

**SUSTAINABLE ECONOMIC DEVELOPMENT CHALLENGES FACED BY  
MANAGERS OF SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs) AT  
LEPELLE NKUMPI MUNICIPALITY IN THE LIMPOPO PROVINCE**

by

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## **DECLARATION**

I declare that the SUSTAINABLE ECONOMIC DEVELOPMENT CHALLENGES FACED BY MANAGERS OF SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs) AT LEPELLE NKUMPI MUNICIPALITY IN THE LIMPOPO PROVINCE hereby submitted to the University of Limpopo, for the degree of Master of Development in Planning and Management has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

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Mashilo K.S. (Ms.)

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Date

## **DEDICATION**

This study is dedicated to my late father, Masoka Timothy Mashilo, who passed away on 21 June 2018. You were not educated yourself, but your love for education and believing in your children kept me going. You wanted me to succeed and carry out this study to completion. At times I felt like quitting but your memories lived in me and that gave me the strength to thrive. Sadly, you did not live long enough to witness this success.

This is for you Moroka. Robala ka kgotso, till we meet again!

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## **ABSTRACT**

Unemployment in South Africa has prompted the government to shift focus in terms of employment creation resulting in encouraging citizens to become entrepreneurs. This took effect after 1994 and small, medium, and micro enterprises (SMMEs) have since been the important drivers of the economy. They have provided jobs to many unemployed people and reduced poverty in many communities. Despite their importance, these enterprises encounter challenges that threaten their sustainability and growth. The purpose of the study was to investigate the internal and external factors affecting SMMEs. To get a clear understanding of the challenges confronting managers of SMMEs in Lepelle Nkumpi Municipality (LNM), a comprehensive investigation of this problem was conducted through a literature review. The study adopted a mixed method approach, where the researcher used both qualitative and quantitative methods to elicit information from the participants. The study also adopted the interpretivism and positivism paradigms. Data were collected through the usage of structured questionnaires and semi-structured interviews from the respondents who were selected purposively. Analysis of quantitative data was done through SPSS and presented in tables, graphs, and pie charts. For qualitative data, thematic analysis was used. The findings confirmed what was reviewed in the literature, namely, that managers of SMMEs encounter operational difficulties; and inaccessibility of funding is a major challenge. The study revealed that 78% of the respondents used personal savings and some borrowed from friends and family, whilst only 22% received funding as a form of government grants and bank loans. To confront the challenges of funding, government and parastatals should ensure that SMMEs receive funding in an impartial manner; and government should also serve as collateral for SMMEs with financial institutions in cases where government could not offer funding since lack of collateral proved to be a blockade for SMMEs. Chapter 5 of this research report provides a conclusion and recommendations arising from the data collection on the improvement and accelerated support to ensure the sustainability and growth of SMMEs.

## **KEY CONCEPTS**

Unemployment, Sustainable, Economic Development, Small, Medium and Micro Enterprises (SMMEs).

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## **ACRONYMS / ABBREVIATIONS**

BRAIN	-	Business Referral and Information Network
CPPP	-	Community Public Private Partnership Programme
CSBP	-	Centre for Small Business Promotion
ESSA	-	Employment Services for South Africa
FRAIN	-	Franchise Advice and Information Network
GDP	-	Gross Domestic Product
GEAR	-	Growth Employment and Redistribution Strategy
IDC	-	Industrial Development Corporation
LEDA	-	Limpopo Economic Development Agency
LMN	-	Lepelle Nkumpi Municipality
NAMAC	-	National Manufacturing Advice Centre
NDP	-	National Development Plan
NYDA	-	National Youth Development Agency
OECD	-	Organisation of Economic Cooperation and Development
RDP	-	Reconstruction and Development Programme
SAMAF	-	South African Micro Apex Fund
SEDA	-	Small Enterprise Development Agency
SEFA	-	Small Enterprise Financing Agency
SMME	-	Small, Medium and Micro Enterprise
UYF	-	Umsobomvu Youth Fund

# **CHAPTER ONE**

## **INTRODUCTION AND BACKGROUND TO THE PROBLEM**

### **1.1 Introduction and Background**

South Africa's unemployment percentage is a cause for concern because it affects the development of communities. The high rate of unemployment is evident and both government and policymakers are concerned about this challenge. The annual report of the Department of Labour (2017) indicates that 618 570 work seekers were registered on the Employment Services for South Africa (ESSA) database for the 2016/2017 financial year, with placement of 21 076 (a difference of 597 494). This clearly indicates that there is still a serious challenge of job creation and empowerment in the country. Because of this high rate of unemployment and underemployment which negatively affects South Africans, the government saw it fit that they shift focus and look seriously at job creation strategies for South Africans (Department of Trade and Industry, 1995).

One of the mechanisms that the South African government has come up with to address the above challenge is to promote the development of small, medium and micro enterprises (SMMEs) by creating several agencies that are intended to support them in different aspects. Some of the government agencies support the enterprises with skills training such as the Limpopo Economic Development Agency (LEDA), financial loans which are offered by Limpopo Development Agency (LIMDEV) and start-up capital (National Youth Development Agency (NYDA), small enterprise development agency (SEDA), Khula enterprise, Umsobomvu Youth Fund) (NYDA, 2015; Imbadu, 2016).

To reinforce the above strategy, Amra, Hlatshwayo and McMillan (2013) assert that promoting and developing SMMEs is of key importance to the policymakers in South Africa, acknowledged in 1995 with the White Paper on Small Business and also in the National Development Plan (National Planning Commission, 2011).

The SMME sector in South Africa is very relevant and significant because of the role it plays in terms of employment creation, community development and poverty eradication (Vuba, 2019; SEDA, 2016; SBP, 2014). As a result, the South African

government came up with different policies, programmes and initiatives to support the development and functioning of SMMEs. These enterprises have a huge potential of stimulating the economy through private ownership and entrepreneurial skills, flexibility which makes them adapt rapidly to change, employment creation and empowerment in general. According to SBP (2014), the contribution of employment that is provided by SMMEs in South Africa amounts to 60% of the total employment, while worldwide SMMEs contribute to 77%, which is a very good input to the economy of the country, and the world.

SMMEs are not seen as important only in the South African context. Worldwide, they have an important role to play in shaping economies. Internationally, SMMEs are acknowledged for their role in socio-economic development by creating employment and alleviating poverty, and are perceived as the fundamental part of the economy (Bouazza, 2015).

Clearly from the above discussion, SMMEs play a very important role in economic growth and development. They achieve this by creating jobs, developing entrepreneurial skills and producing goods and services.

## **1.2 Problem statement**

The economic achievements of every country are owed to the formation and the functional activities of the small business sector. The government supports most of the small businesses to create jobs in the country, but ensuring their sustainability and growth becomes a problem to most of the developing world. To support this statement, Berisha and Pula (2015) estimate that SMMEs constitute between 90 and 97% of companies globally with employment creation of 63%. Chimucheka (2013) amplified this saying that SMMEs are the largest providers of employment in South Africa compared to large firms and generate 35% of the gross domestic product (GDP).

Despite the importance of the SMME component in developing communities and the economy in South Africa, somehow, they are not able to sustain themselves and experience challenges that are beyond their control. Chimucheka (2015) confirms that regardless of their significance the small business sector plays economically

and the support that they get from structures aimed at supporting them, it is unfortunate that seven out of ten SMMEs do not celebrate their fifth birthday. This high failure rate is connected to the challenges that they face and lack of relevant support from stakeholders. The Department of Trade and Industry (1995) attests that small businesses globally are faced with major challenges which they are unable to address on their own even in economically active countries.

From the above statement, it appears that the managers of SMMEs are faced with several challenges in their day-to-day operations in their businesses which should be identified to accelerate these enterprises' growth. Challenges such as lack of financial support, access to financial loans, inadequate information about government funds, lack of entrepreneurial skills and other related problems encumber the managers of SMMEs to run their businesses successfully. To support this statement, Nyathi (2015) attests that most of the SMME managers are failing to run and sustain their businesses because of some of the challenges that they face.

### **1.3 Aim of the study**

The study aimed to identify the economic sustainability challenges of SMMEs in Lepelle Nkumpi Municipality (LNM) and make recommendations to the stakeholders on remedial action. The study further aimed to bring awareness to the municipal authorities that if they assist SMMEs in eradicating sustainability challenges, they will immensely contribute towards job creation.

### **1.4 Research objectives**

To achieve the above aim, the following objectives were pursued:

- 1.4.1 To determine the internal factors that hamper the sustainability and growth of SMMEs in LNM;
- 1.4.2 To determine the external factors that hamper the sustainability and growth of SMMEs in LNM; and
- 1.4.3 To suggest strategies that can be used by policymakers to enhance the role of managers of SMME on sustainable community development at LNM.

## **1.5 Research questions**

With the objectives stated above, the following research questions arose:

- 1.2.1 Which internal factors hamper the sustainability and growth of SMMEs in Lepelle Nkumpi Municipality?
- 1.2.2 Which external factors hamper the sustainability and growth of SMMEs in LNM?
- 1.2.3 Which strategies can be used by the policymakers to enhance the role of SMME managers on sustainable community development at LNM?

## **1.6 Significance of the study**

The study will serve as a basis for policymakers to determine strategies that will assist SMME managers to sustain their businesses and provide employment opportunities to local community members. Furthermore, the study will reveal the challenges encountered in a local context by SMMEs and assist policymakers to develop relevant strategies that will enhance the functionality of SMMEs on sustainable community development. It will also assist the stakeholders to identify the factors hindering the SMME managers to grow and sustain their businesses. Moreover, it will also contribute to the body of knowledge and business management as a field of study.

## **1.7 Limitations of the study**

Owing to budgetary constraints, the research only focused on LNM. This is a limitation because the findings of the study cannot be used to provide a general representation of the challenges experienced by SMMEs in all municipalities in the Limpopo Province. Another limitation is the limited sample size of 50 SMMEs which will be chosen due to a limited time frame. A larger sample could have given more information as to the challenges that SMMEs face.

## **1.8 Definition of concepts**

The key terms in the study are the following:



**SMME** – “Is a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the schedule and which can be classified as a micro, a very small, a small or a medium enterprise by satisfying the criteria mentioned in the schedule” (RSA, 1996).

**Economic Sustainability** – According to Sharma, Sieger, Nason, Gonzalez and Ramachandran (2014), economic sustainability refers to the ability of the business to exist and generate profit over time.

**Economic development** – Agyeman-Budu, Gitonga, McManus, Moretz, Valdes and Zhang (2014) define economic development as “an effort that seeks to improve the wellbeing and quality of life of a community by creating and/or retaining jobs and supporting or growing incomes and the tax base”.

**Entrepreneurship** – According to Mbhele (2011), “entrepreneurship is an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services.”

**Community development** – Amir Zal, Abu Samah and Rezdian (2012) define community development as a positive change in the lives of those living in a particular community.

**Economic growth** – According to Todaro and Smith (2015), economic growth is “an increase in the production of economic goods and services, compared from one period of time to another, usually a year”.

**Sustainability** – Giovannoni and Fabietti (2013) define sustainability as “the corporation’s ability to last in time, both in terms of profitability, productivity and financial performance, as well as in terms of managing environmental and social assets that compose its capitals”.

## **1.9 Research design and methodology**

Nyoike, Ngugi and Muturi (2017) define a research design as a plan for the collection and analysis of data to assist in addressing the research questions of the study. In this study, the researcher reviewed relevant documents including government policies, legislations, research articles and journals, published material and other literature deemed relevant for the study. The sources of information indicated above were then supplemented by empirical research which adopted both qualitative and quantitative research designs using questionnaires and semi-structured interviews. This chapter only gave an indication of the research design and methodology. The methodology is fully unpacked in Chapter 3.

### **1.10 Plan of the study**

The research report has five chapters:

#### **Chapter 1: Introduction and background**

This chapter covers the introduction, background, and importance of the study as well as the definition of concepts and research methodology.

#### **Chapter 2: Literature review**

This chapter focuses on reviewing the literature of the studies conducted which addressed the challenges experienced by managers of SMMEs. Sources that were used include books, journals and newspaper articles that addressed SMME challenges.

#### **Chapter 3: Research approach and methodology**

This chapter outlines the methods that were used to gather information; it also defines the population and the sampling design.

#### **Chapter 4: Presentation of the findings**

This chapter highlights how the data collected is presented.

## **Chapter 5: Division of study results and recommendations**

This chapter focuses on the interpretation of the findings, the provision of some recommendations and the conclusion.

## **CHAPTER TWO LITERATURE REVIEW**

### **2.1 Introduction**

A literature review is defined as a critical assessment of the policies, principles, terms and methodology relating to a particular topic (Collis & Hussey, 2014). Remenyi (2013) attests that it is a step-to-step process that involves the identification of published and unpublished material from secondary data sources on the topic of interest to assist the researcher to recognise and highlight the significant variables that are connected to the problem.

In this chapter, the researcher reviews the literature related to the nature of SMMEs in South Africa, and the challenges that they face and also establishes whether the challenges encountered vary by sector (i.e., Construction, manufacturing, services, etc). The role of SMMEs in the development of South African economy and its importance is also reviewed. The theoretical approaches, the role and importance of SMMEs and their impact on the community as well as the challenges that these enterprises encounter will be highlighted in this chapter.

### **2.2 Economic sustainability**

According to Giovanni and Fabietti (2014), economic sustainability is defined as “the firm’s ability to last in time, both in terms of profitability, productivity and financial performance as well as in terms of managing environmental and social assets that compose its capitals”. Sustainable economic development is primarily concerned with ensuring accessibility of sustainable and secure livelihoods by the poor. Nationwide there should be formation of policies, regulations and incentives to encourage active economic behaviour that is environmentally balanced. Reddy and Thomson (2014) argue that sustainable development is a serious concept that needs role players to reasonably consider, wholly, as it comprises economic, social and environmental aspects. The Brundtland report of 1987 cited in Reddy and Thomson, defines sustainable development as “development that meets the needs of the present without compromising the ability of the future generations to meet their own needs”. Sustainable economic development is the business of ensuring that SMMEs do not go out of business, that they can last and be profitable at the

same time, ensuring that people benefit from their operations. They maintain that sustainability ensures intra-generational and inter-generational unbiased distribution of resources over time within an operation of economic activity.

### **2.3 Historical background of SMMEs**

Under the apartheid regime, South Africa saw people being oppressed by not being able to attend proper schools and entrepreneurs unable to start and operate their businesses. Ayandibu and Houghton (2017) attest that the apartheid government was often found accountable for the low growth and development of SMMEs in South Africa. Local people were deprived of some of their rights or assets or limited their potential and ability to own businesses and to receive the best quality education. They further highlight that South Africa is among the countries which are putting SMMEs at the heart of economic growth and development. SMMEs are known to uplift the well-being of citizens by providing a variety of opportunities to the unemployed.

Joblessness and poverty were the main concerns of the new government at the start of democracy in South Africa and the government had to take drastic measures to curb those challenges. Ayandibu and Houghton (2017) indicate that it became clear that in the process of the South African transition to democracy, policies and strategies would be required in the country to accelerate the growth and sustainability of SMMEs, at the same time concentrating on the historically disadvantaged individuals. In the same vein, Chimucheka (2013) corroborates that job creation was a key strategy to resolve the challenges of unemployment in South Africa, with SMME development identified as a driving force towards achieving this goal.

The challenge of job creation is a global issue. The formal economy and government are unable to deal with this challenge on their own. The World Bank (2015) amplifies the above statement saying that as a means of addressing the above challenge, policymakers introduced the concept of SMMEs in different countries. SMMEs are seen as the engine for sustainable and impartial growth. Globally, SMMEs are playing a very central role in job creation, accelerating markets and economic

expansion, and are nations' hope for economic development and sustainability (Bello, Jibir and Ahmed, 2018).

## **2.4 Theoretical approaches, background and definitions of SMME**

According to the NCR (2011), SMME is an acronym for small, medium and micro enterprises. In many other countries such as Europe, the United Kingdom, Canada, Malaysia, and Botswana, the term used to refer to SMME is small and medium enterprises (SMEs). In the USA, small businesses are termed Small and Medium Businesses (SMBs) and in Nigeria, the concept used to refer to small businesses is medium, small and micro enterprises (MSMEs).

Prasanna, Jayasondara, Gamage, Ekanayake, Rajapakashe and Abeyrathne (2019) highlight that SMMEs could be formal or informal, with some registered, some not registered and some operating from homes run by family members, but still able to create employment and contribute to economic and community development. Sharma *et al* (2014) concur that small businesses are an array of enterprises that vary from medium-sized to informal micro-enterprises. Some of the SMMEs are reputable family-owned businesses that hire more than 100 people. Survivalists from the poorest communities are also able to curb the unemployment rate and fight poverty within the community through operating small businesses. Families are also considered key economic drivers since some operate small businesses. Keksin, Sentürk, Sungur and Kiris (2010) contend that SMMEs should be defined in terms of their role in economic development and job creation, rather than legal status.

SMME is a broad concept used regionally and globally and therefore its definition varies from region to region and in some countries, the definition varies between sectors (Quader and Abdullah, 2009). Arbor and Quartey (2010) and Prasanna *et al* (2019) avow that defining SMME is a major issue in the literature and many authors define this concept differently. Storey and Greene (2010), Bouazza (2015) and Nkwe (2012) corroborate that the concept SMME has no standardised or universal definition. The definition varies per country, individuals and organisations who define it, and also per size and the characteristics they possess. Bouazza

(2015) posits that a business that is regarded as small and medium in one country might be understood otherwise by another country.

SMEs are defined as complementary, self-governing companies that employ less than 250 employees. Some countries use size and annual turnover to define SMEs. The central bank of Nigeria in its Fiscal Policy circular no 22 (1988) defined small businesses as having a yearly income of not more than NGN (+/-R2000). Similarly, Kenya uses annual turnover and staff complement to define SMME. According to Kenya's Micro and Small Business Act (2012), annual turnover should range from 500 and 5000 000 KES (+/- R700 000) and have between 10 and 50 employees while in Botswana, the enterprise should have less than 100 employees with a turnover of less than P1 500 000 (+/- R2 000 000) (OECD, 2000).

Rootman and Kruger (2010) define SMMEs as "firms where the owners are directly involved in management, and where the firm employs a maximum of 200 employees". The concept of SMME is widely and popularly used in South Africa. The definition of SMMEs encompasses a wide variety of formal and informal companies and those that are not registered for VAT (DTI, 2008). Imeokparia and Ediagbonya (2014) define SMME as a business that is owned, led by one or a few persons, with the influence of the direct owner(s) in decision-making, and have a fairly small share of the market and quite low capital requirements.

The National Small Business Act 102 of 1996 define small business as a business entity that is usually owner-managed. The business could be co-operative enterprises or non-governmental organisations. SMMEs are classified as small, medium and micro depending on their annual turnover (South Africa, 1996). The act further simplified the definition of small business according to the sector, size, number of employees and total turnover. The definition is demonstrated in Table 2.1.

Table 2. 1: SMME classifications in South Africa

Column 1	Column 2	Column 3	Column 4
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Sector or subsector under the Standard Industrial Classification	Size of class	The total full-time equivalent of paid employees	Total turn over
Agriculture	Medium	51 – 250	≤ R35,0 million
	Small	11 - 50	≤ R17,0 million
	Micro	0 – 10	≤ R7,0 million
Mining and Quarrying	Medium	51 – 250	≤ R210,0 million
	Small	11 - 50	≤ R50,0 million
	Micro	0 – 10	≤ R15,0 million
Manufacturing	Medium	51 – 250	≤ R170,0 million
	Small	11 - 50	≤ R50,0 million
	Micro	0 – 10	≤ R10,0 million
Electricity, Gas and Water	Medium	51 – 250	≤ R1800,0 million
	Small	11 - 50	≤ R60,0 million
	Micro	0 – 10	≤ R10,0 million
Construction	Medium	51 – 250	≤ R170,0 million
	Small	11 - 50	≤ R75,0 million
	Micro	0 – 10	≤ R10,0 million
Retail and Motor Trade and Repair Services	Medium	51 – 250	≤ R80,0 million
	Small	11 - 50	≤ R25,0 million
	Micro	0 – 10	≤ R7,5 million
Wholesale Trade, Commercial Agents and Allied Services	Medium	51 – 250	≤ R220,0 million
	Small	11 - 50	≤ R80,0 million
	Micro	0 – 10	≤ R20,0 million
Catering, Accommodation and other Trade	Medium	51 – 250	≤ R40,0 million
	Small	11 - 50	≤ R15,0 million
	Micro	0 – 10	≤ R5,0 million
Transport, Storage and Communications	Medium	51 – 250	≤ R140,0 million
	Small	11 - 50	≤ R45,0 million
	Micro	0 – 10	≤ R7,5 million



Column 1	Column 2	Column 3	Column 4
Finance and Business Services	Medium	51 – 250	≤ R85,0 million
	Small	11 - 50	≤ R35,0 million
	Micro	0 – 10	≤ R7,5 million
Community, Social and Personal Services	Medium	51 – 250	≤ R70,0 million
	Small	11 - 50	≤ R22,0 million
	Micro	0 – 10	≤ R5,0 million

Source: Adopted from the National Small Business Act (1996) as amended in 2003, 2004 and Schedule 1 of 2019.

The Act further categorised SMMEs as follows:

**Micro enterprises** – comprise between one to ten employees, usually, it is the owner and family. It is also informal. This enterprise does not have a license, business premises are formal, no compliance with labour legislation, annual income is less than the approved level of VAT registration of R300 000 annually, lacks elementary business knowledge and training potential to make the conversion to a workable formal small enterprise. These enterprises include self-employed artisans (electricians, plumbers) and professionals.

**Small enterprise** – they employ fewer employees, usually not more than 100. It is more reputable than very small business, it is legally recognised, it has a stable business space and it is owner-managed.

**Medium enterprises** – only up to 200 employees are hired. Most are still managed by the owners; they function from stable premises that meet all legal requirements.

From the above definitions, it is clear that the concept of SMME has been defined by various countries to resemble various meanings such as the size of the enterprise and the characteristics that they possess.

## 2.5 SMME policy interventions

Post-apartheid in South Africa, government saw it fit that it brings strategies that would accelerate economic growth and poverty alleviation within communities. SMMEs were government's strategic objectives that focused on job creation and all small business support agencies funded by the government in all levels were brought together to assist in job creation strategies (DTI, 1995).

DTI further states that in 2012 Small Enterprise Finance Agency (SEFA) was formed as a result of dissolving Khula, SA Micro Finance Apex Fund (SAMAF) and the Industrial Development Corporation (IDC)'s small business bank and bringing them together under one umbrella. The South African government made few changes to the tax laws to assist small businesses which included tax concessions and tax allowance strategies that will promote investment in small businesses across the country. This was in addition to all other government initiatives and strategies to try to accelerate the effectiveness of this sector as it was evidenced that it is the hope of the South Africans.

Another very important initiative that the democratic government introduced as a means to support SMMEs is the Small Enterprise Development Agency (SEDA). According to Imbadu (2019), SEDA was formed to oversee small enterprises in South Africa and ensure quality delivery of SMME objective. It also aims at assisting SMMEs to develop into sustainable businesses which will curb unemployment and grow the economy. SEDA's other mandate is to analyse SMME trends and the economy at large. Since the inception of SEDA, significant changes are noticed in the SMME sector. Employment provided by SMMEs increased to 10.8 million in the first quarter of 2019, which is accounting to 66% of employment economy-wide. A series of specific and suitable legislations have been introduced to support the steadiness and development of these businesses and to address some detailed problems they face (Imbadu, 2019).

There is a disabling attitude amongst SMMEs which SEDA is trying to make them outgrow, such as the mindset of privilege where entrepreneurs feel entitled to unlimited supply of resources and opportunities without considering the interest of the community and the country at large (Nkamba-van Wyk and Christer, 2010). They further add that SMMEs need constant mentoring as they do not seek further

information and opportunities on their own, they rely on what SEDA is presenting to them. They don't invest in knowledge and are more concerned about making money and enriching themselves.

Among other proactive services that government and other role players brought to the fore to support small businesses were the issues of entrepreneurship and skills training, business start-up support and access to finance (Amra, *et al.* 2003), which SEDA is also spearheading. The support and acceleration of small business activities to ensure growth and sustainability are very key for sustained economic development (Manimala, Mitra & Singh, 2009).

From the above statements, it is evident that the post-apartheid government prioritised the development of SMMEs by initiating various structures that had a mandate to assist SMMEs at all levels.

## **2.6 Role of SMMEs in global development**

SMMEs have a major role to play in reducing unemployment, addressing skills challenges, technological enhancement and poverty alleviation among unemployed members of the community (Ndege, 2015; Igwe, Amaugo, Goundana, Oduke, Egere and Anigbo (2018). The leaders of the world teamed up at the start of the millennium to lessen poverty and enhance human development. Economic expansions introduced in the developing world has effectively managed to reduce extreme poverty by half (Eliasson, 2014). According to Eliasson, Sustainable Development Goals (SDGs) were set mainly to end extreme poverty and also address issues such as economic change. Dossal (2014) corroborates that a strong partnership is required between the multinationals, social entrepreneurs, small and medium-sized enterprises, to fully realise the new SDG goals. After 1994, South Africa has always put the concept of SMME at the forefront. Ndege further highlights that the government has always regarded this sector as a vehicle to drive growth and accelerate the economy in the country. Moody-stuart (2014) highlights that United Nations Global Compact (UNGC) is the engine for future development which its strengths include the growth of local networks that are active in more companies and it brings together large and small companies, both locally and internationally, with civil society and labour organisations to work together on the particular priority

issues in a particular country. Bello *et al* shows that many other countries currently engage in developing policies and strategies that would create and pave way for viable and sustainable SMMEs. Ayandibu and Houghton (2017) endorse the above statement by indicating that strategies such as the SDI (Special Development Initiatives), ASGISA (Accelerated Shared Growth Initiative South Africa), NEF (National Empowerment Fund), and GEAR (Growth Employment and Redistribution Strategy) have been established in South Africa to assist SMMEs.

A sound, sustainable and efficient SMME sector which is fully functional and which is recognised by the government and other stakeholders is necessary to enable countries to develop economically. To amplify the above statement, Nyoike, Ngugi, and Muturi (2017) echo that in Kenya the role of SMME is very evident and the sector has managed to raise the economic bar beyond measure even though job creation in the public sector has dropped severely. They further highlight that this is so because MSMEs provide sustainable opportunities to create numerous jobs and income for many households, with about 2.3 million jobs being created by this sector in 1999. The figure increased to 4.6 million in 2013, accounting for 84% of the total workforce in the country.

Bakare and Babatunde (2020) highlight that SMMEs are the foundation of development in the world since they pursue a common goal of employment creation and empowerment. SMMEs proved to be the largest providers of employment across the globe. They also create wealth for communities and their role in fighting diseases and eradicating poverty within communities is evident. Katua (2014) concurs that the role of SMMEs is very much evident and discussions as to how to develop and sustain this sector are some of the key issues in Kenya.

