

The role of local economic development in building capacity and growth for small, medium and micro enterprises in Sedibeng District Municipality

by

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DECLARATION

I DECLARE THAT THE TITLE **“THE ROLE OF LOCAL ECONOMIC DEVELOPMENT IN BUILDING CAPACITY AND GROWTH FOR SMALL MEDUIM AND MICRO ENTERPRISES IN SEDIBENG DISTRICT MUNICIPALITY”** IS MY OWN WORK AND THAT ALL THE SOURCES THAT I HAVE QUOTED HAVE BEEN INDICATED AND ACKNOWLEDGED BY MEANS OF COMPLETE REFERENCE.

SINTU MAVI

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A mini-dissertation is regarded as a process for acquiring new knowledge within a particular field of study. In this process students are normally confronted by a lot of challenges that may lead to vulnerability and anxiety. For this study such problems were impossible, because of the recognizable opportunities that surrounded my academic life. I therefore want to express gratitude to those who became pillars of strength in this research project. I want to genuinely thank the following people:

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ABSTRACT

South Africa as a developing country experienced high levels of poverty and unemployment. These levels emanate from skills gap and low literacy rate in the townships populated by low income households. To an extent some households lacked access to participate in the economic sector, resulting from fragmented policies and apartheid regime. The lack of participation among the households placed pressure on government. These problems forced the state to provide social protection (grants). Such allowances are expensive especially where there are fewer opportunities for employment activities.

The promotion of entrepreneurship and small business remains an important priority of the government of South Africa. The South African government is acknowledged for its commitments to ensure that small businesses progressively contribute to growth and performance of the South African economy. Globally, numerous policy legislative frameworks have been developed to support the SMMEs. This study aimed to discover the support given to the SMMEs by the South African government. In particular, the study is situated within the SMMEs in the SDM.

The hypothesis for this study is premised on the fact that SMME`s can contribute immensely to job creation. The outcomes of this argument relies on the provisions based on a conducive environment which can enable the SMME`s to thrive. This statement was validated by means of literature review, interviews and site visits. This study found that the SMMEs are indeed the cornerstone of job creation and for sustainable livelihoods. LED programmes can create more jobs through the SMME sector.

Literature worldwide confirms that the SMMEs are vital in creating employment opportunities. This research also confirmed that this is possible only if the environment in which SMMEs operate in is favourable for the SMMEs to prosper. In this regard many policy documents were developed to emphasize the stance of government to develop, grow and capacitate SMMEs in South Africa. It is indeed true that the LED can be used to grow and capacitate SMMEs in South Africa. Despite the progress being made on the development of the SMMEs, few issues need to be taken care off. The municipality indicated that there are no monitoring

procedures in place which make it difficult to measure the effectiveness of their interventions and they further pointed out that they are working on the matter. The measurement of these milestones is not properly recorded to inform future generations. It is suggested that more research should be emphasised on the SMME sector, especially being the mandate of the municipality.

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CHAPTER 1

ORIENTATION AND PROBLEM STATEMENT

1.1 INTRODUCTION

This chapter describes the background and the problem statement relating to this study. The study concentrates on local economic development programmes. The chapter looks at the role played by the LED in capacitating the SMMEs. The research questions and objectives of the study are presented. In this chapter the hypothesis, aim of the study and the research methodology are explained. The chapter layout for this study is also presented.

1.2 ORIENTATION AND BACKGROUND

Since 1994, the economic and political landscape experienced by South Africa changed. Renewed interest in local government and local economic development (LED) came to the fore (Mongake, 2004:3). Many municipalities in South Africa practised Local Economic Development (LED) long before 1994 (Nel, 1999:94). At the dawn of democracy, municipalities were recognized and were assigned with the new constitutional role of being a developmental local government. The new developments in the local government require “committed workforce” that will work with citizens towards “achieving sustainable livelihoods” (Mojapelo, 2007:12). Promotion of sustainable livelihoods in local government relies on “effective LED instruments” that will drive the developmental mandate (Mojapelo, 2007:12).

The researcher of this study acknowledges the new role of local government as important for achieving the mandates of a developmental local government. Local governments are required to foster a “culture of developmental local government” and the “promotion of LED projects” in South African municipalities (Sebolao, 2008:8). In this regard the LED is seen as the most “effective and progressive mechanism for economic development at local level” (Sebolao, 2008:8).

In terms of effective and progressive mechanism, the LED aims to:

- achieve the municipal developmental mandate;
- create favourable locational factors within a particular neighbourhood;
- provide infrastructure for SMMEs;
- provide training for the beneficiaries;
- enhance business mindedness; and
- develop efficient local administration (Emfuleni Local Municipality (ELM), 2008:24).

Economic development requires an efficient environment. Therefore, favourable locational factors may focus on the municipal setting and to the community environment (ELM, 2008:24). LED in the community context may look at empowering the citizens on “socio-economic arena”, by developing “support for the small businesses” in the vulnerable communities (ELM, 2008:24). The LED is also known to “make better use of locally available resources and skills”. The LED also aims to “maximize available opportunities”, “promoting community involvement” (ELM, 2008:24). These objectives seek to ensure that local communities are able to maintain their families. The intentions are also aimed towards sustainable livelihoods, whereby the socio economic issues are addressed to alleviate poverty.

Meyer (2007) articulates that LED is the “development of the economic basis of a community”. According to the International Republican Institute & National Business Initiative (IRI & NBI, 1998:2) the LED process is “locally-driven”. Local driven projects are normally designed to “identify”, “harness and utilize” local resources in order to stimulate the economy and create new job opportunities (IRI & NBI, 1998:2). In case there are identified resources the municipality will then assess in order to plan towards the improvement of the municipal economy (IRI & NBI, 1998:2).

The Small Medium and Micro Enterprises (SMMEs) differ in sizes. Some SMMEs can employ less or more employees. SMMEs are regarded as “true engines of local economic development” (IRI & NBI, 1998:2). The SMMEs also serve as major source of employment for many South African communities (IRI & NBI, 1998:8). The SDM has

recognized and acknowledge the role played by the SMMEs for addressing unemployment and poverty. There are 140 SMMEs established in SDM. The SDM also provides skills development for these SMMEs in order to sustain the project (Mofokeng, 2009:15).

The potential for job creation through SMME development is receiving considerable attention in South Africa. To achieve SMME development, the government is required to partner with available development agencies that exist in the country (IRI & NBI 1998:8). The Department of Trade and Industry (dti) is a leading national department that is liable for economic development in a country (The dti, 2005:1). The dti have developed a range of policies to promote the development of SMMEs (The dti, 2005:1). Agencies like the “Ntsika Enterprise Promotion Agency (NEPA)”, “National Small Business Advisory Council (NSBAC)” and “Khula Finance LTD” have come on board towards the LED projects. The provinces in South Africa also established their economic development programmes for empowering LED projects in all municipalities. There are “Local Business Service Centres (LBSC’s)” which were established to support SMMEs by facilitating “access to finance” and “training and development” (IRI & NBI 1998:8). All these are prepared to enable sustainable economic development in the municipal boundaries. These institutions are also discussed in chapter 3.

There are “97 accredited LBSC’s” established for “implementing SMME economic development mandate” (Nieman, 1999:5). The task of LBSC’s offers “non-financial support services” to SMME’s throughout South Africa (Nieman, 1999:5). The non-financial services includes: “training”, “counseling” and “business planning”. Despite the progress made to develop the SMME, several problems are encountered in achieving these goals (Nieman (1999:5). It is informed that some of the goals are difficult to manage because of discontinued SMME structures.

Legislative frameworks that exist in South Africa serve as a guideline for municipalities to develop their communities. Van Vuren (2003:14) puts emphasis on the “role of the local government” as guided in section 152 and 153 of The Constitution (Act 108 of

1996). Van vuren (2003:14) suggests that “the local government must give priority to the basic needs of the community” and should “promote social and economic development of the community”. Emphasis is placed on “cooperative governance” for attaining the developmental goals. Makumula (2006:38) believes that proper planning and management of LED activities could be possible for promoting economic growth. Van Vuren, (2003:15) also pointed out that the LED can be regarded as” a developmental tool towards local government economic planning and implementation”.

The following section identifies the possible problems that may hinder the success of the LED projects.

1.3 PROBLEM STATEMENT

Sedibeng District Municipality comprises three local municipalities, namely; Emfuleni Local Municipality (ELM), Midvaal Local Municipality (MLM) and Lesedi Local Municipality (LLM) (Emfuleni Local Municipality, 2009:19). Most municipalities including ELM are faced with challenges to implement LED programmes (Department of Provincial and Local Government, 2006). Most apparent of these challenges are the lack of human resources, financial constraints and lack of capacity in the coordination and understanding of LED policies (Slabbert, 2004). Mcilrath (2004:51) asserts that, “28% of municipalities in the country currently require additional capacity (financial, human resources and human capital) to be established”. The capacity will enable the municipality to be able to “undertake”, “manage” and “drive their Integrated Development Planning (IDP) processes” effectively. These municipalities are dependent on consultants and do not own the process due to lack of capacity.

Municipalities in SDM are confronted with numerous challenges which include, the “lack of common economic data” on LED (ELM, 2008:31). The situation is also compounded by “slower economic growth” as compared to fast paced population growth which has resulted in a decrease in average standard of living (ELM, 2008:31). Economic growth areas are not directed towards “Historically Disadvantaged Area” (Sebokeng, Boipatong, Bophelong and Sharpeville). As a result the level of socio-economic

disparity between population groups is high with pockets of severe poverty to be found (ELM, 2008:31).

In MLM the IDP is very weak on economic development and it does not address the economic issues on SMMEs (Midvaal Local Municipality (MLM), 2007:2). A “secure working environment” is a pre-requisite for any type of business (MLM, 2007:2). However such working conditions are not secured as a result this brings challenges to the traders in achieving their economic activities in their zones. The greatest challenge facing street and informal traders in ELM is about site of operation (ELM, 2008:31). Most of the spaces occupied by the traders, especially in the townships, are considered illegal since the spaces have not been set aside for trade (Participant observation).

Moreover, in the townships in particular, street and informal traders are the most disadvantaged when it comes to security, transport and municipal services. The traders also find it difficult to transport their commodities from their homes and markets to their trading sites (ELM, 2008:31). The traders who provide car-wash services are also at the disadvantage level as they do not have access to water provision that is within the business premises especially in the townships (ELM, 2008: 31).

