Inaccessibility of Appropriate Technology

According to Brewer (2010), investment in technology and keeping up with information technology is becoming increasingly important to everyone and to all businesses today. Technology plays a very crucial role in the development of businesses. It helps a business to maximise business opportunities and is perceived to be important if a business is to improve on its sales. It is very important to note that the use of technology involves costs, because of the fact that computer

hardware needs to be bought and software will need to be installed. It is beyond doubt that SMMEs without access to finance will find it difficult to access modern technology.

2.4.6 Lack of Access to other Resources such as Human Resources

For SMMEs to perform well and to sustain growth, they need to access a pool of qualified, skilled and motivated employees. Considering the difficulties in accessing finance faced by SMMEs, it is difficult and expensive for them to hire skilled labour. Fatoki and Garwe (2010:732) highlight that labour can only be hired at a cost and within the confines of labour regulations, such as the Employment and Minimum Wage Regulations (2013). The quality of infrastructure can also affect the growth prospects of SMMEs. This is a challenge in most developing countries and South Africa in particular. It is shown that many developing countries still suffer from an unacceptable state of infrastructure such as telecommunications, electricity and transportation.

It is thus argued that challenges faced by SMMEs can have a negative effect on their performance.

2.5. PERFORMANCE OF SMMES

According to Olutunla and Obamuyi (2008:195), the performance of SMMEs is of interest to all countries. This is mainly because of the critical role played by these businesses in the economic development of any country. The performance of an organisation or business enterprise relates to the efficiency and effectiveness with which it carries out the tasks in the process of providing products and services (Naude, 2007:3). Barreira (2004:26) admits that there is no agreement on appropriate measures of SMME performance and prior research had focused on variables for which information was easy to gather. It has also been argued that growth is a more accurate and easily accessible performance indicator than any other accounting measures and hence superior to indicators of financial performance (Barreira, 2004: 26).

SMME performance is indicated by changes in profits, growth in sales and also employment (Olutunla and Obamuyi, 2008:198). Olutunla and Obamuyi (2008:198)

are of the view that improved SMME performance ensures higher profits, higher growth in sales and employment and wealth maximisation of the owners.

Barreira (2004:26) points out that performance is multidimensional in nature and that it is advantageous to integrate different dimensions of performance in experiential studies. In Barreira's view (2004:26) it is possible to regard financial performance and growth as different aspects of performance with each aspect revealing important and unique information. Taken as a unit of meaning, growth and financial performance give a richer description of the actual performance of the firm than each does separately (Barreira, 2004:27). Business growth and financial performance are each discussed below.

2.5.1 Business Growth

In the culture of a business, growth is 'written' as the main characteristic of success (Nieman and Nieuwenhuizen, 2009:275). Growth is a defining feature of an entrepreneurial business. It refers to an increase in a specific parameter during a specific term or time period (Nieman and Nieuwenhuizen, 2009:278). Growth must be an objective and a strategy for the business venture and it needs to be managed. Nieman and Nieuwenhuizen (2009:278) support the view that growth and performance are generally seen as substitutes for each other. It is a growing firm that is usually considered to be successful and performing well.

It is growth that brings the promise of expansion, greater profitability, new enterprises, increase in personnel and the power to attract more highly developed people or create a general increase in resources. There are different definitions of business growth and also various ways of measuring it (Fatoki and Garwe, 2010:731). Fatoki and Garwe (2010:731) highlighted that business growth is typically measured and defined using relative or absolute changes in assets, productivity, profits, profit margins, employment and sales. Barreira (2004:27) points out that it is accepted that four indicators of growth can be utilised to measure SMME performance. These indicators are sales growth, employment growth, sales growth compared to competitors and market value growth compared to competitors.

2.5.1.1 Indicators of Business Growth

a) Sales growth

The growth process can be driven by an increased demand for SMMEs' commodities. It may also be very difficult for growth in other dimensions to occur without increasing sales. According to Barreira (2004:29), it is arguable that SMMEs can increase their sales without employing more staff or acquiring more resources and outsourcing can increase sales without increasing the employment level or the amount of resources. Sales growth reflects both short-term and long-term changes in the business enterprise. It is also easy to obtain sales figures and changes in sales volumes. Sales growth is considered the most common performance measure by most entrepreneurs (Barreira, 2004:29). According to Fatoki and Garwe (2010:731), sales data are usually readily available and SMME operators attach high value to sales as one of the indicators of SMME performance.

b) Employment growth:

There has been significant interest in the creation of new employment opportunities in South Africa through the development of the SMME sector and also entrepreneurship. Barreira (2004:27) is of the opinion that in the process of rationalisation, it may be possible to replace employees with capital investments because SMMEs are expected to grow and in the process, employ more people. Employee satisfaction and owner satisfaction are also indicators of success (Van Scheers, 2011:5050).

c) Comparison of firms:

When assessing performance of SMMEs, comparisons of firms in the same industry and market can help reveal important information. Such measures or comparisons can give information on whether SMMEs simply conform to contemporary market trends or whether they show growth patterns that deviate substantially from their industry in general (Barreira, 2004:28).

d) Market value growth compared to competitors:

A growing customer base is a sure sign that an SMME is effectively reaching target markets (Van Scheers, 2011:5050). Barreira (2004:29) argues that the market value captures the real value of the firm better than other measures (accounting measures)

like net worth and assets. To calculate market value, one needs to divide gross profits by current year sales (to get the gross profit margin). This is a better performance measure, mainly because it does not consider the size of an enterprise.

2.5.1.2 Characteristics of growing businesses

Nieman and Nieuwenhuizen (2009:278) identified market domination, differentiation, product leadership, flexibility, innovation, orientation towards the future, export activity and related growth as characteristics of growing SMMEs. These characteristics are discussed as follows:

- a) **Market domination** occurs in niche markets and is measured in terms of their relative market share in the niche market. The ability to dominate markets is one of the main factors that can separate firms that are performing well from those that are not. Successful firms appear to have clearly demarcated market segments that they dominate.
- b) **Differentiation** makes firms different and unique from their competitors. This can be in the form of products, distribution or even demographics. Businesses that are performing well will always want to be different (or they want their products/services to be different from those of competitors) in the market so that they can easily be recognised by customers.
- c) **Product leadership.** According to Nieman and Nieuwenhuizen (2009:279), successful firms and most growing firms are **product oriented**. They emphasise on quality, as well as branding and value for customers. Growing and successful firms are also characterised by superior performance and a competitive edge that is gained through the introduction of new products and customer service (Nieman and Nieuwenhuizen, 2009:279). This can be described as product leadership.
- d) **Flexibility** refers to the speed and ability to change direction to gain advantage from new opportunities and also to counter threats. Growing firms should be able to change their position in the market and/or their competitive strategy so as to meet the demands of their customers.
- e) **Innovation.** According to Smith (2015:4), innovation is an idea, practice or object that is perceived as new by an individual or other unit of adoption and can be described as doing things differently and better. This is common in growing firms as they continue to seek new and cost effective ways of doing work. Growing firms are also inclined to invest in their future. Investing in the future can include

spending resources on marketing, research and development and also capacity building. Growing firms engage in export activities. They do this in order to increase their market size, to increase sales and also to compete globally. Dodgson, Gann and Salter (2008:18) noted that growing firms thrive on innovation. Innovation can be in the form of technology, a new product or a new way of production.

2.5.1.3 Success factors of growth

The critical success factors for growth as identified by Nieman and Nieuwenhuizen (2014:291-310) include market intelligence, strategic leadership, clarity of purpose, internal infrastructure and strategic planning. The success factors highlighted are as follows:

- a) **Market intelligence** refers to the ability of SMMEs to perceive and adapt to changes in the marketplace.
- b) **Strategic leadership** is the ability to provide clear direction, to delegate, to make decisions and to make long-term plans.
- c) **Clarity of purpose** and direction refers to a detailed vision of the business in the future.
- d) **Internal infrastructure** includes the ability to support the business's strategies through its internal operations and firm's structures.
- e) **Strategic planning** are specific action steps to achieve the firm's long-term goals.

2.5.2 Financial Measures of Performance

Brewer (2010:18) illustrates that financial performance measurement is about measuring what is happening inside a business by making use of financial information. Financial information used for financial performance measurement can be sourced by means of financial statements and various ratio analyses. According to Olutunla and Obamuyi (2008:198), the use of profitability to measure performance is in line with the assumptions of profit maximisation and utility maximisation. These assumptions are the cornerstones of many economic theories. Van Scheers (2011:5050) admits that profitability is the first aspect taken into consideration when measuring the success of SMMEs.

Olutunla and Obamuyi (2008:198) argue that for profit maximising firms, a strategy to maintain a high level of profitability requires that the firms must produce quality products that can easily be sold to achieve more revenue, especially through effective and efficient marketing strategies. To achieve the full potential of sales, the product life cycle needs to be considered and the entrepreneurs must maximise the profitability during the growth stage (Olutunla and Obamuyi, 2008:199).

Brewer (2010:61) highlighted financial measures that can be used to measure SMME business activities. The activities are measured by means of accounting that includes profitability, creditors, stock control, business goals achieved and business sustainability.

It is also important to look critically at the growth of SMMEs. Entrepreneurs set growth objectives and ensure they have strategies to achieve such.

2.6. GROWTH AS AN OBJECTIVE OF SMMEs

Growth is a function of the vision and foresight of entrepreneurs and is also a defining feature of entrepreneurship (Rwigema and Venter, 2004:436). It is the potential for growth that distinguishes an entrepreneurial venture from an ordinary small business (Nieman and Pretorius, 2004:31; Nieman and Nieuwenhuizen, 2009:277). The lack of an entrepreneurial mindset, which constantly seeks growth and innovation, might subconsciously be the major barrier to growth experienced by many SMMEs (Nieman and Nieuwenhuizen, 2009:276). The need to grow a business can be attributed to the entrepreneurs' need for achievement, power and/or personal wealth (Nieman and Nieuwenhuizen, 2009:276). Nieman and Pretorius (2004:31) highlight that it is important to consider resources and risk when planning to grow a business.

According to Nieman and Nieuwenhuizen (2009:277), it is important that SMMEs develop a strategy (long term plan) and objectives for achieving growth. Strategies can be focusing on external growth, internal growth or a combination of the two. When setting growth targets, one needs to confirm that the expansion strategy is in line with the capabilities of the firm. This means that growth targets need to take into

account the resources that the SMME is able to attract (Nieman and Nieuwenhuizen, 2009:277).

Growth can be defined in terms of increased sales, increased income or any other quantifiable goal (Nieman and Pretorius, 2004:31). Nieman and Nieuwenhuizen (2009:277) advise that each action plan must clearly stipulate the resources that will be required to achieve certain goals. The resources include assets, people and capital. Capital may be the main source of growth but is not useful in itself if not converted into productive assets (Nieman and Pretorius, 2004:31). Business growth is a process that requires proper planning, organisation, direction and control activities. It needs to be managed carefully.

Rwigema and Venter (2004:437) describe growth as a dynamic process with an impact on every function of the business. Nieman and Nieuwenhuizen (2009:280) and Wickham (in Rwigema and Venter, 2004:437) identified four growth perspectives or types namely: financial, strategic, structural and organisational growth. These types of growth are dependent on each other, hence an entrepreneur cannot view growth from a one dimensional perspective. An entrepreneur has to consider these perspectives when planning for growth (Nieman and Nieuwenhuizen, 2009:280). Nieman and Nieuwenhuizen (2009:280) advise that failure to attend to one, while favouring another, could result in failure or a managerial crisis. Figure 2, 2 shows the dynamics of growth, as well as how the types of growth relate to one other.