Olawale and Garwe (2010) corroborate the above statement by indicating that the role played by SMMEs in developing economies of many countries is immeasurable. Katua (2014) also accentuates that SMMEs are viewed as engines behind innovation and competition. About 80% of total employment in Western Europe, Japan and the USA are dominated by the SMME sector. Murutila, Awolaja, and Bako (2012) assert that SMMEs' role in employment creation far exceeds the bigger firms since they involve the usage of hands than machinery, which makes it

impossible for a single individual to carry a task alone. This indicates that this sector has proven to be key to poverty alleviation and sustainable economic growth.

## **2.7 SMMEs and their importance for Gross Domestic Product**

SMMEs have a very important part to play in development regionally and nationally since they boost GDP through the production of valuable goods and the delivery of services to clients and other businesses, including exporting to foreign countries (Arbor and Quartey, 2010; Mutoko, 2015); and are the largest providers of employment, with 60% contribution (Rungani and Potgieter, 2018). SMMEs and informal enterprises account for over 60% of GDP and over 70% of total employment (Chimucheka, 2013; Igwe *et al*, 2020).

According to Keksin, Sentürk, Sungur, and Kiris (2010), 99% of all businesses in the European Union are SMMEs, with employment opportunities created for 95 million people, which accounts for 55% of all jobs created. South Africa's GDP is also refined by the role and involvement of the SMME sector in the economy. Chimucheka (2013) confirms the above statement by asserting that the SMME sector contributes 97% of all businesses in SA, and Ndege (2015) adds that the sector is generating 40% of the GDP. Ndege further alludes that SMMEs' role in unemployment reduction is evident as it employs 50% of the entire labour in the private sector and 80% of new employment in world economies. In the same vein, Wairimu (2015) corroborates the above statement by indicating that in Kenya SMMEs contribute to GDP which has shown much improvement since 1993 when it was 13% to 20-25% between 2011 and 2014. Bakare and Babatunde (2020) establish that approximately 8.4 million SMEs are operating in Nigeria which is an immense contribution to employment and economic development, and ultimately GDP. In the US, this sector constitutes 27 million businesses, which amount to 50% of the GDP (Bonsu & Kuofie, 2019).

From the above statements, it is clear that SMMEs play a key role globally in terms of curbing unemployment and fighting poverty, and it plays a significant to the national economy.

## **2.8 Factors hampering growth and sustainability of SMMEs**

Despite the importance and the role of SMMEs in community and economic development, the managers of this sector are faced with several challenges that hinder their performance. These challenges also threaten the growth and sustainability of these businesses. According to Ndege (2015), SMMEs are exposed to a high failure rate, the same as SMMEs in sub-Saharan African countries. Olawale and Garwe (2010) argue that internal and external environmental challenges that exist around the SMMEs hamper the performance of this sector. Ndege (2015) highlights that lack of entrepreneurial skills, inadequate resources, inaccessibility of funding, and unavailability of current technology are some of the constraints facing SMME globally. Cant and Wiid (2013), and Rootman and Kruger (2010) add that lack of adequate managerial expertise, competition, and insufficient knowledge in operational areas such as marketing and human resources, and knowledge of management of finances such as lack of adequate finance and limited access to credit are the key reasons behind SMME collapse.

Brink, Cant and Lighthelm (2003) also outlined crime, corruption, inadequate resources, technological changes, and low demand of goods, services, and the state of the economy itself as some of the factors that hinder the management of SMMEs and are some of the main factors influencing SMME failure. To support this statement, Nkwe (2012) attests that the marketing of the services provided by SMMEs determines the sustainability of the businesses, assuming that if an enterprise is not visible enough, people may never know about it and may not do business with that enterprise.

A Harsh legal framework on the regulation of SMMEs, high rental prices of premises, poor location, inaccessibility of markets, lack of sufficient and relevant skills, poor managerial skills, lack of funding or access to credit, low-class business infrastructure in underdeveloped areas and in some cases, the tax problems, are some of the factors damaging to the sustainability and growth of SMMEs. Unavailability of SMME related policies, municipal by-laws, lack of marketing skills, inability to source and retain skilled workers, and an inability of SMMEs to progress into sustainable businesses are also some of the challenges that SMMEs face (Nyathi, 2015).

The challenges that are encountered by local SMMEs are also encountered by other SMMEs in the global world. Wairimu (2015) highlights lack of current data and statistics on MSME, financial constraints, limited market access, low technology absorption, capacity, rules, skills, regulations, taxation, and lack of information are some of the challenges that are hampering the growth and sustainability of MSMEs in Kenya. Bello *et al.* (2020) highlight that SMEs in Nigeria are constrained mainly by corruption, lack of training, and lack of funding, amongst others.

Mutoko (2015) also highlights some of the challenges like lack of funding, mishandling of business funds, poor business proficiency, lack of origination, inability to plan, poor organisational skills, absence of corporate insight, inability to keep records, producing goods of low quality, absence of skills to promote the business, and absence of a marketplace. Other factors that appear to be hindering the success and affect SMMEs are poor customer care, crime, corruption, poor human resource, and favouritism.

### **2.8.1 Internal factors**

Olawale and Smit (2010) define internal environmental factors as those factors that are mainly manageable by the company, but which have much influence on the business' access to credit and justness.

#### **2.8.1.1 Lack of managerial competencies**

Bonsu and Kuofie (2019) argue that SMMEs' lack of management and accounting skills contribute to cash flow challenges which will ultimately lead to business failure. SMMEs need knowledgeable and competent managers to successfully run and sustain these enterprises. Olawale and Smit (2010) highlight that managerial competencies are a combination of knowledge, skills, manners, and boldness to build up a person's sense of self-sufficiency. These capabilities are highly associated with small business performance. Arbor and Quartey (2010) indicate that a lack of managerial skills poses danger to SMME development and sustainability. Furthermore, Lekhanya (2015) argues that SMME managers should be provided

with training programmes to equip them with skills and knowledge that will ensure sustainability and growth in their businesses. He further alludes that offering training programmes will enable SMMEs to meet national competitiveness standards which are linked with economic growth and sustainability. For them to meet these standards, their skills need to be developed. Arbor and Quartey concur that SMME managers find it difficult to compete with larger firms. Lack of management talent or limited talent among SMMEs has an enormous influence on SMME development and sustainability. 80% of South African SMMEs experience failure owing to inadequate management skills and incompetence (Lekhanya, 2015). He further accentuates that most SMME managers fail in their businesses owing to their lack of proper planning, managerial information and poor financial management. Some SMME managers do not have a budget for training and advisory services while others do not see a need for those services (Arbor & Quartey, 2010).

Businesses need good direction and leadership from the managers and owners for them to be effective and be able to make money. Prasanna *et al* (2019) argue that managers need to be creative to grow and sustain their businesses. Similarly, Ndege (2015) concurs that a lack of leadership skills and inventiveness in a business negatively impact on its viability and profitability. On a different thought, Bonsu *et al.* suggest that SMME managers can opt to outsource some of the other functions within the company which they are not competent with to save the business. Those might include accounting and HR personnel. They further argue that human resources (HR) personnel issue should not be taken lightly as qualified and experienced HR personnel might reduce the rate at which small businesses are closing because they might be having skills and knowledge in recruitment, and will recruit a skilled and qualified labour force for the business. The managers attribute SMMEs' collapse in the first three years of commencement to a lack of leadership capabilities and skills.

### **2.8.1.2 Lack of marketing skills**

SMME managers possess characteristics that are capable of making or breaking their businesses. If managers do not recognise the importance of the external environment on the sustainability of their business, then the possibility of collapse becomes imminent.



Smit (1999) in Cant (2012) attests that many SMMEs failed because they lacked an understanding of the relevance and importance of marketing in their business. Cant maintains that though every aspect of the business is important, marketing surpasses all of them because it is the one component that enables SMMEs to generate income for the business. Therefore, the success of the business mainly depends on the application of the marketing skills to the business. SMME managers are challenged by limited or no marketing skills and this impacts negatively on the growth and sustainability of their businesses.

## **2.8.2 External factors**

According to Olawale and Smit (2010), external factors hindering SMMEs are largely uncontrollable by the firm and lenders. Some of the external factors that hamper SMME entry, growth and sustainability are economically and politically driven (Arbor and Quartey, 2010).

### **2.8.2.1 Access to finance**

There is no doubt that SMMEs' contribution to economic growth is of crucial importance. They, however, experience challenges obtaining finance to grow and sustain their businesses. For businesses to start and operate they need to have adequate capital to acquire premises, hiring and retaining skilled workers, production, market and other costs associated with the business operation (Ramukumba, 2014). Ivanović-Djukić, Lepojević, Stefanović, van Stel and Ateljević (2019) and SEDA (2016) argue that starting a business may be affected by several constraints. A more serious one is start-up capital as it is almost impossible to obtain bank loans for business start-ups owing to absence of security and financial records such as audited financial statements which are required when businesses apply for loans from formal financial institutions and also the risk that the business possesses (Ramukumba, 2014). SMMEs are confronted by many challenges and a very common one is access to finance (SEDA, 2016). South Africa is equipped with an array of funding packages and financing structures provided funding agencies in both private and public sectors. Regardless of the programmes mentioned above, awareness to SMMEs about these programmes is almost non-existent, especially

the ones provided by the government (Reganit and Potgieter, 2018). In the same vein, Chiloane-Tsoka and Boya (2014) concur that there are various SMME support mechanisms and programmes. Unfortunately, there is reckless disregard and lack of knowledge on their existence. Rungani and Potgieter (2018) further argue that those who do apply for credit habitually get rejected. Makina, Fanta, Mutsonziwa, Khumalo and Maposa (2015) and Ramukumba (2014) attest that 75% of small and new firms' loans are rejected.

Mutoko (2015) argues that access to finance plays an important role in business start-ups and sustainability. Therefore, lack of funding, misuse of business funds and lack of adequate financial controls are the main challenges facing SMMEs globally (Ramukumba, 2014). SMMEs' inability to separate personal finances from business ones poses a greater risk. Mutoko (2015) asserts that SMMEs tend to suffer because they misuse business money, they have enormous debts and they are not able to save money for the future which makes them borrow more often.

The absence of adequate financial resources also poses a serious challenge for SMMEs. Arbor and Quartey (2010), Lekhanya (2015) and Madzivandila (2014) lament that despite their role in economic development in most developing countries, SMMEs are always challenged by a lack of financial resources to enable them to function fully, grow and sustain themselves and be able to secure major investment opportunities. They further indicate that a study conducted by the World Bank found that 90% of small enterprises surveyed indicated that credit impacted negatively on their investment prospects.

Lack of external finance is a major hindrance among SMMEs (Makina *et al.*, 2015). SMMEs rely on personal savings and informal lending which are not enough to finance expansion. The major setback in obtaining financial assistance is a lack of financial validation and assets to pledge as security (Ramukumba, 2014) and bad risk profile (Quartey and Arbor, 2010). In addition, Mutoko (2015) cautions that this is a serious challenge for SMME owners. Lekhanya (2015) alludes that SMMEs are routinely omitted from certain sources of finance such as stock exchange, and therefore, encounter problems in raising certain types of finance, such as long-term loans because of the robotically escalated danger related to new businesses as they lack track record and good reputation. Arbor and Quartey (2010) attest that the role played by finance the development and sustainability of SMMEs is a major one, and

this sector has difficulty in obtaining credit as opposed to larger firms. In the same vein, Rungani and Potgieter (2018) affirm that only 27% of new businesses receive funding from formal financial institutions, the majority of new businesses struggle to access formal funding altogether and this is perceived as a challenge globally. The majority of SMMEs lack access to adequate and apposite means of credit and financial services as a whole since the financial institutions' criteria for funding are tailor-made to assist only large firms. Rungani and Potgieter (2018) further allude that loans from micro finance institutions (MFIs) are accessible but the interest rates are high and unaffordable to the SMME owners.

In sub-Saharan Africa, finance is rated at the peak when evaluating SMME constraints. Mahadea and Pillay (2008) and Arbor and Quartey (2010) corroborate that finance is considered a key limitation in business development in sub-Saharan Africa mainly because SMMEs are viewed by funding institutions, both formal and informal, as high-risk ventures with poor financial validation. They maintain that issuing loans to such firms bears high administrative costs for the loan amount required. Makina *et al.* (2015) prove that firms that can access outside funding perform much better than the ones with internal funding. Because of the constraints that they are facing in accessing external finance, most of the SMMEs survive by acquiring informal lending such as getting finance from friends, family and loan sharks. Makina *et al.* (2015) argue that the failure of SMMEs to obtain formal funding from recognised credit institutions compels them to opt for informal finance.

SMME access to credit poses a serious challenge in their development and growth. Often SMME managers have good plans but implementation becomes almost impossible owing to the challenges that they face. Ayyagari, Demirguc-Kunt and Maksimovic (2017) validate the above statement by indicating that SMMEs are not able to secure bank loans than bigger companies. The Majority depend on self-funding or loans and donations from friends and family to start-up their businesses and initially run their enterprises (Madzivhandila, 2014), but they eventually collapse owing to high operating costs which their means of financing makes it difficult for them to afford (Eke, Aigbavboa and Thwala, 2015). Ayyagari *et al* further highlight that almost half of formal SMMEs do not have access to formal credit (Brink, Cant and Lighthelm, 2003). The financing gap is even wider in micro and informal enterprises where about seven out of ten SMMEs in developing markets do not have

access to credit and this is exacerbated by the high transaction costs and lack of awareness about financing processes and requirements (Ramukumba, 2014).

Another factor impacting on access to finance is the issue of non-existence of record-keeping skills by SMME managers. Mutoko (2015) and Ramukumba (2014) ascertain that it is almost impossible to access bank financing with poor or no financial records. Of importance to note also is that some SMME challenges are aggregated by region and race. Lekhanya (2015) attests that in rural areas, SMME finance is not accessible and therefore, lack of finance is considered a major constraint in those areas.

A business plan is a map of how the business is going to operate. SEDA argues that lack of a proper business plan that attracts financial institutions, poor market research and the absence of viable business idea and lack of access to lively markets are all hindrances to SMMEs' quest to obtain finance. Therefore, there is a dire need for SMME managers/owners to seriously look at them.

The inability of SMMEs to access finance from a formal credit market forces them to resort to informal finance (Ashefani, Fanta, Mutsonziwa, Khumalo, and Maposa, 2015). They further highlight that informal finance for SMMEs has proved to be beneficial and convenient, and SMMEs resort to this type of financing to avoid challenges involved in accessing formal finance. The main challenge with informal lenders is that they charge unreasonably high interest that erodes the profit of small businesses. Finance is regarded as the cornerstone of business start-ups and sustainability. Hence, lack of financial assistance towards SMMEs is regarded as the main cause of business failure.

#### **2.8.2.2 Competition and market concentration (Lack of access to markets)**

Competition plays a role in SMME development. Arbor and Quartey (2010) affirm that SMMEs are disadvantaged by their inability to compete globally, poor quality control and product adjustment; and little or no access to global associates and breaking barriers to SMMEs' international market access. They also do not have adequate and necessary information regarding foreign markets. Prasanna *et al*

(2019) add that lack of SMMEs' willingness to adopt new production and marketing strategies is an obstacle to growth and development.

SMMEs in South Africa focus on one sector which they view as easy to execute and that poses a serious threat to the sustainability of their businesses. Guliwe (2018) argues that almost 80% of small businesses in South Africa are in the retail sector whereas only 20% provide services. Similarly, Borat, Asmal, Lilenstein and Vander Zee (2018) concur that having the majority of SMMEs in the retail sector which sells the end product often encounters challenges regarding winning their customers and competitive pricing. Their customers are usually walk-ins rather than repeat customers or customers who came through a referral. Guliwe (2018) adds that SMMEs rely on buying products from larger firms and manufacturers and sell them as they are, at a higher price. This retail market concentration means that South Africa's economy is consumption-driven.

Most SMMEs in South Africa do not conduct market research before the commencement of the business. Ramukumba (2014) cautions that a lack of proper networks and the inability to identify the potential market is a huge challenge for SMMEs. SEDA (2016) postulates that market access affects the growth and sustainability of SMMEs as it is the key requirement by credit providers to access credit and mentorship at business inception.

It has been indicated that SMMEs are surrounded by different unmanageable marketing challenges which disables them to engage in major marketing related activities. Literature review indicates that SME owners' acuity to address challenges that emanates from marketing is their lack of time or capital to invest in an inquiry to identify their goal market, client tendencies and overall business promotion concept (Cant and Wiid, 2013).

Excellent information of the marketplace situation is also required for SMMEs growth and sustainability. They need to be familiar with the buying tendencies of their clients, they must know them and understand their consumer wishes to be able to meet their requirements – and to sustain. Consequently, the desired business promotion component is highly significant to a business as the formation of this atmosphere highly impacts the skills required and the steps to be taken. The market

atmosphere encompasses the business rivalries in the market and the business must know who they are, where they are, and what they offer (Cant and Wiid, 2013; Ramukumba, 2014; Eke *et al.*, 2015).

There is a relationship between business being able to obtain finance and accessing markets. SEDA (2016) attests that poor profitability because of access to the market causes financing problems as there is no proof of income from the business to assist them to secure finance from the lending institutions and individual lenders.

### **2.8.3 Macroeconomic factors**

Igwe *et al.* (2015) highlight that SMMEs require a steady macroeconomic environment which will be beneficial for economic growth and sustainability. Nevertheless, SMMEs do not have control over changes that occur economically, socially, politically and in the technical setting, just like any other business entity. SMMEs are negatively affected by government procedures, interest and exchange charges, fiscal policy, price hikes, joblessness, lawbreaking, HIV/Aids and industrial improvements. The owner or manager must take these challenges in to consideration to reduce any negative impact on their businesses.

Economic climate causes challenges that have a direct impact on the spending patterns of customers, consequently, that affects businesses across all sectors. Previously, the 18% interest rate had an onerous effect on both consumers and businesses in terms of buying power. Globally, there has been a slowdown in the economy since 2008, which resulted in the interest rate dropping to 1% in some countries. In South Africa, it dropped by 7% which is the lowest the country has experienced in years (Fatoki & Garwe, 2010; Igwe *et al.*, 2018).

Issues such as interest and exchange tariffs and price increases influence the need for the supply of goods and services (Fatoki & Garwe, 2010). They highlight that increase in interest rates leads to higher interest expenses. Inflation affects businesses since there will be an increase in pricing on products over time. Consequently, firms will incur high operational costs, increase in employee wages, which will ultimately lead to SMMEs losing customers due to high pricing. Besides,

SMMEs in South Africa, as is the case with SMMEs globally, have duties and levies to pay such as when registering and licensing their businesses as a legal requirement which negatively influences growth (Fatoki & Garwe, 2010).

Igwe *et al.* (2015) further argue that there has to be a good business environment that ensures business growth and sustainability, job creation and expansion among SMMEs. Policies and institutions need to be formed to fully support the functioning of SMMEs to enable them to develop and become fruitful and gainful, in turn creating job opportunities for communities.

### **2.8.3.1 Regulatory constraints**

Many blockages are present in the SMME sector in South Africa, such as funds to set-up the business as well as challenges relating to obtaining license and the requirements for business registration. Regulatory frameworks can be challenging for SMMEs in Africa compared to other regions (Mahadea and Pillay, 2008). Arbor and Quartey (2010) confirm that SMMEs face challenges in settling legal costs in cases where they are taken to court and court proceedings that are postponed or interrupted negatively affect their operations. Similarly, Mahadea and Pillay (2008) concur that costs associated with excessive regulations have the possibility of making small firms act in a way that could harm South Africa's economic predictions.

Arbor and Quartey (2010) highlight that in a country like Ghana, which is a developing country, it takes 127 days and 16 processes for SMME licensing to be complete, which is a burdensome process that the majority of SMMEs opt to bypass. In South Africa, the same process takes 176 days and 18 processes to complete. Also, Mahadea and Pillay (2008) further state that South Africa's regulatory framework is favourable equated to other developing countries. However, there is still room to simplify processes and regulations even further to reduce the burden on SMMEs.

Another interference to the growth and sustainability of SMMEs is the labour laws that govern this country. SEDA report (2016) contends that South African labour

laws are a crucial regulatory obstacle to the development of South African SMMEs, more especially when laying-off staff. SEDA further attests that once they employ workers, SMMEs feel like they are stuck with them even when the business does not do well or the employee is unproductive because the labour laws do not allow SMMEs to lay them off. Labour legislations are designed to favour employees and as such, SMME employers in South Africa experience fairly high labour costs.

Another challenging issue is the minimum wage legislation, which, according to SEDA, has proved to be costly for small businesses, resulting in strikes and more union hindrances, particularly at start-up phase (Ramukumba). Igwe *et al.* (2020) conclude that small and informal firms do not want to expand to be large owing to the coarse legal atmosphere. Hence, there is a dire need for government to provide an enabling environment for both small and large firms to operate (Bakare *et al.*, 2020).

### **2.8.3.2 Crime and corruption**

Evidently, crime and corruption in South Africa have a major negative impact on SMME investment (Olawale and Smit, 2010). Crime is highly pervasive in South Africa and is graded third highest barrier to business growth according to the Finscope survey conducted in 2010, and both formal and informal SMMEs are affected. Moreover, crime disrupts SMME operation in many ways one could ever envisage (Ramukumba, 2014). Owing to the high occurrences of crime, businesses are experiencing enormous costs to ensure the safety of their goods and clients (Fatoki and Garwe, 2010). Crime and theft do not provide an enabling environment for SMME growth and sustainability (Ramukumba, 2014). Mahadea and Pillay (2008) confirm that there is a huge price to pay as a result of crime which is felt by both the individuals and small businesses, more especially in South Africa where official unemployment is very high, approximating 30%. Olawale and Smit (2010) agree that crime costs immensely in South Africa and the most affected are the new SMMEs. The crime rate varies depending on the location of the business. SBP (2018) attests that there is a vast difference in the rate of crime for business operating in townships and informal settlements than their equals in cities, with the latter having lower rates.



Despite evidence demonstrated on the amount of crime in South Africa, SMMEs managers and owners still adapt to a more traditional way of conducting business in which they only budget for the product or service that they provide and ignore the security aspect of the business. PWC (2018) argues that SMMEs are susceptible to crime as small businesses lack security and protection to prevent criminal activities. Stealing of belongings and cash affect businesses directly and obliquely by reducing the business performance. According to PWC, South African businesses continue to experience high levels of commercial crime in the world. PWC's biennial Global Economic Survey conducted in 2018 indicated that 77% of South African organisations experience economic crime in their operations, which is the highest in the world, followed by Kenya at 75%.

McDonald (2008) and SBP (2018) assert that the most common crimes evident in SMMEs include shoplifting, burglary, armed robbery, credit card fraud, use of counterfeit money and disruption to business owing to crime are of great concern among SMME owners. Another taunting issue in SMME development is corruption. Ivanović-Djukić, Lepojević, Stefanović, van Stel and Ateljević (2019) define corruption as “the abuse of entrusted power for private gain”. Olawale and Smit (2010) indicate that incidents of corruption are much higher in South Africa than in developed countries. Smith, Hrcir and Metts (2013) attest that corruption schemes include crimes such as bribery, illegal gratuities and kickback arrangements. Most perpetrators for this kind of crime are the qualified ones who have been with the company for a long period and are working in the accounting field. Olawale and Smit (2010) highlight that crime and corruption affect repayment of credit granted by banks, which subsequently leads to the non-availability of debt in the future.

Another form of crime increasingly attacking SMMEs is cybercrime. Global Economic Crime Survey (2016) reports that about 32% of South African SMMEs have experienced cyber-attacks. Cybersecurity challenges SMMEs as it impacts business operations and harms overall business growth and sustainability (Jooste, 2018).

Cybercrimes also impact negatively on the financial well-being of the company. Jooste argues that SMME managers/owners do not budget for cybersecurity. Only less than 3% of SMMEs have a provision for that, which is a contradiction, because

they lose money in any case owing to this cybercrime. SMMEs become a target for criminals as their IT systems are less advanced to control such crimes and they also do not have skills of how to deal with them. SMMEs' systems are usually hacked using an infected USB drive which is inserted into their computers and allows criminals to copy, alter, or completely and permanently delete data.

### **2.8.3.3 Infrastructure and technological capabilities**

Igwe *et al.* (2020) highlight that there is no doubt that infrastructure challenges cost SMMEs a huge amount of money. Lack of roads, telephone, connectivity, water, railway, electricity and others affect small businesses' competitiveness thereby threatening the growth and sustainability of these enterprises. SMMEs also encounter challenges in accessing suitable technologies and information. Arbor and Quartey (2010) attest that the inaccessibility of technological infrastructure and information is another serious hindrance for SMME development and sustainability. SMMEs find themselves acquiring foreign licenses because of bottlenecks associated with obtaining local rights and the majority of SMMEs make use of leased foreign technology or shared ownership of such technologies with other businesses (Chimucheka, 2015; Arbor and Quartey, 2010). Furthermore, SMMEs need to adopt the new technological innovation available in present-day situations to increase their visibility to customers. Bonsu and Kuofi (2019) confirm that it would be inventive for SMMEs to adopt some technological enhancements to boost their business by reaching not only afar customers but even the local ones since in this era of the Fourth Industrial Revolution, customers prefer to surf the net and to use social media platform to acquire goods and services. Ramukumba (2014) and Chimucheka further indicate that even with the availability of the internet, network connectivity owing to the locality of the business and cable theft still poses challenges. Moreover, internet use in rural areas is also affected absence of electricity and in urban areas the main challenge is load shedding. Limited information on market access poses a serious threat to SMME operations, mostly because the majority of small businesses do not conduct market research.

Similarly, the means of communication among SMMEs is also a challenge since technology in the modern world is used as a means of effective communication.

Chimucheka (2015) and SEDA (2016) concur that another burdening factor to SMME sustainability is a lack of access to communication technologies such as telephones and fax machines among most businesses. Lack of proper technology also confines businesses to local markets because they cannot use websites to market their products and services. Business consulting companies are not armed with less costly business operational packages that will assist SMMEs, and organisations rendering training and advice-giving services for SMMEs are not geared to all the skills shortages in the sector.

SEDA also posits that lack of affordable business premises, utilities and transportation can cause interruptions to SMME operations. Inability to access good business set-up is a serious challenge to the longevity and growth of these enterprises. SMMEs and customers should both have transport infrastructure that is suitable and convenient for them to meet each other's' needs (Igwe *et al.*, 2018). SMMEs find it difficult to get premises in tightly populated areas, such as Gauteng.