It is pointed out that small business failure is caused by “human factors”, including the “knowledge of internal and environmental factors” that may harm the existence of the business and “lack of business and management experience”. It is estimated that the failure rate of SMMEs in South Africa is between “70% and 80%” (Venter, Van Eeden and Viviers, 2003:13). Such losses emanate from “lack of infrastructure maintenance”, “skills development” (Venter *et al.*, 2003:13). A number of SMMEs, however end up failing due to “limited resources” and “lack of business management” and “poor cash management” (Watson & Godfrey, 2005; Rogerson, 2008).

Based on the problems presented above it is for this study to assess the role of LED in capacitating the SMMEs in the SDM.

1.3.1 HYPOTHESIS

LED has the potential to capacitate and develop SMME's, however lack of resources, skills development and conducive economic environment seem to be hindering LED progress in SDM.

1.4 RESEARCH QUESTIONS

This study aims to answer the following questions:

- What are local economic development and small medium and micro enterprise?
- Has the local economic development created an enabling environment for small business development in SDM?
- Which local economic development programmes are in place to support the growth of SMMEs in SDM?
- What recommendations can be provided to improve LED support for SMMEs in SDM?

1.5 Research objectives

The following objectives are planned for gathering data for this study:

- To give theoretical exposition of local economic development and small medium and micro enterprise.
- To investigate the development of small medium and micro enterprises in SDM.
- To assess the effectiveness of local economic development programmes for supporting the SMMEs in SDM.
- To provide recommendations on the improvement and support of the SDMs LED programmes.

1.6 RESEARCH METHODS

This study applies the methods identified below.

1.6.1 Literature review

The literature review include sources such as books, LED government reports, legislations and white paper on SMME development, publications on LED and SMMEs,

articles exploring SMMEs development in the industry and relevant journals with the intention to get the most recent and relevant data.

1.6.2 Empirical study

This study applies the methods mentioned below.

1.6.2.1 Interviews

In depth interviews was conducted as they are optimal for collecting data on individual personal history, perspectives and experiences. Semi-structured interviews were conducted with thirty SMME participants in ELM, LLM and MLM. Moreover, two implementing officials from each municipality of the three SDM local municipalities, due to their involvement and capacity as far as LED is concerned will also be interviewed.

1.6.2.2 Questionnaire

Structured questionnaires were used to complement the interviews. It is imperative to note that standardized instructions on how to complete the questionnaire and what is expected from the respondents will be outlined (Brynard & Hanekom 2006:38). The above mentioned municipal officials were interviewed through questionnaires and thirty participants of SMMEs were clustered according to range and size, market access, type of business and whether established or new businesses.

1.7 ORGANIZATION OF THE STUDY

The following details the contents of each section of this study:

Chapter 1: Introduction and problem statement

Chapter 2: Theoretical exposition of local economic development and small medium micro enterprises

Chapter 3: An overview of SMME activities in Sedibeng District Municipality.

Chapter 4: Empirical study on the LED programmes to support the growth and capacitation of SMMEs in SDM.

Chapter 5: Summary, findings, recommendations and conclusion

The following chapter will discuss the context of the LED and SMME.

CHAPTER 2

THEORETICAL EXPOSITION OF LOCAL ECONOMIC DEVELOPMENT AND SMALL MEDIUM MICRO ENTERPRISES

2.1 Introduction

This chapter is linked to the role of the state in its endeavour to reduce poverty in the country. Different avenues have been tried to suggest solutions for these dysfunctional situations that harm the vulnerable communities. Such practices are looked at within all the three spheres (national, provincial and local) of government. This chapter looks at local economic development (LED) and the small medium micro enterprises (SMMEs). LED is a well known factor within the context of developmental government. This chapter is positioned within the notion of developing the SMMEs. In this chapter the focus is on the framework of the LED and the SMMEs.

This chapter seeks to define the concept LED and SMME. The scope of LED is broad and this chapter only reviews the scope of LED within the context of the SMMEs in the context of South Africa. The chapter further provides the environment of the SMMEs, by looking at the sizes, the sectors and the advantages.

2.2 Definition of concepts

Globally, governments are increasingly concentrating on uplifting the economic growth of their countries. The role of the local government is changing on daily basis. Local government was known as that sphere of government whose role was mainly on service delivery. Municipalities were seen as “managers of local government administration”; “managing the budget”; and for “planning processes” (Davis, 2006:5). One can say that these functions were mainly at “prioritizing the basic needs of the community” (Davis, 2006:5). With the advent of democracy the role is forever increasing.

The role has shifted from being a social partner and has moved beyond to play the developmental role. The developmental role is characterized by factors that aim to uplift the community to become partners in service delivery. The new role of government is

guided by the Constitution of the Republic of South Africa Act of 1996 (thereafter the Constitution). The Constitution requires municipalities to “promote social and economic development for their communities”. Section 152, of the Constitution lists six objectives of local government which guides the developmental outcome of the local government (Mzini and Maoba, 2012:518). The municipal role also focuses on enhancing community members to participate on the process of production to uplift the economy in their municipalities. This economic role of the municipality is enforced within the local sphere in order to develop local communities.

2.2.1 Local Economic development

Municipalities now have a mandate to practise local economic development (Davis, 2006:5). Such developments should be more focused in local government. Growing local economies is crucial towards community development. It is significant to note that LED is everybody’s business. It is pertinent to note that other actors are vital for the success of LED in South Africa. In this case local people should not only be passengers in the LED process but they should be at the driving seat and take initiatives. LED is also referred as a “multi-faceted endeavour” and comprise of unlimited outcomes.

Bartik (2003:1) defines the concept LED as “increases in the local economy’s capacity”. The capacity is aimed at creating “wealth for local residents” (Bartik, 2003:1). Since this economic development concentrates on local government, the focus is on the use local resources for creating the economy. The local resources may include the vacant land in a particular ward, and the land will require manpower in order to be productive. The LED is also characterized by “job creation” whereby more people will be employed. The jobs which are created are acknowledged for promoting entrepreneurship and small business. Based on this definition above, Engdahl and Hauki (2001:21) indicate that a well planned LED strategy will have an effect on the following aspects:

- meeting basic needs;
- developing human resources;
- building the economy;
- democratizing the state and society; and

- implementing the RDP.

The abovementioned aspects will enable the created local economy to grow strong.

2.2.2 Small Medium and Micro Enterprises

Ongoing support for the SMMEs is acknowledged in this study. This is showcased by government's commitment to ensure that small businesses are progressing in order to increase their contribution to the growth of the country (The dti, 2005:vi). Perera, Hathaway and Wagner (2005:8) define the existence of the SMMEs with the "number of employees", "annual sales", "and total enterprise assets" or a "combination of these factors". Whereas, Malan (2004:54) views a small business as an "independent profit-orientated economic unit". Malan (2004:54) further describes the SMMEs as having:

- independent management;
- independent ownership;
- simple organizational structure; and
- have a relatively small influence on the market.

The value of the SMME is characterized by critical areas such as "job creation", "equity" and "access to markets" (the dti, 2005:vi). The SMMEs as an "independent business" consist of "profit-making and non-profit making enterprises". The SMMEs may be managed at the household level or by a group of business minded individuals. These individuals may come together to sell some products whereby at the end of the day they will obtain profit. The profit obtained is shared among these individuals. The profit may be saved at the bank. For example if they save the profit, they may be able to receive extra income from the bank. Some part of the profit obtained is used to buy the raw materials. For example, a cook will buy items such as the mealie meal, salt vegetables and meat in order to prepare the meals and sell to their customers. Whereas a tailor/mechanic will buy material such as cottons, zips and fabric to sew the dresses for the intended customer.

2.3 POLICY FRAMEWORK FOR LOCAL ECONOMIC DEVELOPEMENT

The promotion of entrepreneurship and small business remains an important priority of the government of South Africa. Tremendous efforts have been made in building a legal and regulatory framework to support local economic development (Mzini and Maoba, 2012:519). South African local government continuously strives to initiate meaningful LED programmes. Tremendous efforts have been made to “develop legal and regulatory framework” to support LED programmes (Davis, 2006:6). Section 152(1, c) of the Constitution makes provision for the “promotion of social and economic development” as specific objectives of local government. The implementation of the LED and the support for the SMMEs is guided by powerful legislations aimed to “attain the developmental outcomes of the local government”. Davis (2006:6) points that an “effective support system” for emergent entrepreneurs is crucial for supporting the intended beneficiaries.

The following are the legislative frameworks relating to the growth of the SMMEs.

- The Constitution of the Republic of South Africa of 1996.
- National Small Business Act, 1996 (Act 102 of 1996)
- The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises;
- White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, 1995; and
- The National Framework for LED in South Africa

The National Small Business Act was passed by Parliament in 1996 (Ntsika, 1998). The National Small Business Act created a “formalized structure to address the concerns” and “needs of the SMME sector” through a national small business council (Ntsika, 1998). The Act provided for SMME promotion and facilitation through the creation of Ntsika (Mollentz, 2002). The Act further makes provisions for the “conditions of employment” for the SMMEs, according to “the full time equivalent (FTE)” and about the “total turnover” and “total gross asset value” (Mollentz, 2002). Furthermore, the Act provides guidelines for organs of state in order to promote small business in the

Republic. The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises aimed at identifying factors that directly contribute to the success of the small business sector (the dti, 2008).

Mollentz (2002) indicates that the White paper attempted to “create the basis of a new policy to assist in the development” of SMMEs. The White paper recognizes that the SMMEs development should be an “upward movement” within the SMME sector. The White paper emphasizes that the SMMEs should move from the “emerging stage” to an “established phase”. Mollentz (2002) is of the opinion that the upward movement of the SMMEs may attract investors and increase the profit margins of the traders.

Above all, the legislative framework serves a framework is to “create an enabling environment for small enterprises”. Given such an enabling environment it is expected that the hundreds of thousands of SMMEs will themselves accept responsibility for the “operation, growth and progress” of their enterprise (White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, 1995). The national strategy also aims to “enhance the capacity of small business to comply with the demands facing South Africa's modernising economy” (White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, 1995).

2.4 The Approach for Effective Economic Development

Economic development focuses on a variety of issues which seeks to bring justice for developing vulnerable communities in an economical manner. LED approaches encompass a broad range issues and concentrates on gender, race, and age groups. Furthermore, the attainment of economic development is inclusive and manifests around meaningful community participation. Economic development is characterized by 10 sectors that aim to bring economic stability in the country. Therefore individuals are free to participate in any industry of their choice to fulfill their interest. Measures for creating robust LED focuses on strengthening transparency and strives for quality. The Education Training Unit (ETU, 2012) outlines the following objectives for SMME development policy. The objectives intends to:

- “alleviate poverty, by making it possible for poor people to generate income to meet basic needs;
- reduce poverty through employment creation;
- redistribute wealth, income and opportunities; and
- contribute to economic growth, by improving innovation and thus competitiveness” (ETU, 2012).