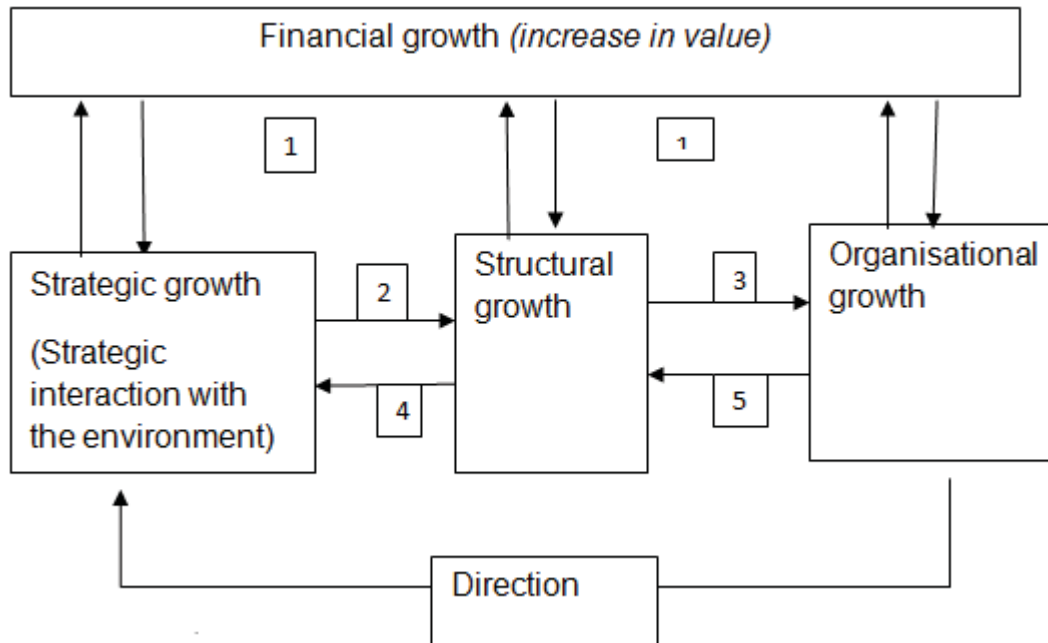


Figure 2.2: Dynamics of growth

Key: 1: Resources performance; 2: Asset accumulation; 3: Use of assets; 4: Executes; 5: Supports.

Source: Adapted from Nieman and Nieuwenhuizen (2009:280)

Figure 2.2 illustrates the different perspectives of growth. These perspectives are briefly discussed below.

2.6.1 Financial Growth

Financial growth relates to the development of the venture as a commercial entity. Nieman and Nieuwenhuizen (2009:280) agree that quantitative measures are generally used as norms to determine growth. Financial growth measures the additional value that will have been created by the business venture. Financial growth is considered as a very important measurement of performance or success of a business. It is financial measurements that stakeholders of a business use to assess the performance of the business.

Rwigema and Venter (2004:438) mentioned that all businesses must grow in terms of assets, level of investment, turnover, necessary cost and also profitability. In order to achieve this, various ways in which financial growth can be expressed have been developed and include an increase in turnover or sales, increases in profits, increase

in total sales, increase in return on investment and an increase in any other performance measure. It is financial growth that ultimately affects (gives rise to) the economic value of the business (Rwigema and Venter, 2004:438).

2.6.2 Strategic Growth

Strategic growth refers to changes in which a business interacts with its environment (Rwigema and Venter, 2004:437). It is concerned with the way in which the enterprise develops capabilities to exploit opportunities in the marketplace. Nieman and Nieuwenhuizen (2009:281) stress the need for firms to adapt and change their strategies as they develop and grow. Strategic growth can take the form of firm entering new markets, wielding more influence and facing new different constraints (Rwigema and Venter, 2004:437).

2.6.3 Structural Growth

Structural growth relates to the changes in the way the venture organises its internal systems, managerial roles and reporting procedures, communication ways and also their resource control systems. Rwigema and Venter (2004:438) are of the view that growth can be represented by enhanced systems' capacity and there is a need for the entrepreneur to continuously revise the systems of the business, including the organisational hierarchy.

2.6.4 Organisational Growth

Organisational growth relates to the changes that take place in the organisation's processes, culture and attitudes as it grows and develops. This includes changes in the entrepreneur's role and leadership style as the business grows. Rwigema and Venter (2004:438) reveal that organisational growth refers to the improvement in processes, learning, knowledge and beliefs in the organisation.

2.7. RESOURCE REQUIREMENTS OF SMMEs

Mutezo (2005:6) noted that SMMEs require support if they are to grow and survive. Resources include anything that a business owner or operator needs and uses to pursue a business opportunity. They can be defined as inputs that the business combines to create the outputs that it delivers to customers (Du Toit *et al.*, 2009:53). Resources can be money that is invested in the business, the people who contribute

their efforts, knowledge and skills and also the physical assets. Nieman and Nieuwenhuizen (2009:126), Rwigema and Venter (2004:185), Du Toit *et al.* (2009:53) and Van Aardt *et al.* (2008:56) identified resources that are needed in a business. These resources can be classified in four broad categories, namely:

- Human resources,
- Financial resources,
- Physical resources and
- Information resources.

2.7.1 Human Resources

Human resources include all people and their efforts, skills, knowledge and insights that they contribute to the overall performance of the business venture. Human resources include all the personnel who are indirectly and directly involved in the manufacturing, rendering a service or selling commodities (Van Aardt *et al.*, 2008:56). To improve their human resource efforts, entrepreneurs also need to provide training and education to staff. Isaacs, Visser, Friedrich and Brijlal (2007: 613-629) state that experts in the field of entrepreneurship believe that the contribution of SMMEs to growth in South Africa can be much higher if entrepreneurship education is implemented at school level as most SMMEs' owners/managers are products of grades R-12 and are poorly trained. The kind of education and training required for SMME success and sustainability should focus on financial skills, marketing skills, drawing of business plans and interacting with financial institutions (Isaacs *et al.*, 2007). There is also a need to motivate employees so as to encourage high performance. This is supported by Rwigema and Venter (2004:56) who noted that human capital grows out of education and training, innovation, emotional intelligence and wisdom.

2.7.2 Financial Resources

Any resource that takes the form of, or that can easily be converted into cash can be termed a financial resource (Van Aardt *et al.*, 2008:56). Financial resources are very important in any business and to any business owner or operator. It is financial resources that are used to acquire other resources in a business (Rwigema and Venter, 2004:185; Van Aardt *et al.*, 2008:56).

Entrepreneurs need to determine the nature of financial resource needs and investigate proper means to obtain the necessary financial resources. Different sources of financial resources exist, but they can simply be classified into two broad categories which are debt and equity. These two broad categories have their own advantages and disadvantages that the entrepreneurs need to be aware of in order to deal with these issues. These financial resources can be in the form of start-up capital, long-term or short-term loans, trade credit, start-up grants and investments by owners or shareholders (Van Aardt *et al.*, 2008:7). Financial resources need to be carefully managed, because poorly managed cash flow has been identified as one of the main causes of SMME failure.

2.7.3 Physical Resources

Van Aardt *et al.*, (2008:56) refer to physical resources as operating resources. They include physical assets such as buildings and equipment. Physical resources also include raw materials that could be used to create the products and services of a business. General supplies used in the operation of the business can also be considered as physical resources. In short, physical resources refer to the facilities which allow people to do their jobs (Van Aardt *et al.*, 2008:56).

2.7.4 Information Resources

Nieman and Nieuwenhuizen (2009:128) are of the view that without information, entrepreneurs will not be able to make appropriate decisions. Information sources can be internal (within the business) or external (outside the business). Both internal and external sources are very important to entrepreneurs for they will allow them to develop well informed strategies to fight competition as well as to improve performance of their ventures. Information resources also include computer technology, the Internet and e-mail as well as patents (Van Aardt *et al.*, 2008:56). These can be a source of competitive advantage for they are unique to the organisation (Rwigema and Venter, 2004:186).

2.8 INSTITUTIONS THAT PROMOTE AND SUPPORT SMME DEVELOPMENT IN SOUTH AFRICA

Malefane (2011:12) states that institutional support for SMME development has been articulated in legislative, policy and strategy pronouncements through the reconfiguration of public sector institutions' mandates to enable them to deliver on their new SMME mandate. A few examples of sector-specific national and provincial departments whose mandates were reviewed to enable them to deliver on SMME development include the departments of: Public Works (DPW), through its Expanded Public Works Programme (EPWP), Economic, Environmental Affairs and Tourism (DEAT); Provincial and Local Government (DPLG); and Roads, Transport and Agriculture.

National and provincial sector departments offer support and resources that enhance sector-specific economic activities in municipalities. The Companies and Intellectual Property Commission (CIPC), an institution established to develop and maintain a register of SMMEs in South Africa, supports the DTI in keeping abreast of the gradual development of SMMEs and their ownership. The National Development Agency (NDA), the Centre for Small Business Promotion (CSBP) in the Department of Trade and Industry (DTI), Ntsika Enterprise Promotion Agency, Khula, the Land and Agricultural Development Bank of South Africa and the Industrial Development Corporation (IDC) all play a critical role as development financing institutions (DFIs) for SMME development countrywide.

In addition to support sourced from national departments, government agencies and provincially based economic development corporations (i.e., Invest North West, Limpopo Economic Development Agency, Northern Cape Economic Development Agency, Mpumalanga Economic Development Agency and Free State Development Corporation) also provide resources and support for SMME development. The primary focus of these corporations is to promote investment, project facilitation and to assist local businesses within their provinces to diversify and to become exporters of goods and services. They also improve competitiveness and assist exporters to access new international markets. Invest North West, for example, is in the process

of developing a trade competitive strategy for the North West province, which will be aligned with the national trade strategy.

The period following the December 2000 local government elections, which saw the restructuring of local government to deliver on its Local Economic Development (LED) mandate, further expresses government's support for SMMEs. Not only was the institutional support expressed by the restructuring of mandates, but it was also evident in the formalisation of partnership agreements between institutions, notably ventures in which municipalities played a crucial role in LED indabas in districts and local municipalities (Africa, 2008:1).

These include LED capacity-building interventions in partnership with the Development Bank of Southern Africa's (DBSA) Vulindlela Academy, the establishment of LED agencies (LEDAs) (Malefane, 2011:13) – through the advice and financial support from the IDC – and participating in LED conferences hosted by academic and research institutions (Biekpe, 2006:1). These are primary partnership examples through which commitment to SMME development has been formalised. The participation of municipalities in public–private partnerships to deliver services is the most outstanding example of the potential of SMMEs to restructure the economic base of municipalities.

2.8.1 Financial and Non-financial Support Mechanisms

According to Agupusi (2007:6), non-financial support, which has been expressed through the control of inflation, reduction of tariffs and exchange controls, offering of tax incentives and investment in economic infrastructure, also demonstrates government's support for SMME development.