#### **2.8.3.4 Fraud**

Fraudulent activities affect the daily operations of businesses, especially SMMEs since they lack apposite tactics to detect and fight it. SMMEs put performance pressures on themselves and neglect other aspects that might assist in protecting the business. They view fraud prevention measures as expensive and tiring. People commit fraud because it is convenient for them to do it, and the social pressure they are giving themselves. Both internal and external stakeholders perform fraud within businesses. Apart from internal stakeholders including employees and managers who are often caught up in the fraudulent acts, so are the customers who are also culprits when it is opportune for them to do so. Credit card fraud is seen as the most common crime that consumers tend to commit. SMMEs often lack appropriate measures that suppliers develop a habit of defrauding them either by delivering lesser items as opposed to the delivery note or even worse, deviate from the order altogether by delivering different items than the ones initially ordered (Viviers and Venter, 2008).

Petersen, Bruwer and Le Roux (2018) argue that another form of fraud is workplace-based fraud where the employees intentionally abuse a business entity's resources for private gain. These include irregularities such as asset misappropriation, corruption and financial statement fraud. There are also forms of fraud that employees consider petty including making photocopies, printing, telephone as well as fleet abuse. These crimes are very high in South Africa compared to any other country globally.

Staff misbehaviour affects the business and they never see their behaviour as fraudulent. Smith, *et al.* (2013) attest that staff members tend to borrow themselves money to a point where they no longer return it. They further indicate that these fraudsters always justify their behaviour and tell themselves that they will return it. The motive for committing fraud, according to Smith *et al.* (2013), is usually greed, financial pressure and employee isolation.

Technology has a major role to play in SMME fraud. Viviers and Venter (2008) highlight that fraudsters can hack the systems of the firm and download software that enables them to get data from the firm and tamper with records or delete them completely. SMMEs' lack of anti-fraud strategies poses serious risks to their operations.

The fight against fraud is not such a hopeless case. There are mechanisms in place that could be employed to deal with fraud. Viviers and Venter (2008) maintain that access controls, scanners and CCTV can be used by SMMEs to combat fraud within the enterprises. External audits and whistle-blowing practices can also be employed to deal with fraud, as well as the usage of ultraviolet light to identify counterfeit notes. TransUnion [s.a.] suggested that SMMEs could establish means of identifying the customer and develop technologies such as fingerprints, voice biometrics and facial recognition. However, SMME managers view those mechanisms as costly expenditure and opt to not having them and risk their businesses being threatened by fraudsters.

Smith *et al.* (2013) concur that small businesses suffer immensely when it comes to fraud because they lack relevant apparatus to completely implement strategies that will help to combat it, and separation of responsibilities among managers of small

businesses is not practical owing to inadequate staff within the establishment. Trusted employees are usually the culprits when it comes to fraud since they are in good books and are never suspected of doing anything irregular, such as making purchases such as petrol and fast-food meals, and in some extreme cases, booking family vacations using the company's credit card. The trusted employees feel much comfortable since they are family, friends or they have recognisable experience within the company. In the majority of small businesses, fraudsters commit their fraudulent activities because they won the trust of the management.

## **2.9 Conceptual framework**

SMMEs are acknowledged globally for the role they play in employment creation, positive contribution to the Gross Domestic Product (GDP) and their role in economic growth. They are also commended for their importance in boosting the morale of people within communities in different countries. Despite their role, the literature conducted proves that SMMEs are experiencing internal and external factors that affect their sustainability and growth. Internal factors that have been identified in the literature that have proven to negatively affect SMMEs include lack of managerial competencies, and the external ones include lack of access to funding, competition, abrasive legal environment and crime.

For SMMEs to sustain and grow, internal and external factors that affect them should be addressed. It is imperative for stakeholders to embark on monitoring and evaluation programmes to monitor the performance of SMMEs and to also assist them to improve their managerial competencies. Previous studies did not focus wholly on the nature of these challenges and their source were not discussed at length previously, hence the study on the internal and external challenges facing SMMEs.

## **2.10 Chapter summary**

It is recognised in South Africa that SMMEs play a pivotal role and are fully capable of job creation and acceleration of economic growth. However, challenges that they encounter hinder their functionality. Therefore, there is a dire need for SMME support in the country (Rungani and Potgieter, 2018).

Regardless of the significance of SMMEs and the important role this sector plays in stimulating the economy and creating sustainable livelihoods, they still face challenges which make it difficult for majority of them to celebrate their fifth birthdays. Challenges identified in the literature include lack of management skills, competition, crime, corruption, fraud, and lack of access to external funding – which is the major one that cripples the performance of SMMEs.

The next chapter deliberates on the research methodology adopted, discussing methods employed in the study and validation for the choice of methods used.

## **CHAPTER THREE RESEARCH METHODOLOGY**

### **3.1 Introduction**

The preceding chapter reviewed the literature on the SMME concept globally and in South Africa, the historical and theoretical background, the role and importance of SMMEs in global development, government policy on SMME development in South Africa, the role of development agencies in SMME development and the sustainable economic development challenges experienced by SMMEs. This chapter aims at describing the research approaches, processes and techniques used in collecting data for this study. The chapter fully defines the area of study, the population, research instruments, collection and analysis of data, validity and reliability, as well as ethical considerations.

Leedy and Ormond (2005) define research methodology as the overall process the researcher employs to conduct research. To a certain point, this method dictates tools the researcher utilises in conducting research. Goundar (2012) adds that research methodology refers to detailed procedures or techniques used to classify, select, process and scrutinise information about a topic. It clarifies how data collection and analysis were carried out. The research methodology employed in this study is used to identify the sustainable economic development challenges faced by managers of SMMEs at Lepelle Nkumpi Municipality in the Limpopo Province.

### **3.2 Research approach**

Nyoike, Ngugi and Muturi (2017) define a research approach as a plan for collection and analysis of data to assist in addressing the research questions of the study. The research employed a mixed method approach, and applied both quantitative and qualitative research designs. According to Bryman and Bell (2011), quantitative research involves the collection of data that is presented in numbers. It involves quantity and follows the natural science approach (positivism). Similarly, Jackson, Drummond and Camara (2007) define qualitative research as “a method that focuses mainly on understanding human beings’ experiences in a humanistic, interpretive approach”. Ryan, Coughlan and Cronin (2009) maintain that qualitative

research is concerned with the nature, description and deep understanding of phenomena. The main methods for collecting data that are employed in this type of research are interviews.

The rationale for the mixed method approach was that there were aspects of the study where quantitative information was obtained and those that qualitative data was required. In terms of qualitative information, the researcher wanted to find out the perceptions of SMMEs regarding the different challenges, how they are affecting their survival and what they propose as solutions.

Conversely, the quantitative part of the study adopts the positivist paradigm which is based on empirical analysis, in this case, a survey of the SMMEs. According to Bryman and Bell (2011), positivism refers to an “epistemological approach that advocates applying natural science methods to study and understand social reality”. It underscores the importance of using or emulating natural science methods.

The qualitative part of the study adopted an interpretivist paradigm simply because it attempted to recognise the challenges from the viewpoint of the SMME managers themselves. Bryman and Bell (2011) assert that the interpretivist paradigm is a substitute to the positivist principle that has been dominant in research for ages. It emphasizes that research should acknowledge that there is a difference between people and non-living things, and that needs to be respected by any research approach. The interpretivist paradigm assists researchers to derive findings that will emerge through discussions with the respondents (Ang, 2014).

The two major research approaches qualitative and quantitative, are outlined below:

### **3.2.1 Quantitative approach**

Fernandos, Faria and Queirós (2017) explain that the quantitative approach concerns collecting data to describe a phenomenon. Data collected from a sample is utilised to make generalisations or predictions regarding a population. Furthermore, quantitative research is statistically oriented. It has averages, percentages and quotas attached to it. They further highlighted that the quantitative approach draws its strength from the fact that they are cost-effective, they are highly



representative of the entire population and that data can be collected from a large sample within a short space of time. Despite its strengths, quantitative research is also limited by the fact that it is time-consuming and the researcher can have less response rate.

The research methodology employed in this study is relevant to investigate sustainable economic development challenges faced by managers of small, medium and micro enterprises at Lepelle Nkumpi Municipality. The rationale for the choice of the research design is to enable the researcher to explore the internal and external factors affecting SMMEs. Structured questionnaires and semi-structured interviews were used in the collection of quantitative and qualitative data respectively, and their views and opinions on what is considered a hinderance captured / explored.

### **3.2.2 Qualitative approach**

The rationale for this method is to obtain a deeper understanding of the phenomenon. It uses non-statistical methods to get an understanding of a phenomenon. In qualitative research, findings are judged based on the fact that they make sense. Data are usually collected from a significantly smaller group using non-random techniques (Newton Suter, 2012)

He further indicates that semi-structured interviews are beneficial when investigating more complex research topics as the interviewer can probe. Data are derived from the opinions of the participants rather than the viewpoint of the researcher, and also that they are used in situations where it is difficult to quantify. Just like any other method, the qualitative approach also has limitations. It is limited by the fact that data cannot be generalised outside the research, it has less trustworthiness, the process of data collection is longer and personal bias and habits are likely to affect the research.

Data were collected quantitatively from 35 SMME managers in LNM using structured questionnaires. The sample was selected purposively amongst all sectors to establish if the challenges encountered vary by sector, e.g.,

manufacturing, retail, services, construction, etc. Data were also collected qualitatively from 15 SMME managers to get information concerning the depth of the challenges they face. Qualitative data were collected using semi-structured interviews. The questions asked focused on the challenges which the managers face such as lack of managerial skills, absence of marketing skills, competition, inaccessibility of funding, etc.

Qualitative and quantitative data were collected simultaneously. The researcher opted to integrate the two methods of data collection on the same target group to corroborate the results by getting data from the respondents' face-to-face. The researcher they will be able to produce much richer data since the responses will not be planned. The questionnaires were distributed to participants in advance and they were given two weeks to complete them. With this method of data collection, as Taherdoost (2016) cautions, the respondents have ample time to plan their responses and therefore the accuracy of the data might be distorted.

### **3.3 Research paradigm**

A research paradigm is defined as a gathering of opinions, and it gives orders to scientists in any discipline on the subjects or objects that needs to be studied, how research needs to be conducted and how interpretation of the findings should be done (Bell, 2011). Various research paradigms could be employed in the area of study. The paradigms include positivism, phenomenology, hermeneutics, and interpretivism. The researcher only focused on interpretivism and positivism as they were relevant to this study.

#### **3.3.1 Positivism**

Pham (2018) explains that the positivism paradigm is under objectivism epistemology. It is a branch of philosophy that assumes that truth exists individualistically of the human mind. Positivists strive to understand the social world like a natural world. Pham (2018) and Slawewski (2018) concur that positivism paradigm is a methodological philosophy in quantitative research that involves the application of natural science methods to determine social science study. The reality of a phenomenon must be measured and evidence should be supplied to support it.

The objective is to generalise the results of the research to a larger degree. Pham (2018) maintains that supporting evidence must be presented to demonstrate an understanding of the phenomena in reality. One of the best qualities of positivism is that positivist researchers have a high-quality standard of validity and reliability.

### **3.3.1.1 Advantages and disadvantages of positivism**

Slawecki (2018) highlight the following benefits and weaknesses of the positivism paradigm.

#### **Advantages**

The advantages of the positivism paradigm, as explained by Slawecki (2018), are as follows:

- The quantitative methods employed in the collection and analysis of data built on evidence and statistics facilitate the generalisability of findings to the entire population. Therefore, the researcher can save resources such as time and money by making use of the research results already available for forthcoming quantitative forecasts.
- The results of the research can be dependable and researchers can make scientific assumptions from them.

#### **Disadvantages**

Slawecki (2018) further outlined the following disadvantages of the positivism paradigm:

- It is not possible to measure intentions, attitudes and views since such expressions need to be observed and evidence produced. Such phenomena cannot be measured under positivist paradigm.
- Individuals who may provide astute information related to the phenomenon or who can reveal many facts about the reality can be ignored.

- There is a possibility of inaccurate data that will need to be reviewed as there could be situations where respondents may choose random answers rather than authentic or truthful answers, or flexibility to provide their answers about their personal experiences may not be available.

### **3.3.2 Interpretivism**

Kivunja and Kuyini (2017) assert that the interpretivist paradigm is also known as the constructivist paradigm. Interpretivism tries to understand the world from the viewpoint of the subjects under study rather than the eyes of the researcher. They believe that realism can be understood from individual clarification and involvement. Slawecki (2018) attests that there is a difference between approaches engaged in understanding facts connected to humans and social sciences, and those employed in physical sciences because humans' interpretation of the world is different, and they act based on such interpretations, while the world acts differently. He further highlights that interpretivists assume a relativist ontology where numerous interpretations can be connected to a single phenomenon. The goal of interpretivist research is to try to understand the personal clarifications about the phenomenon that people interrelate with. Interpretivism collects mostly qualitative data from respondents over a prolonged period. The methods employed are aimed at generating qualitative data, and while there could be a percentage of numerical data, they are not relied upon.

Kivunja and Kuyini (2017), and Slawecki (2018) indicate that over and above interpretivist researchers describing humans, objects and events, they strive to understand them in a social context. Interpretivist research can also be applied in a natural context to give more authentic information related to the object under study. The limitations are that they are unable to produce philosophies that allow for the generalisation of results to a wider population. There is more involvement of the researcher with participants which may influence the impartiality of the researcher. Interpretivism paradigm is also disadvantaged by the fact that it does not provide a platform to verify validity.

### **3.4 Study area**

The study was conducted in LNM in the Limpopo Province, 49 kilometres southeast of Polokwane. LNM falls under the Capricorn District Municipality. The area is mostly rural with 95% of it falling under the jurisdiction of the traditional authorities, with one township of Lebowakgomo which has different zones. The municipality covers 3464.00 hectares of land with a population of approximately 233 925 (IDP, LNM 2017/2018)

SMMEs are scattered across the entire municipality with most of them located in Lebowakgomo, Zebediela and Mphahlele. Some of the SMMEs in this area are formally registered and some are survivalists who are not registered and usually run by individuals. The entire municipality was covered according to clusters (Mafefe/Mathabatha, Lebowakgomo, Mphahlele and Zebediela) in terms of sampling to ensure that all areas are represented in the study.



Figure 3. 1: Lepelle Nkumpi Municipality map. Source: Google search

### 3.5 Population

Collis and Hussey (2014) define a population as “any well-defined body of people or objects under consideration for research purposes”. Taherdoost (2016) asserts that a population comprises all the cases from which the researcher is going to draw the sample. In addition, Etikan, *et al.* (2016) highlight that in research population does not refer to people only, but can also mean the number of any other things that can be considered for the study. A population can further be explained as a group of people, cases, objects, or another phenomenon that the researcher may have

curiosity in; it is about the individuals and the things or places you want to interrogate and have an understanding about at the end of the study (Schmitz, 2012).

The target population for this study was 550 SMME managers in the LNM. The list of the SMMEs was obtained from LEDA and LNM.

### **3.6 Sampling**

Saxena and Nigam (2013) define sampling as a method of selecting a representative subset of a population. Sharma (2017) adds that “sampling is a technique used by researchers to thoroughly select a fairly smaller number of representative objects or individuals (a subset) from a pre-defined population to serve as subjects (data source) for observation or experimentation as per objectives of the study”. It is the process of selecting observations that will be analysed for research purposes. More significantly, how we select a sample to be the participants of research is critical. The selection of research participants will determine the population to which we may generalise our research findings. Sharma adds that it is the sampling method that determines the generalisability of the findings. Sampling makes research more accurate and economical. Taherdoost (2016) attests that for the research questions to be answered, the researcher has to certainly collect data from all cases. To do that, a sample has to be selected. Since time and costs to collect data from the whole population and analyse it limit the researcher, sampling methods need to be applied.

The above reasons justify why there was a need to choose a sampling method for this study. There are two standard types of sampling methods that can be used by a researcher in a particular study and are fully outlined below:

#### **3.6.1 Probability sampling**

Etikan, *et al.* (2016) define probability sampling as “a sampling method that has a distinguishing characteristic that each unit in the population has a known, non-zero chance of being included in the sample”. In probability sampling, each case has an equivalent opportunity of being selected. This method gives an assurance that the sample does represent the entire population (Nayeem and Huma, 2017).

Furthermore, Bryman and Bell (2011) assert that probability sampling may not entirely eliminate the sampling error, but has a better opportunity of keeping sample error in check compared to non-probability sampling.

There are various probability sampling techniques that researchers might employ in their studies, namely, simple random sampling, stratified random sampling, systematic random sampling, cluster sampling, and multi-stage sampling.

### **3.6.2. Non-probability sampling**

In this sampling method, there is no use of random methods (Etikan *et al.*, 2016). Therefore, non-probability sampling is a sampling technique where the samples are collected in a process that does not give all the participants or cases the same opportunity of being chosen as part of the study. The method uses judgement rather than random techniques and participants are selected based on their convenience, for example, the sampler may choose participants because they are easy to access.

Types of non-probability sampling are haphazard sampling, accidental sampling, snowball sampling and purposive sampling. This study employed purposive sampling which is outlined in detail in the next sub-section.

#### **3.6.2.1 Purposive sampling**

Taherdoost (2016) defines purposive sampling as a sampling method in which particular situations, individuals and occurrences are deliberately selected to provide important information that cannot be gained from other selections. Sharma (2017) indicates that this sampling process relies on the judgement of the researcher. Hence, it is also known as judgemental, selective, or subjective sampling. Etikan *et al.* (2016) concur that in purposive sampling the researcher deliberately chooses participants owing to qualities and characteristics they possess. In this method, the researcher decides on what needs to be found out and sets out people or objects that can and have a willingness to furnish the information required. The researcher has an overall say about cases and participants to be

included in the study. Nayeem and Huma (2017) listed the following pros and cons of purposive sampling.

### **3.6.2.2 Advantages and disadvantages of purposive sampling**

#### **Advantages**

- The researcher applies his or her own judgement about the respondents to choose as part of the study.
- The researcher has the justification to generalise from the sample that is being selected.
- It is more convenient and less costly.
- Only those respondents who are relevant to the research topic and who are willing to participate will be included.

#### **Disadvantages**

- It is predisposed to researcher bias.
- It is often hard to argue that the sample is representative of the whole population.

### **3.7 Data collection**

Since the study applied both quantitative as well as qualitative research designs, data collection took two forms: for the quantitative part of the study, a questionnaire was designed and used to conduct a survey of the SMME managers. It was a structured questionnaire which consisted mainly of closed-type of questions.

#### **3.7.1 Questionnaire**

According to Adams and Cox (2008), a questionnaire is a collection or sequence of questions intended to elicit information from an informant or participant. A structured questionnaire is one in which the questions asked are quite decided in advance. A questionnaire is a data collection tool given to a representative sample and the findings are used to generalise the whole population. Some of the principles of a



questionnaire design are that it must be usable and easy to understand, it should also be brief to increase accuracy so that people do not get tired before completing all the questions (Adams and Cox, 2008). The purpose of a questionnaire is to collect data from a huge, varied and widely dispersed population. Information about their demographics such as the size of the enterprises, annual turnover, workforce, type of business, age of enterprise, profitability, type of products and services, qualification of SMME managers and challenges faced on different aspects of the business, are some of the questions that formed part of the questionnaire.

### 3.7.1.1 Advantages and disadvantages of questionnaires

Questionnaires have some strengths and limitations which the researcher needs to be aware of. The advantages and disadvantages are outlined next as follows:

Table 3. 1: Advantages and disadvantages of questionnaires

<b>Advantages</b>	<b>Disadvantages</b>
<p>They offer a quick way of getting results.</p> <p>They allow the researcher to gather information from a large audience simultaneously.</p> <p>The results are very easy to analyse.</p> <p>They allow comparability by comparing data collected with data collected over the years and months.</p> <p>They are time conscious.</p> <p>They are inexpensive; hence, they are one of the most affordable ways of gathering quantitative data.</p> <p>Does not pressurise respondents to answer immediately.</p> <p>They have standardised instructions hence they ensure uniformity.</p> <p>They ensure anonymity therefore the respondents can confidently answer.</p>	<p>Respondents may provide dishonest answers since the researcher cannot read their facial expressions.</p> <p>Responses are planned; therefore, there are chances that the respondents might give false information.</p> <p>There are chances that some questions might not be answered thereby providing inaccurate data.</p> <p>Respondents may apply different interpretations to the questions and thereby providing different answers.</p> <p>Low response rate which often makes them difficult to conduct.</p>

Source : Taherdoost (2016)

### 3.7.2 Semi-structured interviews

Ryan, Coughlan and Cronin (2009) highlight that a semi-structured interview is a combination of structured and unstructured interviews. This method allows flexibility in the approach to conducting the interviews. Even though the interview schedule is used, the use of open-ended questions allows for the provision of in-depth information by the respondents and clarifications may always be acquired.

The researcher conducted face-to-face interviews with the respondents. Ryan, Coughlan and Cronin (2009) further attest that in face-to-face interviews, the researcher develops a schedule of questions relating to the objectives of the study and ask the interviewee in an arranged meeting. Face-to-face interviews are commonly used to collect data in qualitative research.

The purpose of the interviews was to collect information from SMME managers about their perceptions of the challenges which they may be facing, and their suggestions as to how those problems can be resolved. Interview questions asked included information on the position of the interviewee on the company, how many years with the company, how many years in the current position, level of education, are there any local businesses rendering the same service and main challenges encountered in daily operations. The data collected assisted the researcher to do proper analysis and the interpretation of data.

#### 3.7.2.1 Advantages and disadvantages of interviews

Interviews, like any data collection method, have some pros and cons which the researcher has to consider before making a selection of the survey method and consider how they will distort the quality of the data collected. The advantages and disadvantages are tabled below.

Table 3. 2: Advantages and disadvantages of interviews

Advantages	Disadvantages
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<p>They provide flexibility to the interviewers.</p> <p>The interviewer receives immediate and richer responses.</p> <p>The interviewer can judge the non-verbal behaviour of the respondents.</p> <p>The answers are spontaneous, most likely honest.</p>	<p>They can be very costly and time-consuming.</p> <p>There can be interviewer bias.</p> <p>They provide less anonymity, which may affect the honesty of respondents in answering questions.</p>
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Source: Bailey (1994); Paradis, O'Brien, Nimmon, Bandiera and Martimianakis (2016)

To collect qualitative data, interviews were conducted with 15 SMME managers. The interviews were semi-structured, face-to-face based on an interview guide which the researcher prepared ahead of time. Crowther and Lancaster (2009) assert that interviews are the most used methods of data collection which involves interrogation. Ang (2014) corroborates the above statement by stating that face-to-face interviews can be conducted in a structured, semi-structured or unstructured way.

### **3.8 Reliability**

Mohajan (2017) and Taherdoost (2016) explain that reliability is about the firmness and consistency of the results. Mohajan (2017) amplifies that reliability refers to the confidence in the findings from the usage of a particular tool. It concerns the stability of the findings. Yin (2013) explains that the main aim of testing reliability is to guarantee that if research is conducted using the same tools used in a study about the same subjects, it will produce the same findings.

### **3.9 Validity**

Validity concerns what a research tool measures, and how well it does so (Mohajan, 2017). Taherdoost (2016) and Yin (2013) attest that it is a test of truthfulness and concerned about how well the data collected covers the area of study and measures exactly what it meant to measure according to the objectives of the study. Validity and reliability promote transparency in research and reduces researcher biases in qualitative data collection. Goundar (2012) concludes that whatever the researcher

accomplishes based on the findings is correct and is verifiable by him or any others who might be interested in the research.

### **3.10 Data analysis**

Data analysis is the process that involves the application of numerical and / or rational methods to define and demonstrate, summarise and review, and assess data (The office of research integrity [s.a.]). The purpose of data analysis is to examine the data collected and be able to come up with recommendations and conclusion based on the objectives of the study. Data analysis took two forms since this was a mixed method research. Data analysis for the quantitative part of the study was done using SPSS. Mishra (2018) defines SPSS as statistical data analysis software. He further commends the system for its ability to organise and manage data, its provision for quicker, in-depth, and accurate data analysis; and a great technique of screening and cleaning data. The data is analysed through descriptive statistics using measures of frequency and it presented in frequencies, percentages, charts and graphs.

For qualitative data, thematic analysis and NVIVO software were used. Nowell, Norris, White and Moules (2017) define thematic analysis as “a set of analytical methods for identifying, analysing, organising, describing and reporting themes found within a data set”. The data was transcribed, translated, interpreted and coded for further analysis. Oliveira, Bitencourt, Dos Santos and Teixeira (2013) define NVIVO as “a software package for digitally coding texts or images that allow the user to synchronise evidence and make analytically richer intersections”. The process of data analysis assisted the researcher to fully understand the nature of the problem that the SMME managers are facing at LNM. To achieve the above process, the researcher must also consider the issue of ethics.

Qualitative data analysis involves analysing data collected through the use of interviews. Recording of data for such method can be done through the use of field notes and by making use of a recording device. According to Tessier (2012), the researcher might opt to use field notes only, make a use of a recording device, or use both when collecting data. Due to their simplicity, field notes are still the preferred method despite the new methods that are presently available. Field notes

are important since interview memories are likely to be lost further down the interview process. Field notes are simple, quicker and mostly they are inexpensive. Despite their resourcefulness, field notes cannot be replayed if the researcher wants to verify other information, hence it is important to back it up with a recording device, otherwise the findings might be prone to bias.

For this study, fields notes and a recording device were used together to ensure that rich and unbiased data is provided. Tessier (2012) agree that to increase the value of management of data in qualitative studies, field notes, and tape recorder should be use together. Since transcription of data is time consuming, costly and may contain errors (Tessier, 2012), the researcher worked directly from the tape recorder since it is faster and provides much reliability (Tessier, 2012). Qualitative data was presented using narrative analysis. Murray (2018) describes narrative analysis as a qualitative data analysis method which is mostly concerned with stories shared in everyday lives.

Qualitative and quantitative data were collected simultaneously. The aim was to use qualitative data to confirm the findings of quantitative data, thereby increasing the validity and reliability of the study. The sample for the quantitative study was purposively selected from the list that was provided by Limpopo Economic Development Agency (LEDA). Ang (2014); Crowther and Lancaster (2009) and Sekeran (2011) highlight that a sample is defined as a fraction of a population or universe. 35 SMME managers constituted this sample. For the qualitative part of the study, a small sample of 15 SMME managers was purposively selected from the list. Remenyi (2013) states that purposive sampling involves the process where the researcher has full control of who they want as part of the study. This might also be because some people are geared to provide detailed information than others. The selection was purposive in that it ensured the inclusion of different types of SMMEs, for example, building and construction, ICT, Agriculture, retail, services. Such selection was useful in that the researcher determined if the challenges vary by type of SMME. According to Scherbaum and Shockley (2015) in purposive sampling, the sample elements are deliberately selected based on their possession of characteristics relevant to the research question. The process of selecting the respondents will assist the researcher to collect authentic data.