Davis (2006:9) identifies the “ten cornerstones suggested towards promoting effective interventions for Rural Economic Enterprise Development (REED) in Table 2.1.

Table 2.1 The ten cornerstones for promoting effective interventions for economic development

CORNERSTONES	OBJECTIVE
Cornerstone 1:	An enabling environment which provides for an attractive investment climate and dynamic entrepreneurship
Cornerstone 2:	Adequate mechanisms, processes, and structures that address local needs
Cornerstone 3:	Active private sector institutions and linkages
Cornerstone 4:	Functioning and effective infrastructure
Cornerstone 5:	Access to integrated and open markets
Cornerstone 6:	Access to effective and efficient support services and resources
Cornerstone 7:	Adaptive management capacity and entrepreneurial competence within business and enterprises
Cornerstone 8:	Local organizations, groups, and associations representing the poor
Cornerstone 9:	Active participation and ownership of development processes by well-linked Stakeholders
Cornerstone 10:	Ongoing learning from success and failure by all stakeholders

Source: Davis, 2006:9

It is thought that these guidelines could “serve to channel the LED in the municipalities”. The abovementioned milestones are carried out with other programmes and projects aimed at capacitating the SMMEs growth. One of the LED programme is the “*Neighbourhood development programme*” (National Treasury, 2012). The Neighbourhood Development Grant (NDP) grant is a “conditional grant to municipalities through the Division of Revenue Act (DORA)” (National Treasury, 2012). It is planned to allocate an amount of R10bn over a ten year period for about 100 initiatives. The NDPG is driven by the notion that “public investment and funding can be used creatively to attract private and community investment” (National Treasury, 2012). It also aims to “unlock the social and economic potential” within neglected townships and neighbourhoods (National Treasury, 2012). At the end of the day the programme is aimed to “contribute to South Africa’s macro-economic performance and improve quality of life among its citizens” (National Treasury, 2012).

Achieving the abovementioned approaches requires a strong workforce and adequate tools to undertake the programmes. Bartik (2003:3) identified the following barriers towards implementing LED programmes:

- “limited availability of land ;
- lack of skilled labour;
- lack of capital and funding;
- citizen opposition;
- a limited number of major employers; and
- traffic congestion” (Bartik, 2003:3).

2.5 THE EXTENT OF SMME SUPPORT

SMMEs often need help on how to: with problems such as:

- “write a business plan;
- source funding to start a business;
- market to sell their goods and services;
- manage their business (for example, in bookkeeping or computer skills);
- apply for tenders; and

- sign a contract” (Paralegaladvice, 2010).

The support for the SMMEs is derived from different stakeholders, who have interest for the growth of the small business. The respective stakeholders include the government departments (national, provincial and local government). Other support structures may include the private sector who aims to invest in the SMMEs. The private sector may comprise of manufacturing and construction companies. There are also retailers who support the small business industry, and this could include the fizzy drinks, dairy products. Some even assist in non-food merchandise. When on travels in the locations of the SDM, along the residential households and along the main streets you will find people who sell the drinks. These traders have the mini-mobile fridge of these companies such as Coca-Cola, Nestle for ice cream. Some even have the umbrellas since they sell their merchandise in the seasonal conditions. Others wear corporate as symbol that they are supported by a particular industry (Participant observation).

These institutions normally provide the small businesses with skills for developing a business plan. Some assist in the direction towards obtaining funds, whereas other institutions will assist them with the manner in which they will sell their goods. Customer relationship management is a requirement in all business operations; there are trainings that are offered to assist the small business to liaise with their customers (Paralegaladvice, 2010).

The following are the recognized institutions in South Africa for enhancing support to the SMMEs:

- Small Enterprise Development Agency (seda)
- Khula Enterprise Finance Ltd (Khula)
- Thusong Service Centre (you will get this in all locations)
- Tendering Advice Centers
- National Small Business Advisory Council (Paralegaladvice, 2010).

A brief discussion on these agencies is discussed in chapter 3.

2.6 TYPE OF FUNDING

The SMMEs source their funding in the following forms:

- *Own savings*

Normally the SMMEs source their funding from their “own savings” (Business teacher, 2011) if one planned to undertake the business operation. Some have some investments that they have kept for unforeseen circumstances. Such investments could be two forms namely: the financial and the non-financial investment. Marinel (2005) defines the financial investment as a “direct injections of cash into your business”. Whereas the non-financial investment refers to the “assets already owned by an individual” (Marinel, 2005). Such assets could include a “motor vehicle” and the “tools and equipment” (Marinel, 2005). It is recommended that individuals do thorough inventory of their assets. They are likely to uncover resources they did not even know they had. Furthermore the respective assets could include “equity in real estate”, “retirement accounts”, and “recreational equipment” (Markman, 2004).

- *Loans from relatives and friends*

The SMMEs own resources may not be enough to boost them with the capital they need. They can also obtain funds from “friends”, “relatives” and “business associates”. Markman (2004) indicates that funding obtained from the family and friends is great, and they do not have fragmented regulations like the banks and other developmental agencies. However this type of funding has its own consequences whereby friends become enemies resulting from non-payments. Findlaw (2011) suggests that the agreements made by these two parties must be a binding agreement whereby if the borrower can not pay the relative should take an equity stake in the owners company. However, such occasions do not happen in the local SMMEs because the relatives and friends are not aware of the legalities behind finance lending.

- *Rotating Savings and Credit Associations*

Small businesses can also use the ROSCA money as the source of start-up capital. In this regard the community members come together with an aim of saving money

towards the same objective (GDRC, 2011). These individuals “come and make regular cyclical contributions to a common fund, which is then given as a lump to one member in each cycle” (GDRC, 2011). Such funds are contributed on weekly basis, monthly basis, quarterly and annually.

- *Trade credit*

Vendors and suppliers are often willing to “sell merchandise to the SMMEs on credit” (Findlaw, 2011). This is a great source of financing for both start-up companies and growing businesses (Findlaw, 2011). The credit obtained is for a short-term finance and the SMMEs may decide to pay on an agreement basis (Marinel, 2005).

- *Loan from a bank*

Banks make a lot of loans to “small businesses” (Findlaw, 2010). The bank wants to be reasonably sure that an enterprise is sustainable and company will be able to repay the loan. The banks always asks for a “business plan” and “have personal assets” that you can offer as collateral, you may be able to qualify for a bank loan even if your business is a start-up business (Findlaw, 2010; Ebony Consulting International, 2010:10). Lending to small and medium enterprises is profitable and these businesses seldom experience difficulty in obtaining loans (the dti, 2008).

- *The Johannesburg Stock Exchange (JSE)*

Another possible source of finance for the SMMEs is through the JSE (Ebony Consulting International, 2010:14). The created a Development Capital Market (DCM) in 1984 and a Venture Capital Market (VCM) in 1989 (Ebony Consulting International, 2010:14). The aim of the DCM was to “provide growing companies with an opportunity to raise capital by listing on the stock market”. This endeavour has not been successful in providing seed and start-up capital to enterprises, especially not SMEs (the dti, 2008). This situation will be further aggravated with a proposed merger of the two instruments (the DCM and the VCM), as the minimum investment will then amount to R2 million per business. This is clearly outside the reach of most SMEs (Ebony Consulting International, 2010:14).

2.7 SMME's SIZES

The nature of the SMMEs is derived from the context of the vulnerable communities who were economically deprived in enhancing their participation in the economic productions facets. The SMMEs operates in different forms. Participation in the LED is free and accessible to everyone. Most operators begin being sole proprietors, whereby they manage the factors of production in an individual basis. Table 2.2 present the sizes of the sizes of the SMMEs.

Table 2.2 SMME sizes

SMME SIZES	NUMBER OF EMPLOYEES	CHARACTERISTICS	EXAMPLE(S)
Medium	100-200 paid employees	Owner managed.	Local: butchery supermarket; Farmer.
		Operate from fixed premises formal requirements.	
Small	Less than 100 employees and close to 50	Formal and registered.	Car wash; building contractors; confectionary; hardware.
		Owner managed more complex management structure.	
Very small	Less than 10 paid employees.	Part of formal economy, use technology.	Internet café; dry-clean; electricians, plumbers; garden services; hair & beauty salon.
		Include self-employed artisans and professionals.	
Micro	Between one to five employees, usually owner and family.	Informal, no license.	Spaza shop; Dress makers; shoe repair; shebeens.
		Basic business skills and training.	
		Potential to make the transition to a viable formal small business.	

Source: Ebony Consulting International, 2010; Netshandama, 2006:11

Most of the medium and small sized businesses are owner managed and operates from fixed premises (Netshandama, 2006:11). The management structure in the medium sized business is decentralized, with Small production capacity (Perera *et al.*, 2005:9-10). The management structure in the small sized businesses is more complex. The medium sized may comprise of different departments, hence there are decentralized management structure. The very small sized business is associated with the formal economy. Most of the very small sized businesses are legal and recognized by law in South Africa (Participant observation). Perera *et al.* (2005:9-10) further provides the characteristics of the SMMEs as follows:

- Limited financial and human capital and technical capabilities; in addition, the number of employees per unit of production is disproportionately high compared to larger companies;
- Generally low level of health and safety standards;
- Dependence on outside sources for supply of products, raw materials, and technologies; and
- Operation in competitive markets (Perera *et al.*, 2005:9-10).

2.8 Categories of SMMES

The National Small Business Act divides SMMEs into the following categories presented in table 2.3.

It is indicated that women represent most of these categories. The reason for this is that women are breadwinners and main providers in their households. In most cases women participate in the informal trading activities. Women sell candies and prepared meals and clothing to community members. Women are passionate to see their families living a better live which is sustainable and healthy.

Table 2.3 Categories of SMMEs

CATEGORY OF SMME	CHARACTERISTICS
Survivalist enterprises	<ul style="list-style-type: none"> -Operates in the informal sector of the economy. - Mainly undertaken by unemployed persons. - Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive. -Little training, capital invested, not much assets. -Opportunities for growing the business very small.
Micro enterprises	<ul style="list-style-type: none"> -Between one to five employees, usually the owner and family. -Informal: no license, formal business premises, labour legislation -Turnover below the VAT registration level of R300 000 per year -Basic business skills and training -Potential to make the transition to a viable formal small business.
Very small enterprise	<ul style="list-style-type: none"> -Part of the formal economy, use technology -Less than 10 paid employees -Include self-employed artisans (electricians, plumbers) and professionals.
Small enterprise	<ul style="list-style-type: none"> -Less than 100 employees -More established than very small enterprises, formal and registered, fixed business premises. -Owner managed, but more complex management structure
Medium enterprise	<ul style="list-style-type: none"> -Up to 200 employees -Still mainly owner managed, but decentralized management structure with division of labour -Operates from fixed premises with all formal requirements.