The government's supportive role, through funding and non-financial mechanisms, is contained in mandates of DFI, such as the Khula Financial Enterprise Ltd, which established an R80 million fund in 2005 to provide funding opportunities (in the form of credit) to SMMEs. In addition to financial support, Khula provides non-financial support through mentorship and advisory services relating to enterprise bookkeeping, human resources, legal matters and other aspects of managing a business (Agupusi, 2007:6). Some of the widely acknowledged DFIs for SMMEs include the Industrial Development Corporation (IDC), through its Small Enterprise

Development Agency (SEDA) and the National Empowerment Corporation (NEP) of South Africa. Ntsika, which implements the national SMME strategy, provides non-financial support to SMMEs via a range of programmes that are accessible through a network of retail service providers classified as:

- 1) Local business service centres (LBSCs) for assistance with business administration and general information;
- 2) Tender advice centres (TACs) that provide assistance and training to SMMEs on government tendering processes and information about current tenders; and
- 3) Manufacturing advice centres (MACs), which provide industry-specific assessments and link SMMEs with highly specialised service providers (Agupusi, 2007:7).

Agupusi (2007:8) indicates that in addition to non-financial support, South African SMMEs have access to credit from commercial banks. However, access to such credit tends to be determined by whether SMMEs meet terms and conditions, usually the submission of business plans, a guarantee (funding source against which the credit amount can be insured) and cash flow projection statements for more than two to three years. The requirements differ among commercial banks and according to the amounts of credit required by SMMEs. Agupusi (2007:14) claim that credit granting tends to be in favour of SMMEs in the formal, rather than the informal, sector, since informal sector SMMEs do not usually meet credit requirements. Access to credit for SMMEs in the informal survivalist sector is made almost impossible by the recent credit legislation, high interest rates and bank charges. In terms of the quarterly results of surveys commissioned by the Africa Growth Institute for the period covering all four quarters of 2010 and the first quarter of 2011, government regulations and taxes and access to bank credit were listed as growth limiting factors by South African SMME owners.

2.8.2 The Role of some SA Public Institutions in Supporting SMME Development

2.8.2.1. Khula Enterprise Finance Limited

Khula was established in 1996 as an agency of the Department of Trade and Industry. Khula does not provide assistance directly to entrepreneurs. It is a wholesale financier, which facilitates access to credit for SMMEs through various delivery mechanisms, including commercial banks, retail financial intermediaries (RFIs) and micro credit outlets (MCOs). The financing assistance that Khula provides includes loans and credit guarantee schemes.

According to Rwigema and Venter (2004:395), an impact study done by the Bureau of Market Research in 2001 showed that more than 1.5 million people have benefited directly or indirectly from Khula's assistance since 1996. This is a remarkable achievement considering the reluctance of the formal banking sector to lend to small businesses due to the perceived risk associated with that market. Khula provides guarantees to registered commercial banks and other private sector financial institutions that finance entrepreneurs in the SMME sector. These guarantees serve as collateral for entrepreneurs and are based on a risk sharing arrangement, whereby Khula assumes a portion of the risk associated with lending to the SMME sector (Rwigema and Venter, 2004:396).

2.8.2.2 Small Enterprise Development Agency (SEDA)

The Small Enterprise Development Agency (SEDA) is the Department of Trade and Industry's new agency for supporting the development of small business in South Africa. SEDA was formally launched in December 2004 and it replaces the previously existing small business support institution (Ntsika Enterprise Promotion Agency) and has representation at all levels of government. SEDA's role is to render an efficient and effective promotion and support service to SMMEs in order to contribute towards equitable economic growth in South Africa. Thus, it provides a wholesale nonfinancial support service for SMME promotion and development.

2.8.2.3 The Industrial Development Corporation (IDC)

The Industrial Development Corporation (IDC) is a self-financing national development finance institution. Its primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa and to the economic empowerment of the South African population, thereby promoting economic prosperity of all citizens (Ntsika: 2002:129). The IDC has increasingly supported SMMEs over the past few years. Through its financing activities since 1996, over a period of five years, the IDC created almost 55 000 direct jobs and generated R10 billion export earnings through SMME funding. A number of financial products are available from the IDC and these products are structured to meet the entrepreneurs' needs. These include equity investments, quasi-equity investment and commercial loans (Ntsika, 2002:128). The South African government aims not only to increase the number of new ventures, but also to ensure the survival and growth of existing small businesses.

2.9 PERFORMANCE OF SMMEs IN SELECTED COUNTRIES

Experiences from a few selected countries will now be discussed as a way of demonstrating the importance and contribution of SMMEs to the economy, as well as challenges faced by SMMEs.

2.9.1 Performance of SMMEs in Botswana

Botswana is a landlocked country located in Southern Africa, it borders South Africa to the South and Southeast. Botswana is the continent's longest continuous multi-party democracy. It is relatively free of corruption and has a good human rights record. It is also the world's largest producer of diamonds and the trade has transformed it into a middle-income nation. Botswana is a member of the Southern African Customs Union (SACU) which allows for a free flow of trade with South Africa. No bilateral trade figures are recorded between the two countries, as trade figures are recorded in terms of the combined imports by one country from all other SACU countries. (Department of International Relations and Cooperation, 2015).

The population in 2014 was 2,052,556 (World Population Review, 2014). Small, Medium and Micro Enterprises (SMMEs) are the backbone of the majority of the world's economies and based on that, the Botswana Government is highly concerned with developing entrepreneurship especially among youths (Rhodes, 2012). In the past decade there has been an on-going debate on SMME development and SMMEs' contribution to Botswana's GDP. The debate has involved SMMEs' significance towards employment creation, poverty eradication and economic diversification. However, SMMEs face tremendous challenges that threaten their survival and growth (Jefferis, 2010). The challenges, which are not necessarily unique to Botswana, include access to markets, financial issues and competitiveness (Centre for the Development of Enterprise, 2013). The main problems of SMMEs include lack of funding, lack of expertise, lack of innovation, lack of or poor planning and poor management, lack of business acumen, poor and/or no record-keeping on the performance of business, poor quality products, no or inadequate marketing and lack of markets. Access to markets seems to be a major foundational concern among SMMEs.

While a lot of effort has been put in by the government and other stakeholders such as banks to finance SMMEs to help them succeed, it should be noted that no matter the amount of funding, if an SMME has little or no access to markets, failure is imminent as business success comes through sale of products or services (Ncube, 2013).

In Botswana, SMMEs have been credited with employment creation – bearing in mind that each year Botswana produces thousands of graduates that do not have ready employment. Through SMME development there has been citizen empowerment, increase in GDP, increase in tax revenue to the government – which in turn translates into development of the whole country and it keeps youths busy there by reducing idling and mischief (Republic of Botswana, 2014). Currently, unemployment in the country stands at 17.8% (Republic of Botswana, 2010). Such

statistics can be reduced if SMMEs' access markets, make profits, grow and play a part in hiring unemployed people.

The majority of SMMEs have depended on the government as their sole customer for a long time. However, with the advent of the world financial crisis since 2008 to date, the government of Botswana, among other developing nations, has been advised by The World Bank and IMF to cut down on their spending (Botswana Institute for Development Policy Analysis, 2011). The government then decided to suspend a number of projects resulting in SMMEs to be without a market for their products. Therefore, alternative markets for SMMEs, both current and future SMMEs are a must if the private sector is to make an impact in Botswana. More so, the influx of cheaper foreign products particularly from Asia to the Botswana market has brought stiff competition for local SMMEs (IMF, 2013; World Bank, 2012).

Botswana has put in a lot of effort to boost economic productivity by empowering SMMEs, particularly those that are run by citizens with 100% ownership. Citizen empowerment has started many SMMEs support organisations to help fund, train, advise, mentor and uplift entrepreneurs. However, the success rate of SMMEs is relatively low considering their GDP contribution of about 35% compared to other countries such as Ghana with up to 70% contribution to GDP. Above all, SMMEs are expected to work towards poverty reduction (Botswana Citizen Economic Empowerment Policy, 2012; Republic of Botswana, 2012).

2.9.1.1 Opportunities for SMME growth/development in Botswana

SMMEs can capitalise on the slight population increase in 2014 of 2,052,556, up from 2013's 2.04 million (World Population Review, 2014). Botswana's SMMEs can also strategise to take advantage of its available tourism opportunities and the Southern African region's total market size of approximately 200 million people (Mutoko, 2014). Africa is a huge market for Botswana's SMMEs. "Over recent years, African countries account for six out of the ten countries experiencing the fastest growth" (The Economist, 2011).

2.9.1.2 Challenges for Botswana's SMMEs

Many of Botswana's SMMEs struggle with markets. The majority of beef farmers depend on Botswana Meat Commission (BMC) as market for their produce. BMC sells mainly to the European Market (EU) which is a major source of foreign currency for the nation. However, sometimes the EU condemns Botswana's meat whenever there is an outbreak of foot and mouth disease in the cattle (Ncube, 2013). This negatively affects SMMEs involved in beef farming as their market temporarily shuts down (Republic of Botswana, 2012).

Botswana has a growing population, a slowdown in economic growth and rising unemployment. According to the 2011 census, Gaborone which is the capital city of Botswana had a population of approximately 202 000 people. The surrounding areas of Gaborone up to 100km radius constitute the bulk of Botswana population. Looking at the rising unemployment of about 18% it suggests that more and more people should be looking to run businesses as SMMEs. The unemployment rate decreases with age. Those aged from 15 to 19 have the highest unemployment rate at 41.4 percent followed by those aged from 20 to 24 years at 34.0 percent. However, the small population is a restricting factor as the market is small (Republic of Botswana, 2012; Mutoko, 2014).

Another challenge for SMMEs in Botswana is the vast distance between districts and cities. Botswana has a small population of about 2 million people yet the land is a massive area of 600,370 square kilometres. According to Mutoko (2014), long distances between cities and villages make it difficult and costly for entrepreneurs to travel to the market to sell products.

2.9.2 Performance of SMMEs in Nigeria

According to Aremu and Adeyemi (2011), Nigeria is blessed with vast resources, including oil, gas and solid minerals and these have been confirmed to exist in commercial quantities. The country also has enormous electric power resources and a large human population, forming a very big market and substantial idle capacity in all industrial sectors. In addition, small and medium scale industries are known to

exist all over the country and most of them were established from the mid-1980's, with the inception of the Structural Adjustment Programme (SAP). The SMMEs operating in Nigeria are not shielded from or immune to the typical problems and constraints of SMMEs in other developed countries. According to Ojo (2009), a major gap in Nigeria's industrial development process in the past years has been the absence of a strong and commanding SMME sector owing to financial constraints in terms of high lending rates, high loan requirements and lack of viable entrepreneurial skills. The lack of adequate credit for SMMEs is traceable to the reluctance of banks to extend credit to them owing, among others, to poor documentation at project proposals as well as inadequate collateral by SMME operators constitute one of the problems facing SMMEs in Nigeria (Chidi and Shadare, 2011).

In recognition of the above challenges and in order to ensure the realisation of the potential benefits of impactful SMMEs in the economy, the Central Bank of Nigeria (CBN) has remained committed to the growth and development of the small and medium scale enterprises in Nigeria. This stance has been successively reflected in the Bank's policies over the years. In particular, the CBN has, through its credit guidelines over the years, required commercial and merchant banks to allocate a stipulated minimum of credit to the preferred sectors including the SMMEs (Oluba, 2009). The liberalisation of trade through WTO Agreements has provided awareness through which SMMEs could access international markets. Another opportunity is the African Growth and Opportunity Act, which favours imports from African countries to the United States.

2.9.2.1 Contribution of SMMEs to the Nigerian economy

Oluba (2009) states that the contribution of SMMEs to the Nigerian economy are:

- Greater utilisation of raw materials,
- Employment generation,
- Development of entrepreneurship,
- Mobilisation of local savings,
- Linkages with bigger industries,
- Provision of regional balance by spreading investments more evenly,
- Provision of avenue for self-employment and

- Provision of opportunity for training managers and semi-skilled workers.