Mixed method approach is commended for its resourcefulness in providing rich, accurate and reliable data. According to Johnson, Onwuegbuzie and Turner (2007), during data analysis, qualitative data can assist in giving meaningful interpretations, clarifications, descriptions and validation of the quantitative results. The rationale for conducting mixed method research in this study is triangulation. The researcher wanted to corroborate data obtained through quantitative method to the qualitative one. Johnson *et al* stated the following as reasons for justification for the use of mixed methods in research:

- i. Triangulation – it seeks to merge and justify the results from different methods studying the same phenomenon.
- ii. Complementary – It involves seeking expansion, augmentation, illustration, clarification of the results from one method to the other method.
- iii. Development – using the results from one method to help inform the other method
- iv. Initiation – discovering paradoxes and contradictions that lead to a reframing of the research question.
- v. Expansion – seeking to expand the breadth and range of inquiry by using different methods for different inquiry components.

Mixed method research is the type of research in which a researcher or team of researchers combine elements of qualitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purpose of breadth and depth of understanding and corroboration.

This study is a quantitative dominant mixed method research. Johnson *et al* (2007) indicated two types of mixed method research: Qualitative dominant and quantitative dominant. In quantitative dominant, the researcher relies on quantitative, postpositivist understanding of the research process, while acknowledging the contribution of qualitative data and approaches towards the study / research.

Qualitative dominant relies on qualitative, constructivist-poststructuralist-critical view of the research process, while recognising the addition of quantitative data and approaches in the research.

### **3.11 Ethical considerations**

Collis and Hussey (2014) define ethics “as the moral values or principles that form the basis of a code of conduct”. Crowther and Lancaster (2009) amplified the above statement indicating that ethical issues in research incorporate a set of morals and values for conducting and using research and the researcher must be careful not to violate these.

Research ethics helps to prevent abusive behaviour in research and assist researchers to understand their obligations as principled scholars. It advocates that research participants should be treated with utmost respect and courtesy and apply extra caution when dealing with those participants that are vulnerable (Bless, Higson-Smith and Kagee, 2006). Sekeran and Bougie (2010) indicate that ethical behaviour is part of each step of the research process – data collection, data analysis, reporting and dissemination of information). To relate this process to the research, the researcher discussed some of the issues that assisted her to collect data from the participants.

#### **3.11.1 Permission to seek information**

Every researcher should seek permission before the study is conducted in a particular area (Thermo Fisher Scientific [s.a.]). To achieve this procedure, the researcher obtained permission from the Turfloop Research Ethics Committee (TREC), LEDA and LNM where the study was conducted. Permission was sought from both institutions and letters are attached in the appendix section.

#### **3.11.2 Voluntary participation and consent**

One of the most significant ethical principles is that people should not be forced to participate in research (Babbie and Mouton, 2009; Collis and Hussey, 2014). A

researcher is obliged to explain to participants that they are free to exit anytime they feel like.

De Vos, Strydom, Fouché and Delport (2011) and Royse (2004) explain that obtaining informed consent involves:

- The researcher explaining fully the nature of the study and what will the findings be used for.
- Indicating any negative or positive effects of taking part in the research, or any dangers that might be encountered.
- Indication of how they will be protected against harm that might emanate from the study, such as physical, emotional, economic, and psychological.
- The researcher should seek permission from the respondents for them to take part in the study. Signed consent forms will serve as proof that participants agree to take part in the study.

The researcher requested participation by writing letters to respondents asking for their participation. The respondents did not sign any consent form but the researcher indicated in the letter of request that completing and returning the questionnaire signifies that they are consenting.

### **3.11.3 Anonymity and confidentiality**

De Vos, *et al.* (2011) highlight that respecting privacy is to keep to oneself that information that is not intended to be observed or analysed by others whereas confidentiality can be viewed as an extension of privacy, which refers to the contract between persons that limit others to have access to secluded information. The respondents have to be informed about the nature of the study. They further indicated that the researcher will give the respondents a chance to ask questions about the implications of the study and ensure their privacy is not violated. The researcher has to commit to keeping as confidential, in terms of not disclosing the identity of a participant as the source of any information that may be collected during the research. The researcher informed the participants that their identity will be withheld and that the information collected will be confidential.



#### **3.11.4 Safety and no harm**

Ethical standards also require that participants should not be put in a situation where they are exposed to physical and emotional danger owing to their participation. Researchers should guard the emotional and physical harm that the study is going to have on participants (Thermo Fisher Scientific [s.a.]).

The researcher ensured that in the process of providing her with information related to the challenges faced by SMME managers, respondents do not become harmed in any way, including their businesses. The purpose of the research was clearly outlined to them.

#### **3.11.5 Respect for persons / human dignity**

To preserve trust with participants when conducting human research, the researcher must ensure that the dignity of people is well thought out. Respect is an important aspect when conducting human research. Pieper and Thomson (2014) confirm that issues to consider in human research include valid consenting from participants, protection of participants and taking into consideration the impact that the research is going to have on cultures and communities. They further indicate that researchers must strive to defend the research participants' self-sufficiency.

The researcher treated the participants with the utmost respect. The participants were informed that they should not feel like they are forced to take part if they feel uncomfortable. In addition, the researcher also alerted them that they are allowed to discontinue participating in the study if they are uncomfortable and they will not suffer any consequences by doing so; and that they are allowed to ask questions regarding the research and they can skip some questions if they feel like answering them.

#### **3.12 Conclusion**

This chapter highlighted various research methods, approaches and techniques used in the study. The choice of research approach and its relevance to the study area has been thoroughly outlined. From the above information, it is evident that multiple techniques or approaches are needed in research. No technique or method

can claim superiority over others. Chapter four will provide a detailed presentation and discussion of the research results obtained from data collected through the use of questionnaires and interviews.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF RESULTS**

#### **4.1 Introduction**

The previous chapter deliberated on the methodology employed in collecting data. The study aimed to investigate sustainable economic development challenges faced by SMMEs at LNM in the Limpopo Province.

This chapter will analyse, present and interpret data collected from 50 respondents whose data was collected through the use of structured questionnaires (35) and semi-structured interviews (15). The respondents were purposively sampled from a population of 550 SMME managers / owners in LNM. The findings of the study are presented in this chapter.

Presentation of the data collected will be done through the use of bar charts and graphs. The study will include a discussion on the socio-demographics of the respondents; and data analysis and discussion of the empirical study and semi-structured interviews will be embarked on.

#### **4.2 Research objectives**

To achieve the above aim, the following objectives were pursued:

- 4.2.1 To determine the internal factors that hamper the sustainability and growth of SMMEs in LNM;
- 4.2.2 To determine the external factors that hamper the sustainability and growth of SMMEs in LNM; and
- 4.2.3 To suggest strategies that can be used by policymakers to enhance the role of managers of SMME on sustainable community development at LNM.

#### **4.3 Research questions**

With the objectives stated above, the following research questions arose:

- 4.3.1 Which internal factors hamper the sustainability and growth of SMMEs in Lepelle Nkumpi Municipality?
- 4.3.2 Which external factors hamper the sustainability and growth of SMMEs in LNM?
- 4.3.3 Which strategies can be used by the policymakers to enhance the role of SMME managers on sustainable community development at LNM?

#### 4.4 Data analysis and discussion

This section presents the data collected through the usage of questionnaires and semi-structured interviews. It also provides interpretations of the findings. The data were presented at a descriptive level and portrayed in frequency, tables, and figures.

##### 4.4.1 Data analysis: Empirical research

The following data derived from the structured questionnaires and was built on the demographic information of the SMME managers. Demographic data are important to get socio-demographic data of the respondents, which will assist the researcher to get crucial information relevant to the study. Demographic data such as gender, education level, location, years of experience are significant for the study and were deliberated.

**Table 4.1: Research participants by gender**

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	33	66.0	66.0	66.0
	FEMALE	17	34.0	34.0	100.0
	Total	50	100.0	100.0	

Table 4.1 shows the distribution of respondents by gender. It shows that the majority (66%) were males compared to 34% of females.

**Table 4. 1: Location of sampled businesses**

Location of the business					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rural	16	32.0	32.0	32.0

	Semi-urban	28	56.0	56.0	88.0
	Urban	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

Table 4.2 shows data on the location of the business. About 95% of Lepelle-Nkumpi municipality is mainly rural. Data collected indicate that only 32% of the respondents' businesses are located in a rural area, 12% in an urban area and the majority of respondents are located in semi-urban areas (56%).

**Table 4. 2: The role of various business participants in the business**

Role in the business					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner	16	32.0	32.0	32.0
	Manager	11	22.0	22.0	54.0
	Both	23	46.0	46.0	100.0
	Total	50	100.0	100.0	

Table 4.3 indicates that 32% of the respondents are owners within the businesses, 22% are managers and 46% serve as both owner and manager within their businesses.

**Table 4. 3: The level of education of the participants**

Level of education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No formal education	13	26.0	26.0	26.0
	Primary	1	2.0	2.0	28.0
	Secondary	12	24.0	24.0	52.0
	Grade 12	7	14.0	14.0	66.0
	Post Matric	6	12.0	12.0	78.0
	Post graduate	11	22.0	22.0	100.0
	Total	50	100.0	100.0	

Table 4.4 shows the level of education of the respondents. The study revealed that 26% of the respondents have no formal education, 2% have primary education, 24% have secondary education, 14% have grade 12, and 22% have a postgraduate qualification.

**Table 4. 4: Years of experience you have as a manager**

Management experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1	19	38.0	38.0	38.0
	1-5	26	52.0	52.0	90.0
	6-10	4	8.0	8.0	98.0
	11-15	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

Table 4.5 indicates that 38% of the respondents have less than 1 year experience as managers, 52% have between 1 to 5 years, 8% have between 6 to 10 years and 2% have 11 to 15 years.

**Table 4. 5: Years with the company**

Years in the company					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1	8	16.0	16.0	16.0
	1-5	22	44.0	44.0	60.0
	6-10	12	24.0	24.0	84.0
	11-15	6	12.0	12.0	96.0
	More than 15	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Table 4.6 represents data on the number of years the respondent has been with the company. About 16% have been with the company for less than 1 year, 44% are those that have between 1 and 5 years, 24% are between 6 and 10 years, 12% are between 11 and 15 years while only 4% are those with more than 15 years.

**Table 4. 6: How many years has the business been in operation?**

Years in the operation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1	9	18.0	18.0	18.0
	1-5	18	36.0	36.0	54.0
	6-10	16	32.0	32.0	86.0
	11-15	5	10.0	10.0	96.0
	More than 15	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Table 4.7 represents the number of years the business has been in operation. Data collected show that 18% have been in operation for less than 1 year, 36% have operated for between 1 and 5 years, 32% between 6 and 10 years, 10% between 11 and 15 years and only 4% operated for over 15 years. The study reveals that the majority (54%) of the businesses are still at infancy stage.

**Table 4. 7: Type of company on which the business is based**

Type of the company					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PTY(Ltd)	23	46.0	46.0	46.0
	Close Corporation	8	16.0	16.0	62.0
	Sole Proprietorship	11	22.0	22.0	84.0
	Family Owned Business	8	16.0	16.0	100.0
	Total	50	100.0	100.0	

Table 4.8 represents data on the type of company. About 46% of the respondents own PTY(Ltd), 16% own close corporations, 22% are sole proprietorship while 16% are in family-owned businesses.

**Table 4. 8: The economic sector in which the business operates**

Economic Sector					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Retail trading	10	20.0	20.0	20.0
	Construction/Min ing	6	12.0	12.0	32.0
	Manufacture	12	24.0	24.0	56.0
	Services	19	38.0	38.0	94.0
	Agriculture	1	2.0	2.0	96.0
	Real estate	1	2.0	2.0	98.0
	Information technology	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

Table 4.9 presents the economic sector of SMMEs. The findings are that 20% of the SMMEs are in retail trading, 12% are in construction/mining, the manufacturing

sector constitutes 24%, the services sector is represented by 38%, agriculture is 2%, real estate is 2% and information technology also constitutes 2%.

**Table 4. 9: Number of employees in the business**

Number of employees					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Micro (1-9)	33	66.0	66.0	66.0
	Small (10-29)	10	20.0	20.0	86.0
	Medium (30-140)	7	14.0	14.0	100.0
	Total	50	100.0	100.0	

Table 4.10 represents the size of the business. The study revealed that 66% of the SMMEs are micro, 20% are small and 14% are medium.

**Table 4. 10: The highest qualifications of the management team**

Highest qualifications of the management team					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Senior Certificate	30	60.0	60.0	60.0
	National Diploma	14	28.0	28.0	88.0
	Degree	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

Table 4.11 above represents the qualification of the management team. The table shows that 30 respondents (60%) only have a senior certificate, 14 (28%) have a national diploma and 6 (12%) have a degree.

**Figure 4. 1: Does the company have an existing business plan?**



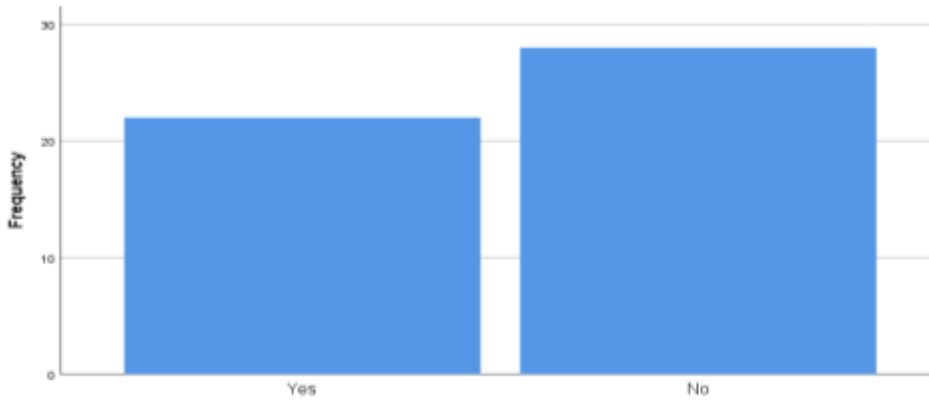


Figure 4.1 shows that 28 respondents (56%) do not have a business plan and 22 (44%) are in possession.

**Figure 4. 2: Does the company have a financial manager?**

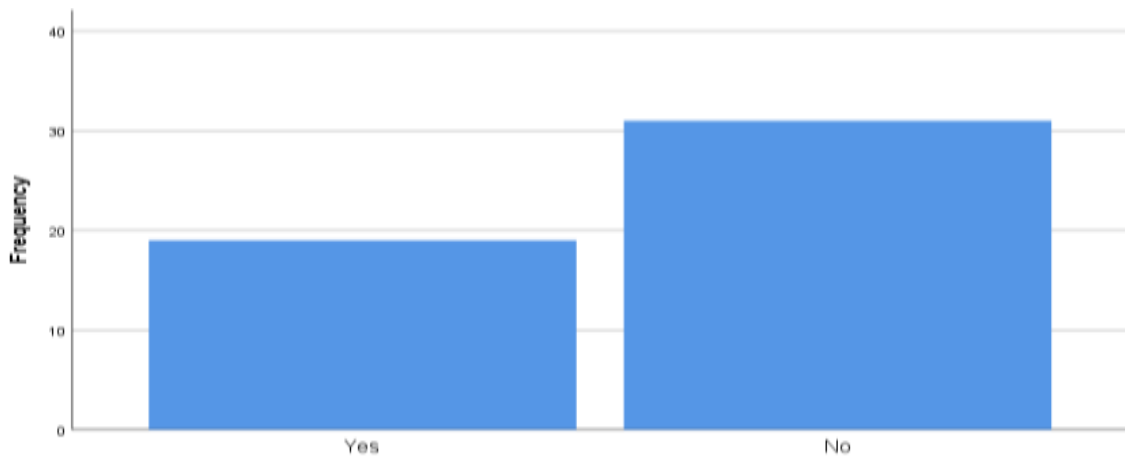


Figure 4.2 above shows that 38% of the respondents have financial managers while 62% do not have.

**Table 4. 11: Does the company have a marketing manager?**

Marketing manager					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	22.0	22.0	22.0
	No	39	78.0	78.0	100.0
	Total	50	100.0	100.0	

Table 4.12 above represents data on the availability of marketing managers within the business. 78% of the respondents indicated that they do not have a business promotion manager whereas only 22% indicated that they do have.

**Figure 4. 3: What is the average annual turnover of the company?**

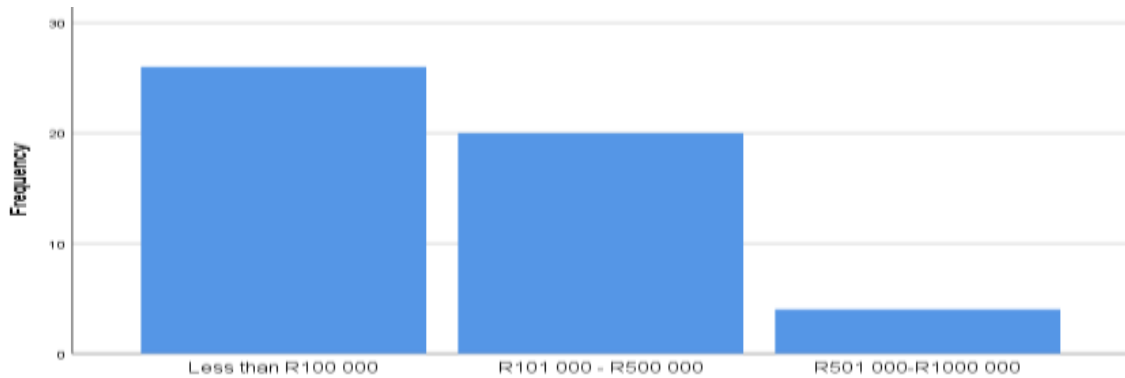


Figure 4.3 above indicates that 52% of the SMMEs make a yearly income not exceeding R100 000, 40% makes between R101 000 and R500 000 and only 8% generate over R1000 000.

**Figure 4. 4: How do you market your business/ the service you provide?**

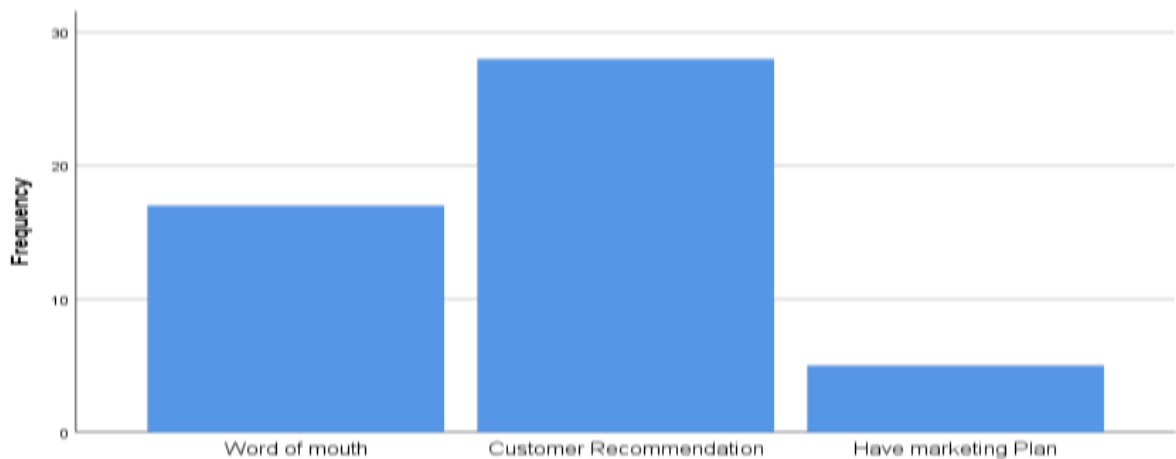


Figure 4.4 indicates that only 8% of the respondents have a marketing plan while 36% use word of mouth. In addition, 56% indicated that they get business through the recommendations by previous customers.

**The following responses arose from the questions on the sustainable economic development challenges that the management of the SMMEs experience.**

**Figure 4. 5: State of occupancy of the business**

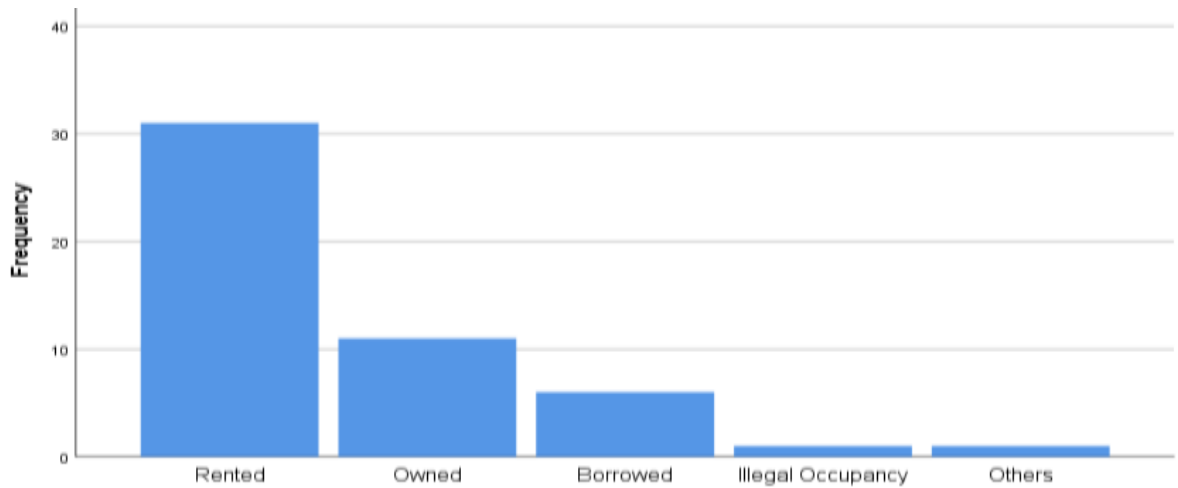


Figure 4.5 shows that 31 (62%) of the respondents are renting, 11 (22%) are the owners of the premises, 6 (12%) have borrowed the places, 1 (2%) has indicated that they are occupying the premises illegally and a further 1(2%) indicated other.

**Table 4. 12: What were the sources of funds for a business start-up?**

Business start-up funds					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personal savings	31	62.0	62.0	62.0
	Bank credit	6	12.0	12.0	74.0
	Friends and relatives	8	16.0	16.0	90.0
	Government / private sector grants	5	10.0	10.0	100.0
	Other	0	0.0	0.0	100.0
	Total	50	100.0	100.0	

Table 4.13 portrays that 62% of the respondents indicated that they used their savings to start their businesses, 12% indicated that they used bank loans, 16% indicated that they borrowed from friends and family and only 10% got funding from government / private sector grants.

**Figure 4. 6: Have you ever taken your team for customer care training?**

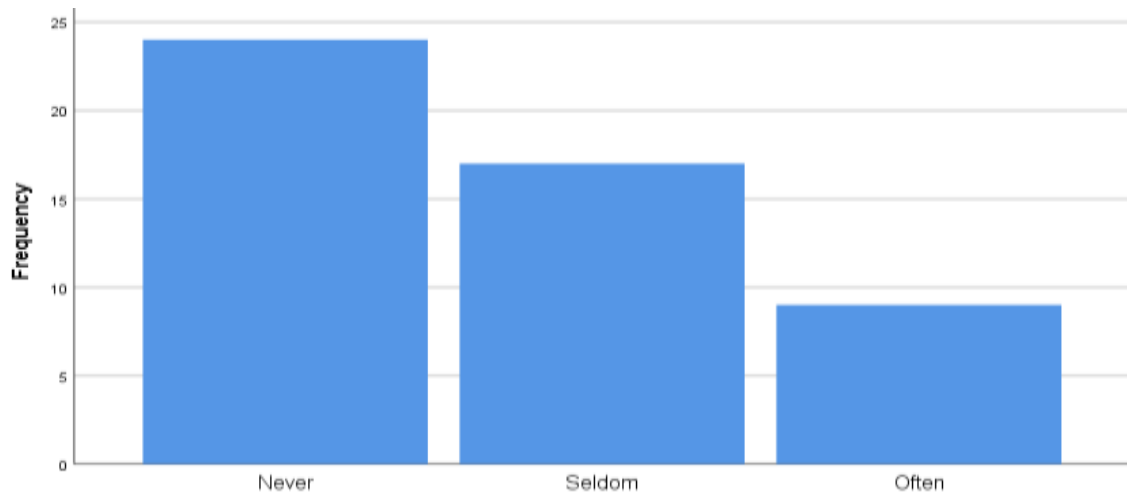


Figure 4.6 indicates that 48% of respondents never take their team for customer care training, 34% of the respondents indicate that they sometimes do and 18% indicated that they often take their team for customer care training.

**Figure 4. 7: Use of ICT in the business**

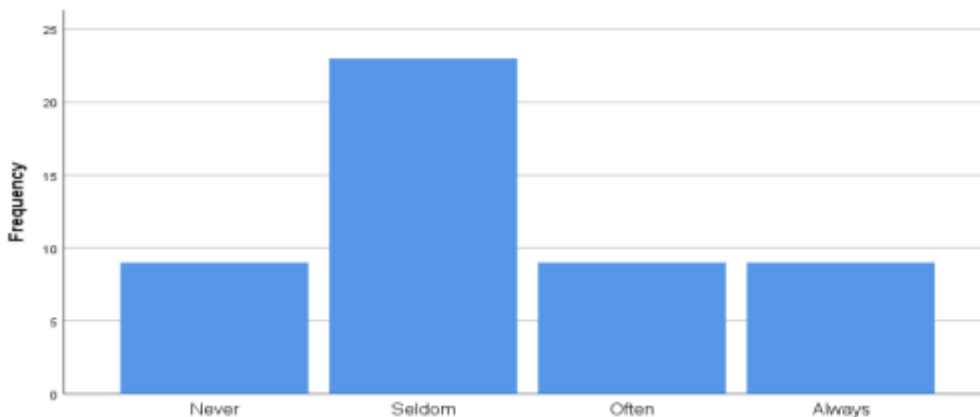


Figure 4.7 shows that 23 respondents (46%) rarely adjust to technological changes as they come. Respondents who never, who often and who always adjust shared an equal percentage of 18 each.

**Table 4. 13: Means of communication the business opted to use**

Means of communication					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fax	6	12.0	12.0	12.0
	E-mail	41	82.0	82.0	94.0
	Website	2	4.0	4.0	98.0
	Landline	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

Table 4.14 demonstrates that 12% of the respondents preferred to use a fax, 82% prefer e-mail, 4% use websites, and only 2% use a telephone landline.