Source: Paralegaladvice, 2010

Most women are single parents, meaning that they are either separated with their partners or they are never married. For those who are separated with their partners, they need to take care of the children and to support their schooling needs. Due to such problems these women end up seeking for various jobs to generate income.

2.9 INDICATORS FOR STARTING A BUSINESS

The following are the guidelines for eligible business persons. These guidelines serve as indicators for any business endeavors. Normally people would be asked the following question/pointers for assessing their viability in conducting a business:

- type of business to start
- bank account
- name the bank account for the business to be opened.
- registered as a provisional taxpayer
- registering as a vendor for VAT
- registered with the Regional Services Council
- apply for a business licence
- source finance for SMMEs (Paralegaladvice, 2010).

Any person who wishes to start a business must begin by knowing the kind of business that he/she intend to operate. Since government has a role in assisting these SMMEs it is important for SMMEs to know their field of operation. This also assist government department to refer a particular individual to the right people. This also serves as guideline for the state in order to appoint a mentor for the small businesses. Surely the state cannot refer a person who wishes to be a confectionary with a mentor who deals with poultry and a mechanic. Finance seems to be a problem to many people who wish to operate their business interest. Many operations discontinue due to financial backing. It is important for a person to know where they will obtain the funds to succeed in the business. The SMMEs are required to be registered in order to benefit from the industry and to operate in a legal manner. Tab 2.4 presents the business types of the SMMEs.

Table 2.4 Business licence types

LICENCE TYPE	TYPE OF BUSINESS ACTIVITY	SERVICES
7000	Sale and supply of meals	Foodstuff that is prepared in the form of a meal
8001	HEALTH AND ENTERTAINMENT	Baths or saunas, Gymnasiums or health centers that offer saunas or turkish baths
8002	HEALTH AND ENTERTAINMENT	Massage and infrared treatment; Body massages or aromatherapy etcetera
8003	HEALTH AND ENTERTAINMENT	Escort agency
8004	HEALTH AND ENTERTAINMENT	Devices; Business premises with 3 or more electronic machines
8005	HEALTH AND ENTERTAINMENT	Pool, snooker or billiards tables; Business premises with 3 or more tables
8006	HEALTH AND ENTERTAINMENT	Nightclub or discotheque; Dancing, raves
8007	HEALTH AND ENTERTAINMENT	Cinema or theatre; Shows, dinner theatre, bands, live shows
9000	HAWKING IN MEALS	Boerewors rolls, hamburgers, hot chips

Source: Paralegaladvice, 2010

In so doing everywhere they go they will be required to produce their business licenses. The registration also protects the SMMEs from paying too much tax, because they are taxed according to their income generation capacity.

2.10 ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT TYPES OF BUSINESSES

Table 2.5 ADVANTAGES AND DISADVANTAGES OF THE DIFFERENT TYPES OF BUSINESSES

TYPE OF BUSINESS	ADVANTAGES	DISADVANTAGES
Sole trader or proprietor	It is the cheapest and easiest type of business to start and to run.	The law does not separate the assets and debts of the sole proprietor from the assets and debts of the business.
Partnership	It is cheaper to run than a CC or a company because it does not have to keep special books and pay an accountant to check its books.	The law does not separate the assets and debts of the partners from the assets and debts of the business. If someone takes a partner to court for personal debts, the court can take the business's things.
Close corporation	The law sees the assets and debts of the members as separate from the assets and debts of the CC.	A lawyer must register the CC, which costs money. A bookkeeper or accountant must be paid to do this.
Company	The law sees the assets and debts of the shareholders as separate from the assets and debts of the company.	It is expensive to register a company. It is also expensive and complicated to run a company.

Source: The Paralegaladvice, 2010

2.11 CONCLUSION

In this chapter the researcher intended to provide the framework of the LED and the SMMEs. The LED is a multifaceted effort for addressing the socio-economic issues within the municipality. The study focused on the legislative framework of the LED and found that each municipality is supposed to develop the LED strategy. Several municipalities in South Africa have developed such strategies and have also established a dedicated department to implement the LED strategies. The chapter also acknowledges the programmes that are in place to guide the implementation of the LED. The context of the size and its categories were discussed in this chapter. The following chapter will provide the overview of the SMME activities in the SDM.

CHAPTER 3

AN OVERVIEW OF SMME ACTIVITIES IN SDM

3.1 INTRODUCTION

The promotion of entrepreneurship and small business remains an important priority to the government of South Africa. There are positive perceptions on the SMMEs viability in the context of economic development especially where there is high unemployment rate in the country. The SMME sector is also recognized for attending to social challenges of poverty, economic deprivation and household reliance on social security grants. Over reliance on government social assistant is a challenge to many low income households who do not have any other mechanism to support their families. Since 1994, the government of South Africa has made strides to overcome these challenges which are largely attributed to lack of economic opportunities and skills development.

It is imperative that the government create a favorable environment that will ensure that this sector is able to thrive. This chapter gives an overview of the SMMEs and provide analysis as it relate to SMME activities. In the next section the profile of the SMME sector and the main constraints faced by this sector is sketched. Furthermore, a discussion about the strategies carried out to assist SMMEs globally and with reference to the SDM are analysed. This is followed by an overview of the legislative framework for promoting the SMME in the South Africa. A brief outline of the SMMEs support in the SDM is discussed.

3.2 OVERVIEW OF THE STUDY AREA

The SDM comprises three local municipalities, namely: “Emfuleni, Lesedi and Midvaal Local Municipalities”. The researcher of this study focuses on the Emfuleni Local Municipality (ELM) as the case study for this research. The ELM is a Category B municipality (Emfuleni Local Municipality, 2009:19). The ELM contains approximately “six (6) large peri-urban townships” of Evaton, Sebokeng, Sharpeville, Boipatong, Bophelong and Tshepiso (Emfuleni Local Municipality, 2009:19). There are approximately” ten (10) small settlements [tend to be suburban settlements]” within six

kilometers of the above towns are Bonanne, Steelpark, Duncanville, Unitas Park, Sonland Park, Waldrift, Rust-ter-Vaal, Roshnee and Debonair Park. In this study the sample locations includes the Boipatong, Bophelong, Evaton, Sebokeng, and Sharpeville townships (Emfuleni Local Municipality, 2009:19).

3.3 NATURE OF THE SMME

Discussions about the nature of the small business are interesting especially when communities are involved in the matters relating to their developments. When one looks at the established business operations worldwide, such activities brings light to realise that human development is essential. The next sections describe the setting of the SMMEs sector based on the industrial sectors in which the SMMEs operates; the SMMEs contributions; and the SMMEs relations to the labour-intensive approach.

3.3.1 SMMEs and the industrial sectors

The SMMEs operate in the “eight industrial sectors” (Blignaut and Demana, 2002:4). The respective industrial sectors are presented in table 3.1. The percentage contribution of SMMEs to the GDP is presented below in a form of the SMME industrial sectors.

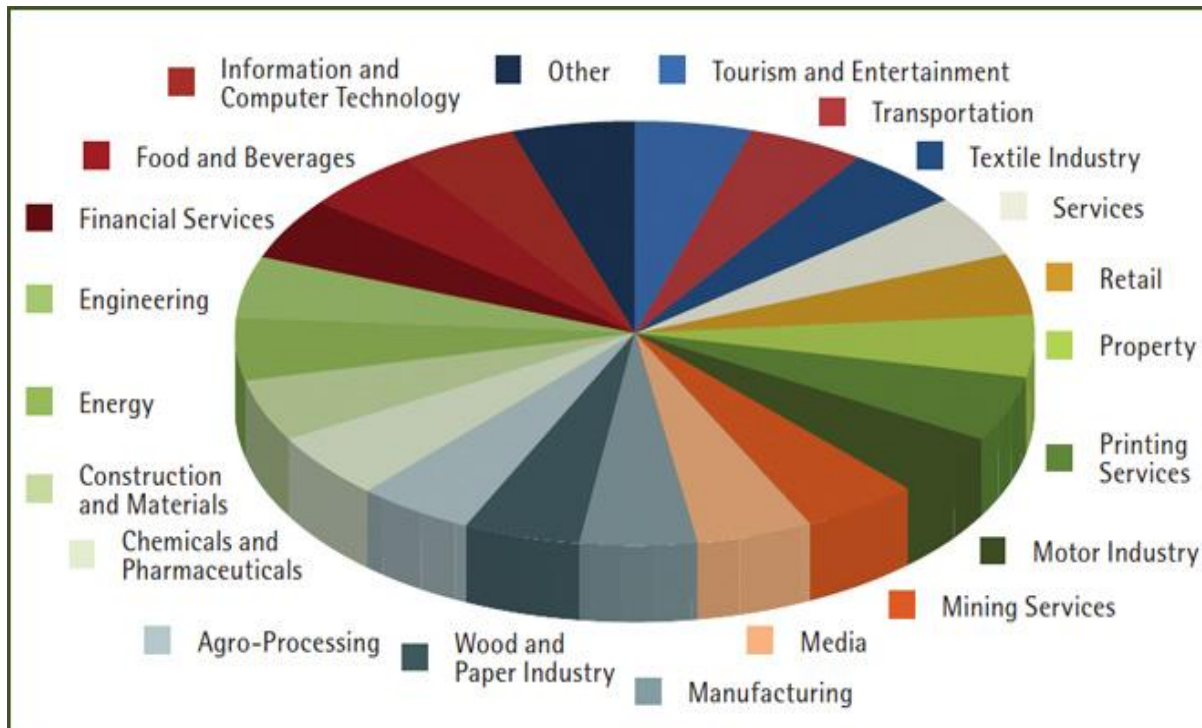
Table 3.1 Percentage contribution of SMMEs to the GDP in the industrial sectors

MICRO SMALL MEDIUM LARGE TOTAL	MICRO	SMALL	MEDIUM	LARGE	TOTAL
Agriculture	4,13	8,67	43,71	43,49	100,00
Mining	1,01	1,74	2,55	94,70	100,00
Manufacturing	5,27	7,37	21,02	66,34	100,00
Electricity	0,00 0	0,00	0,00	100,00	100,00
Construction	3,14	35,60	12,20	49,06	100,00
Trade	2,27	23,41	17,12	57,21	100,00
Transport	7,07	18,50	20,30	54,13	100,00
Business & other services	14,90	12,90	2,90	69,30	100,00

Source: Blignaut and Demana, 2002:4 (Adapted from NTSIKA 2000)

SMMEs almost represent 98 per cent of the total number of business firms in South Africa. The SMMEs employs almost 55% of the country's labour force and contribute approximately 42% per cent to total remuneration (Mollentz, 2002).