Ogunsiji and Ladamu (2010) argued that entrepreneurial orientation is the solution to the diminishing levels of productivity. They opined that in Nigeria, there is need for a non-stop growth, harmonious and balanced blend of resources with the other engines of growth. Each of these engines of growth like people, market, capital, technology and organisation can only flower and blossom fully with the participation of SMMEs.

2.9.2.2 Challenges facing SMMEs in Nigeria

According to Ogunsiji and Ladamu (2010), many factors have been identified as likely contributing factors to the premature death of SMMEs in Nigeria. These factors include:

- Insufficient capital
- Lack of focus and inexperience
- Inadequate market research
- Overconcentration on one or two markets for finished products,
- Lack of succession plans
- Lack of proper book keeping
- Irregular power supply
- Infrastructural inadequacies (water, roads etc)
- Lack of proper records or lack of any records at all
- Inability to separate business and family or personal finances
- Lack of business strategy, inability to distinguish between revenue and profit
- Inability to procure the right plant and machinery and
- Inability to engage or employ the right staff

Chidi and Shadare (2011) investigated the challenges confronting human capital development in small and medium-sized enterprises (SMEs) in Nigeria and found that human capital development in Nigerian SMEs leaves much to be desired. They recommended the need to address the issues of human capital development in SMEs and for SMEs to embrace the investment in people criteria if the desired corporate and national goals are to be realised.

2.9.3 Performance of SMMEs in China

According to Jianjun (2006), in China the term small and medium-sized enterprises (SMEs) refers to different forms of enterprises under different ownerships that are established within the territory of the People's Republic of China that meet the social needs and create more job opportunities and comply with the industrial policies of the State. This definition is rather more complex than that in other countries, where the definition of SMMEs tends to be based purely on their size. It is nevertheless the case that, in China also, SMEs tend to be enterprises which have fewer employees, lower sales volumes and lower gross assets. Most Chinese enterprises are SMEs. These SMEs account for more than 98 per cent of the Chinese industry and contribute 60 per cent of China's GDP, 75 per cent of its industrial value-added output and 50 per cent of its revenue (as of June, 2012). Chinese SMEs also provide for 75 per cent of China's urban employment opportunities and absorb more than 50 per cent of the workers laid off from the state-owned enterprises. They employ more than 70 per cent of the new entrants to the labour market (Jianjun, 2006). Chinese SMEs play an important role in China's economic development due to their contribution to the GDP and the employment they create, as well as their vigorous creative ability.

China is different from other less developed countries in terms of market size as well as cultural connections and is already a much more open economy than most emerging markets (Blazquez-Lidoy, Rodriguez and Santiso, 2006). According to Santiso (2007) the Chinese internationalisation has presented many opportunities as it has been very practical and maintained balanced efforts between markets and government intervention.

The Chinese Communist Party retains full control of the country's affairs and remains firmly committed to many of socialism's key systems where state agencies provide most of the country's limited financial services. Indeed, the state and the Party are central players in nearly all aspects of China's economy (Spar and Oi, 2006). For example, many of Chinese Multi National Enterprises (MNEs) remain in state hands, even though corporatised, which means that these firms still align their operations, whether at home or abroad, with the five-year plans and national priorities (Buckley,

Clegg, Cross, Liu, Voss and Zheng, 2007). In addition, China's developing capitalism is not solidly based on law, respect for property rights and free markets (Blazquez Lidoy, Rodriguez and Santiso, 2006).

2.9.3.1 China's business environment

On the specific characteristics of China's business environment, Buckley et al. (2007) highlighted the apparent market imperfections where companies operate.

These imperfections can be seen in:

- some SOE [State-Owned Enterprises] having capital available at below market rates,
- subsidised or soft loans from banks influenced by or owned by the government,
- an inefficient internal capital market that may encourage cross-subsidies in conglomerates and
- cheap capital from the government to fund its companies' international expansion. To this, Child and Rodrigues (2005) added that the influence of central and local governments seems to have directed many of the outward foreign direct investment (FDI) processes with the aim of promoting exports and securing raw materials, although some state owned companies also used their investments abroad to acquire technology and skills.

2.9.3.2 Labour issues for SMMEs in China

Child and Rodrigues (2005) argue that China's SMEs enjoy significant labour-cost advantages and having access to low labour costs have been a key driving force for many business sectors in China. The central government was very careful to exploit its advantage in terms of labour resources and actively developed labour-intensive industries and small and medium-sized enterprises (SMEs) with considerable employment capacity. A new labour contract law and rising wages would have negative effects on SMEs survival since it probably cannot have at their disposal an inexhaustible supply of cheap labour.

2.10. COMMON CHALLENGES FACED BY SMMEs

According to Nieman and Nieuwenhuizen (2009:35), South African SMMEs face challenges which are prevalent in Botswana, Nigeria and China, these include: Lack of training and education, limited access to financial resources, inaccessibility to markets, lack of support structures and inaccessibility to appropriate technology. Mutoko (2014) noted that Botswana's small population is a restricting factor as the market is small and that long distances between cities and villages make it difficult and costly for entrepreneurs to travel to the market to sell products. In Nigeria, Ogunsiji and Ladamu (2010) noted insufficient capital, inadequate market research, lack of proper book keeping, inability to separate business and family or personal finances and lack of business strategy, inability to distinguish between revenue and profit. According to Child and Rodrigues (2005), labour exploitation and dominance by government in all sectors of the economy are key challenges restricting SMME growth in China.

South Africa must create a conducive environment needed for SMME development and sustainability by offering support (Financial and non financial) to ensure SMMEs operate at optimum potential and create much needed jobs in the economy (Ntsika, 2001).

2.11. SUMMARY

This chapter explained South African SMMEs, their performance and challenges they face. These challenges were later compared to those of other countries and there appear to be more similarities than differences. In addition, the SMME support from various institutions was discussed.

South African SMMEs have many obstacles to overcome, namely; Lack of training and education, limited access to financial resources, inaccessibility to markets, lack of support structures, inaccessibility to appropriate technology and lack of access to other resources. The removal of obstacles such as poor education and lack of experience will only be resolved in the long term. Obstacles such as infrastructural support and seed funding can be overcome within a shorter to medium term timeframe.

However, it has been indicated by Ntsika (2001:57-75) that South Africa has a low survival rate among its start-up entrepreneurs which means that the entrepreneurs' impact on economic growth and job creation will fall short of the government's economic and job creation objectives. It is vital that SMMEs and entrepreneurship development be taken seriously if the South African entrepreneurial environment is to improve. Government is developing policies and regulatory conditions that will promote SMME development by providing organisations with more scope to assist, promote and develop SMMEs in accordance with the government's objectives (Ntsika, 2001:57-75). This strategy can be achieved through the appointment of mentors who will assist the government and its agencies to realise its objectives.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The purpose of this chapter is to provide a description of the method followed to collect data for the current research study. This chapter explains the research design, the units of analysis of the study, the instruments used for data collection and the procedures followed and lastly the data analysis method.

3.2 RESEARCH DESIGN

The study is a descriptive study using a qualitative research method. A descriptive study is one that attempts to explain the characteristics of a population by examining samples of that population (Leedy and Ormrod, 2014). Walliman (2005:238) provides the following steps in the research process:

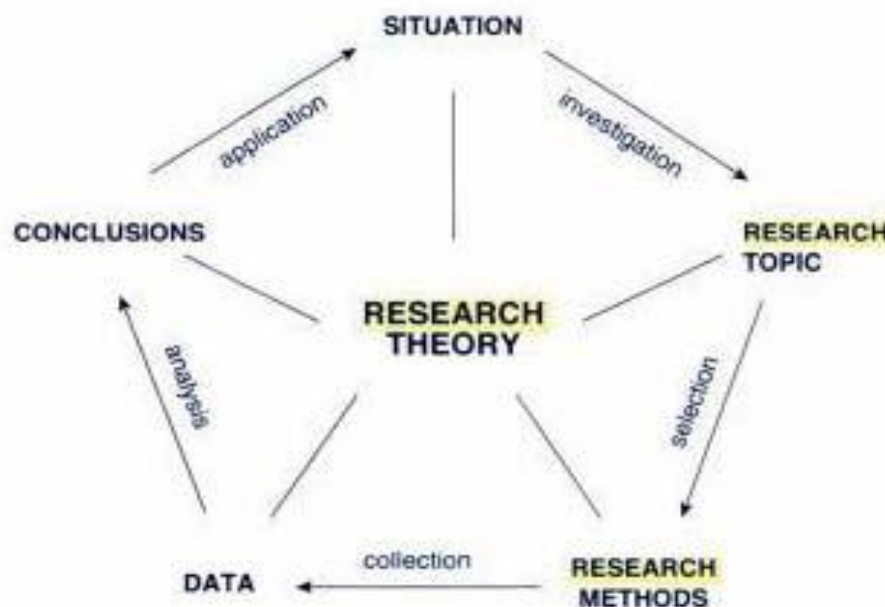


Figure 3.1. The research process Walliman (2005:238).

3.3 TARGET POPULATION

Ormrod and Leedy (2014) define a population as the totality of all subjects that conform to a set of specifications, comprising the entire group of persons that is of interest to the researcher and to whom the research results can be generalised. In this study, the targeted population consists of:

- 52 motor mechanics operating in Tzaneen CBD and five (5) executive committee members that represents these motor mechanics.
- The following stakeholders:
 - The manager responsible for Local Economic Development in Greater Tzaneen Municipality will be interviewed to establish possible interventions by the municipality to assist the mechanics to formalise their operations;
 - SEDA Business Advisor for Mopani ; and
 - GTEDA's Project Coordinator

Thus the total targeted population (N) is 60.

3.4 SAMPLE

A census, i.e. the whole targeted population, was used for purposes of this study. The total number of people which were in the sample (=census) is sixty (n=60). Cooper and Schindler (2008) define a census as a research procedure, where every individual in the target population has an opportunity to participate in the research. A census is appropriate when the population is small and when the elements are quite heterogeneous.

3.5 STUDY AREA

The study focused on the informal motor vehicle mechanics operating in Tzaneen CBD. The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipality. It contains 125 villages with almost 80% of households residing in these villages. The research focused on motor mechanics operating opposite the Tzaneen bus rank and Cash and Carry wholesalers in the town of Tzaneen which is found in the Limpopo Province in South Africa.

3.6 RESEARCH INSTRUMENT

Data were gathered from self-administered questionnaires for officials of the identified organisations who were asked about what they could offer the motor mechanics as well as interviews for the motor mechanics. According to Rossouw (2003:129), a questionnaire is considered an appropriate method of research if the individual is the unit of analysis. It is one way of ascertaining opinions, perceptions and reports of individual behaviour. The advantages of using questionnaires are that it is low in cost and does not require a lot of personnel and organisation. The questions are in writing and the respondent can read through them a couple of times if it is a complex issue. A questionnaire was drawn up to gather information in order to realise the objectives of the study. The information contained in the literature study was used to guide the researcher in drawing up the questionnaire.

3.7 METHOD OF DATA COLLECTION

The data collection was as follows:

- 1) Firstly interviews were conducted with a target population of 48 participants. These interviews were recorded on electronic devices and captured in note books. Forty eight mechanics were interviewed in groups of five to six members and two sessions were held per group in order to corroborate the evidence gathered. Open-ended research guides were used during the interviews (see appendix B2, page 98 and 101).
- 2) Then five representatives (i.e. the executive committee) of the motor mechanics were also interviewed in a group of their own. (see appendix B3, page 103 and 106)

The purpose of the group interviews with the representatives of motor mechanics and the mechanics themselves was to find out what they thought about the possibilities of being formalised and what ideas they had about how they could become formal small businesses.