**Figure 4. 8: Manager’s level of education affects the sustaining of the SMMEs**

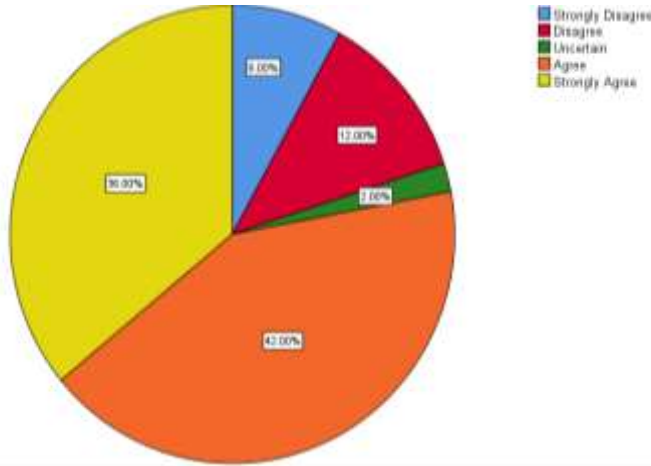


Figure 4.8 represents the opinion on whether the manager’s level of education affects the sustainability of the SMMEs. The majority of the respondents (78%) agree with the statement while 20% disagree. About 2% of the respondents are uncertain.

**Figure 4. 9: Corruption affects SMME funding**

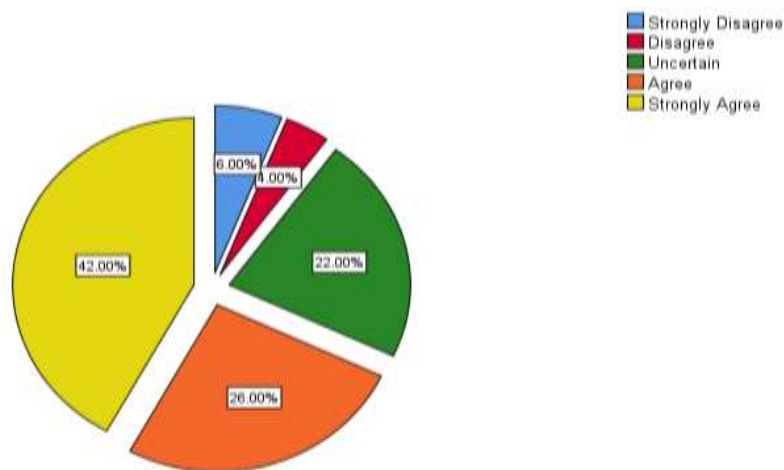


Figure 4.9 shows that 68% agree with the statement, 10% disagree and 22% of the respondents have been recorded as being uncertain.

**Figure 4. 10: Competition (saturation) hampers the growth of SMMEs**

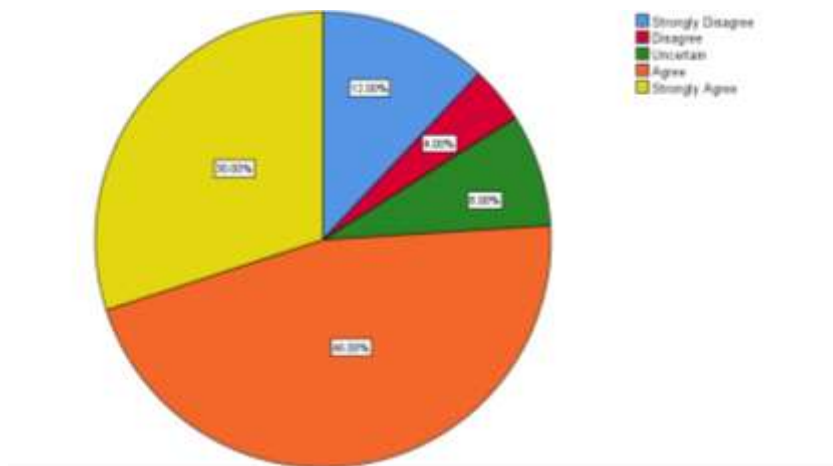


Figure 4.10 highlights that 76% of the respondents agree that competition hampers the growth of SMMEs. About 16% of the respondents disagree while 8% are uncertain.

The findings above show that SMMEs are challenged by a lack of market access and competition. Most SMMEs focus on one sector which they see as easy to start and operate, and therefore, it becomes saturated and makes competition even tougher.

**Figure 4. 11: Location of a business has an impact on the sustainability or the collapse of SMMEs**

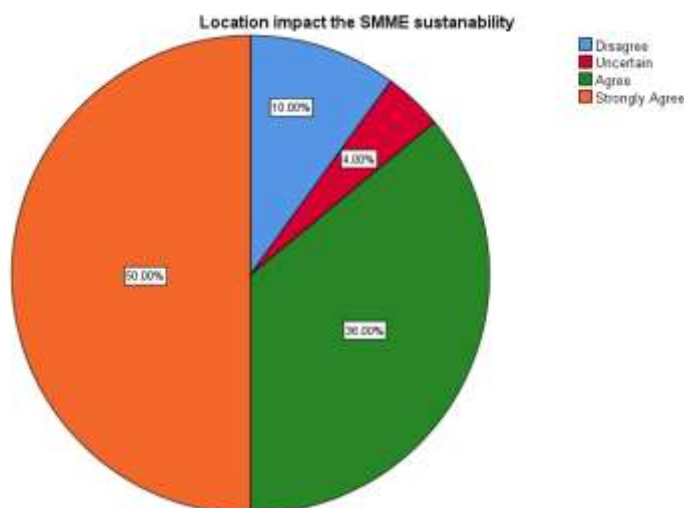


Figure 4.11 shows the location of the business and its impact on the sustainability or the collapse of SMMEs. An overwhelming majority (86%) of the respondents agree with the statement, 10% disagree while 4% were noted as uncertain.

**Figure 4. 12: Lack of proper financial skills have a negative impact on the development of SMMEs**

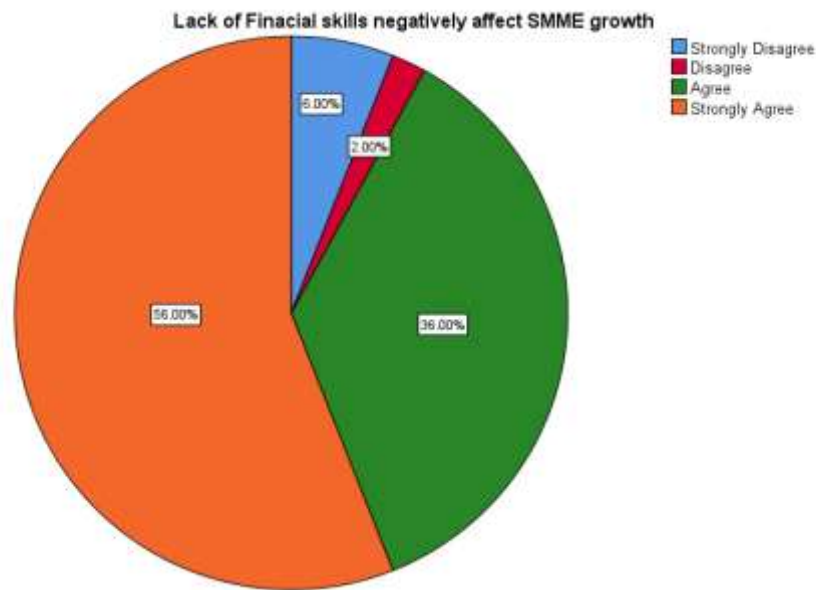


Figure 4.12 depicts data on the impact of financial skills on SMME development. About 92% of the respondents agree with the statement while 8% disagree.

**Figure 4. 13: Lack of proper marketing skills harm the development of SMMEs**

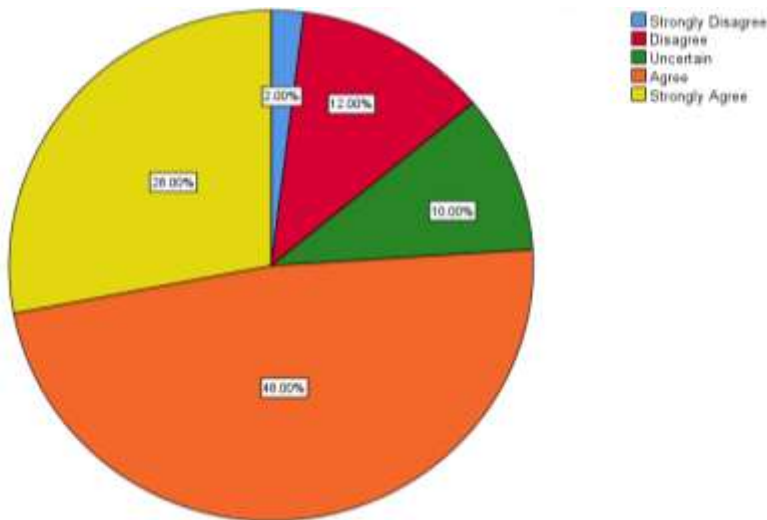


Figure 4.13 indicates that 76% of the respondents agree with the statement, 14% disagree and 10% are uncertain.

**Figure 4. 14: Lack of expertise from HR management have a negative influence on the recruitment of qualified and skilled personnel**

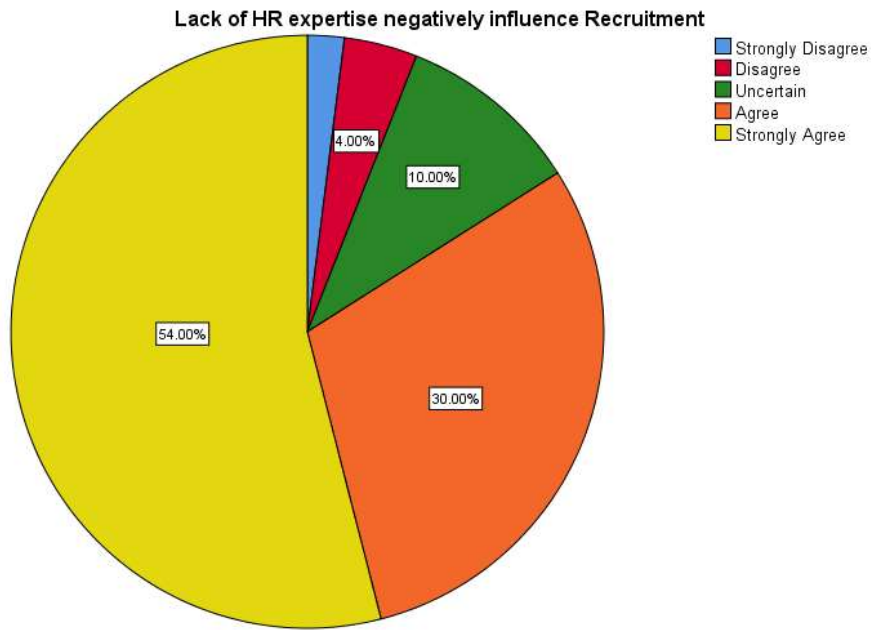


Figure 4.14 depicts that 84% of the respondents agree with the statement, 6% disagree and 10% are uncertain.

**Figure 4. 15: Lack of funding negatively affect the growth of SMMEs**

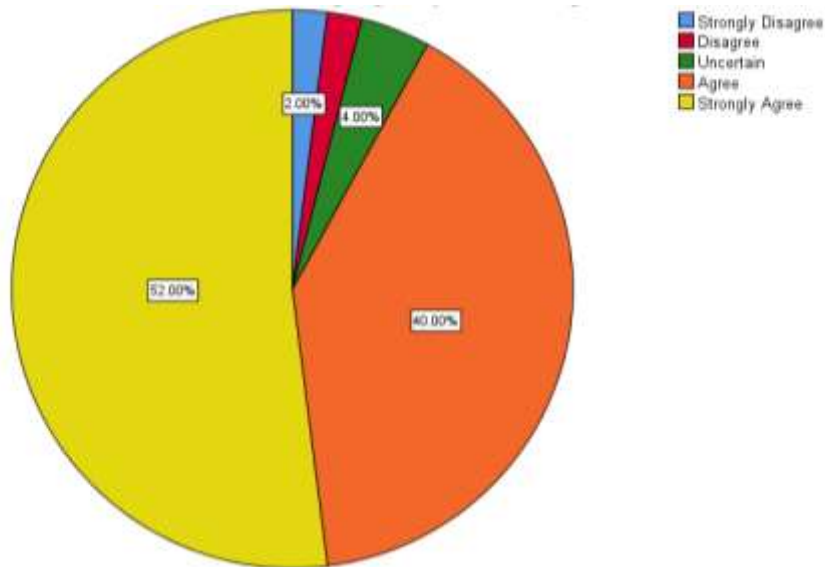


Figure 4.15 above shows that the majority of the respondents (92%) affirm that lack of funding negatively affects the growth of SMMEs while only two respondents (4%) disagree with the statement. A further 4% (2) respondents were unsure.

**Figure 4. 16: High business rental amounts lead to the collapse of the businesses**



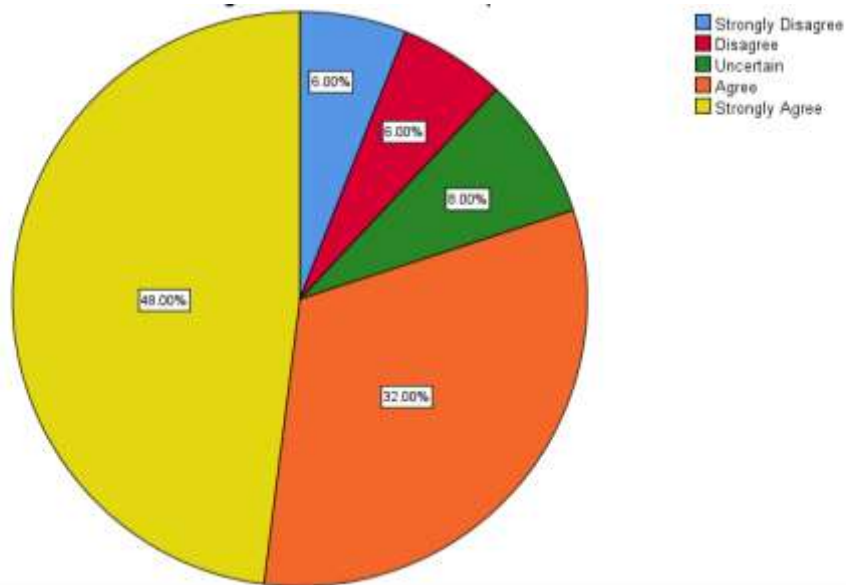


Figure 4.16 shows that 80% of the respondents agree with the above statement, 12% disagree and 8% are unsure.

**Figure 4. 17: Poor pricing is an obstacle for SMMEs**

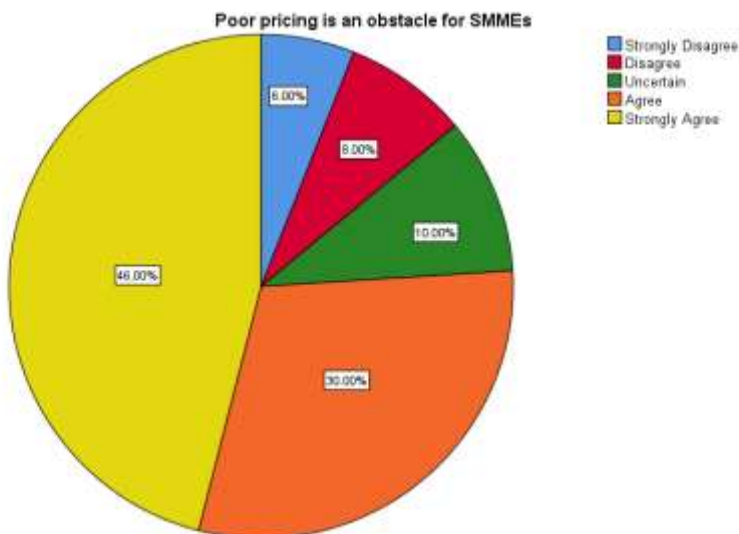


Figure 4.17 indicates that 76% of the respondents agree with the statement, 14% strongly agree and 10% have been recorded as uncertain.

**Figure 4. 18: Giving credit to customers threatens the sustainability of SMMEs**

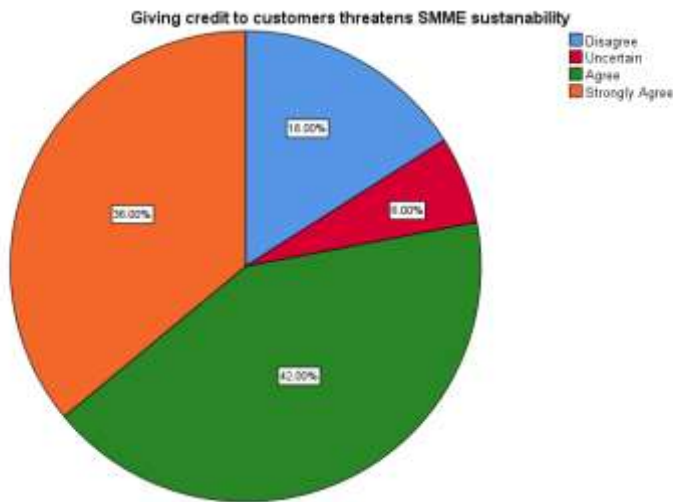


Figure 4.18 above reveals that 78% of the participants agree with the statement, 16% disagree whereas 6% is uncertain.

**Figure 4. 19: Lack of business plan hampers the growth of SMMEs**

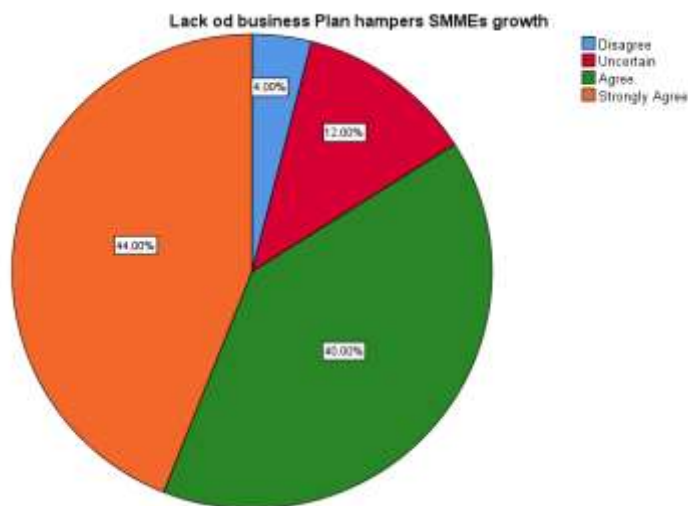


Figure 4.19 above shows that 84% of the respondents agree with the statement, 4% disagree and 12% were not sure.

**Figure 4. 20: Lack of clear market negatively affects the growth and sustainability of the business**

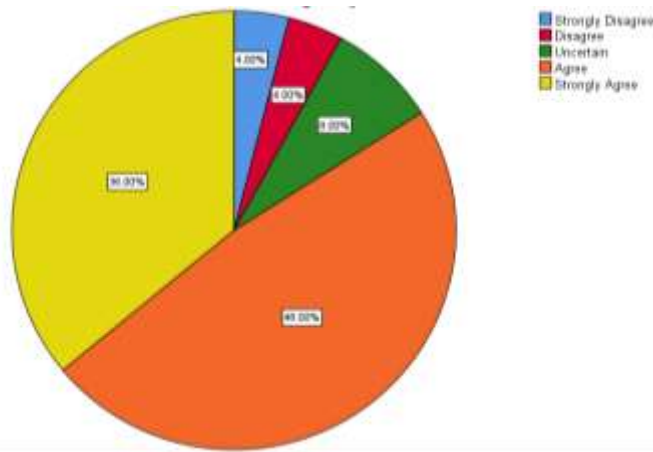


Figure 4.20 indicates that 84% of the respondents agree with the above statement, 8% disagree and 8% are uncertain.

**Figure 4. 21: Fraud hinders the development and sustainability of SMMEs**

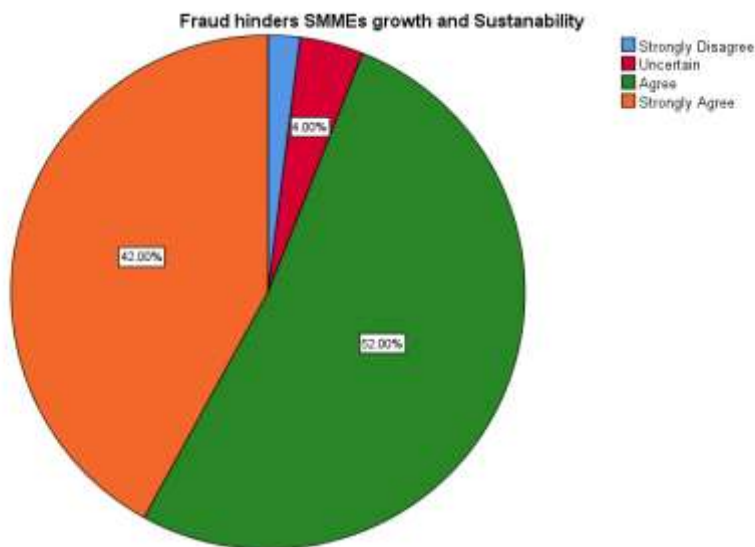


Figure 4.21 above reveals that 94% agree that fraud hinders the development and sustainability of SMMEs, 2% disagree and 4% were recorded as uncertain.

**Figure 4. 22: Crime negatively affect SMMEs**

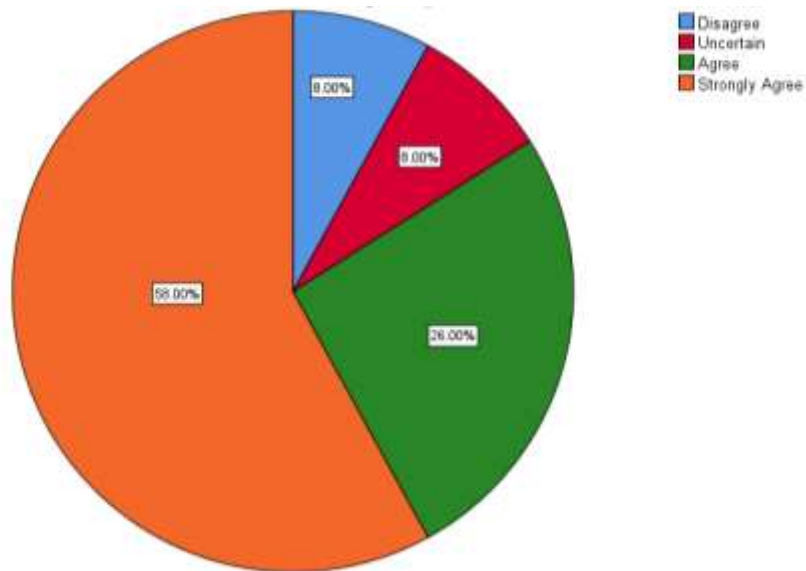


Figure 4.22 above demonstrates that 84% of the respondents agree that crime negatively affects SMMEs, 8% disagree and 8% indicated that they are uncertain.

**Figure 4. 23: Tax and labour laws negatively affect SMMEs**

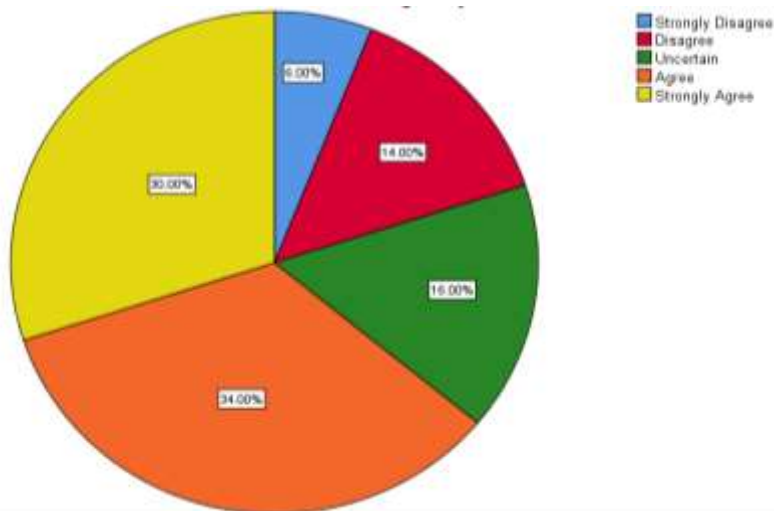


Figure 4.23 demonstrates that 64% agree with the above statement while 20% disagree. About 16% of the respondents were recorded as being uncertain.

**Figure 4. 24: Municipal by-laws negatively affect SMMEs.**

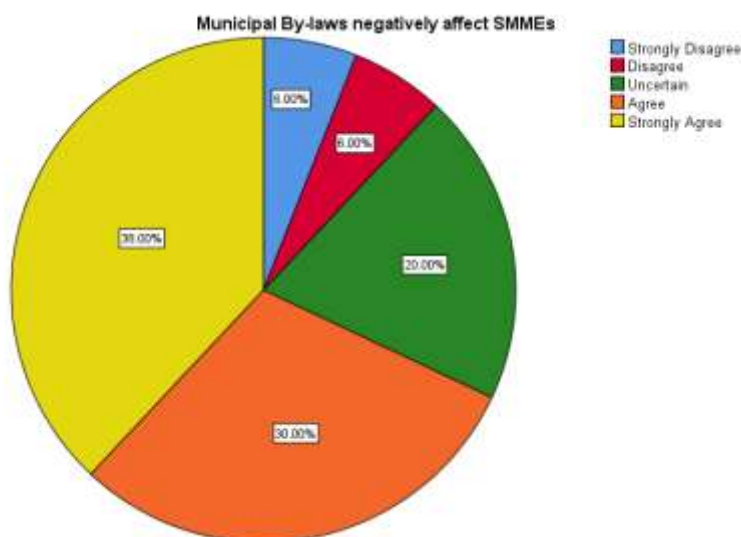


Figure 4.24 illustrates the effects of municipal by-laws on SMMEs. It shows that 68% of the respondents agree with the statement, 12% disagree and 20% stated that they are uncertain.

#### 4.3.2 Data analysis: Semi-structured interviews

To supplement the above data, the researcher also obtained data through the use of interviews. The interviews were semi-structured, conducted with 15 respondents from the same population to elicit information on the sustainable economic development challenges faced by them as managers of SMMEs in LNM. The rationale for the usage of mixed methods was to strengthen the validity and reliability of the study and to confirm if the research will yield the same results, hence, qualitative and quantitative data collection ran concurrently.

#### The socio-demographics of the respondents were recorded as follows:

Out of the 15 respondents who were interviewed, nine were males and six were females. The respondents comprised four managers, one owner and ten were both manager and owner. Five of the respondents' businesses are located in a rural area and ten in a semi-urban area.