Figure 3.1 SMME sectors



Source: National Empowerment Fund, 2012

The analysis based on table 3.1 and figure 3.1 above tells a story about the importance of the SMMEs either from the developed or a developing country. It is informed that the SMMEs contribute to the “gross domestic product (GDP)” and to “employment”.

3.3.2 SMME contribution to gross development product and employment

The contribution of the SMME is exceptional and it cannot be denied in any direction. Nationwide, the levels of unemployment and poverty are extremely high (Thwala, 2006:36). Joubert *et al.* (1999:24) state that the SMMEs play an important role in the South African economy, particularly with regard to the creation of jobs. The SMMEs contribute to the “gross development product (GDP) and employment” (Blignaut and

Demana, 2002:4). Table 3.2 present the percentage of SMME contribution to the GDP and employment.

Table 3.2 SMME CONTRIBUTION: GDP & EMPLOYMENT

SMME CONTRIBUTION	MICRO	SMALL	MEDIUM	LARGE
Contribution of SMMEs to the GDP	5,8%	13,9%	15,0%	65,2%
Contribution to employment	17,4%	16,3%	20,8%	45,5%

Source (Blignaut and Demana, 2002:2).

In terms of these contributions, Agupusi (2007:5) informs that the SMMEs contribute 45-50% of the GDP. Whereas there is approximately 44 per cent contributions from the employment opportunities” generated by the SMME sector (Joubert *et al.*, 1999:24). Dingiswayo (2010) further highlights “the importance of the SMMEs for employment being enormous”. SMME contribution is represented both in the industrialized nations as well as in the developing countries. The importance of the SMMEs is based on the following factors:

- “SMMEs are important for the promotion of national and regional development;
- SMMEs play a role in alleviating poverty and assessing those who are disadvantaged;
- SMMEs play a role in promoting democracy and civil society; and
- SMMEs play a role in promoting a more flexible, innovative and competitive economic structure” (Dingiswayo, 2010).

Toomey (1998) expresses the value of the SMMEs as “a common phenomenon throughout the world” for creating employment opportunities in an innovative ways. In this regard the percentage of the job opportunities created refers to the formal small businesses and the informal sector (Agupusi, 2007:5). The SMME sector is a significant contributor to the South African economy and it is evident that the SMMEs have the capacity to become “vehicles of labour absorption” as considered by Kesper (2000). The figures presented in table 3.2 are remarkable and that showcase the importance of

the SMMEs existence. The next section will briefly describe the nature of the SMMEs in terms of the labour-intensive approach.

3.3.3 Labour-intensive

Toomey (1998) further indicates that the “SMMEs activities are labour-intensive”. Thwala (2006:38) defines the concept “labor-intensive” as an “approach where labour is the dominant resource for carrying out works”, and “where the share of the total project cost spent on labor is high (typically 25 – 60%)”. Most of the SMMEs reside in the low-income households, where poverty and unemployment is a problem. In order to survive the SMMEs normally “have little capital and make use of the local resources available” (Thwala, 2006:38). Throughout the world the SMMEs plays a critical role in “absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways” (Toomey, 1998).

SMMEs usually cook food or bake and sell cakes from their own stoves, either from an electric or a coal stove. Such cakes are either baked at night or in the early hours in the morning. The SMMEs are also fashion designers, where by the make different type of clothing ranging from wedding; contemporary; school or sport clothes. The SMMEs are also involved in construction activities and termed as “day labourers” whereas others have their little industries. They produce household security gates, burglars and window frames. Other labour-intensive activities include trade jobs, whereby they build houses or when a person wants to extend the house; walls; plumbing and electricians. Those who deal with the construction are normally seen in the township and up-market suburbs. They usually advertise themselves looking for people who require their services (Participant observation). These activities allow the SMMEs opportunities to contribute to the development of the economy (Toomey, 1998).

3.4 LIMITATIONS TO SMME PARTICIPATION

Globally, there is recognition for the role played by the SMMEs in the economy of a country. However, their contributions are hampered by a series of “legal, institutional and financial constraints” (Blignaut and Demana, 2002:1). Blignaut and Demana

(2002:1) identified the categories of the limitations which causes difficulties in the world of the SMMEs towards their success. Table 3.3 presents the categories of the problems causing distress among the SMMEs

Table 3.3 Limitations to SMMEs participation

Problem indicators	Examples
Finance	-lack of access to loan and retail finance and direct SMME banking schemes and insufficient debt recovery schemes -insufficient mechanism to provide collateral
Taxation	-Large array of tax impediments and lack of tax incentive schemes -complexity of tax system and impact of tax on cash flows -tax compliance burden SMMEs -regressive nature of VAT and complexity of VAT system
Labour	-cost of labour and difficulty in complying with labour laws -lack of adequate flexibility when determining wage setting
Business trade	-strict requirements of the Business Act and the Trade Practise Act.
Property and land ownership	-cost of land and land ownership -access to land and property is difficult
By-laws and regulations	-By-laws and local regulations are not harmonised -inflexibility regarding different land-use options -SMMEs do not enjoy benefits of local government investment packages.
Procurement	No uniform tendering procedure in the country; SSMMEs do not have access to state tenders; corrupt officials being bought by large enterprises.
Women and rural development	Lack of infrastructure, especially rural, access for women to business a serious constraint.

Source: Blignaut and Demana, 2002:5

The problems identified in table 3.3 are regarded as most significant constraints facing the SMME sector. Building capacity and development for the SMMEs seems to be the main global agenda item, particularly in South Africa. The SMME sector is a significant contributor to the South African economy (Mollentz, 2002). Communities start their own small business enterprises in an attempt to earn a living (Ladzani and Netswera, 2005:3). However, a number of these SMME discontinue their operations due to a number of problems that hinder them to achieve their business ventures. Perera *et al.*, (2005:5) further indicate that the SMMEs are “confronted by technological advancements”.

Women are recognised as vulnerable communities who were previously disadvantaged (Fekade, 2008:4). Women are also active in SMME representations, however their participation is minimal. The low representation of women entrepreneurs in SMEs could be attributed to:

- “low levels of education and lack of opportunities for training;
- heavy household responsibilities that leave women less time to devote to their businesses;
- lack of contact with and exposure to the business world;
- insufficient financial and human capital at the disposal of women; and
- issues relating to ownership rights, which deprive women of property ownership in general and consequently, of the ability to offer the type of collateral normally required for access to bank loan” (Fekade, 2008:4).

The following are some of the problems affecting the success of the SMME sector and they often need help with problems such as:

- how to write a business plan
- where to find money to start a business
- where to sell their goods and services
- training for staff (for example, in bookkeeping or computer skills)
- how to tender for a contract (Paralegaladvice, 2010).

The following are some generalized barriers that have been shown to prevent or slow the adoption implementation as opposed to the manufacturing (technologies) sector by SMEs:

- Reluctance to Change
- Lack of Industry Organizations
- Fewer Internal Resources
- Lack of Information
- Limited Technical Skills
- Access to Technology, Equipment, and Chemicals
- Access to Financing
- Misconceptions regarding the potential for financial savings
- Small appreciation of the value of non-ODS equipment as an “advertising tool” for convincing potential new customers that a shop is technologically advanced (Perera *et al.*, 2005:19-21).

3.5 SMME CAPACITATION AND DEVELOPMENT IN THE SDM

Since 1994, the South African government has been faced with the challenges of reintegrating the informal sector into world markets. Section 152, of the Constitution lists six objectives of local government. According to the six objectives, local government is required to “promote social and economic development for its communities” (Mzini and Maoba, 2012:518). The government is commitment to “see the SMMEs growing and progressively increase their contribution growth and performance of the South African economy” (The dti, 2005:iii). To achieve the developmental objectives of local government a variety of strategies were developed to “balance the economic growth through competitiveness”; “employment generation and income redistribution”. Despite voluminous research, however, the extent to which SA's SMMEs contribute to poverty alleviation, economic growth or international competitiveness “is still largely unclear” (Trade and Industrial Policy Strategies (TIPS), 2003: 2).

The promotion of entrepreneurship and small business remains an important priority of the government of South Africa. The South African government is acknowledged for its

“commitments to ensure that small businesses progressively contribute to growth and performance of the South African economy”. The critical areas include “job creation”, “equity” and “access to markets”. SMME development is a key aspect of “Government's economic development, poverty alleviation and job creation strategy” (the dti, 2008: xxvi). SMMEs support encompasses a wide range of “support including business advice and information; training; financial assistance” (Ladzani & Netswera, 2005:5).

3.5.1 SMME programme implementation

Since 1994 the South African government has recognised its important role in fostering an enabling environment for the creation and growth of small enterprises. In March 1995 the government articulated “a number of measures to foster an enabling environment in the *White Paper on national strategy on the development and promotion of small business in South Africa*” (The dti, 2005:3). These included:

- “creating an enabling legal framework
- streamlining regulatory conditions
- facilitating access to information and advice
- facilitating access to marketing and procurement
- facilitating access to finance
- facilitating access to affordable physical infrastructure
- providing training in entrepreneurship, skills and management
- improving industrial relations and the labour environment
- facilitating access to appropriate technology
- encouraging joint ventures
- capacity building and institutional strengthening
- introducing differential taxation and other financial incentives” (The dti, 2005:3).

These indicators are discussed below as they relate to the SDM. The following factors are suggested by Perera *et al.*, (2005:22) successful SMME programme implementation. The respective factors are as follows:

- develop strategies that will economically benefit the SMMEs;
- encourage cooperation among the stakeholders;

- develop capacity building programmes to revive the sector;
- establish a single contact point (office) that is accessible to the beneficiaries;
- link the SMMEs to the appropriate national and international networks and markets; and
- develop a monitoring system to assess progress of government investments (Perera *et al.*, 2005:22).