- 3) Finally, questionnaires were designed and handed out to officials of stakeholder organisations; namely, GTM LED, SEDA and GTEDA (see appendix B1, page 95 and 97) for them to answer in their own time. The questionnaires were then followed up by individual interviews with these mentioned officials. The purpose

for the interviews was to explore what these institutions have done previously and what they were willing to offer to help formalise the informal motor mechanic operations already taking place in the Tzaneen CBD for over 11 years now.

A research schedule (appendix B, page 94) was also used during the group interviews of motor mechanics. Designing a research guide was important to standardise the questions put to the different groups. According to Leedy and Ormrod (2014), a research guide/schedule helps the researcher to find the best resources for research in a particular subject. They provide streamlined access to every electronic resource in the library including databases, books, articles and more. Research guides provide a detailed guide as to how one will complete the work within the time specified.

3.8 METHOD OF DATA ANALYSIS

According to Rubin and Rubin (2012), data analysis happens once data have been captured and stored in the format of a data set. This study followed the use of qualitative data analysis method and involved the following steps:

- Step 1: Organising the Data
- Step 2: Finding and Organising Ideas and Concepts
- Step 3: Building Over-Arching Themes in the Data
- Step 4: Ensuring Reliability and Validity in the Data Analysis and in the Findings
- Step 5: Finding Possible and Plausible Explanations of the Findings.

The collected data (though audio recording and notes) were coded to look at emerging common themes. These themes were collated to make sense of the data. The details of the findings from the study are provided in chapter four (4).

3.9 SUMMARY OF THE CHAPTER

This chapter outlined how the data were collected and analysed. The research design and target population were defined. The sampling method and the reasons for choosing the particular method were explained. The researcher was involved in conducting interviews with the mechanics and officials of state institutions working with the motor mechanics. Chapter four will focus on the presentation of the results of the study.

CHAPTER FOUR

RESEARCH RESULTS

4.1 INTRODUCTION

The current chapter presents the empirical research findings of the study which focused on the operation of informal motor vehicle mechanic small enterprises in the Tzaneen central business district, Limpopo Province.

The analysis is based on data collected through group interviews from 56 respondents out of the 60 who were the total targeted population. Four (4) respondents were not available, one had passed away and three left their practices to pursue other interests. Interviews were conducted with the five (5) Executive committee members of the motor mechanics as well as forty eight (48) motor mechanics. Thus the total sample for the motor mechanics was 53.

In addition to data from the motor mechanics three (3) self-administered research questionnaires were sent out to one GTM LED manager responsible for supporting the motor mechanics, one GTEDA project coordinator who deals with SMME support and one SEDA Business Advisor responsible for SMME support (including the mechanics).

Firstly, the demographic information of the respondents is presented. The second section provides the profile of the business operations of the mechanics. The next section looks at the business financing methods used and challenges facing their business in terms of financing. The last section tackles results of pre-determined objectives and views of stakeholders, the executive members of the mechanics and the mechanics themselves.

4.2 DEMOGRAPHIC PROFILE OF RESPONDENTS

The demographics of the respondents are outlined in terms of age, home language, gender, cluster and education level.

4.2.1 Age of Respondents

The average age of respondents in this study was 32 years of age. The youngest respondent is 21 years of age while the oldest is 53 years old. The table below shows the age categories of respondents.

Table 4.1: Age category of Respondents

Age category	Number	Percentage
20-25	8	14%
26-30	13	24%
31-35	10	18%
36-40	22	39%
Above 40	3	5%
Total	56	100%

4.2.2 Home Language

Table 4.2 presents the language distribution of respondents in the sample. Respondents mostly speak Sepedi (48%), Xitsonga (36%), Shona (13%) and Ndebele (3%). Most respondents are fluent in the other languages other than their home language.

Table 4.2: Home Language of Respondents

Home language	Number	Percentage
Shona	7	12.5%
Ndebele	2	3.5%
Xitsonga	20	36%
Sepedi	27	48%
Total	56	100%

4.2.3 Gender

The sample consists of a total of 56 respondents, 55 (98.3%) of whom are males and only one female (1.7%). This shows the dominance of males in this sector. All the motor mechanics were male. Three of the four officials from departments that support SMMEs were male while only one of them, from GTEDA was female.

4.2.4 Municipal Cluster

The respondents were asked where they reside. The Greater Tzaneen Municipality has four clusters and the respondents represent the clusters as follows: Lesedi cluster which covers seven (7) out of 32 wards in the municipality has the highest representation of the respondents followed closely by Relela cluster at 32% (it has 8 wards of 32). Runnymede cluster is the least represented cluster at 9% and this can be attributed to the fact that it is very far from Tzaneen (the furthest village in this cluster is 83 kilometres away from Tzaneen town).

Table 4.3: Place of Residence of the Respondents

Area/cluster	Number	Percentage
Runnymede	5	9%
Lesedi	20	36%
Relela	18	32%
Bulamahlo	13	23%
Total	56	100%

4.2.5 Length of time in Operation

The table below shows how many years of operation the mechanics have been involved in their businesses. It was found that the majority of respondents have on average more than five years in a similar operation.

Table 4.4: Length of time in Operation

Number of years in operation	Number of people	Percentage
Less than 5 years	7	13%
5 – 9 years	25	47%
10 – 19 years	12	23%
Over 20 years	9	17%
Total	53	100%

4.2.6 Highest Qualification

The table below shows the qualifications/level of education of the motor mechanics. Only ten (10) percent have a tertiary qualification. It was also found that this ten percent act as mentors to the others as they have qualifications in motor mechanic. Nineteen percent of the mechanics have no formal schooling but during the study it was found that they are amongst the most experienced and reliable mechanics.

Table 4.5: Education level

Type of qualification	Number	Percentage
Tertiary education	5	10%
Matric	13	25%
Up to grade 11	24	46%
No formal schooling	11	19%
Total	53	100%

4.2.7 Area of Specialisation

The study established the areas of specialisation that are found in motor vehicle repairs and the table below highlights that.

Table 4.6: Area of Specialisation

Area of specialisation	Number of mechanics	Percentage
Suspension (springs, steering, wheels, brakes and tyres)	53	100%
Transmission (clutch, gearbox, differential)	18	35%
Engine	31	60%
Electronics	14	27%
Panel beating and painting	4	8%
Welding	7	13%

The study reveals that all mechanics know how to work with the vehicle suspension system whereas only 8% are able to panel beat cars and do painting. According to the mechanics, this area (panel beating and painting) needs proper training as a mechanic has only a single chance to fix and paint a car properly without damaging the paintwork (the costs of re-doing the work are very expensive). It was further noted that welding has 13 percent of the mechanics as it requires very expensive machinery to set up.

4.3 THEMES IDENTIFIED FROM INTERVIEWS WITH MOTOR MECHANICS

This section focuses on the results of the survey conducted with motor mechanics (see appendix B2, page 99 and 102). The results are presented according to the themes that were identified, then followed by challenges that the motor mechanics proffered. These challenges include the financing of small, micro and medium enterprises SMMEs and the obstacles they experience.

4.3.1 Starting of the Business

When the motor mechanics were asked how did they start their business, respondents indicated that *“they started their business at home but realised that moving to town will bring them closer to the market/customers and suppliers”*.

Except for those few who had post-matric qualification, most of the respondents learned their skills from family members and former employers and have since learned to eke out a living from it.

4.3.2 Clientele/customers

The respondents were also asked who their customers are. They indicated that their *“clients are mainly black Africans, Indians and Pakistanis who prefer good service at reasonable prices as compared to mainstream car service dealers”*.

The mechanics maintain a data base of clients and would call clients to remind them of a scheduled service and to check their service experience. This ensures they get to maintain a close relationship with their clients and even service cars on credit to loyal and supportive clients.

4.3.3. Experience/training

It was noted during the interviews that very few respondents have formal mechanical training as offered by technical colleges. The majority of them have learned the trade from assisting others doing similar work (on the job training) and from their previous employment. It was found that the majority of the mechanics know their work well as noted from the responses gathered from some of their clients. They (the motor mechanics) however, indicated a need for further skills development to cope with technology found in modern cars as more and more cars are becoming sophisticated (computerisation) and need special skills to work on them.

4.3.4 Business Needs

When asked about their business needs, the majority of the respondents indicated that *“they need a building to be used as a workshop for servicing cars and to keep their tools safe overnight, training to enhance their skills to cope with the latest technology in modern cars, to market the business and sign contracts with companies such as Great North Transport (GNT) in order to service buses”*. Mechanics feel that GNT should empower black businesses as part of ‘Broad Based Black Economic Empowerment’. This will result in large scale job creation.

4.3.5. Strategies/methods Used to meet Business Needs

When the motor mechanics were asked about ways/methods that they use to meet their business needs, respondents mentioned that *“through the Executive committee they are able to have monthly meetings with stakeholders in order to discuss their requests and plans; this is slowly coming to fruition. The Executive Committee is tasked with bargaining for discounts on motor spares on behalf of their members”*.

4.3.6 Business Continuity

When asked where do they see their business in the future and how are they going to get there/achieve it, respondents mentioned that *“we want to see our business running like fully fledged businesses operated by our white counter parts and be able to train and employ more people.”*

4.3.7 Government/agencies’ Support

The motor mechanics were then asked what kind of support (if any) do they need from government agencies and any stakeholders. They indicated that they would like to have:

- *“A venue/workshop to operate from,*
- *Subsidy in terms of water and electricity for the workshop/factory once it’s set up; and*
- *Training and development.”*

4.3.8 Understanding of Formalisation of Businesses

The respondents were also asked about what they understand about business operations, registration of businesses to make them formal and implications of registering/formalising their businesses. Respondents mentioned that *“the registration will give credibility to the business, which will result in more clients and income for them. It will also assist in securing government agency support. However, it means more monitoring from government, paying of rates and taxes and doing*

things by the book/compliance". The majority of Respondents liked the idea of formalising their businesses as the pros outweigh the cons. They indicated that operating a registered business means more security, support and income for them.

4.3.9 Challenges Identified

In addition to the above themes, the respondents also identified the following challenges:

a) Methods of Obtaining Finance for Business

The first question in this section asked of respondents was to identify the current life cycle phase of their business in terms of financing. Nearly all mechanics' businesses (98%) are in the expansion phase, which involves obtaining working capital for initial growth and major expansion.

From the responses it was noted that accessing finance is a major challenge since only five (5) percent of the mechanics managed to raise funds from financial institutions, 12% received grants from SEDA but it was not enough to buy start-up equipment. The majority of the respondents had to provide own funding which was way too low to cater for the needs of the business, hence they are still struggling to set up sustainable businesses. Most of the mechanics do not meet the requirements of commercial banks (i.e. proof of income and collateral being the main ones) as they live from hand to mouth.

Table 4.7: Source of Funding

Source of capital	Number	Percentage
Own funding	37	71%
Loans from financial institutions	3	5%
Loans from friends and family	7	12%
Grants	6	12%
Total	53	100%

The lack of start-up capital is by far the biggest problem among the mechanics, a lack of funds for expansion and a lack of credit facilities from suppliers are experienced by 94% and 100% respectively.

The financial entities which the mechanics approached for financial assistance are given in table 4.8 below.