#### The challenges experienced by managers were also recorded as follows:

#### 4.3.2.1 Access to funding

Out of the total number of people interviewed, only a few indicated that they received funding. The majority indicated that they used their savings and some borrowed from friends and family to start their businesses. From this information, it is clear that lack of funding hinders the growth and sustainability of SMMEs. In some cases, it is owing to a lack of information of the respondents on various funding opportunities available to them. Some responses were recorded as:

Respondent 4: *"I don't have any knowledge about any government funding. I went to the municipality to request assistance but I have turned away without being referred further. Maybe it is my ignorance, or maybe I am not connected enough. I still need to do my investigation. Maybe I will find the information"*.

Respondent 2: *"I did not receive funding due to lack of proof of viability and sustainability since I applied for funding when what we had then was just an idea. I used my savings but they were not enough. I just grow as I go"*.

Respondent 7: *"I applied for funding from the government but my application was not successful. I approached private funders (banks) to request a loan but because I was unemployed, my application got rejected due to lack of security. I ended up borrowing from my friends and family, and had to reduce the business scope because the money raised could not cover everything"*.

Respondent 14: *"It is obvious that government agencies will not fund me since they have their own people whom the majority are politicians. I did not even try. I also hate interest on bank loans so I decided to retire and use my pension money to start my business"*.

Respondent 15: *"It is difficult or impossible to secure funding for a taxi or transportation business. The government does not fund such businesses because of the risk associated with this kind of business, and banks still need collateral and they rarely fund this kind of businesses. It is unfair for the government to discriminate against the taxi business as it also contributes to job creation and boosting the economy"*.

#### **4.3.2.2 Are various organisations established to support SMMEs helpful?**

A few respondents interviewed indicated that the organisations are helpful. Most of the participants demonstrated that they never see them and never have visits from them. Some respondents were recorded as saying:

Respondent 3: *“They never offer us any kind of support – technical or financial. It is like they don’t exist”.*

Respondent 7: *“Some government officials came to our village and conducted a workshop on business skills and how we can start our own businesses. It was valuable information and we started to gather ideas together but then they disappeared without offering us start-up capital”.*

#### **4.3.2.3 Does competition negatively affect your business?**

Majority of the respondents indicated that competition does affect them, and only a few indicated that they are not affected. Competition has a negative impact and the responses were recorded as follows:

Respondent 2: *“There are lots of people offering the same services that we offer. It is tough, at times we have to lower our prices to attract customers”.*

Respondent 7: *“The retail sector is the simplest to do because you just identify a product and run with it. It is tough however because most people do it since it is the easiest”.*

Respondent 8: *“The market is saturated. There is over supply of overnight accommodation business in this area. I am still gathering ideas of what I should do with the place”.*

Some of the respondents indicated that despite enormous competition visible in the area, they have a viable strategy that attract clients. They indicated that:

Respondent 4: *“There are a lot of businesses offering similar services, but the marketing plan that we have is innovative and moves with the current market situation”.*

One respondent indicated that in terms of market they do not experience any challenges since there are no other similar businesses around them.

Respondent 9: *“We are the only bakery business in the area and people buy from us. Our customers include local businesses who buy bread from us to make township burgers; and individuals”.*

#### **4.3.2.4 Has your company ever experienced fraud?**

Few participants interviewed indicated that they did experience fraud at some stage in their business operation. The following are some of the responses provided by the respondents:

Respondent 1: *“We bought equipment online and it was never delivered”.*

Respondent 3: *“We experienced cheque fraud where we were requested to submit a quotation and surprisingly, we were paid in advance. Those people deposited more than we quoted and later indicated that we should deposit the difference back, only for the cheque to bounce later or the money to be reversed by the financial institution”.*

Respondent 6: *“We often experience fraud from customers paying with counterfeit notes. We only realise it when we buy from big retail outlets or when we bank”.*

#### **4.3.2.5 Marketing and the importance of having a marketing manager**

Majority of the respondents indicated that they do not have marketing managers while only a few indicated that they do have. Marketing is an essential part of the business. A business cannot grow and sustain without a marketing plan (Cant,



2012). Most respondents indicated that they use word of mouth and customer recommendation as their marketing strategy. Some indicated that they use social media, and only one indicated that they have a marketing plan in place to attract customers. Some of the respondents indicated that:

Respondent 11 *“Marketing for what? We are visible where we are. There is no need for marketing.”*

Respondent 5: *“We wish to hire a marketing manager but we cannot afford them because we are still a small company. For now, we rely on word of mouth and customer recommendations”.*

Respondent 3: *“Our marketing strategy is the distribution of flyers, branding vehicles and pasting adverts on notice boards. We sometimes use social media to market our business. The marketing manager is going to cost the company a fortune. We would rather rely on traditional marketing ways”.*

#### **4.3.2.6 Do you have a financial manager within your business?**

Most of the respondents indicated that they do not have a financial manager and only one has. It emerged through the interview that the financial manager is the very same owner and business manager, who is an accountant by profession. For some companies without that added advantage, they indicated that they find it difficult to hire a financial manager since they do not have much income and that will harm the finances of the institution. Some did not see a need for a financial manager. Some were recorded as saying:

Respondent 7: *“We don’t have much income; so, it is easier to manage the finances ourselves”.*

Respondent 4: *“Bookkeeping and financial management are a challenge. Unfortunately, at this stage we cannot afford to hire a financial manager. We only outsource when we do tax returns”.*

#### **4.3.2.7 How do you ensure that you source qualified and skilled personnel?**

When asked about the HR manager and the functions associated with hiring, the majority of the respondents indicated that they do not hire skilled people but rather a person with the strength to carry out the work and who is trainable. The respondents indicated that:

Respondent 1: *“We hire people who are trainable rather than the ones who are qualified. We also don’t need the services of human resources since we do our own adverts on notice boards and through word of mouth. We start by telling our internal staff to bring CVs of their people”.*

#### **4.3.2.8 How does crime affect your business?**

Most respondents indicated that they did experience crime in their business operations. Some respondents indicated that they mostly experience crime from internal people rather than external ones. The responses were recorded as follows:

Respondent 13: *“We only have barbed wire fencing and it is often cut by thieves to gain entry and steal from us. Sadly, we do not have CCTV cameras or physical security because we cannot afford them for now”.*

Respondent 9: *“Some of our employees operate small bakery businesses in the backyard of their homes. They steal baking ingredients from the business. We are overwhelmed with lots of CCMA cases due to that”.*

Respondent 2: *“Making photocopies and printing personal documents is a serious kind of theft that employees view as normal. It is a normal practice to them. This puts a lot of pressure on the business”.*

#### **4.3.2.9 Do you give credit to customers?**

Few respondents indicated that they do give credit to customers. They indicated that:

Respondent 8: *“We give customers credit to try to help them, and also to capture them so that they don’t go to other businesses. But they repay us poorly it makes us sad”.*

Respondent 9: *“Some do not repay and some pay after time. We try not to give credit but our clients are vulnerable”.*

Respondent 3: *“Our clients pay long after their weddings have passed. We initially said we will only render our services once payments are concluded, but it is often impossible because they will be begging you to a point that you feel bad”.*

Respondent 10: *“We compile safety files for construction companies and some end up not paying because the government did not pay them”.*

#### **4.3.2.10 Does poor pricing affect your business?**

Some of the respondents indicated that pricing is a challenge for them. They indicated that they sometimes lower the price to beat the competitor.

Respondent 12: *“I don’t have a guide. I just compare my prices with those of others. It is burdensome since I sometimes run at a loss”.*

Respondent 3: *“Our prices are lowered because of market concentration”.*

One respondent indicated that they stick to calculations even if they might not get a customer because their prices are viewed as being too high. They said:

Respondent 13: *“We put 30% mark-up which we feel is fair for our clients. Still, we are unable to beat the prices of our competitors, but it is better than running at a loss”.*

#### **4.4 Synthesis on the findings**

In the next section, the findings of the empirical research and semi-structured interviews will be presented.

#### **4.4.1 Findings from the empirical study**

Semi-structured interviews and structured questionnaires were used to elicit information from the respondents. The usage of both methods of data collection was deliberate as the researcher wanted to confirm face-to-face if the research will yield the same results, and also increase the reliability and validity of findings. The investigation started by obtaining the demographics of the respondents such as gender, educational levels, years of experience, the duration that the company has been operating, among others. Such information helped in identifying the root cause of the problem and helped identify recommendations that will assist to curb the challenges. Data collection tools employed in this study were used to determine the challenges faced by SMMEs. The findings on the challenges experienced by SMME managers were also discussed.

##### **4.4.1.1 Findings on the socio-demographics of the respondents**

The following is a brief description of the socio-demographic data of the participants and the findings are presented as follows:

4.4.1.1.1 Sixty-six (66%) of the respondents were male.

4.4.1.1.2 Fifty-six (56%) of the SMMEs are located in the semi-urban areas.

4.4.1.1.3 Forty-six (46%) of the respondents were both owner and manager.

4.4.1.1.4 Twenty-two (22%) of the respondents have no formal education.

4.4.1.1.5 Fifty-two (52%) of respondents have between 1 and 5 years of experience as managers.

4.4.1.1.6 Forty-four (44%) of the respondents have been with the company for between 1 and 5 years.

4.4.1.1.7 Forty-six (46%) of the respondents have PTY (Ltd).

4.4.1.1.8 Thirty-eight (38%) of the respondents are in the services sector.

4.4.1.1.9 Sixty-six (66%) of the respondents indicated that their businesses are micro.

- 4.4.1.1.10 Sixty (60%) of the management team only have a senior certificate.
- 4.4.1.1.11 Fifty-four (54%) of the respondents do not have a business plan.
- 4.4.1.1.12 Sixty-two (62%) of the respondents indicated that they do not have a financial manager.
- 4.4.1.1.13 Seventy -eight (78%) of the respondents do not have a marketing manager.
- 4.4.1.1.14 Fifty-six (56%) of the respondents indicated that they have an annual turnover of less than R100 000.
- 4.4.1.1.15 Fifty-six (56%) of the respondents indicated that they rely on customer recommendations to market their businesses.
- 4.4.1.1.16 Sixty-two (62%) of the respondents indicated that they are renting their business premises.
- 4.4.2.1.17 Sixty-two (62%) of the respondents indicated that they used their savings to start-up their businesses.
- 4.4.1.1.18 Forty-eight (48%) of the respondents indicated that they never take their employees for customer care training.
- 4.4.1.1.19 Forty-six (46%) of the respondents indicated that they rarely employ the usage of ICT in their business.
- 4.4.1.1.20 Eighty-two (82%) of the respondents indicated that they use e-mail as a means of communication within and outside the business.
- 4.4.1.1.21 Seventy-six (76%) of the respondents indicated that they do not have a corporate social responsibility to attract customers.

#### **4.4.1.2 Findings on the challenges**

The following are the findings based on the sustainable economic development challenges faced by managers of SMMEs at LNM. The following challenges, as mentioned in Chapter 4, were discovered.

- 4.4.1.2.1 Seventy-eight (78%) of the respondents agreed that the manager's level of education is a challenge for SMMEs growth.
- 4.4.1.2.2 Sixty-eight (68%) of the respondents agreed that corruption affect SMME funding.

- 4.4.1.2.3 Seventy-six (76%) of the respondents agreed that competition is a challenge for SMMEs.
- 4.4.1.2.4 Eighty-six (86%) of the respondents agreed that location has an impact on the sustainability or the collapse of SMMEs.
- 4.4.1.2.5 Ninety-two (92%) of the respondents agreed that a lack of proper financial skills negatively affects the development of SMMEs.
- 4.4.1.2.6 Seventy-six (76%) agreed that a lack of proper marketing skills harms SMME development.
- 4.4.1.2.7 Ninety-two 92% of the respondents agreed that lack of funding negatively affects SMME growth.
- 4.4.1.2.8 Eighty-four (84%) of the respondents agreed that lack of expertise from HR is an obstacle for SMME growth.
- 4.4.1.2.9 Ninety-two (92%) of the respondents viewed a lack of access to finance as a hindrance to business growth and sustainability.
- 4.4.1.2.10 Eighty (80%) of the respondents confirmed that high rental amounts negatively affect SMMEs.
- 4.4.1.2.11 Seventy-six (76%) of the respondents agreed that poor pricing is an obstacle for SMMEs.
- 4.4.1.2.12 Seventy-eight (78%) of the respondents agreed that giving credit to customers threatens the sustainability of SMMEs.
- 4.4.1.2.13 Eighty-four (84%) of the respondents agreed that the lack of a business plan hampers the growth of SMMEs.
- 4.4.1.2.14 Eighty-four (84%) of the respondents agreed that the lack of a clear market is a hindrance to SMMEs.
- 4.4.1.2.15 Ninety-four (94%) of the respondents indicated that fraud is evident among SMME and is a challenge.
- 4.4.1.2.16 Eighty-four (84%) of the respondents viewed crime as a hindrance to SMME growth and sustainability.
- 4.4.1.2.17 Sixty-four (64%) agreed that tax and labour laws are burdensome to SMMEs.
- 4.4.1.2.18 Sixty-eight (68%) of the respondents saw municipal by-laws as a growth obstacle.

#### **4.4.2 Findings from the semi-structured interviews**

Interviews with managers of SMMEs were also conducted to confirm whether both methods will produce same results. Data collection was conducted concurrently. Interviews focused mainly on the challenges that the managers do encounter.

In this research, the respondents identified the following themes as the major hindrances to SMME growth and sustainability within the study area.

- 4.4.2.1 Lack of funding is a key obstacle to the sustainability and growth of SMMEs.
- 4.4.2.2 Managerial competencies such as financial and marketing management affect the sustainability of SMMEs.
- 4.4.2.3 Lack of a clear market and business plan hamper the growth of SMMEs.
- 4.4.2.4 Competition (saturation) has a negative impact on growth and sustainability SMMEs.
- 4.4.2.5 Macroeconomic factors such as crime and technological advancements are hindrances to SMME growth and sustainability.
- 4.4.2.6 Regulatory constraints such as taxation, municipal by-laws and labour laws affect SMMEs.
- 4.4.2.7 Corruption negatively affects SMMEs access to funding.
- 4.4.2.8 Fraud affects SMME growth and sustainability.
- 4.4.2.9 SMMEs are negatively affected by poor location where clients cannot reach them, especially those in rural areas

#### **4.5 Chapter summary**

This chapter revealed that challenges concerning the sustainability of SMMEs in LNM do exist and need further investigation. The findings in this study provided awareness and understanding of most aspects that threaten SMME growth. Some of the challenges and factors that hamper the performance of SMMEs in this area were revealed and analysed. The results revealed a lack of funding as a serious challenge, with 92% of the respondents indicating to have had difficulty in getting finance. Crime was also ranked high with 84% of the respondents indicating that it does affect them. Other challenges relate to managerial competencies where 92%

indicated that they struggle owing to lack of knowledge on financial matters and 84% indicated that they are challenged by the unavailability of a business plan. From the findings, it is clear that SMME managers encounter challenges in their daily operations and needs support to grow and sustain their businesses. Data collected from the study were presented, analysed and interpreted in this chapter.

The next chapter (Chapter 5) will give a detailed discussion on the findings of the study and give recommendations and concluding remarks.



## **CHAPTER FIVE CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

The preceding chapter analysed the findings derived from collection of data as well as the presentation and interpretation of the results. Data were presented using tables, figures and frequencies, and the findings revealed that there are indeed challenges in the SMME sector that need to be looked at from a policy perspective. This chapter discusses the conclusion guided by the results. The findings demonstrate that SMME managers in LNM come across challenges that threaten their sustainability and progress. The chapter also provides conclusion and recommendations for additional studies. Recommendations deriving from empirical research and semi-structured interviews will also be highlighted.

### **5.2 Overview of the aims and objectives**

The study aimed to identify the economic sustainability challenges of SMMEs in Lepelle Nkumpi Municipality (LNM) and make recommendations to the stakeholders on remedial action. The study further aimed to bring awareness to the municipal authorities that if they assist SMMEs in eradicating sustainability challenges, they will immensely contribute towards job creation. The key objectives which guided the study are as follows: i. to determine the internal factors that hamper the sustainability and growth of SMMEs in LNM; ii. to determine the external factors that hamper the sustainability and growth of SMMEs in LNM; iii. to suggest strategies that can be used by policymakers to enhance the role of managers of SMME on sustainable community development at LNM.

### **5.3 Discussion on the socio-economic information of the respondents**

This section discusses the socio-economic findings of the respondents for the quantitative study which are presented as follows:

#### **Distribution of respondents by gender.**

The majority of the respondents who took part in the study (66%) were males compared to 34% of females. From the above data, it is evident that women are

reluctant than males in taking entrepreneurship opportunities. This is so despite the fact that the respondents were selected purposively from the list of the SMMEs obtained from the Limpopo Economic Development Agency (LEDA), the rationale being that the researcher wanted to include diverse participants as part of the study. Majority of the women identified were not reachable telephonically and physically, leaving the researcher to assume that they have moved or closed their businesses. This shows that women enterprises' face more sustainability challenges compared to the male counterparts. Neeley and van Auken (2010) confirm that women have challenges accessing capital than men, hence the limited involvement of women in business activities.

### **The location of the business.**

About 95% of Lepelle-Nkumpi municipality is mainly rural. Data collected indicate that only 32% of the respondents' businesses are located in a rural area, 12% in an urban area and the majority of respondents are located in semi-urban areas (56%). The analysis shows that rural areas are underdeveloped and do not have information and access to opportunities. The large area of this municipality is rural, but the majority of the SMMEs are in the smaller part of the municipality. Georgieva (2019) asserts that there is slower development in rural areas compared to urban areas, which has expanded the inequalities between these areas. He further state that SMMEs and the population at large in rural areas come across numerous problems including low labour productivity, poor quality products and local products which are non-competitive.

### **The role of the participants in the business**

The study revealed that 32% of the respondents are owners within the businesses, 22% are managers and 46% serve as both owner and manager within their businesses. The study reveals that many SMME owners perform multiple roles. Lobonțiu and Lobonțiu (2013) confirm that SMME owners prefer the owner-manager system since they solely decide when and how things are done and the decisions are quicker since they involve fewer individuals.

### **The level of education of the respondents.**

The study revealed that 26% of the respondents have no formal education, 2% have primary education, 24% have secondary education, 14% have grade 12, and 22% have a postgraduate qualification.

From the above analysis, it is apparent that the most of the participants lack formal education, which is worrying since they are business owners/managers. Jiménez, Palmero-Cámara, González-Santos, Gonzalez-Bernal and Jiménez-Equizábal (2015) indicate that people with higher education levels are in a better place to evaluate opportunities as they present themselves, and fully utilise them. Leitao and Franco (2011) concur that education and firms' performance are interrelated. The owner's level of education determines the firm's performance.

#### **Number of years of experience.**

The study indicates that 38% of the respondents have less than 1 year experience as managers, 52% have between 1 to 5 years, 8% have between 6 to 10 years and 2% have 11 to 15 years. The above table suggests that the majority of managers have an average of 5 years' experience. Fatoki (2014) highlights that lack of managerial competencies encompasses issues such as lack of entrepreneurial experience among others which have an impact on sustainability. In addition, he indicated that the firm is likely to perform better and generate more income and have more profits if the manager is educated and experienced.

#### **The number of years within the company.**

About 16% have been with the company for less than 1 year, 44% are those that have between 1 and 5 years, 24% are between 6 and 10 years, 12% are between 11 and 15 years while only 4% are those with more than 15 years. The managers' loyalty within the company is proven by the number of years that they have spent with the company. The above findings might mean many factors, including the fact that the managers are looking for greater opportunities elsewhere rather than to grow the businesses that they manage, or that there is more collapse in SMMEs hence the unsteadiness of managers.

### **The number of years the business has been in operation.**

Data collected show that 18% have been in operation for less than 1 year, 36% have operated for between 1 and 5 years, 32% between 6 and 10 years, 10% between 11 and 15 years and only 4% operated for over 15 years. The study reveals that the majority (54%) of the businesses are still at infancy stage.

### **Type of company.**

About 46% of the respondents own PTY(Ltd), 16% own close corporations, 22% are sole proprietorship while 16% are in family-owned businesses. The table above shows that the majority of companies (62%) are registered and therefore are legally compliant. Literature shows that the majority of small businesses run by the family are survivalists and some are not registered (Keksin, Sentürk, Sungur and Kiris, 2010).

### **Economic sector of SMMEs.**

The findings are that 20% of the SMMEs are in retail trading, 12% are in construction/mining, the manufacturing sector constitutes 24%, the services sector is represented by 38%, agriculture is 2%, real estate is 2% and information technology also constitutes 2%. This study revealed that there is a higher concentration in the services sector compared to other sectors. Entrepreneurs choose businesses that they enjoy and are comfortable in doing (Lobonțiu and Lobonțiu, 2013).

### **Size of the business.**

The study revealed that 66% of the SMMEs are micro, 20% are small and 14% are medium. Furthermore, the study revealed that the majority of the SMMEs in Lepelle Nkumpi are micro; they have fewer employees, which proves that there is less growth and job creation among SMMEs in this area.

### **The qualification of the management team.**

The study shows that 30 respondents (60%) only have a senior certificate, 14 (28%) have a national diploma and 6 (12%) have a junior degree. The study revealed that the majority of the management team within the business possess only a senior certificate. It is worrying since literature proves that the longevity of an enterprise depends on the qualities possessed by the manager including human capital and skills (Szcepańska-Woszczyńska and Kurowska-Pysz, 2016; Leitao and Franco, 2011; Jiménez, Palmero-Cámara, González-Santos, Gonzalez-Bernal and Jiménez-Equizábal, 2015).

### **Availability of business plan within the business.**

The study reveals that 28 respondents (56%) do not have a business plan and 22 (44%) are in possession. The information provided suggests that the majority of respondents operate businesses without having a business plan. Wang, Walker and Redmond (2011) indicate that enterprises that have a map of how their business should run are inventive and their businesses are more likely to expand. Therefore, SMMEs that have business plans are likely to perform better.

### **Availability of a financial manager within the business**

The findings of the study reveal that 38% of the respondents have financial managers while 62% do not have. The data presented in this figure demonstrate that the majority of respondents indicated that they do not have financial managers in their enterprises. Good financial management influences firm growth. Ekpo, Etukafia and Udofot (2017) attest that the role of finance manager in a business is of importance as it increases business sustainability. The financial manager ensures proper utilisation of funds, and reporting. SMMEs that are without financial managers are likely to make bad financial decisions that might implicate the business and threaten their sustainability.

### **Marketing managers within the business.**

78% of the respondents who took part in the study indicated that they do not have a business promotion manager whereas only 22% indicated that they do have. A good marketing model is characterised by accountability, creativity and customer

connecting capabilities. These competencies will take the business forward, and therefore ensure sustainability. The enterprise's market alignment influences business performance. Marketing managers possess skills that connect customers with products and that is vital for business growth and sustainability (Wirtz, Tuzovic and Kuppelwieser, 2014).

### **Annual turnover of the company**

The study indicates that 52% of the SMMEs make a yearly income not exceeding R100 000, 40% makes between R101 000 and R500 000 and only 8% generate over R1000 000. The findings from the study indicate that indeed the majority of the businesses in LNM have petite income, which might make it difficult for SMMEs to sustain themselves.

### **Marketing plan of the business**

The study reveals that only 8% of the respondents have a marketing plan while 36% use word of mouth. In addition, 56% indicated that they get business through the recommendations by previous customers. The figure above indicates that SMMEs rely on traditional ways of marketing their businesses. This might be because the majority of respondents (78%) indicated that they do not have marketing managers.

## **5.4. Results on the challenges faced by SMME managers / owners**

This section presents the discussion of the results based on the internal and external factors that affect SMME growth and sustainability

### **5.4.1 Results from the quantitative study**

#### **State of occupancy of the premises.**

Thirty-one (62%) of the respondents are renting, 11 (22%) are the owners of the premises, 6 (12%) have borrowed the places, 1 (2%) has indicated that they are occupying the premises illegally and a further 1(2%) indicated other. The majority of SMMEs, according to the figure above, are renting compared to 22% who are

owning. It is clear from the above data that indeed SMMEs are challenged by high rental values.

### **Source of funding for business start-up.**

62% of the respondents indicated that they used their savings to start their businesses, 12% indicated that they used bank loans, 16% indicated that they borrowed from friends and family and only 10% got funding from government / private sector grants. The study revealed that the absence of funding is a challenge for SMMEs since the majority have to devise their means to get start-up capital.

### **Customer care training for employees.**

48% of respondents never take their team for customer care training, 34% of the respondents indicate that they sometimes do and 18% indicated that they often take their team for customer care training. The data provided here indicate that capacity building in small businesses is not prioritised. SMMEs do not see training as a contributing factor towards growth and sustainability.

### **Use of ICT within the business.**

The study shows that 23 respondents (46%) rarely adjust to technological changes as they come. Respondents who never, who often and who always adjust shared an equal percentage of 18 each. The adoption of ICT by SMMEs could lead to sustainable businesses and could be a vehicle to address socio-economic challenges encountered (Bvuma and Marnewick, 2020; Fosu, 2018).

### **Means of communication within the business.**

The study has revealed that 12% of the respondents preferred to use a fax, 82% prefer e-mail, 4% use websites, and only 2% use a telephone landline. The data presented above indicate that majority of respondents prefer to use e-mail as a means of communication compared to other methods. The 2% of the respondents who still use a landline and 12% that still use faxes are technologically left behind and need empowerment. There is more loss of connectivity owing to cable theft and e-mail has these days proven to be a reliable method of communication.

### **Managers' level of education and its implication on SMME sustainability.**

The majority of the respondents (78%) agree with the statement while 20% disagree. About 2% of the respondents are uncertain.

The above findings illustrate that the majority of the respondents believe that managers' level of education does affect the sustainability of SMMEs. Lack of education among SMME managers can lead to business failure; hence, the need for intervention in this regard.

### **Corruption negatively affect SMME growth.**

The study shows that 68% agree with the statement, 10% disagree and 22% of the respondents have been recorded as being uncertain. The findings indicate that corruption has an impact on SMME funding. Financing is key in business start-up and sustainability. Hence, the study revealed that there are deliberate blockages towards SMME financing which threatens their growth and sustainability.

### **How competition affects the business.**

The study reveals that 76% of the respondents agree that competition hampers the growth of SMMEs. About 16% of the respondents disagree while 8% are uncertain.

The findings above show that SMMEs are challenged by a lack of market access and competition. Most SMMEs focus on one sector which they see as easy to start and operate, and therefore, it becomes saturated and makes competition even tougher. Table 4.9 indicates that the majority of SMMEs (38%) are in the retail sector, which proves that there is saturation in that sector and it might be difficult for those enterprises to grow and sustain unless they do their thorough market research. Georgieva (2019) attests that market failure affects SMME development. They make the environment less conducive and provide many challenges to competition.



### **Location of the business has an impact on the sustainability or the collapse of SMMEs.**

An overwhelming majority (86%) of the respondents agree with the statement, 10% disagree while 4% were noted as uncertain. The studies conducted have proven that SMMEs located in rural areas are highly likely to experience challenges than their counterpart in other areas (Georgieva, 2019).