The Amathole District Municipality also points that municipalities must achieve the following key objectives in the capacitation of their SMMEs:

- provide a synoptic overview of the socio-economic environment
- analyze key SMME sector challenges and opportunities
- capture a shared SMME development vision for Amathole District
- identify key strategic and priority interventions
- develop an SMME Development Implementation Plan (Amathole District Municipality (ADM), 2011:4).

3.6 CREATING AN ENABLING LEGAL FRAMEWORK

The advent of a democratic country since 1994 brought hope to the community of South Africa, by recognizing the role played by the local small business enterprises. The government has taken measures to “ensure that small business development becomes a key policy focus”. In March 1995 an important milestone was achieved when government released its “*White Paper on national strategy for the development and promotion of small business in South Africa*” (The dti, 2005:3). This was for the first time that a comprehensive policy and strategy on small business development was “formulated in the country” (the dti, 2005:3). A number of new government policies that have a bearing on aspects of entrepreneurship and small business development emerged in this occasion (The dti, 2005:16). The following are supportive national policies:

- The micro-economic reform strategy;
- Accelerated and Shared Growth Initiative South Africa (AsgiSA);
- Draft Regional Industrial Development Strategy (RIDS);

- Broad-based black economic empowerment strategy;
- National strategy for the development and promotion of franchising in SA;
- Strategic framework on gender and women's economic empowerment;
- National youth enterprise strategy;
- Co-operatives policy and development draft strategy; and
- Draft strategy framework for forestry enterprise development (The dti, 2005:17-20).

The micro-economic reform strategy puts emphasis on “small business development” with the “need to ensure equity (through broad-based black economic empowerment [B-BBEE] and gender initiatives)” (The dti, 2005:17). The strategy also prioritises the “access to efficient environment particularly in areas of high poverty and unemployment”. A need for strong coordination by the state is earmarked for support measures. The Strategy proposes for the “establishment of special economic zones (SEZ)” to provide access to working space and markets for the SMME sector (The dti, 2005:17).

Apart from these legal frameworks municipalities also develop their in-house policies that regulate their jurisdictional settings. The SDM developed its first Growth Development Strategy (GDS 1) in 2006 later developed its second Growth Development Strategy (GDS 2) in 2010 (SDM, 2010:i).

3.7 REGULATORY CONDITIONS

The SDM gives attention to its growth based on the following strategies:

- Reinventing our Economy
- Renewing our Communities
- Reviving our Environment
- Reintegrating Our Region
- Releasing our Human Potential
- Good and Financially Sustainable Governance
- Vibrant Democracy

- Approach to 2010 World Cup Soccer Tournament (SDM, 2010:77).

The above mentioned of the SDM are implemented by means of the key deliverables to reinventing the economy in the Sedibeng region (SDM, 2010:83). The strategy for “Reinventing our Economy” relates to this study and it is guided by six strategies identified to guide its development and implementation. This strategy is showcased by the following milestones that occurred in the SDM:

- Support the consolidation and expansion of the metal, energy and construction sectors;
- Promote and develop tourism and leisure sectors;
- Promote and develop the agriculture sector;
- Promote opportunities for increased inclusivity in the economy;
- Ensure Integrated Economic Development and Investment through the Vaal 21 Initiative; and
- Consolidate, review and monitor the Sedibeng Growth and Development Strategy (SGDS) (SDM, 2010:86).

Monitoring and evaluation of municipal projects is crucial towards the assessing the success of municipal endeavours. The SDM planned to “monitor and periodically review progress on the implementation of the SGDS” (SDM, 2010:86).

3.8 ACCESS TO INFORMATION, ADVICE AND MARKETING

Business advice and information incorporates “generic business start-up advice and support, business planning advice, development support”, and “consultancy and advice on business plans and business promotion” (Ladzani & Netswera, 2005:5). The governments departments have established the “Tender Advice Centres” to serve as part of the information dissemination for the SMMEs in the respective jurisdictions. Tender Advice Centres (TACs) “provide support to small businesses” (Paralegaladvice, 2010). Some of the SMMEs partner into municipal service delivery agreements. In such cases the SMMEs will be required to complete the tender forms and questionnaires in

order to impress the respective institution. The TAC therefore “assists the SMMEs to access information about the tenders and to understand the requirements before they complete the forms required”. The TAC also “assist the SMMEs in accessing tender opportunities and completing tender documents” (Paralegaladvice, 2010). The following are the tender-related services that the TAC renders to the SMMEs:

- explaining invitations to tender;
- assisting in completing tender documents (including advice on how to enter contracts and how to work out pricing) ;
- counselling (pre- and post-tender);
- providing information on procurement and tendering policies; and
- holding tender awareness workshops, seminars and forums (Paralegaladvice, 2010).

The following are the other forms of support for the SMMEs:

- information on business opportunities
- advice on regulations and legal requirements (for example, VAT registration)
- access to databases of small businesses and suppliers
- referrals to specialist training programmes
- project management assistance
- training needs assessment
- co-ordination of training programmes
- evaluation of the capacity of small businesses to deliver on contracts
- subsidised skills-development programmes (Paralegaladvice, 2010).

All these services require a strong administrative angle from the municipality in order to reduce the frustrations that are normally encountered by the SMMEs.

3.9 ACCESS TO FINANCE AND MARKETING

Financial assistance can consist of “advice on raising finance, provision of grants” and “funding”, “financial planning” and “business management” (Ladzani & Netswera,

2005:5). The SMMEs source their funding from the following source as a start-up capital.

3.9.1 Introducing differential taxation and other financial incentives

The Finance Minister Pravin Gordhan has announced “various tax incentives” for businesses, particularly small and micro enterprises, as well as plans to “overhaul two failed tax incentives in a bid to make them more attractive to businesses”. The tax proposals are aimed to “help boost job creation” and these include changes to the turnover tax for micro enterprises (BuaNews, 2011). The turnover tax for micro enterprises with an annual turnover of up to “R1-million” will be “adjusted so that tax will be payable only if turnover exceeds R150 000 a year”. This will take effect from 1 March. The rate structure will also be reviewed by the National Treasury (BuaNews, 2011).

3.10 ACCESS TO AFFORDABLE PHYSICAL INFRASTRUCTURE

The types of the affordable infrastructure are described below.

3.10.1 Flea market

South Africa has many informal trading areas and large flea markets in almost all large urban centers. The flea market has a “host of stalls selling generic goods” (Johannesburg-direct, 2012). The flea markets operate either during the weekdays or on the weekends; whereas others operate permanently like the one in Bruma Lake, East Gate in the Ekurhuleni Metropolitan Municipality. The flea markets have an economic impact on the lives of the SMMEs. The respective economic impacts are discussed presented below:

- as a use of special value;
- social and cultural benefits;
- provides special synergies to the life of the neighbourhood and the city;
- works as a model of urban enhancement for the rest of the city;
- a place that works as historic preservation;
- works as a tourism destination; and

- works as the heart of a neighbourhood (Pepper, 2012:2).

The recognized flea market in the SDM includes *De Deur: Walkerville flea market* situated in the Midvaal Local Municipality. This flea market operates only on Saturdays from 6am to 2pm. The owner of the flea market has constructed concrete (cement) stalls sized 3m X 4m. SMMEs rent the stand and pay an amount of R80 in order to use the stand for selling their merchandise. The merchandise sold varies from food to non food including “African curios, various crafts, funky second-hand clothing, one-off fashions and fashion rip-offs” (Johannesburg-direct, 2012). Household ware such as bedding items, kitchen items are also sold. The auto mechanic items such as a spanner “13” for the car to wheels and other parts of the car are available. The vendors also sell furniture items and building materials (Midvaal Local Municipality, 2012 and participant observation).

3.10.2 Trading zones/stalls

Nowadays the SMMEs have more opportunities to pursue their business operations. The traders in the SDM were allocated designated trading spaces for selling their items. These traders sell their items in the central business centres or in the transport hubs. The researcher of this study came across three forms of trading zones in the SDM. The following are the trading zones identified by the researcher of this study during the field trips and they are as follows:

Office space:

The traders normally rent the office space in the shopping complexes such as Thabong Shopping Complex, Meyerton CBD and also in Rathanda. In the Emfuleni Local Municipality there are almost nine shopping complexes where these traders operate. The trading activities include, hair salon, take away services, cell phone repair shop and internet facilities.

Stalls:

The stalls are built in the respective shopping complexes to enable the traders to sell their merchandise. In Sebokeng plaza the traders indicated that they “occupied the place for more than ten years selling prepared meals to the pedestrians and motorists and taxi drivers. This shopping complex consists of local and long distance taxi operators and long distance busses. This shows the mutual benefit on the traders and the customers because their needs are within their doorstep.

Sidewalk/pavement/open space trading:

These trading space were sported in Vanderbijlpark and Vereeniging. The trading zones are characterised by yellow markings on the ground. The municipality use open space to accommodate the traders to operate their business. In Vanderbijlpark and Vereeniging the researcher observed that the municipality separated these trading zones according to the business operations of the individual businesses. The hairstylist operates in a different place as compared to the food and clothing sectors. This was used for hygiene purposes and to abide with the health inspectors regulations.

3.11 TRAINING IN ENTREPRENEURSHIP, SKILLS AND MANAGEMENT

Education and training are viewed as “critical to the success of establishing a culture of entrepreneurs” in South Africa (Ladzani and Netswera, 2005:5). Alongside finance, the “need for training” and the “upgrading of skills” are critical themes for South African SMME policy development (the dti, 2008: xxxiv). Training provides the “opportunity for owner-managers to develop their management skills” (Ladzani and Netswera, 2005:5). SMME training ranges from generic skills training to business planning courses and management training (Ladzani and Netswera, 2005:5). Khula provides both “pre and post loan mentorship” to small and medium sized enterprises. The actual provision of mentorship services is done by “independent mentors/business advisors that are skilled in their respective areas of specialization” (Khula Enterprise Finance Ltd., 2012). The like Khula offers “pre & post mentorship programmes” to “benefit” the SMMEs.

Pre-loan mentorship:

Business operations are required to “develop a business plan” that will “tell a story” about their intended business operations. In this case the pre-loan mentorship programme comes in place geared towards “assisting aspiring entrepreneurs to draw up a viable business plan”. A written business plan development will “enable the enterprise to score goals and win the attention of the potential donors and investors”. A developed business plan either assisted by Khula or any other agency responsible for training the SMMEs will serve as a:

- A feasibility study that demonstrates the viability of the business idea;
- A comprehensive and well researched marketing plan;
- Applicants need to possess some level of experience in their proposed business venture; and
- A minimum equity contribution as defined by Khula`s financing partners (Khula Enterprise Finance Ltd., 2012).