Table 4.8: Financial Institutions that Supports the Respondents

Institution	Number of mechanics	Frequency	Success rate (% loans granted)
ABSA Bank	3	1	0%
Standard Bank	5	1	0%
First National Bank	5	1	0%
Nedbank	0	0	-
Capitec Bank	30	2	30%
Micro lenders	44	30	90%
Family and friends	21	12	66%
Others	7	2	1%

Respondents were more unlikely to approach one of the four major banks in South Africa as opposed to trying alternative lending entities. The respondents find it easy to approach micro lenders for finance as they do not require payslips/ proof of income, collateral and credit references as opposed to commercial banks. It was also noted that Capitec bank was frequently visited as most respondents have a savings account with the bank. Second most visited source of finance is family and friends. The success rate of each source has been analysed and micro lenders were the highest at 90% in terms of accessing funds followed by family and friends at 66%. The most prominent reasons the respondents proffered for institutions failing to award credit applications include:

- Lack of collateral (84%) by applicants,
- Poor business plan (93%); and
- Bad credit record (72%).

b) Need for Training

The respondents indicated that there is need for training and development to improve their skills. Training needs revolve primarily around technical skills (96%) and entrepreneurial skills (75%). Customer relations ranked the lowest, by 52% of the respondents. They indicated that their main responsibility is to fix cars and not “entertain” customers. According to them, a customer will come back if their car was serviced well. According to 92% of the respondents, marketing skills are essential especially to companies as they have fleets which are lucrative if they can get contracts.

Table 4.9 Training needs of the Motor Mechanics

Type of training needed	Number	Percentage
Technical skills	51	96%
Entrepreneurial skills	39	75%
Customer relations	27	52%
Marketing skills	48	92%
Total	52	100

4.4 THEMES IDENTIFIED FROM INTERVIEWS WITH THE EXECUTIVE COMMITTEE OF THE MOTOR MECHANICS

During the study, interviews were conducted with five executive members representing the mechanics. The executive committee are the overseers of the entire operation of the motor mechanics businesses. These are members elected by the mechanics on a three year term of office, their mandate is to lobby support and represent the mechanics’ interest with stakeholders. Their main duties are:

- To hold meetings with stakeholders on behalf of the mechanics to lobby for support.
- To handle complaints from clients if a particular mechanic did not exercise due diligence when servicing or conducting maintenance work for a client.
- To negotiate discounts and special rates for parts with local spare parts dealerships.
- To recruit customers and maintain sound customer relations.
- To ensure compliance with municipal by-laws .e.g.

- Not spilling oil into the river
- Not throwing away parts into the rubbish bins around town,
- Used oil must be disposed into the drums provided; and
- Old parts must be thrown into big bins provided by the municipality and be collected by “metal collectors for recycling”.

The responses of the executive committee are now presented according to identified themes followed by the challenges that they identified.

4.4.1 Current and Future Business Plans

The executive committee members were firstly asked about their current and future plan/s regarding their members’ businesses. They indicated that their future plan is to:

- *“Register this operation under one name (Greater Tzaneen Motor Mechanic Co-op);*
- *Arrange regular training for their members to get skills development in order to service modern cars (with modern technology);*
- *Secure a building/workshop with all necessary equipment to enable them to do all service work”.*

When asked what kind of efforts the mechanics have planned to meet their plans, Respondents mentioned that they *“have a sound working relationship with key stakeholders and discuss our plans with them. So far there are positive developments in the pipeline whereby spares shop owners are willing to contribute towards the erection/construction of the proposed workshop by the municipality as we buy from them.”*

4.4.2 Business Training and Background

The other question asked of the executive committee was about the kind of business training/background they have. They indicated that *“Three have diplomas in motor mechanic which they acquired at Phalaborwa FET College and two have intensive work experience as they worked at the Toyota dealership and the VW dealership in Modjadjiskloof and Tzaneen respectively.”*

4.4.3 Envisaged Business Model and Business Sustainability

When asked about the kind of business model they think would be suitable for the long-term sustainability of the motor mechanics' businesses, respondents mentioned that they *“will group motor mechanics according to their level of experience and areas of specialisation in order to share experiences and reduce the number of hours each take to service or repair a car”*. This will ensure that they service more cars a day which will result in more money for them. Furthermore, this approach is in line with what SEDA recommended to them during their interaction with them.

The respondents also mentioned that they noted that due to competition and their will to survive, some motor mechanics are at times tempted to service cars they have no experience in and this results in their messing up the cars and creating a bad reputation about them. This 'mess up' fuels negative attitudes towards them from the public (they are *“regarded as ‘chancers’ who will do anything to have money at the end of the day”*). They added that specialisation will also assist in cutting the number of hours it takes to work on one car (resulting in improved effectiveness and efficiency) and ensure customer satisfaction. The executive committee also mentioned that they need insurance cover that will protect them against claims from customers incurred due to bad servicing of cars and human error.

4.4.4 Reasons for the Suggested Business Model

When asked their reasons for opting for this kind of business model, respondents mentioned the following key points. They will:

- *“Enjoy the power of bargaining*
- *Share experiences*
- *Share resources (equipment and tools)*
- *Share costs and benefits*
- *Create job opportunities and a platform for learners from colleges to do their practicals and internships*
- *Ensure business expansion, skills retention and sustainability. “*

4.4.5 Stakeholder Support

The executive committee of the motor mechanics were also asked about the stakeholders they have engaged to assist with implementation of the proposed business model. They mentioned that *“SEDA offered training but the mechanics refused it as their main priority is a building to work from”*. They also indicated that they will undergo training once they have a building or workshop as they propose that the training should take place at their place of work (on- the- job practical training).

When asked about their expectations in terms of help (to operate businesses) from government and the private sector, respondents indicated that they want *“to be given land and a building at no fee, this will ensure that mechanics are relieved from debts that will take them years to pay and ultimately affect their sustainability.”* They have engaged Greater Tzaneen Municipality and *“so far the municipality has allocated them a piece of land to operate from and is planning to build them a workshop to operate from in 2016.”*

4.4.6 Understanding of Business Formalisation

In terms of their understanding of what it means and entails to formalise their business operations the respondents indicated that *“business principles mean conducting or running your business in compliance with the law. This includes registration and it assures public confidence in that customers have a sense of security to know that their cars are in the hands of knowledgeable, reputable and credible mechanics.”* The respondents indicated that they are open to the idea of formalising their businesses and want to be helped with registering their businesses in order to expand their market and tap into government support and incentives.

4.4.7 Challenges identified

In addition to the above identified themes the committee identified two main challenges, viz. 1) the need for mechanics from other racial groups, especially in the executive committee; and 2) skills development

a) The Racial Mix of Members

Mainly all motor mechanics are Black Africans. However, their current and prospective customers are from all races available in the municipal area. During the interviews it was however found that different views exist in relation to people of more diverse racial classification. The majority of respondents indicated that they were actively searching for a white person to join their board as they believe that a white person would bring value to their businesses; specifically regarding bringing new customers and negotiating with spare suppliers who are mainly white. Very few respondents indicated that the colour of the person’s skin is not a deciding factor and that the skills and abilities of the person is a deciding factor.

With further reflection and probing, indicating the possibility that appointing a white person may not be received positively and/or may be viewed as “window dressing”, four respondents indicated that *“they were willing to appoint a person based on his/her skin colour alone, because this will boost their business and enable them to tap into the market of servicing cars for white people”*, a market that they currently do not service.

It would thus seem that from this study there is evidence that the executive committee of the mechanics feels that a white person is needed to increase the chances of the mechanics' businesses being supported and helped to become sustainable.

b) The qualifications of the Executive Committee and Association Members

All respondents indicated that they believed that the level of qualifications or diversity of qualifications relates to the making of better or more informed decisions and, by implication, better service and maintenance of cars. They pointed out that better qualifications and skills would result in better service delivery and then in satisfied customers, which ensures customer retention and business growth. The respondents also pointed out that they are actively working towards diversifying their board members to include influential people from the communities who are not necessarily mechanics but will aid with:

- Marketing of the businesses
- Do applications for funding
- Do general business management

4.5 THEMES IDENTIFIED THROUGH INTERVIEWS WITH THE SUPPORT STAKEHOLDERS

The following stakeholders were consulted during the study, namely, GTM LED Manager, GTEDA Projects Coordinator and SEDA Business Advisor. Again the results from the interviews are presented according to the themes that were elicited.

4.5.1 Relationship with the Motor Mechanics

During the study, GTM LED manager , SEDA Business Advisor and GTEDA Project Coordinator were consulted to establish their working relationship with the mechanics and their institutions' contribution or involvement in the sustainability of these business operations. When asked how stakeholders interact with the mechanics, two respondents from the Greater Tzaneen Municipality answered that *“they only got to know about the mechanics' business after a member of the public reported about oil spillage in the Letaba River, which threatened the quality of the water, irrigation and the entire biodiversity due to the contamination effects of oil.*

They (the municipality) were required to investigate this issue and deal with the source of the problem. Upon investigation it was found that the mechanics were throwing used oil and parts into the river which affected the entire ecosystem. They reported back their findings and GTM council requested intervention in the form of educating, supporting and finding a suitable space for the mechanics to work from. They then approached GTEDA and SEDA to come up with holistic intervention mechanisms to ensure these mechanics are not “dumped” out of town but are given the necessary support as their trade is their only source of income and livelihood”.

4.5.2 Engagements with Motor Mechanics

Respondents highlighted their organisation’s engagements with the motor mechanics as follows:

a. GTM LED

- They supplied drums for disposing of used oil which is collected for recycling once a week.
- Provided space for the mechanics to work from (open land next to the bus rank and Boxer supermarket).

b. GTEDA

- *“Facilitating funding to erect a building that will house the mechanics on land provided by the municipality and will offer affordable lease to the mechanics. These rates (from the leasing) will be used to maintain the building and as a measure to control access to the facility.”*

c. SEDA’s response

- *“Appointed a service provider to facilitate training on environmental issues that the mechanics need to take into cognisance when working with oil and used parts to ensure compliance with municipality by-laws”.*
- *“Provided branding of the businesses and assisted with marketing materials which are distributed around Tzaneen and local villages and townships”.*
- *Will provide start-up capital for all the mechanics once the registration process of the businesses is finalised.”*

4.5.3. Plans to ensure Motor Mechanics' Business Sustainability

Responses were as follows:

- a. **GTM LED:** *“will assist the mechanics with land and buildings because clients will know where to find them and clients' cars will be safe overnight especially cars which were not finished before closing of business”.*
- b. **GTEDA:** *“will offer incubation services for two years to ensure there's proper skills development, subsidies and monitoring before the business is allowed to run on its own”.*
- c. **SEDA:** *“will provide seed funding, branding and marketing support as well as a Business Advisor who will work with the mechanics during the incubation period.”*

4.5.4. Support Offered to the Motor Mechanics in the Past

Responses were:

- a. **GTM LED:** *“offered drums for disposing of used oil to ensure the river and its water and riverine life is not contaminated”.*
- b. **GTEDA:** has never interacted with the mechanics before although they knew of their existence in the area.
- c. **SEDA:** *“encouraged them to register formal businesses/co-operatives after sharing with them the various options available, but there was no interest from the mechanics.”*

4.5.5. Support to be offered to the Motor Mechanics in the Future

Responses were:

- a. **GTM LED:** *“land and building to operate from, the municipality will benefit by collecting rates and taxes once the business is operating.*
- b. **GTEDA:**
 - Market the mechanics' workshop/business to tourist and locals;
 - Facilitation of skills development through the manufacturing, engineering and related services Sector Education and Training Authority (MERSETA) and other SETAs;

- Expose them to trade shows and further skills development.
- c. **SEDA:** will do a proper needs assessment/business analysis. So far they have identified; co-operative registration, branding and marketing, compilation of business plans and seed funding”

4.5.6 Suggested Business Model for the Long-term Operation and Sustainability of Motor Mechanics

Responses were:

- a. **GTM LED:** *“will support any particular model that the mechanics can agree to and register it (the model). There are no specific business model preferences”.*
- b. **GTEDA:** was not very particular with a model but will support any model that proves to work towards promoting Greater Tzaneen and ensuring job creation.
- c. **SEDA:** *“may group members in terms of area of specialisation and interest and register co-operatives with a maximum of ten members in order to ensure effective management and support”.*

Examples of areas of specialisation given include:

- Tyre and brake pads fitting,
- Engine fixing and repairs,
- Panel beating and painting; and
- Electronics.