### **Lack of managerial competencies affects SMME development.**

About 92% of the respondents agree with the statement while 8% disagree. The data illustrate that the majority of respondents view financial management as a skill that SMME managers should possess. Ekpo, *et al.*, (2017) corroborate to the fact that financial management is crucial for business development.

Business failure in SMMEs is also attributed by managers' lack of expertise on operational issues such as marketing, human resources as well as financial management. 76% of the respondents view lack of proper marketing skills as affecting the sustainability of SMMEs, 14% they disagree with the statement while 10% is uncertain. It is disturbing that 10% of the respondents are not certain about the issue. There is a need for intervention and information sharing with companies to demonstrate the usefulness of marketing skills within small businesses.

Also detrimental to the sustainability of the SMMEs is the lack of expertise from human resources management, which is the key component of the business to ensure that an effective team is set-up for production. The study depicts that 84% of the respondents agree with the statement, 6% disagree and 10% are uncertain. The information above indicates that the majority of respondents agree that lack of expertise from HR management has a negative influence on the recruitment of qualified and skilled personnel. Rauch (2011) attests that the human resource of the company determines the small business growth and sustainability since innovation within businesses requires several employees' efforts, therefore sourcing of employees affect the firms' performance. It is quite impressive that SMMEs in

Lepelle Nkumpi Municipality see HR as a critical role player in the sustainability of the business.

### **Lack of funding affect SMME Growth.**

The findings of the study shows that the majority of the respondents (92%) affirm that lack of funding negatively affects the growth of SMMEs while only two respondents (4%) disagree with the statement. A further 4% (2) respondents were unsure.

The above information indicates that the majority of the respondents believe that lack of funding negatively affects SMME growth. Bekele and Zekele (2008) and Jibir (2015) in Bello *et al.* (2018) posit that inaccessibility of finance is regarded as main obstacle to economic growth and sustainability. There is a correlation between access to finance and the firms' performance.

### **High business rental amounts lead to the collapse of SMMEs.**

Figure 4.16 shows that 80% of the respondents agree with the above statement, 12% disagree and 8% are unsure. From the above data, it is apparent that the majority of the respondents believe that SMMEs collapse owing to the high rental amounts that they incur monthly. About 8% of the respondents who were recorded as uncertain might be because they have their premises and they never rented before. Hence, they do not have knowledge of the issue.

### **Poor pricing is an obstacle for SMMEs.**

Figure 4.17 indicates that 76% of the respondents agree with the statement, 14% strongly agree and 10% have been recorded as uncertain. The findings indicate that majority of the respondents view poor pricing as an obstacle to SMME growth. Owing to the high concentration of SMMEs in one sector, they have adopted a strategy of 'beating the price" without looking at the outcome of their decision. Competition is a major factor in SMMEs being unable to price correctly.

### **Giving credit to customers threatens the sustainability of SMMEs.**

Figure 4.18 above reveals that 78% of the participants agree with the statement, 16% disagree whereas 6% is uncertain. The data presented in this figure indicate that most of the participants affirm that giving credit to customers is a threat to the business. It is a standard practice, especially in informal businesses, that customers receive goods on credit. This practice has been going on even though SMMEs, unlike large firms, do not have debt collection strategies.

#### **Lack of business plan hampers the growth SMMEs.**

Figure 4.19 above shows that 84% of the respondents agree with the statement, 4% disagree and 12% were not sure. The above findings indicate that the most of the respondents see the unavailability of a business plan as a barrier to SMME growth. Business plans are important in shaping and guiding business growth (Wang, *et al.*, 2011).

#### **Lack of clear market negatively affect SMMEs.**

Figure 4.20 indicates that 84% of the respondents agree with the above statement, 8% disagree and 8% are uncertain. The findings that the majority of respondents believe that the lack of a clear market negatively affects the growth and sustainability of the business. Furthermore, the findings above are possibly influenced by the fact that 54% of the respondents indicated that they do not have a business plan and 78% were recorded as not having a marketing manager. This highlights the importance of assigning duties to qualified, skilled and experienced.

#### **Fraud hinders the development and sustainability of SMMEs.**

Data collected recorded that 94% of the respondents agree that fraud hinders the development and sustainability of SMMEs, 2% disagree and 4% were recorded as uncertain. The findings illustrate that the majority of respondents (94%) agree that fraud affects their businesses. The findings indicate that the most popular ones are credit card fraud and the usage of counterfeit notes. Viviers and Venter (2008) confirm that fraud by suppliers and service providers is highly evident.

#### **Crime negatively affect SMMEs.**

Eighty-four percent (84%) of the respondents agree that crime negatively affects SMMEs, 8% disagree and 8% indicated that they are uncertain. This posits that the majority of respondents believe that crime negatively affects SMMEs. Literature conducted proves that indeed crime does affect SMMEs. Crime is highly graded in the grading of the obstacles affecting SMMEs. It is highly evident in South Africa and both formal and informal SMMEs are affected (Ramukumba, 2014; Olawale and Garwe, 2010).

### **Tax and labour laws negatively affect SMMEs.**

The study conducted reveals that 64% agree with the above statement while 20% disagree. About 16% of the respondents were recorded as being uncertain. From these findings, it is evident that the majority do see tax and labour laws as obstacles. Eight respondents have indicated that they are unsure, which shows that there is a need for information sessions to be conducted among SMMEs. Literature conducted demonstrates that there is a harsh legal environment and minimum wage imposed on SMMEs which negatively impact their growth and sustainability.

### **Municipal by-laws negatively affect SMME.**

Figure 4.24 illustrates the effects of municipal by-laws on SMMEs. It shows that 68% of the respondents agree with the statement, 12% disagree and 20% stated that they are uncertain. From the findings, the majority of the respondents showed that municipal by-laws are not conducive to SMME growth and development. Abrasive by-laws can be detrimental to the sustainability of SMMEs.

## **5.4.2 Results from the qualitative study**

### **The socio-demographics of the respondents were recorded as follows:**

Out of the 15 respondents who were interviewed, nine were males and six were females. The respondents comprised four managers, one owner and ten were both manager and owner. Five of the respondents' businesses are located in a rural area and ten in a semi-urban area.

**The challenges experienced by managers were also recorded as follows:**

### **Access to funding**

The findings of the study reveal that SMME access to funding is still a challenge. Majority of the respondents indicated that they used their savings to start their businesses and some indicated that they borrowed from friends and family. Only a few indicated that they received funding. From this information, it is clear that lack of funding hinders the growth and sustainability of SMMEs. In some cases, it is owing to a lack of information of the respondents on various funding opportunities available to them, lack of collateral, some to bottlenecks associated with obtaining funding from the state agencies as some respondents indicated that fraud and corruption are the main obstacle to funding. The taxi industry is one of the business which the government neglect when it comes to funding. The taxi owners feel the government is unfair towards them as they have to device other means of securing funds, which are often too risky.

### **Are various organisations established to support SMMEs helpful?**

The study reveals that SMMEs do not receive much anticipated assistance from the business support organisations which are meant to support them. Only a few indicated that they constantly receive support from such organisations while the majority indicated that they never receive any technical or financial assistance from them. The data also reveals that some organisations go to the communities but never follows-up on the information they presented to their clients. This maybe a shortcoming also on the side of the respondents that they do not do follow-ups themselves which proves their lack of management skills.

### **Does competition negatively affect your business?**

Competition affects a lot of SMMEs. The SMMEs sector in Lepelle Nkumpi Municipality is dominated by the retail sector. Majority of the respondents indicated that Majority of the respondents indicated that competition does affect them, since retail is easier to start and operate majority of entrepreneurs opt for it. They just buy products and sell them raw as they are, which makes people be more interested in

it. One respondent indicated that they also have to lower prices to try and attract customers. One respondent indicated that he is even considering changing the business model, though he is still trying to figure out what to do with the structure which is currently in place. One respondent indicated that in terms of market they do not experience any challenges since there are no other similar businesses around them.

### **Has your company ever experienced fraud?**

It is fortunate for SMMEs within Lepelle Nkumpi Municipality that they do not experience fraud too often. Fraudulent activities are still scares compared to what is experienced by SMMEs in cities. The type of fraud hitting SMMEs in this area includes online purchases and cheque fraud. Purchase of goods and payment of services rendered using counterfeit notes is also one of the common crime experienced by SMMEs in this area. They indicated however that these crimes happen only once in a while, but when they do happen, the impact is massive.

### **Marketing and the importance of having a marketing manager**

The study revealed that some SMMEs do not have a marketing manager due to different reasons that they have. Some indicated that that do not afford to hire one, while others do not see a need. Some respondents indicated that it is going to be costly for them to hire a marketing manager, but they rely on the distribution of flyers as a marketing strategy. The literature review conducted proves that it is important to have a marketing plan within a business. Marketing is an essential part of the business. A business cannot grow and sustain without a marketing plan (Cant, 2012). Most respondents indicated that they use word of mouth and customer recommendation as their marketing strategy. Some indicated that they use social media, and only one indicated that they have a marketing plan in place to attract customers.

### **Availability of a financial manager within the business**

Some SMMEs indicated that they do not have a financial manager. This is proof that SMME managers / owners perform many roles. This factor is attributed to the fact

of lack of finance from the SMMEs. Some respondents indicated that they do not have a budget to employ the services of a financial manager. They admit however that it would have been better if they were having a financial manager who would take care of the finances and bookkeeping.

### **How do you ensure that you source qualified and skilled personnel?**

Most SMMEs still operate businesses traditionally. They do not see a need to have an HR manager and most still believe that they hire people that they know and they will learn the business etiquettes on-the-job. One respondent indicated that as long as the person shows interest and willingness to learn they hire them. There is no need for classy HR processes.

### **How does crime affect your business?**

Poor security measures make SMMEs more susceptible to crime. The study reveals that most crimes are usually committed by the employees rather than customers or external people. Some respondents indicated that they only have barbed wire in their businesses to protect them. They indicated that they do not have CCTV cameras since they are expensive. One respondent indicated that where there is conflict of interest that is here the most crimes are committed. The respondent highlighted that some of their employees operate similar businesses at home and they steal from the company to boost production and sales at their backyard business. They end up having lot of CCMA cases to that. One common crime was found from internet cafes where employees make personal photocopies at the expense of the company, and stealing baking ingredients from a bakery business.

### **Giving credit to customers affect SMMEs**

Giving customers credit was also explored as a factor that could negatively impact on the sustainability of the SMMEs. Some respondents indicated that they do give credit to their regular customers to try to prevent them from going to other businesses. The challenge that these SMME managers face is that the borrowers do not pay in time and do not honour their debt obligations. One respondent who operates an events company indicated that the customers pay long after the event

has passed and this affects their businesses negatively. Some SMMEs revealed that the bad debtors are not only individual but big institutions and government departments due to the long processes that have to be followed for them to effect payment.

### **Poor pricing affects the business**

Inability of SMMEs to price correctly negatively impacts on their sustainability. Lack of proper pricing of the prices and services on the side of the SMMEs is also attributed to lack of management skills, which is the internal factors. Some of the respondents they sometimes price to beat the competitor. Some indicated that they do not use any guide, they only use comparison method, some say they are forced by market concentration to lower prices while one respondent indicated that they are guided by the fundamental rule of calculating their 30% profit on the purchase price and labour. The respondent indicated that they rather lose the customer than run at a loss.

### **5.5. Synthesis on the discussion of the results**

This study has shown that the internal and external factors that hamper the sustainability and growth of SMMEs do exist. The empirical research supports the literature review conducted that challenges do exist within SMMEs and among managers / owners of SMMEs. It has been shown that challenges include lack of managerial competencies and marketing skills being the internal factors and poor access to finance, competition and macroeconomic factors being the external factors.

In that regard, the first objective was to determine the internal factors that hamper the sustainability and growth of SMMEs in LNM. In that case the study has found that 52% of the participants are experienced managers and 78% of them proved that their business does not have marketing managers. This shows that marketing skills need to be developed for those businesses to succeed. The literature review conducted has demonstrated that managerial competencies are very important for firm growth and sustainability. Fatoki (2014) highlights that when the manager is educated and experienced the firm is likely to perform better. He further indicates that managerial competencies are measured by the level of education of the



founder, managerial and entrepreneurial experience of the managers, as well as business start-up, amongst others.

The second objective was to determine the external factors that hamper the sustainability and growth of SMMEs. This study shows that 62% of the participants use personal savings as a source of funding. It is not feasible for SMMEs to start and operate from such limited funds. Business start-up requires a lot of capital since it involves also the development of managerial competencies, amongst other important factors. Fatoki (2014) argues that access to finance is important for SMME growth and sustainability. The challenge of lack of funding might be due to lack of access to bank loans as well as tightened restrictions in some of the government or private sectors grants funders. The study also confirmed that 76% of the participants indicated that competition hampers the growth of their businesses. Prasanna *et al* (2019) highlights that SMME managers are not willing to adopt new production and marketing strategies, which poses as an obstacle.

The third objective was to suggest strategies that can be used by policymakers to enhance the role of managers of SMME on sustainable community development at LNM. Bonsu and Kuofi (2019) suggest that there is a need for proper accounting and managerial skills in order for a business to have a positive cash flow. Similarly, Lekhanya (2015) shows that the managerial skills can be attained through training programs within the business. On the other hand, Smit (1999) shows that proper understanding of relevance and importance of marketing skills leads to success within the business.

Furthermore, Ramukumba, (2014); and Ivanović-Djukić, Lepojević, Stefanović, van Stel and Ateljević (2019) suggests that a business with access to funds grows faster. Therefore, there is a need for funders to soften their terms and conditions in order for business be able to access such funds. Similarly, Arbor and Quartey (2010), Gullies (2018) and Prasanna *et al* (2019) show that there is a need for SMMEs to improve their products and be able to compete globally. This can be enhanced by willingness of the businesses to adopt new production and marketing strategies.

Most challenges that the SMMEs encounter can be attributed to lack of managerial competency within SMMEs. Challenges such as giving credit to customers as a

spirit of ubuntu among black businesses, poor pricing and competition are attributed to lack of managerial competencies. If managers of the business are not knowledgeable in the field of management the entire business will be negatively affected. Equally detrimental to sustainability of SMMEs is lack of access to funding which can also be attributed to lack of managerial incompetency. Most business owners / managers are unable to secure bank loans managerial competency is one of the criteria used to secure business loans from the banks (Fatoki, 2014). He adds that a combination of different resources which include human, physical and financial capital are required from an entrepreneur to ensure that small firms are sustainable.

In conclusion, the findings of the study are consistent with the literature review conducted. The issues that were identified in the literature as key hinderance emerged in the empirical research. The relationship between managerial competencies and firm growth that were studied in the literature were confirmed.

There is a relationship again between internal and external factors. The empirical research conducted proves that managerial competencies are important in addressing SMME challenges. If management is not knowledgeable on HR issues and recruitment processes, they will employ incompetent people who will likely derail the firm's performance, similarly, if there is lack of competency in the financial management component, inadequate cash flow will eventually affect the sustainability of the business.

## **5.6. Mitigating factors and recommendations**

Mitigating factors are those aspects that, when implemented, will be able to lessen the challenges that affect SMME growth and sustainability. Many researchers and authors have, over the years, developed expertise by studying a plethora of literature and are geared to offer recommendations.

The section presents recommendations deriving from empirical research and semi-structured interviews.

### **5.6.1 Recommendations**

The recommendations below are aimed at assisting SMME managers and / or owners as well as concerned stakeholders in growing and sustaining their businesses.

- 5.6.1.1 To confront the issue of inaccessibility of funding, government and parastatals should ensure that SMMEs receive funding in an impartial manner; and government should also serve as collateral for SMMEs with financial institutions where government could not offer the funding since lack of collateral proved to be a blockade for SMMEs.
- 5.6.1.2 SMME managers/owners should incorporate technology in the business operation for supreme productivity and growth.
- 5.6.1.3 SMMEs should invest in crime prevention strategies to fight crime that cripples small businesses. These could be the installation of CCTV, electric fence, alarms, car trackers, guarding services, scanners, and access control.
- 5.6.1.4 SMME managers/owners should prioritise human capital to ensure the growth and sustainability of SMMEs.
- 5.6.1.5 In a case where the enterprise does not have a financial manager, financial aspects of the business should be outsourced to an accountant.
- 5.6.1.6 SMME managers/owners should understand the importance of marketing management and its relevance to business growth and sustainability, and maintaining a strong customer base by keeping track of their regular customers and sending promotional messages and encouraging new ones to come back for more.
- 5.6.1.7 To address competition, SMME managers should consider collaborating and forming joint ventures where they can work together.
- 5.6.1.8 To avoid losing money through customers making purchases with counterfeit notes, SMMEs should purchase an ultraviolet light machine to identify fake notes.
- 5.6.1.9 Women should be better equipped with information relating to formal funding choices that are available besides using personal savings and borrowing from family and friends.
- 5.6.1.10 The government needs to remove entrance blockades for SMMEs.
- 5.6.1.11 The government needs to have a regulation that will ensure that large companies do not dominate the market.

- 5.6.1.12 The government needs to come up with a strategy of funding the taxi and logistics companies as well.
- 5.6.1.13 The government needs to provide training to SMMEs to equip SMME managers with hard (technical) and soft (business) skills.
- 5.6.1.14 The government needs to look at the issue of minimum wage and exempt other companies that are not yet developed to handle such a burden.
- 5.6.1.15 The government needs to contract suitable service providers that will focus mainly on the development of SMMEs by continually monitoring progress and assisting with services such as bookkeeping, developing marketing models and capacity building.

## **5.6.2 Significance of the study**

While SMMEs have been acknowledged for their role in employment creation and economic development both locally and internationally, they are experiencing failure. The growth of SMMEs is particularly lower in South Africa. Literature proves that majority of SMMEs collapse before they celebrate their fifth birthday (Chimucheka, 2015). It is against this background that the need to investigate sustainable economic development challenges faced by managers of SMMEs in Lepelle Nkumpi Municipality in the Limpopo province arose.

The aim of the study, which was to identify the economic sustainability challenges of SMMEs in Lepelle Nkumpi Municipality (LNM), make recommendations to the stakeholders on remedial action and bring awareness to the municipal authorities eradicating sustainability challenges was achieved. The research problem pertaining to the identification of internal and external factors affecting SMMEs has been solved as the factors were established and the extent at which they affect SMMEs was also discussed at length.

Much research has been conducted on small business in South Africa, but there are still many knowledge gaps relating to their performance, needs, challenges and opportunities. This knowledge gap makes it difficult to make meaningful interpretation of whether the policy interventions being implemented by the government are appropriate and making any significant impact on small businesses

development in the country, hence a need for the study on the sustainable economic development challenges faced by SMMEs at Lepelle Nkumpi Municipality in the Limpopo Province. The factors identified in this study and the recommendations made are going to make an addition to the existing body of knowledge on SMMEs and contribute to the SMME concept as a whole.

### **5.6.3 Recommendations for future research**

- 5.6.3.1 The impact of minimum wage on SMMEs in the Limpopo Province.
- 5.6.3.2 Challenges faced by tax compliant microenterprises in LNM.
- 5.6.3.3 Obstacles encountered by SMMEs in accessing finance.
- 5.6.3.4 The impact of competition on SMME performance.
- 5.6.3.5 The impact of training on SMME growth.

### **5.7 Conclusion**

The purpose of this study was to investigate the sustainable economic development challenges faced by managers of SMMEs at LNM. The main constraints towards SMME development were identified and deliberated on. Secondary data (Literature review) and primary data (empirical research and semi-structured interviews) were conducted on the topic. Chapter 5 of the study also summarised the findings and gave recommendations based on the literature review and the primary data.

The study is an eye-opener to policy makers and SMMEs themselves. Some of the recommendations suggested here can be adopted for the betterment of the SMME sector in the municipality.

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**Social Science Education and Economic Management Education  
Private Bag X1106, Sovenga, 0727, South Africa  
Tel: (015) 268 4230, Fax: (015) 267 3318,  
Email: [ongayi.wadesango@ul.ac.za](mailto:ongayi.wadesango@ul.ac.za)**

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## **Permission letter**

**TO:** Limpopo Economic Development Agency (LEDA)  
**FROM:** O.V Wadesango (Supervisor-MDEV)  
**DATE:** 03 August, 2020  
**SUBJECT:** Data collection

**Mashilo Kakaru Sinah** is requesting permission or approval from your organisation to collect data from SMMEs in Lepelle Nkumpi Municipality as part of the fulfilment of her MDEV (Masters in Development Planning and Management) studies. The University has granted her the approval to proceed with her action research titled "Sustainable Economic Development Challenges faced by Managers of Small, Medium and Micro Enterprises (SMMEs) at Lepelle Nkumpi Municipality in the Limpopo Province"

All ethical considerations shall be observed by the candidate. If any questions arise during her process of collecting data, you can contact me at the email or mobile stated above.

Sincerely,

A handwritten signature in black ink, appearing to read 'O.V Wadesango'.

Wadesango O





**University of Limpopo**  
**Social Science Education and Economic Management Education**  
**Private Bag X1106, Sovenga, 0727, South Africa**  
**Tel: (015) 268 4230, Fax: (015) 267 3318,**  
**Email: [ongayi.wadesango@ul.ac.za](mailto:ongayi.wadesango@ul.ac.za)**

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## **Permission letter**

**TO:** Lepelle Nkumpi Municipality (LNM)  
**FROM:** O.V Wadesango (Supervisor-MDEV)  
**DATE:** 03 August, 2020  
**SUBJECT:** Data collection

**Mashilo Kakaru Sinah** is requesting permission or approval from your organisation to collect data from SMMEs in Lepelle Nkumpi Municipality as part of the fulfilment of her MDEV (Masters in Development Planning and Management) studies. The University has granted her the approval to proceed with her action research titled "Sustainable Economic Development Challenges faced by Managers of Small, Medium and Micro Enterprises (SMMEs) at Lepelle Nkumpi Municipality in the Limpopo Province"

All ethical considerations shall be observed by the candidate. If any questions arise during her process of collecting data, you can contact me at the email or mobile stated above.

Sincerely,

A handwritten signature in black ink, appearing to read 'O.V Wadesango'.

Wadesango O



## ANNEXURE B: TREC letter



University of Limpopo  
Faculty of Management and Law  
**OFFICE OF THE EXECUTIVE DEAN**  
Private Bag X1106, Sovenga, 0727, South Africa  
Tel: (015) 268 2558, Fax: (015) 268 2873, Email: frikkie.ponelis@ul.ac.za

05 July 2019

Mashilo K.S (9809543) MDEV  
TURFLOOP GRADUATE SCHOOL OF LEADERSHIP  
MASTERS OF DEVELOPMENT IN PLANNING AND MANAGEMENT (Course Work)

Dear Mashilo K.S,

### FACULTY APPROVAL OF PROPOSAL

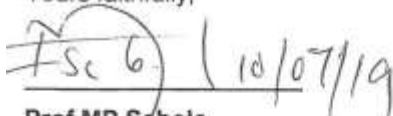
I have pleasure in informing you that your Masters proposal served at the Faculty Higher Degrees Committee meeting on **26 June 2019** and it was approved as follows:

*"Sustainable Economic Development Challenges Faced by Managers of Small, Medium and Micro Enterprises (SMMEs) at Lepelle Nkumpi Municipality in the Limpopo Province"*

Note the following: The study

Ethical Clearance	Tick One
Requires no ethical clearance Proceed with the study	
Requires ethical clearance (Human) (TREC) (apply online) Proceed with the study only after receipt of ethical clearance certificate	✓
Requires ethical clearance (Animal) (AREC) Proceed with the study only after receipt of ethical clearance certificate	

Yours faithfully,

  
Fsc 6 / 10/07/19

**Prof MP Sebola**

**Chairperson: Faculty Higher Degrees Committee**

CC: Supervisor, Dr O.V Wadesango, Acting Programme Manager, Mr M.B Njoko and Prof MX Lethoko, Acting Director of School.

**ANNEXURE C: Letter of request to complete questionnaire**

**Research title: SUSTAINABLE ECONOMIC DEVELOPMENT CHALLENGES  
FACED BY MANAGERS OF SMALL, MEDIUM AND MICRO ENTERPRISES  
(SMMEs) AT LEPELLE NKUMPI MUNICIPALITY IN THE LIMPOPO PROVINCE**

Researcher: Sinah Mashilo (Cell: 071 537 6548)

Supervisor: Dr Ongayi Wadesango (084 290 3575)

Dear Participant,

You are requested to complete the attached questionnaire which its main objective is to collect data from managers of SMMEs on the above approved topic. The study is being conducted as a requirement for the fulfilment of MDEV (Masters of development in Planning and Management) degree at the University of Limpopo

Kindly note that participation in this study is voluntary. You have the right to refuse to participate, to withdraw your participation at any time; and you will not suffer any negative consequences by doing so. The data collected shall be used for the sole purpose of this research and shall remain confidential. You are also assured that you shall remain anonymous. By completing and returning this questionnaire you are agreeing to participate.

Should you have any questions or seek clarity regarding the research please feel free to contact me on 071 537 6548 or [sinah.mashilo2@gmail.com](mailto:sinah.mashilo2@gmail.com).

Thank you in advance for your participation

Sincerely Sinah Mashilo

Researcher

## **ANNEXURE D: Letter of request to attend interview**

### **Research title: SUSTAINABLE ECONOMIC DEVELOPMENT CHALLENGES FACED BY MANAGERS OF SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs) AT LEPELLE NKUMPI MUNICIPALITY IN THE LIMPOPO PROVINCE**

Research investigator: KS Mashilo (071 537 6548)

Research supervisor: Dr O Wadesango (084 290 3575)

25 August 2020

Dear Sir / Madam

I am conducting research interviews as a requirement for the fulfilment of Masters degree in development studies (MDev – Planning and Management) at the University of Limpopo.

I hereby request your participation on the above approved topic. The interview takes approximately 45 minutes and is very informal. The purpose is to capture your thoughts and perspectives on the challenges faced by managers of SMMEs.

I don't anticipate that there are any risks associated with your participation as the research is carried out for academic purposes, you however, have the right to refuse to participate, to refuse to answer some of the questions which you feel uncomfortable with and to stop the interview or withdraw from participating at any time during the interview. You will remain anonymous and your responses will be kept confidential.

There is no compensation for participating in this study. However, your participation will be a valuable addition to the research and the findings could lead to a great understanding on the challenges faced by SMMEs within this municipality.

The interviews will be conducted between the 31 August 2020 and 02 September 2020. If you are willing to participate please suggest a date (from above) and time that suits you and I will do my best to be available. If you have any questions please do not hesitate to contact me on 071 537 6548 or e-mail [sinah.mashilo2@gmail.com](mailto:sinah.mashilo2@gmail.com)

Yours sincerely  
Mashilo KS  
Researcher

## **ANNEXURE E: Questionnaire**

This questionnaire is developed to establish sustainable economic development challenges experienced by SMME managers at Lepelle Nkumpi Municipality in the Limpopo Province.