Post-Loan Mentorship:

The post-loan mentorship programme is designed to “provide business support services to enterprises in the early stage (introductory/compliance mentorship)” as well as the “decline phase (turnaround)” of their business (SMMEs) life cycle. This intervention is only provided to SMMEs that have benefitted from debt and or equity facilities provided by Khula through its financing partners (Khula`s indirect clients) (Khula Enterprise Finance Ltd., 2012).

3.12 ACCESS TO APPROPRIATE TECHNOLOGY

Normally the SMMEs come from low income households, who usually lack technological facilities. Sometimes they hardly lack electricity to heat their household or to brighten their households at night. Others lack the infrastructure to operate their businesses. However these challenges are just temporary inconvenience to these people. Government has made some means in order to sustain the business livelihoods of the SMMEs. Some small businesses were able to acquire the business to operate as telephone vendors especially in areas which are less developed. The telephone

vendors would operate in their households and offer telephone services to the surrounding households. Some would even offer the telephone services as informal traders in the street corners, pavements or in the transport hubs, either in town or in the location.

Social media has taken its course in the socio-economic world. Access to email was another factor that placed pressure to business operators. However, the telephone network industries have opened avenues for these traders to own their own email addresses. They also have website locations online. The websites are created to enable the traders to market themselves. Local SMME now have access to social media and digital world. For example Botle Ba MaAfrika (refer appendix D) is owned by an entrepreneur Mrs Julia Roberts in Sebokeng Zone 14 and specialises with traditional wear, wedding accessories and crafts. The owner of this business indicated that she was assisted by the Emerald Foundation to create a website for her business. The Emerald Foundation is a worldwide SMME development agency (www.emerald.foundation.co.za) established to support the SMMEs in the respective localities especially in the impoverished areas. These websites created by the agencies are developed in such a way that they have access to different languages as it relates to the international community.

3.13 ENCOURAGING JOINT VENTURES

The municipality have partnered with the following agencies for supporting the SMMEs nationally. Many municipalities also offer small business support under their local economic development agencies, or dedicated small business and co-operative programmes within their LED divisions and public-private partnership-based business-incubation centres (The dti, 2005:9).

Table 3.4 DTI Agencies that support SMME's

AGENCY CATEGORIES	AGENCIES
Development Finance Institutions:	<ul style="list-style-type: none"> -South African Micro-finance Apex Fund (SAMAF) -Khula Enterprise Finance Ltd (Khula) National Empowerment Fund (NEF) -Industrial Development Corporation of South Africa Ltd (IDC) -Export Credit Insurance Corporation of South Africa (ECIC)
Small Enterprise Development Institution	<ul style="list-style-type: none"> -Small Enterprise Development Agency (SEDA) -Kagiso Trust Enterprises (Pty) Ltd (KTE)
Assistance programmes	<ul style="list-style-type: none"> -Technology for Women in Business (TWIB) -Technology and Human Resources for Industry Programme (THRIP) -South African Women Entrepreneurs' Network (SAWEN) -Gauteng Enterprise Propeller (GEP) -Expanded Public Works Programme (EPWP)
Banks that support SMME's	<ul style="list-style-type: none"> -The Development Bank of Southern Africa (DBSA) -Womens' Development Bank -The Land Bank
Commercial Banks that support SMMEs	<ul style="list-style-type: none"> -Standard Bank -ABSA Bank -First National Bank -Nedbank -African Bank

Source; The dti, 2005

Gauteng Enterprise Propeller

Gauteng Enterprise Propeller (GEP) is geared to provide both financial and non-financial support for the benefit of SMME's in Gauteng. In addition, GEP also coordinates stakeholders for the benefit of SMME's. GEP is working towards enabling full SMME participation in the economy and ensuring their contribution to the creation of

employment opportunities (Gauteng Enterprise Propeller (GEP), 2012). The GEP is situated in Frikkie Meyer Street in Vanderbijlpark. The success stories for the services offered by the GEP are presented in Annexure D (An entrepreneur in Zone 14) and E (Hair salon in Vanderbijlpark).

The Small Enterprise Development Agency

“The Small Enterprise Development Agency (Seda) is an “agency of the South African Department of Trade and Industry (the dti)” (Seda, 2012). Seda was established in December 2004. It is mandated to “implement government’s small business strategy”; “design and implement a standard and common national delivery network for small enterprise development”; “and integrate government-funded small enterprise support agencies across all tiers of government” (Seda, 2012). Seda’s mission is to “develop”, “support” and “promote small enterprises” throughout the country. The Seda also aims to ensure that SMMEs growth and sustainability are “co–ordinated and partnered with various role players” on the global platform (Seda, 2012).

Khula Enterprise Finance Ltd

Khula Enterprise Finance is dedicated to be the “development finance partner of first choice in the field of SMME development” (Khula Enterprise Finance Ltd, 2012). The company is a “wholesale finance institution” which operates across the public and private sectors, “through a network of channels to supply much-needed funding to small business” (Khula Enterprise Finance Ltd, 2012). Khula’s channels include South Africa’s leading commercial banks, retail financial institutions, specialist funds and joint ventures. Its primary aim is to bridge the “funding gap” in the SMME market not addressed by commercial financial institutions (Khula Enterprise Finance Ltd, 2012).

These agencies offer financial and non support assistance to the SMMEs.

3.13.1 FINANCIAL SUPPORT AND NON-FINANCIAL SUPPORT PROGRAMMES

These agencies offer financial and non support assistance to the SMMEs. Table 3.5 presents the forms of financial support and non-financial support programmes as it relates to the SMMEs.

Table 3.5 Financial support and non-financial support programmes benefits
Benefits to entrepreneurs

FINANCIAL SUPPORT	NON-FINANCIAL SUPPORT PROGRAMMES
access to finance	improved business efficiency
a flexible approach to doing business	personal service through our relationship managers
competitive lending rates	information, advice and guidance on business issues
fair conditions of contract	access to support skills and capabilities normally only available to big business
fair and equitable rates, terms and conditions	better performance with limited own resources
personalized service, information, advice and guidance on business issues	aftercare service through relationship managers and mentors who will visit the business to offer advice or act as sounding board
access to support skills and capabilities normally only available to big business	gain valuable experience and knowledge
better performance with limited own resources	
aftercare service through relationship managers and mentors who will visit the business to offer advice or act as sounding board (GEP, 2012).	

Source: GEP, 2012

The financial support is whereby the agency works with the SMME in order to assist them to “customize the right financing solutions to accommodate their particular needs and goals” (GEP, 2012) based on their business needs. With regard to non-financial support programmes the entrepreneurs are “assisted by accredited and experienced service providers to implement customized solutions to their business problems” (GEP, 2012). The non-financial support is cyclical whereby the problems encountered by SMMEs are discussed into detail. One of the problems may be the lack of customer base for a local enterprise. The advisor may start looking at the production process of the enterprise and then move to the items produced and the manner in which the items are sold. In this case maybe the issue was that the business operator sells the merchandise to the local people in the respective ward and this could have caused such problems. Many of the problems associated with the SMMEs may involve non-financial issues and the financial issues could be less encountered.

3.14 CAPACITY BUILDING AND INSTITUTIONAL STRENGTHENING

Capacity building for the SMMEs occurs in different forms, and the respective mechanisms are discussed below.

3.14.1 Non-Governmental Organizations (NGOs)

Several NGOs are involved in general SMME support and capacity building, such as technology transfer and training. Many of the NGOs involved with SMME capacity building and support are focused on business development and technology transfer (Perera *et al.*, 2005:28). In the SDM organisations such as the Lusa Community Chest is also engaged towards the support of the SMMEs. Lusa Community Chest is a “volunteer led and non-profit organization that is aimed to build capacity”. This organisation also “mobilizes local resources to improve lives and create positive, long term social change in local communities” (Lusa Community Chest, 2012). Lusa Community Chest is “affiliated to the international organization, United Way, and has been in operation in South Africa since 1928”. Collectively all national offices are recognized as the Community Chest of South Africa (CCSA) (Lusa Community Chest, 2012).

3.14.2 Higher education programmes

An increasing number of universities across the country are establishing centres of entrepreneurship or small business, and entrepreneurship constitutes part of the Master of Business Administration (MBA) curriculum in certain universities (The dti, 2005:13). These institutions also conduct entrepreneurship and small business research. The North-West University (Vaal Triangle Campus) has also established the LED centre which aims to capacitate community members in the SDM (Participant observation).

3.14.3 The media

The media increasingly plays an important role in fostering a culture of entrepreneurship and enterprise in South Africa (The dti, 2005:14). In the SDM media resources such as the VAAL STER, SOWETAN and the Sebokeng Vision plays an important role in the support of the SMMEs. These media resources help the SMMEs to advertise and to share knowledge with the community of the SDM.

3.14.4 Conferences

Different conferences are held to bring together different groups of stakeholders in order to discuss issues pertaining to their fields. In this regard the business conference applies to this study. Several conferences were held to support the SMMEs in South Africa. In Gauteng three SMMEs conferences were held towards supporting the SMMEs. The following conferences were held in order to support the SMMEs in South Africa.

- 3rd Annual International Conference on Entrepreneurship and Small Business Development, held at the University of Johannesburg, Soweto Campus on 15-16 May 2012 (Appendix E).
- 4th Annual Vaal Region SMME Business Conference, held at the Emerald Resort and Casino, on 15-16 August 2012 (Appendix F).
- International Small Business Congress 2012, Held at the Sandton Convention Centre, on 15 - 18 September 2012.

Figure 3.2 International Small Business Congress 2012



Source: Seda, 2012

The researcher was able to attend the 4th SMME conference held in the Emerald Resort.

3.14.5 EXHIBITIONS

Two exhibitions are identified for this study since the researcher was able to showcase these events.

Vaal Wedding Expo1

The SDM held its Vaal Wedding Expo for the first ever wedding and special function Expo held in Sebokeng, hosted by the Vaal Wedding Association and the Emfuleni Local Municipality. This historic occasion takes place on Saturday 5 May 2012 and Sunday 6 May 2012. The time scheduled for this schedule was 09h00 - 18h00 on Saturday, whereas on Sunday the time allocation was 10h00 - 16h00. The time allocated allowed for public viewing and for those who were interested to come and buy the merchandise and to about the SMMEs in the SDM (Vaal Wedding Association (Vaalwed, 2012)

Vaal Wedding Expo2

This expo was held on 19 - 22 July 2012. It was held at the Vaal Mall in Vanderbijlpark (Vaal Wedding Association (Vaalwed, 2012). The Vaal Mall is a huge shopping complex shared by residents of the SDM and Fezile Dabi District Municipality.