It is envisaged that this grouping and registration of co-operatives will result in not fewer than six co-operatives and is likely to create more permanent and temporary jobs e.g. cleaners and admin staff.

4.5.7 Reasons for Suggested Business Model

Responses were:

- a. **GTM LED:** *“the aim of the municipality is to ensure job creation in the area and to increase revenue collection hence formal businesses are welcome. They will be monitored to ensure compliance with environmental laws and municipality by-laws”.*

- b. **GTEDA:** the agency supports businesses that create jobs and bring convenience in the municipal area, hence their mandate is to support such.
- c. **SEDA:** *“Smaller co-operatives have proved to be efficient and manageable. Members’ interests are protected and cohesion is achieved, hence a small yet manageable number is encouraged.”*

4.6 SUMMARY

This chapter presented the results from the data that were collected from the respondents, the motor mechanics, their executive committee and officials from SEDA, the Greater Tzaneen Local Municipality and GTEDA. The presentation started with the biographical information of the respondents and then identified themes at each group of respondents. The motor mechanics and their executive team also identified challenges. The summary of results, discussion, conclusions and recommendations will be presented in the next chapter.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

Lekhanya (2010) outlines that small, medium and micro enterprises are important pillars of a country's economy. SMMEs have over the years been a vital part of the South African economy and in many other parts of the world such as China, Botswana, Nigeria and Taiwan (Lekhanya, 2010). Therefore, this study was aimed at consulting all stakeholders, i.e. the Motor Mechanics, the Greater Tzaneen LED unit, GTEDA and SEDA to come up with recommendations that will assist in identifying a business model that will aid in understanding, regulating, supporting, capacitating and ensuring sustainable operation for the motor mechanic businesses operating in the Tzaneen CBD.

Chapter four outlined the results that followed collection of data from the respondents identified for the study. This chapter will present the summary of the results, conclusions and recommendations.

5.2 SUMMARY AND DISCUSSION OF RESULTS

The summary of results will start with the biographical information followed by an outline of findings in line with the objectives of the study as delineated in chapter one (1).

5.2.1 Biographical Information

The findings of the study have shown that the average age of respondents is 32 years while the youngest respondent is 21 years of age and the oldest is 53 years old. A total of 56 respondents were interviewed, 55 (98.3%) of whom are males and only one female (1.7%). This shows the dominance of males in this sector. All the motor mechanics were male.

This study further outlined the areas of specialisation by the mechanics and it was found that all mechanics can work on car suspension whilst 35% can work on transmissions. About 60% of the mechanics specialises in engine, 27% in electronics, 8% in panel beating and painting and 13% in welding.

Only 10% of the total business owners/mechanics have a tertiary qualification in motor mechanics while the rest have on-the-job experience and no formal qualification. It was also found that this 10% act as mentors to the others as they have qualifications in motor mechanics. About 19% of the mechanics have no formal schooling but during the study it was found that they are amongst the most experienced and reportedly most reliable mechanics.

The study revealed that 13% of the mechanics have been operating for less than 5 years while 47% have almost 10 years of experience, only 17% have more than 20 years of experience in the business.

5.2.2 The motor mechanics' understanding of formalising their businesses

- The study found that the motor mechanics are willing to formalise their businesses because it will give them a professional image and their clients will be assured that their vehicles are being attended to by experienced and knowledgeable mechanics. Formalisation will allow the businesses to expand and create jobs as well as offer on-the-job training opportunities for aspiring mechanics.

5.2.3. The needs of the motor mechanics

- Some of the important factors of business success as identified by the respondents are training and education, finance and infrastructure. It was found that the mechanics in this study need support in terms of all the above to improve their businesses and ensure sustainability. The study established that the SMMEs are failing to utilise the services and support offered by state institutions because they do not have information on the support offered and employees of

these institutions have made little contact with these mechanics as compared to other SMMEs operating in the Tzaneen CBD.

- The study found that motor mechanics need a building to operate from. The building, i.e. infrastructure will ensure proper marketing of their businesses as clients will know where to find them and the mechanics will keep their equipment safe overnight including clients' cars that still have to be worked on.
- The mechanics need financial support to buy machines and equipment needed to diagnose and service cars especially modern computerised vehicles.
- It was also found that since the majority of the mechanics do not have formal mechanical training, they need further skills development to compete with their peers providing similar service and to be effective and profitable in their businesses.
- The study found that the majority of the motor mechanics do not have a problem operating registered businesses as it will allow them to enjoy the power of bargaining, share experiences, resources and tools. This will make them to be effective and offer clients best service that will ensure customer retention and business expansion and sustainability.

5.2.4 Awareness of government initiatives that are available to support formal SMMEs in the country (SA)

- The study found that very few of the motor mechanics are aware of the kind of support they can access from state agencies. Most of them do not know that most of the services rendered by these SMME support organisations are free of charge and are therefore afraid that they cannot afford them. After they were offered information about the services, the mechanics indicated a need to engage the agencies so that they can access the services to ensure they grow their businesses. Information was provided to them on various state agencies and the kind of support offered as well as the contact people. The process of engaging those agencies has been set in motion and will be monitored to ensure these mechanics benefit from these services to ensure their businesses are sustainable as they demonstrated a potential.

5.2.5 Challenges faced by motor mechanics in attempting to access finance

- Financial institutions require collateral and sound business plans before they can assist businesses with finance/loans. The study found that the majority of the mechanics do not have such collateral and therefore have not accessed any loans from the financiers. Thus, most of these businesses were self-financed and this has proved to be not enough to cover all infrastructure needed for the businesses. As a result the business owners/mechanics in this study have not reached their full business potential due to lack of finance and infrastructure required for optimal operation.

5.3 SERVICES THAT THE GOVERNMENT STAKEHOLDER ORGANISATIONS ARE WILLING TO OFFER THE MOTOR MECHANIC ENTERPRISES

In addition to a summary according to the objectives, this subsection will give a summary of what the organisations that were interviewed are willing to offer:

- a. **GTEDA** is willing to offer the following in order to support the motor mechanics:
 - Assist in marketing the motor mechanics' businesses to locals and tourists through its Business Support Services Unit.
 - Facilitate skills development through the manufacturing, engineering and related services Sector Education and Training Authority (MERSETA) and other relevant SETAs to be identified.
 - Expose the business to trade shows which are organised and funded by the agency and fund further skills development.
- b. **GTM LED** will offer land and a building from where the motor mechanics will operate their businesses as part of their LED strategy to promote local businesses and aid in job creation. During the study it was found that a site has already been identified and construction will commence once all due processes have been concluded.

- c. **SEDA** will assist with:
- Constant business need assessment,
 - Co-operative registration,
 - Branding and marketing,
 - Compilation of business plans,
 - Mentoring and seed funding.

5.4 CONCLUSION

This section will present the conclusions that have been reached in line with each of the objectives outlined in Chapter one (1).

5.4.1 Formalisation of the business

The study revealed that formalisation of the motor mechanics' businesses will enable them to access financial and non-financial support from the stakeholders interviewed. The motor mechanics support this process as it will benefit them and enable their businesses to grow and be sustainable.

5.4.2 Motor mechanics cooperation

The study revealed that the mechanics cooperated fully throughout the process although they were sceptical in the beginning of the process. They are looking forward to work with all stakeholders and have prioritised business registrations which will open doors for them to access all identified support.

5.4.3 Role of Executive committee of the motor mechanics

The study revealed that Executive committee has a pivotal role to play to ensure success and sustainability of the motor mechanics business. The role of the Executive committee includes:

- Liaison between the motor mechanics and officials of stakeholder organisations.

- Negotiating discounts for motor mechanics with spares shops.
- Facilitating monthly support meetings and ensuring cohesion amongst members.
- Negotiating for accommodation/workshop with Greater Tzaneen Council through the LED manager.
- Marketing of the motor mechanics business to the public.

5.4.4 Stakeholders' cooperation

Stakeholders cooperated fully during the study and the study found that stakeholders are willing to support initiatives that will yield a positive impact towards the upliftment of the local economy through SMME support. Findings and recommendations of the study will be shared with all stakeholders to ensure that identified interventions are implemented and that work plans are developed as per the outcomes of the study.

5.4.5 Benefits for Motor Mechanics

The Motor Mechanics will benefit from key stakeholders' support which will come in the form of financial and non-financial support. This will improve their businesses and ensure they increase their clientele and revenue.

5.4.6 Benefits for the state agencies in the study

The mandate of the organisations that were involved in the current study includes support and SMME development. Therefore, they would have realised their objectives by supporting the Motor Mechanics' businesses. The Motor Mechanic business will increase job creation and improve the local economy which is key to the organisations scorecard and performance achievements.

5.4.7 Benefits for the community

The community will benefit from having access to a service centre that will provide quality service at affordable prices. Some will benefit from value added projects resulting from the Motor Mechanic business such as oil collection and recycling and scrap metal collection. The proposed Motor Mechanic cooperative will be one of the biggest service centres in town and this will improve turn-around time for securing a service appointment through to getting the vehicle serviced and collected on time.

5.4.8 Benefits to business

Spare parts business in Tzaneen will benefit from bulk sales of spare parts and accessories to the Motor Mechanics, this will aid in job creation as additional people will be needed to service the cooperative. The chamber of commerce in Tzaneen will also benefit through adding a credible business to their database that will uplift the economy of the town and attract motorists from nearby towns and villages.

In conclusion, the motor mechanic businesses will be helped:

- To register their businesses,
- A permanent structure/infrastructure will be provided to them by the municipality once all business registration processes have been concluded, a site has been identified for this purpose.
- Training programmes will be put into place to support and capacitate the motor mechanics to ensure their skills are improved to enable them to offer quality service aimed at ensuring customer satisfaction and ultimate customer retention.
- An incubation programme will be set up to assist the mechanics to go through the transition phase (moving from informal to formal business) and a Business Advisor will be deployed for this purpose.

5.5 RECOMMENDATIONS

In the light of the results from the study, the following are recommended:

5.5.1 Business registration: SMMEs and motor mechanics businesses in particular should register their businesses to provide credibility and to access support from state institutions/agencies as most services and support are offered to formalised businesses. Registration of their businesses will also imply that they can be assessed by South African Revenue Services (SARS) and this factor/implication will have to be explained to them. This will ensure that if they are registered as a company and they meet certain qualifying requirements, they may register as a Small Business Corporation (SBC) in order to get additional tax incentives, such as reduced corporate tax rates.

5.5.2 Coordination of services: SMME support structures should be coordinated and well-publicised so that they each know what needs of SMMEs can be addressed through education and training or what programmes have been implemented by which agency. This will allow aspiring entrepreneurs to make use of services offered by these institutions and will ensure sustainability of many businesses. Coordination of services will also provide better clarity to customers and avoid duplication of services.