**Please adhere to the following when answering questions:**

- Tick [√] the most suitable answer
- Tick [√] only one answer per question or statement

### **SECTION A**

The following questions are based on the demographic information of the businesses

1. Please indicate / What is your gender

- i. Male [ ]
- ii. Female [ ]

2. What is the location of your business?

- i. Rural area [ ]
- ii. Semi-urban area [ ]
- iii. Urban area [ ]

3. What is your role in the business?

- i. Owner [ ]
- ii. Manager [ ]
- iii. Both [ ]

4. What is your level of education?

- i. No formal education [ ]
- ii. Primary [ ]
- iii. Secondary [ ]
- iv. Grade 12 [ ]
- v. Post matric [ ]

vi. Postgraduate [ ]

5. How many years of experience do you have as a manager?

i. Less than one year [ ]

ii. Between 1 and 5 years [ ]

iii. Between 5 and 10 years [ ]

iv. Between 10 and 15 years [ ]

v. 15 years and above [ ]

6. How many years have you been with the company?

i. Less than one year [ ]

ii. Between 1 and five years [ ]

iii. Between 5 and 10 years [ ]

iv. Between 10 and 15 years [ ]

v. 15 years and above [ ]

7. How long has the business been in operation?

i. Less than one year [ ]

ii. Between 1 and 5 years [ ]

iii. Between 6 and 10 years [ ]

iv. Between 11 and 15 years [ ]

v. Over 15 years [ ]

8. Type of company

i. (PTY) Ltd [ ]

ii. Close corporation [ ]

iii. Sole proprietorship [ ]

iv. Family owned business [ ]

v. Partnership [ ]

vi. Other (Specify)\_\_\_\_\_

9. Please indicate the economic sector

i. Retail trading [ ]

ii. Construction / mining [ ]

iii. Manufacturing [ ]

- iv. Services [ ]
- v. Agriculture [ ]
- vi. Real estate [ ]
- vii. Information technology [ ]
- viii. Other (Specify) \_\_\_\_\_

10. What is the main activity of the business?

\_\_\_\_\_

11. How many employees does the company have?

- i. Micro (1 to 9) [ ]
- ii. Small (10 to 29) [ ]
- iii. Medium (30 to 140) [ ]

12. Do you have professionals in managerial positions in the company?

- i. Yes [ ]
- ii. No [ ]

13. What is the highest qualification on your management team?

- i. Senior certificate [ ]
- ii. National Diploma [ ]
- iii. Junior degree [ ]
- iv. MBA [ ]
- v. Other (Specify) \_\_\_\_\_

14. Does the company have an existing business plan?

- i. Yes [ ]
- ii. No [ ]

15. Does the company have a financial manager?

- i. Yes [ ]
- ii. No [ ]

16. Does the company have a marketing manager?

- i. Yes [ ]
- ii. No [ ]

17. What is the average annual turnover of the company?

- i. Less than R100 000 [ ]
- ii. Between R101 000 and R500 000 [ ]
- iii. Between R501 000 and R1000 000 [ ]
- iv. Over R1000 000 [ ]

18. How do you market your business / the service you provide?

- i. Word of mouth [ ]
- ii. Customer recommendation [ ]
- iii. Have a marketing plan [ ]
- iv. Other (Specify) \_\_\_\_\_

19. Do you have a corporate social responsibility strategy to attract customers?

- i. Yes [ ]
- ii. No [ ]

20. If yes, please provide details

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## **SECTION B**

The following questions relate to the sustainable economic development challenges that the management of the SMMEs experience

21. Please indicate the state of occupancy for the business

- i. Rented [ ]
- ii. Owned [ ]
- iii. Borrowed [ ]
- iv. Illegal occupancy [ ]
- v. Other (Specify) \_\_\_\_\_

22. What were the sources of funds for start-up business?

- i. Personal savings [ ]
- ii. Bank credit [ ]
- iii. Friends and relatives [ ]
- iv. Government / private sector grants [ ]
- v. Other (Specify) \_\_\_\_\_

23. Has the company ever applied for business finance from banks / business funders?

- i. Yes [ ]
- ii. No [ ]

24. If no, why not?

- i. Do not like the bank loans [ ]
- ii. Interest rate too high [ ]
- iii. No collateral to pledge / lack of collateral [ ]
- iv. Other (Specify) \_\_\_\_\_

25. If yes, what was the outcome?

- i. Granted [ ]
- ii. Partially granted [ ]
- iii. Not granted [ ]

26. If you have been refused funding from the bank / funders, what was the main reason for the refusal?

- i. Default on previous loans [ ]
- ii. No security to pledge [ ]
- iii. Too small equity base [ ]
- iv. Lack of experienced management [ ]
- v. Other (Specify) \_\_\_\_\_

27. Have you ever taken your team for customer care training?

- i. Never [ ]
- ii. Seldom [ ]



iii. Often [ ]

28. Technology is always evolving; do you adjust your business with technological changes as they come?

i. Never [ ]

ii. Seldom [ ]

iii. Often [ ]

iv. Always [ ]

29. Means of communication within the company (please circle appropriate)

i. Fax

ii. E-mail

iii. Website

iv. Landline

30. Do you consider expanding your business by introducing new services or products?

i. Yes [ ]

ii. No [ ]

31. Do you consider opening more branches?

i. Yes [ ]

ii. No [ ]

Please indicate if you agree or disagree to the following statements by ticking the appropriate box below

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
32. Manager's level of education affects the sustainability of the SMMEs					
33. Corruption affect SMME funding					
34. Competition (saturation) hampers the growth of SMMEs					

35. Location of a business have an impact in the sustainability or the collapse of SMMES					
36. Lack of proper financial skills have a negative impact on the development of SMMEs					
37. Lack of proper marketing skills have a negative impact on the development of SMMEs					
38. Lack of expertise from HR management have a negative influence on the recruitment of qualified and skilled personnel					
39. Lack of funding negatively affect SMME growth					
40. High rental values lead to the collapse of the businesses					
41. Poor pricing is an obstacle for SMMEs					
42. Giving credit to customers threatens the sustainability of SMMEs					
43. Lack of business plan hampers the growth of SMMEs					
44. Lack of clear market negatively affects the growth and sustainability of the business					
45. Fraud hinders the development and sustainability of SMMEs					

Lenaneo-potšišo le le theilwe go hwetša ditlhoaho tšeo bo rakgwebo potlana ba kopanago le tšona go tšwela pele go kaonafatša maemo a ikonomi mmasepaleng wa Lepelle Nkumpi, profenseng ya Limpopo

**Ka kgopelo latela ditšhupetso tše di latelago go araba dipotšišo:**

- Bea leswao le [✓] go lebana le Karabo ya maleba
- Bea leswao [✓] le le tee go potšišo ye nngwe le ye nngwe

**KAROLO A**

Dipotšišo tše di latelago di theilwe godimo ga tšhedimošo ka kgwebo ye

1. Ka kgopelo hlaloša bong bja gago
  - i. Monna [ ]
  - ii. Mosadi [ ]
  
2. Hlaloša gore kgwebo ya lena e dutše lefelong le le bjang?
  - i. Naga-magaeng [ ]
  - ii. Magareng ga naga-magaeng le motse-setoropong [ ]
  - iii. Motse-setoropong [ ]
  
3. Maikarabelo a gago mo kgwebong ye ke afe?
  - i. Mong-kgwebo [ ]
  - ii. Molaodi [ ]
  - iii. Ka bobedi ga tšona [ ]
  
4. Boemo bja gago bja thuto ke bjo bofe?
  - i. Ga se ka tsena sekolo [ ]
  - ii. Thuto ya tlasana [ ]
  - iii. Dithuto tša godingwana [ ]
  - iv. Marematlou [ ]
  - v. Dithuto tše di phagamilego [ ]
  - vi. Dithuto tša godimo-dimo [ ]
  
5. Naa le na le mengwaga ye mekae ya maitemogelo jwalo ka molaodi?

- i. Ka tlase ga ngwaga o tee [ ]
- ii. Magareng ga ngwaga o tee le mengwaga e mehlano [ ]
- iii. Magareng ga mengwaga ye mehlano le ye lesome [ ]
- iv. Magareng ga mengwaga e lesome le e lesome le metšo e mehlano [ ]
- v. Mengwaga e lesome le metšo e mehlano le go feta [ ]

6. Naa le na le mengwaga e me kae le šomela kgwebo potlana ye?

- i. Ka tlase ga ngwaga o tee [ ]
- ii. Magareng ga ngwaga o tee le mengwaga e mehlano [ ]
- iii. Magareng ga mengwaga ye mehlano le ye lesome [ ]
- iv. Magareng ga mengwaga e lesome le e lesome le metšo e mehlano [ ]
- v. Mengwaga e lesome le metšo e mehlano le go feta [ ]

7. Naa ke lebaka le le kae kgwebo ye e le gona?

- i. Ka tlase ga ngwaga o tee [ ]
- ii. Magareng ga ngwaga o tee le mengwaga e mehlano [ ]
- iii. Magareng ga mengwaga ye mehlano le ye lesome [ ]
- iv. Magareng ga mengwaga e lesome le e lesome le metšo e mehlano [ ]
- v. Mengwaga e lesome le metšo e mehlano le go feta [ ]

8. Mohuta wa kgwebo

- i. (PTY) Ltd [ ]
- ii. Close corporation [ ]
- iii. Kgwebo ya motho o tee [ ]
- iv. Kgwebo ya lapa [ ]
- v. Kgwebo ya seboka [ ]
- vi. Tše dingwe (hlaloša)\_\_\_\_\_

9. Ka kgopelo hlaloša lefapha la moruo

- i. Tša dithekiso [ ]
- ii. Tša meepo / bo rakontraka [ ]
- iii. Ditšweletso [ ]

- iv. Ditirelo [ ]
- v. Temo [ ]
- vi. Tša dithekišo tša dintlo [ ]
- vii. Se tegeniki sa tša mahlale [ ]
- viii. Tše dingwe (hlaloša) \_\_\_\_\_

10. Kgwekgwe ya kgwebo ye ke efe? \_\_\_\_\_

11. Naa kgwebo ye e na le bašomedi ba ba kae?

- iv. Ye nnyanenyane (1 to 9) [ ]
- i. Ye nnyane (10 to 29) [ ]
- ii. Ya magareng (30 to 140) [ ]

12. Naa le na le ditsebi ka mo gare ga kgwebo potlana ye?

- i. Ee [ ]
- ii. Aowa [ ]

13. Naa dithuto tša godimo mo go balaodi ba lena ke dife?

- vi. Marematlou [ ]
- i. Diploma [ ]
- ii. Grada e nnyane [ ]
- iii. MBA [ ]
- iv. Tše dingwe (hlaloša) \_\_\_\_\_

14. Naa kgwebo potlana ye e na le lenaneo kgwebo?

- i. Ee [ ]
- ii. Aowa [ ]

15. Naa kgwebo ye e na le molaodi wa matlotlo?

- i. Ee [ ]
- ii. Aowa [ ]

16. Naa kgwebo ye e na le molaodi wa tša dipapatšo / wa go tsebagatša kgwebo?

- i. Ee [ ]
- ii. Aowa [ ]

17. Naa letseno la kgwebo ye le ka balelwa go bo kae ka ngwaga?

- v. Ka tlase ga R100 000 [ ]
- vi. Magareng a R101 000 and R500 000 [ ]
- i. Magareng a R501 000 and R1000 000 [ ]
- ii. Ka godimo ga R1000 000 [ ]

18. Naa le tsebagatša bjang kgwebo ya lena go bareki goba ditirelo tšeo le di abago?

- v. Ka lentšu la molomo [ ]
- i. Ka go retwa ke bareki ba bangwe [ ]
- ii. Ka lenaneo la kgwebo la go bapatša [ ]
- iii. Tše dingwe (hlaloša) \_\_\_\_\_

19. Naa kgwebo ya lena e na le lenaneo leo e le hlamilego la go thuša setšhaba ka tsa leago go goketša bareki?

- i. Yes [ ]
- ii. No [ ]

20. Ge e ba go jwalo, ka kgopelo hlaloša dintlha

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### **KAROLO B**

Dipotšišo tšeo di latelago di amana ditlhohlo tšeo balaodi ba dikgwebo-potlana ba lebanago le tšona go leka go hlabolla maemo a ikonoi

21. Ka kgopelo hlaloša gore lefelo leo le šomelago go lona ke la mohuta mang

- vi. Kgopedišitse (Rented) [ ]
- i. Meago ya rakgwebo [ ]

- ii. Adimišitše [ ]
  - iii. Baipei [ ]
  - iv. Tše dingwe (hlaloša)
- 

22. Naa mašeleng a go thoma kgwebo ye le a kgobokeditše / hweditše bjang?

- i. Dipolokelo tša lena tša ka thoko [ ]
  - ii. Sekoloto sa ba a ba mašeleng [ ]
  - iii. Bagwera le meloko [ ]
  - iv. Mmušo / thekgo ya dikema tša go ikema [ ]
  - v. Tše dingwe (hlaloša)
- 

23. Naa kgwebo ye e ile ya dira dikgopelo tša thušo ya mašeleng go tšwa go dikema tša polokelo / ba abi ba mašeleng a go thuša dikgwebo?

- i. Ee [ ]
- ii. Aowa [ ]

24. Ge e ba ga go bjalo, laetša mabaka?

- i. Ga re rate dikadimo tsa dipanka [ ]
- ii. Masokotso a godimo kudu [ ]
- iii. Go hloka collateral go bontšha bokgoni bja kgwebo [ ]
- iv. Tše dingwe (hlalosa) \_\_\_\_\_

25. Ge e ba go bjalo, hlaloša dipoelo

- i. Thuso ya mašeleng e filwe [ ]
- ii. Thušo e filwe seripana [ ]
- iii. Thušo ga e ya fiwa [ ]

26. Ge e ba le ganeditšwe ka thušo ya mašeleng go tšwa go baadimiši, mabaka-magolo a go e thušiwe ke a fe?

- i. Go se lefe gabotse dikadimong tša morago [ ]
- ii. No security to pledge [ ]
- iii. Too small equity base [ ]
- iv. Go hloka tsebo ga balaodi [ ]

v. Tše dingwe (hlaloša) \_\_\_\_\_

27. Naa le ile la ka la iša sehlopha sa lena sa mošomo tlhahlong ya go hlokomela dinyakwa tsa bareki?

- i. Le ga tee [ ]
- ii. Ka nako ye nngwe [ ]
- iii. Gantšhi [ ]

28. Tekinolotši e phela e fetoga ka mehla; naa le kgona go beakanya kgwebo ya lena go ya le seemo seo se fetogago sa tekinolotši?

- i. Le ga tee [ ]
- ii. Ka nako ye nngwe [ ]
- iii. Gantšhi [ ]
- iv. Ka mehla [ ]

29. Mokgwa wa dikgokaganyo ka gare ga kgwebo (thalela yeo le e šomišago).

- i. Fax
- ii. E-mail
- iii. Website
- iv. Landline

30. Naa le na le go gopola go katološa kgwebo ye go tsena ditirelo tše dingwe le di tlabakelo?

- i. Ee [ ]
- ii. Aowa [ ]

31. Naa le na le go gopola go bula di kgao tše dingwe tša kgwebo ye?

- i. Ee [ ]
- ii. Aowa [ ]

Ka kgopelo laetša ge e ba o dumelelana go ba go ganana le dipolelo tse di latelago ka go kgetha lešakana la maleba



	Ke gana kudu	Ke a gana	Ga ke na bonnete	Ke dumela a	Ke dumela kudu
32. Maemo a molaodi wa kgwebo a dithuto a ama kudu kgolo le tšwelopele ya kgwebo potlana					
33. Tsogolekobong le ama kgwebo potlana					
34. Phadišano go ba go tlalelana ga kgwebo go ama gampe kgolo ya kgwebo potlana					
35. Lefelo la kgwebo le na le seabi godimo ga tšwelopele le kgolo ya kgwebo go ba go phuhlama ga yona					
36. Go hloka tsebo ya maleba ya ditšhelete go ama gampe tšwelopele le kgolo ya kgwebo potlana					
37. Go hloka tsebo ya maleba ya go tsebagatša kgwebo go ama gampe tšwelopele le kgolo ya kgwebo potlana					
38. Go hloka tsebo ga balaodi ba go thwala batho go ama gampe hlokolo ya bašomi ba go ba le thuto le bokgoni					
39. Go hloka thekgo ya mašelang go ama gampe dikgwebo tše nnyane / borakgwebo potlana					

40. Ditefelo tša godimo tša mafelo a go šomela go ama gampe dikgwebo-potlana					
41. Go palelwa ke go beakanya ditefelo go ama gampe dikgwebo potlana Poor pricing is an obstacle for SMMEs					
42. Go fa bareki mokitlana go tšhošetsa kgolo ya kgwebo potlana					
43. Go hloka lenaeo la kgwebo go ama gampe kgolo ya kgwebo potlana					
44. Go hlokega ga mmaraka wo ohlakilego go ama gampe kgolo ya dikgwebo potlana					
45. Bomenetša bo ama gampe kgolo le tswelopele ya dikgwebo-potlana					

## **ANNEXURE F: Interviews Schedule**

### **SECTION A**

The following questions are based on the demographic information of the business

1. What is the age of your company?  
\_\_\_\_\_
2. What is the location of your business?  
\_\_\_\_\_
3. What is your position within the company? -  
\_\_\_\_\_
4. What is your level of education?  
\_\_\_\_\_
5. How many years of experience do you have as a manager?  
\_\_\_\_\_
6. How many years have you been with the company?  
\_\_\_\_\_
7. Please indicate type of company  
\_\_\_\_\_
8. Please indicate the economic sector  
\_\_\_\_\_
9. What is the main activity of the business?  
\_\_\_\_\_
10. How many employees does the company have?  
\_\_\_\_\_
11. Do you have professionals at management level in your company? Yes /  
No
12. What is the highest level of education for your management team?  
\_\_\_\_\_
13. Does the company have a business plan?  
\_\_\_\_\_
14. Does the company have a financial manager?  
\_\_\_\_\_

15. Does the company have a marketing manager?

\_\_\_\_\_

16. What is the average annual turnover of the company?

\_\_\_\_\_

17. How do you market your business?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18. Does your company have corporate social responsibility strategy to attract customers?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **SECTION B**

The following questions relate to the sustainable economic development challenges that the management of the SMMEs experience

19. Please indicate the state of occupancy of the building

\_\_\_\_\_

20. If renting, how does high rental payment affect your business?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

21. How did you get start-up capital?

\_\_\_\_\_

22. Has the company ever applied for funding? Yes / No

23. If no, why not?

\_\_\_\_\_

24. If yes, did you receive the funding? Yes / No

25. Year of funding \_\_\_\_\_

26. If no, please state reasons for refusal

\_\_\_\_\_

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27. There are various organisations established to support SMMEs, do you find them helpful? Yes / No

Please explain

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28. Have you ever taken your employees for training? Yes / No

29. If yes, please specify type of training

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30. If no, please state reasons

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31. Does your company adapt with rapid technological changes? Yes / No

32. Does your company have access to: Fax, Landline, E-mail? (Please circle appropriate)

33. Does your business have a website? Yes / No

34. Do you consider expanding your business by introducing new services / products? Yes / No

35. Do you consider opening more branches? Yes / No

36. Do you think managers' level of education have an influence on the growth and sustainability of SMMEs? Yes / No

37. Do you think corruption has an influence on lack of funding for SMMEs? Yes / No

38. Has your company ever experienced fraud? Yes / No

39. Does competition negatively affect your business? Yes / No

40. Does location have an influence on the growth of the business? Yes / No  
Please elaborate

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41. Do you have a problem with managing the finances of your business? Yes / No

42. How do you ensure people know about your business?

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43. How do you ensure you source qualified and skilled employees?

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44. How does lack of funding affect small businesses?

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45. Poor pricing is often a challenge for SMMEs, how do you ensure that you price correctly?

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46. Do you give credit to your customers? Yes / No

47. If yes, how does it affect your business?

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48. Lack of business plans hampers the growth of SMMEs Yes / No

49. Lack of clear market negatively affect the growth and sustainability of SMMEs Yes / No

## **ANNEXURE G: Lenaneo Tshepidišo la Dipotšišo**

### **KAROLO A**

Dipotšišo tše di latelago di hlomilwe godimo ga tshedimošo ka kgwebo

1. Naa kgwebo ya lena e na le nako e kae?  
\_\_\_\_\_
2. Naa kgwebo ya lena e dutše tulong ya mohuta mang?  
\_\_\_\_\_
3. Naa boemo bja gago mo kgwebong ke bjo bofe?  
\_\_\_\_\_
4. Naa dithuto tše o na go le tšona ke tše dife?  
\_\_\_\_\_
5. Naa le na le maitemogelo a mengwaga e me kae le le molaodi wa kgwebo?  
\_\_\_\_\_
6. Naa o na le nako e kae le le mo kgwebong ye?  
\_\_\_\_\_
7. Naa kgwebo ye keya mohuta mang?  
\_\_\_\_\_
8. Naa kgwebo ye e wela lefapheng lefe?  
\_\_\_\_\_
9. Naa kgwekgwe ya kgwebo ye ke efe?  
\_\_\_\_\_
10. Naa kgwebo ye e na le bašomedi ba ba kae?  
\_\_\_\_\_
11. Naa le na le ditsebi mo sehlopeng sa baetapele ba kgwebo potlana ye? Ee / Aowa
12. Naa thuto ya godimo yeo balaodi ba kgwebo ye ba na go le yona ke efe?  
\_\_\_\_\_
13. Naa kgwebo ye e na le lena eo la kgwebo? \_\_\_\_\_
14. Naa kgwebo ye e na le molaodi wa matlotlo?  
\_\_\_\_\_

15. Naa kgwebo ye e na le molaodi wa dipapatšo?

\_\_\_\_\_

16. Naa letseno la kgwebo ye le ka balelwa go bo kae ka ngwaga?

\_\_\_\_\_

17. Le kwalakwatša / bapatša bjang kgwebo ya lena?

\_\_\_\_\_

—

18. Naa kgwebo ya lena e na le sekema sa tihabollo ya leago go badudi go le  
thuša go goketša bareki?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## **KAROLO B**

Dipotšišo tše di latelago di amana le ditlhohlo tše balaodi ba dikgwebo-potlana ba  
lebanago le tšona go kaonafatša maemo a ikonomi

19. Naa lefelo le ke la lena goba le le kgopedišitše?

\_\_\_\_\_

20. Ge e ba le le kgopedišitše, naa se se ama bjang kgwebo ya lena?

\_\_\_\_\_

—

\_\_\_\_\_

—

21. Naa le hweditše bjang matlotlo a go thoma kgwebo ye?

\_\_\_\_\_

—

22. Naa kgwebo ya lena eile ya dira dikgopelo tša thušo ya matlotlo? Ee / Aowa

23. Ge e ba aowa, lebaka ke eng? \_\_\_\_\_

24. Ge eba ee, le ile la e hwetša thušo yeo ya matlotlo? Ee / Aowa

25. Ngwaga wa thušo ya matlotlo \_\_\_\_\_

26. Ge e ba aowa, efang mabaka ao a dirilego gore kgopelo ya lena ya thušo  
ya matlotlo e folotše

\_\_\_\_\_



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27. Go na le mekgatlo ye mentšhi yeo e hlomilwego go thuša bo rakgwebo-  
potlana, naa le bona mekgatlo yeo e thuša? Ee / Aowa

Ka kgopelo hlalosa

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28. Naa le ile la iša bašomedi ba lena go hwetša tlhahlo? Ee / Aowa

29. Ge e bae ee, hlalosa mohuta wa tlhahlo yeo

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---

30. Ge eba aowa, hlalosa mabaka

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31. Naa kgwebo ya lena e kgona go fetoga le mabaka a thekinolotši bjalo ka ge  
a fetoga ka mehla? Ee / Aowa

32. Naa kgwebo ya lena e nale kgokanago ya: Fax, Landline, E-mail? (thalela  
tša maleba)

33. Naa kgwebo ya lena e na le website? Ee / Aowa

34. Naa le na le kgopolo ya go godiša kgwebo ya lena ka go tsebagatša ditirelo  
/ ditšweletšwa tše dingwe? Ee / Aowa

35. Naa le nagana go bula makala a mangwe a kgwebo ya lena? Ee / Aowa

36. Naa le nagana gore maemo a dithuto a balaodi ba dikgwebo a na le seabi  
go goleng le go tieng ga dikgwebo-potlana? Ee / Aowa

37. Naa le nagana gore letsogo-lekobong le na le seabi godimo ga kabo ya  
thušo ya matlotlo go bo rakgwebo-potlana? Ee / Aowa

38. Naa phadišano e na ama gampe kgwebo ya lena? Ee / Aowa

39. Naa kgwebo ya lena e ile ya itemogela bomenetša? Ee / Aowa

40. Naa lefelo la kgwebo le na le seabi go goleng ga kgwebo? Ee / Aowa

Ka kgopelo hlalosa

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---

41. Naa le na le bothata le go laola matlotlo a lena a kgwebo? Ee / Aowa

42. Naa le netefatša bjang gore batho ba tseba ka kgwebo ya lena?

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43. Naa le netefatša bjang gore le thapa bašomedi ba maleba mo kgwebong ya lena?

---

44. Naa go hlokega ka thušo ya matlotlo go ama bjang dikgwebo-potlana?

---

45. Go bea ditefelo ke tlhohlo ye kgolo go bo rakgwebo-potlana, naa le netefatša bjang gore le bea ditefelo tša maleba go bareki ba lena?

---

46. Naa le fana ka mokitlana go bareki ba lena? Ee / Aowa

47. Ge eba ee, naa se se ama bjang kgwebo ya lena?

---

48. Naa go hlokega ga lenaneo la kgwebo go šitiša kgolo ya kgwebo? Ee / Aowa

49. Go hlokega ga mmaraka wo o hlakilego go ama gampe kgolo ya kgwebo?

Ee / Aowa

## **ANNEXURE G: Language Editing Certificate**

7542 Galangal Street

Lotus Gardens

Pretoria

0008


29 October 2020

### **TO WHOM IT MAY CONCERN**

This certificate serves to confirm that I have edited S Mashilo's dissertation entitled **SUSTAINABLE ECONOMIC DEVELOPMENT CHALLENGES FACED BY MANAGERS OF SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs) AT LEPELLE NKUMPI MUNICIPALITY IN THE LIMPOPO PROVINCE.**

I found the work easy and intriguing to read. Much of my editing basically dealt with obstructionist technical aspects of language, which could have otherwise compromised smooth reading as well as the sense of the information being conveyed. I hope that the work will be found to be of an acceptable standard. I am a member of Professional Editors' Guild.

Hereunder are my particulars:



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Professional  
**EDITORS**   
Guild