5.5.3 Accessibility of services: There should be more visibility and accessibility of service providers. These service providers should also showcase the kind of training they can provide, the services they can help SMMEs with, including support even if it is in the form of easy access to finance and training. For instance, SEDA's mandate is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in co-ordination and partnership with various role players, including global partners, who make international best practices available to local entrepreneurs. However, SMMEs in the current study are still unaware of such services.

5.5.4 Marketing: Intensive marketing helps businesses to increase markets and profit and ensure growth. Informal businesses within rural areas sometimes experience the high cost of marketing in their business and therefore these fail to

grow. Thus, the SMMEs need education on the fact that the long-term benefits of marketing far outweigh the costs of doing such. Some of the respondents do realise and acknowledge what marketing can do for their businesses hence the need to formalise their businesses as they realised that it's easier to market a formal business than an informal one.

5.5.5 Education and training: the motor mechanics will need formal and informal education and training on:

- Business management, including supply chain management and leadership especially for their council/executive committee;
- Financial management/bookkeeping;
- Marketing and customer relationship management;
- Information technology; and
- Technical motor mechanic skills that they indicated that they need and those that are in line with modern car technology.

5.5.6 Infrastructure: The Motor Mechanics need a building/workshop to operate from; this will ensure compliance with The Greater Tzaneen Municipality's by-laws on environmental health and safety.

5.5.7 Seed Funding: The mechanics will need capital and operational funding to uplift their current operation and SEDA promised to offer such to viable businesses once business registration processes have been finalised.

5.6 SUMMARY

The current study set out to find out what can be done to help the motor mechanics operating in Tzaneen CBD to become viable businesses instead of the way they are currently operating, in an informal way. Their current way of operation does not assist them to take advantage of the support initiatives that the country offers to small businesses like theirs. Focused group discussions were conducted with the motor mechanics as well as individual interviews with officials in the selected government organisations to find out what can be done. The study shows that the motor mechanics are willing to be registered as formal small businesses. In addition,

efficient support and training will enable them to improve their businesses and ensure long-term sustainability. This will hopefully bring economic spinoffs such as job creation and skills development for the local community.

The interviewed representatives from the state agencies show willingness to support these motor mechanics. They are also willing to prioritise and develop support programmes needed to support the Motor Mechanics operating in the Tzaneen CBD. The GTM LED is offering infrastructure in terms of land; GTEDA will help in marketing the businesses as well as in skills development and SEDA will help in registering the motor mechanics as businesses, marketing and branding as well as continuous mentoring. These stakeholders, i.e. the motor mechanics and the state agencies need to come together to finalise what type of registration will take place, e.g. if they register as cooperatives then what type of cooperatives and how many cooperatives. This is one detail that has not been determined thus far by the current study. Fortunately the lines of communication between the two stakeholders, i.e. motor mechanics and identified government agencies, have been opened.

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APPENDIX A

LETTER OF PERMISSION TO CONDUCT RESEARCH



Tzaneen Motor Mechanics

Enquiries: Prince 078 2888 395

10 April 2015

To Mr. Mulaudzi M.W

P.O Box 1454

Letsitele 0885

RE: PERMISSION FOR CONDUCTING A RESEARCH STUDY

We hereby grant permission to Mr. Mulaudzi M.W to conduct his research study at our place of work.

His topic of the study is : THE OPERATION OF INFORMAL MOTOR VEHICLE MECHANIC SMALL ENTERPRISES IN THE TZANEEN CENTRAL BUSINESS DISTRICT, LIMPOPO PROVINCE.

We wish him well in his research and hope it will open doors for the operation to interact with stakeholders to ensure sustainability of the business.

Yours sincerely

Tzaneen Motor Mechanic Executive Committee

Mr. Moses Modika-Chairperson.....*Modika*
Mr. Lassy Ramatladi-Deputy.....*Ramatladi*
Mr. Prince Lebepe -Secreatry.....*Lebepe*
Mr.Romeo Ramoshaba-Deputy.....*Ramoshaba*
Mr. Steve Mashale-Treasurer.....*Mashale*

APPENDIX B

RESEARCH SCHEDULE

The main aim of this study is to investigate ways in which the informal motor vehicle mechanic businesses operating in Tzaneen CBD can be assisted to become formalised for long-term sustainability and contribution to the local economy.

APPROACH

Meetings will be scheduled during the month of June and July with the following stakeholders:

Aim of the interview:

- To explore the support (financial, training, infrastructural) that the state organs (the Greater Tzaneen Local Municipality, GTEDA, SEDA and the Greater Tzaneen LED) are willing to offer towards the development of the informal motor mechanic businesses currently operating in the Tzaneen CBD;

Stakeholders

1. Greater Tzaneen Municipality LED Manager- Mr. Freddy Rammalo.

2. SEDA Business Advisor- Mr. Tshepo Machipi.

3. GTEDA Project Coordinator-Ms. Motlatso Hlokwe.

4. Interviews with motor mechanics:

- To investigate what the motor mechanics' understanding of formalising their businesses entails;
- To find out what the needs and ideas of the informal motor vehicle mechanics in Tzaneen are in terms of converting them into formal, viable and sustainable businesses;
- To investigate if these motor mechanics are aware of government's initiatives that are available to support formal SMMEs in the country (SA).

5. Executive committee members representing the mechanics in order to discuss their plans (current and future) regarding their businesses.

APPENDIX B1

QUESTION SCHEDULE FOR OFFICIALS FROM STAKEHOLDER ORGANISATIONS

SECTION A: BIOGRAPHICAL INFORMATION

1. Age category of Respondents

Age category	Number	Percentage
20-25		
26-30		
31-35		
36-40		
Above 40		
Total		

2. Home Language of Respondents

Home language	Number	Percentage
Shona		
Ndebele		
Xitsonga		
Sepedi		
Other		
Total		

3. Area of Residence of the Respondents

Area/cluster	Number	Percentage
Runnymede		
Lesedi		
Relela		
Bulamahlo		
Total		

4. Education level

Type of qualification	Number	Percentage
Matric		
Diploma		
Degree		
Post graduate		
Total		

SECTION B: QUESTIONS FOR OFFICIALS FROM STAKEHOLDER ORGANISATIONS

1. How did you get to know about the motor mechanics and their operations?

2. What kind of engagements do you have with them or have you had with them?

3. What kind of plans do you have to ensure this business operation is sustained?

4. What kind of support did you offer them (the motor mechanics) in the past?

5. What kind of support are you willing to offer them now?

6. Discuss the kind of business model that you think would be suitable for the long-term sustainability of the operations of these motor mechanics.

7. What would be the reason(s) for your suggested business model?

8. Is there any other information you would like to add (i.e. relevant to the operations of the mechanics)

APPENDIX B2

QUESTION SCHEDULE FOR MOTOR MECHANICS

SECTION A-BIOGRAPHICAL INFORMATION

1. Age category of Respondents

Age category	Number	Percentage
20-25		
26-30		
31-35		
36-40		
Above 40		
Total		

2. Home Language of Respondents

Home language	Number	Percentage
Shona		
Ndebele		
Xitsonga		
Sepedi		
Other		
Total		

3. Area of Residence of the Respondents

Area/cluster	Number	Percentage
Runnymede		
Lesedi		
Relela		
Bulamahlo		
Other		
Total		

4. Education level

Type of qualification	Number	Percentage
Tertiary education		
Matric		
Up to grade 11		
No formal schooling		
Total		

5. Length of time in Operation

Number of years in operation	Number of people	Percentage
Less than 5 years		
5 – 9 years		
10 – 19 years		
Over 20 years		
Total		

6. Area of Specialisation

Area of specialisation	Number of mechanics	Percentage
Suspension (springs, steering, wheels, brakes and tyres)		
Transmission (clutch, gearbox, differential)		
Engine		
Electronics		
Panel beating and painting		
Welding		
Other		

7. Source of Funding

Source of capital	Number	Percentage
Own funding		
Loans from financial institutions		
Loans from friends and family		
Grants		
Total		

8. Financial Institutions that Supports the Respondents

Institution	Number of mechanics	Frequency	Success rate (% loans granted)
ABSA Bank			
Standard Bank			
First National Bank			
Nedbank			
Capitec Bank			
Micro lenders			
Family and friends			
Others			

9. Training needs of the Motor Mechanics

Type of training needed	Number	Percentage
Technical skills		
Entrepreneurial skills		
Customer relations		
Marketing skills		
Other		
Total		

SECTION B- QUESTION SCHEDULE FOR MOTOR MECHANICS

1. How did you start your business?

2. Who are your clients/customers?

3. What kind of experience /training do you have?

4. What are your business needs (equipment, workshop etc)?

5. Which ways/methods did you use to meet your business needs?

6. Where do you want to see your business in the future and how are you going to get there/achieve it?

7. What kind of support (if any) do you need from government agencies and any stakeholders?

8. What is your understanding of business operations, registration of businesses (formalising your businesses) and implications of registering your businesses?

9. Any other information that you would like to discuss in relation to future operations of your businesses?

APPENDIX B3

QUESTION SCHEDULE FOR EXECUTIVE COMMITTEE OF MOTOR MECHANICS

SECTION A-BIBLIOGRAPHICAL INFORMATION

1. Age category of Respondents

Age category	Number	Percentage
20-25		
26-30		
31-35		
36-40		
Above 40		
Total		

2. Home Language of Respondents

Home language	Number	Percentage
Shona		
Ndebele		
Xitsonga		
Sepedi		
Other		
Total		

3. Area of Residence of the Respondents

Area/cluster	Number	Percentage
Runnymede		
Lesedi		
Relela		
Bulamahlo		
Other		
Total		

4. Education level

Type of qualification	Number	Percentage
Tertiary education		
Matric		
Up to grade 11		
No formal schooling		
Total		

5. Length of time in Operation

Number of years in operation	Number of people	Percentage
Less than 5 years		
5 – 9 years		
10 – 19 years		
Over 20 years		
Total		

6. Area of Specialisation

Area of specialisation	Number of mechanics	Percentage
Suspension (springs, steering, wheels, brakes and tyres)		
Transmission (clutch, gearbox, differential)		
Engine		
Electronics		
Panel beating and painting		
Welding		
Other		

7. Source of Funding

Source of capital	Number	Percentage
Own funding		
Loans from financial institutions		
Loans from friends and family		
Grants		
Total		

8. Financial Institutions that Supports the Respondents

Institution	Number of mechanics	Frequency	Success rate (% loans granted)
ABSA Bank			
Standard Bank			
First National Bank			
Nedbank			
Capitec Bank			
Micro lenders			
Family and friends			
Others			

9. Training needs of the Motor Mechanics

Type of training needed	Number	Percentage
Technical skills		
Entrepreneurial skills		
Customer relations		
Marketing skills		
Other		
Total		

SECTION B: QUESTION SCHEDULE FOR EXECUTIVE COMMITTEE OF MOTOR MECHANICS

1. What is/are your current and future plan/s regarding your members' businesses?

2. What kind of efforts have you planned to meet your plans?

3. What kind of business training/background do you have?

4. What kind of business model do you think would be suitable for the long-term sustainability of the motor mechanics' businesses?

5. What are the reasons for preferring that?

6. Which stakeholders have engaged you before for plausible solutions/alternative business operation models?

7. What are your expectations in terms of help (to operate your businesses) from government and the private sector?

8. What were the engagements about? That is, what was discussed?

9. What is your understanding of business principles, registration of your businesses (i.e. formalising your businesses) and implications thereof?

10. Any other information that you would like to discuss?