3.14.6 Small business awards

Various organisations in the public and private sectors, and certain publications run annual award programmes to recognise successful entrepreneurs and small enterprises (The dti, 2005:14). Most of these awards are well publicised, helping to increase the profile of successful entrepreneurs and entrepreneurship in general (The dti, 2005:14). The following are activities that are organised to motivate the SMMEs and the events also work as network platforms for the SMMEs.

3.14.7 Competitions

The state usually initiates competitions to enable the SMMEs to grow and strive for excellence. The researcher of this study had an opportunity to attend the 4th SMME Conference at the Emerald Resort and Casino in Vanderbijlpark of the SDM. The competition was in two-folds. The first angle of the SMME competition looked at the emerging SMMEs who are required training and support to start their businesses. The second angle looked at the functional SMMEs sectors which existed for a period not less than three years. In this conference three SMMEs were awarded support materials for their business operations. The categories who won the 2011 awards included the Hair and Beauty category; the modelling and dancing category; and the confectionary category. The Hair and Beauty sector dealt with selling hair and beauty accessories, like lipsticks, hair piece. The owner of the business also had a sustainable hair salon that operates in the locations of the SDM Sebokeng. The modelling and dancing business is situated in Sebokeng Industrial Park, along Moshoeshoe road next to Thabong Shopping Complex. This offers training to children ranging between 5-to 25 years. The business operates only on Saturdays to offer training for the kids. The confectionary owner bakes different types of cakes for all occasions. The owner does extremely well with the delicious biscuits, birthday cakes and wedding cakes (Participant observation).

The interesting part with these businesses was that they were started from “nothing” (no back-up from any sort of help) and the winners were so grateful about the opportunities created for them by the municipality and its partners in the SMME development.

3.15 CONCLUSION

It can be concluded that SMME sector makes the meaningful contributions towards economic growth and development and therefore job creation in South Africa. The challenges of dire poverty require all-round interventions which the SMME's in but one part. For South Africa to achieve national unity and cohesion it is clear that improvement of the lives of the poor need to be taken into account. However the idea of successful SMME's cannot be left to chance, outside and independent of a conscious and purposive framework that takes into account the challenges of starting and maintaining business in the country. Such a framework must have as its primary goal wealth creation through a thriving economy that can create sustainable jobs which indeed is important for the economy to grow relative its peers in the world.

CHAPTER 4

RESEARCH METHODOLOGY AND RESEARCH RESULTS

4.1 INTRODUCTION

This chapter is about research methods used for this study and also present the results based on the interviews conducted in the SMD. The contents of this chapter include the analysis of the research methods used for this study. This chapter is divided into two sections, namely: Section A and Section B. Section A deals with research methodology while section B provides a report of the research conducted by the researcher of this study. Basically, this chapter starts by explaining the manner in which the researcher used in collecting data from the SMMEs and the municipality. Some of the results are presented in a text form whereas other results are explained in form of tables and graphs.

4.2 THE CONCEPT RESEARCH

Different scholars define research differently but for the purpose of this study, research is defined as follows. This might be seen unnecessary, however, it is imperative that there is an understanding of what this terms means. According to Hutchinson (*In* Brynard & Hanekom, 2006) research is a “scientific study”, “engagement” or “exercise” to acquire new knowledge. Normally research is conducted by means of using scientific methods in order to verify the field being studied. Research can be regarded as a cyclical process. The process involves a problem identified and the manner in which it will be solved. The final stage includes the activities such as explaining the methods used and presenting the research results.

4.3 RESEARCH METHODOLOGY

Adams, Khan, Raeside and White (2007) simplifies these terms by saying that “research methodology is science behind all research”. This means that when talking about research in totality or its entirety one refers to research methodology. On the other hand, research methods simply means the “methods that the researchers use to carryout research and ultimately to gather data from the participants (Adam *et al.*,

2007). This section explains the concepts literature review and research method as it applies to the manner in which this study was undertaken.

4.3.1 Literature review

In its simplest form, literature review is about “reading the available and relevant literature” (Berg, 1998:15). For this study the researcher studied the literature based on the framework of LED and SMMEs. Huysamen (1994) agrees with Berg, 1998, when pointing out that the researcher must “be familiar with the subject matter before conducting a research”. Literature reviews enable researchers to be more focused and to avoid duplications (Huysamen, 1994). For this study literature was conducted to understand the fundamentals of SMMEs and LED in South Africa with specific reference to SDM. Moreover, the literature review was used to identify gaps and therefore reach new conclusions. Chapter 2 dealt with the theoretical framework of LED in South Africa and the best practice worldwide. Chapter 3 addressed the overview of SMMEs activities in the SDM by means of literature review. The researcher consulted books, journal articles and government documents. Research recorded on the academic literature, like the articles and dissertations were consulted from the library of the higher education institutions. The North West University (Vaal Triangle campus library) and University of Pretoria (Hatfield Library, main campus) were visited between 2009 and 2012.

4.3.2 Research methods

The methods used in this study are explained in detail on the section below.

4.3.2.1 Qualitative and quantitative research

Both qualitative and quantitative methods were used for this study. Such combination is referred to as triangulation or mixed methods. Triangulation or mixed methods are used for different reasons but for this study they were used mainly obtain the truth (validity). Adams *et al.* (2007), explained triangulation and its purpose or rather rationale as follows; “using different methods to get to the truth”. The rationale behind it is to get data very close to the truth also get another perspective on the matter.

Flick (2007) shed some light on the matter especially qualitative research method. Flick (2007) correctly said that “qualitative research works more with information or rather text as empirical as opposed to numbers or statistics”. Qualitative research is primarily for “the understanding of the situation of the participants which are very central in social science research” (Flick, 2007). In addition, Flick (2007:2) alluded that “qualitative research is “used widely in social sciences” to “engage with the world”.

Brynard and Hanekom (2006:37) stated that “quantitative research deals with analytical approach”. Analytical approach is aimed to reach conclusions that are accepted worldwide. Just to add on that, Brynard & Hanekom (2006:37) remind us that this type of method relies more on numbers and observation. Quantitative research uses descriptive information which the researcher gets from participants through tools like questionnaire and interviews. In most cases, researchers ask questions to participants about the subject under investigation and record their answers (Brynard & Hanekom, 2006:37).

Berg (1998:6) asserts that no method is perfect in research hence “each method reveals different aspects of empirical reality as a results multiple methods of observations must be used”. Dejong, Monette and Sullivan (2011:91) are clear on this one when pointing out the difference between qualitative and quantitative research. These authors views qualitative research being characterized by “words”, “pictures”, and sometimes it is “narrative” (Dejong *et al.*, 2011:91). While the focus on quantitative research is expressed by using “numeric data” (Dejong *et al.*, 2011:91).

Qualitative research emphasizes on the social aspects by trying to “obtain factual data in terms of interviews in order to “capture the side of the participants (perceptions)” (Dejong et al, 2011). With the same breath quantitative is supposed to be “short and sweet”, straight to the point about the behaviour of the participants. Brynard & Hanekom (2006) sums it up by saying that in qualitative research, the view point of the participants are very crucial in that they help in analysis and in broadening the knowledge about the phenomena and lastly in reaching new conclusions.

For this study structured interviews were conducted using a questionnaire. Interviews and questionnaire will be discussed in the sections below. This kind of method is called a survey that's according to Dejong *et al.* (2011). Collecting information using a survey (questionnaire) entails "getting information from participants" by "giving them the questionnaire to answer the questions asked", and then "captured or record that in a questionnaire".

Triangulation or mixed methods provide the researcher with the chance to tap into the best of both worlds, in a sense provide the best possible research results (Bergman, 2008). Moreover, Bergman, (2008) states that triangulation helps with "putting flesh on the bones of quantitative findings, macro versus micro and combining quantitative breath with qualitative depth and richness". For this study, a questionnaire was used to source information through a structured interview. Structured interviews so as to achieve constancy and because of the nature of this study.

4.3.2.2 Interviews

Structured interviews were used to collect information from participants. The rationale is that it brings consistency and most importantly every participant will get the chance to answer the same questions. In the structured interviews, the researcher compiles a list of questions to be used for obtaining data from the participants (Welman & Kruger, 1999:166). In this case face to face and in the process the response of the participants are captured (Welman & Kruger, 1999:166).

Dejong *et al.* (2011) affirms that there are three levels of interviews but this study focuses on structured or standardized interviews. Dejong *et al.* (2011) utters that an interview has a structure and unlike the other types, the topic channeled or specific for a lack of better word. Also, all the participants get the opportunity to answer specific questions. In this study face to face interviews were done and through that the researcher gained a good perspective on the participants and the issues at hand. Furthermore, the interviews broaden the knowledge horizon of the researcher and the participants who took part in this study.

4.3.2.3 Questionnaire

The questionnaire was used to obtain information from the participants. The questionnaire format was based on likert scale ranging from 1 to 5. Most questions in the questionnaire were close ended, with few open ended questions here and there. For this study two types of questionnaires were designed. The researcher designed a questionnaire for the SMD (institutional questionnaire) department of LED. The other questionnaire was developed for the SMMEs situated in the low income household of the SDM.

As far as the questionnaire is concerned, it must be short and simple. A short questionnaire enables the researcher to avoid incomplete questions. Long questionnaire tend to make the participants bored and therefore do not see a need to complete it. And the language employed should as simple as possible to avoid misunderstanding and therefore save time.

4.3.2.4 Population and sample

A population refers to possible participants that the researcher intends to study (Dejong *et al.*, 2011). A sample comprises of one or more elements taken or chosen from the population (Dejong *et al.*, 2011). The population for this study was sourced from the SDM. The first sample for this study comprised of the LED department of the SDM, whereby the researcher interviewed the LED Manager. The other sample was the SMMEs from the SDM.

Noteworthy mentioning is the fact that for a sample to be representative it has to encapsulate all the elements or variables of the population (Dejong *et al.*, 2011). The SMMEs were consulted based on the historically disadvantaged index (HDI), mostly being Black communities living in the locations of the SDM. It is imperative to note that the sample is also derived from the different sectors of the SMMEs found in SDM. For example the sample for this study comprised of agriculture (food gardens), tourism and hospitality, Catering (fast food), entertainment, hair and beauty and fashion designing. With that being said, it's important that for the credibility and validity of the research

findings, all of the SMME sectors must be included, represented and accommodated in the sample.

For this study the researcher used or rather blended both the convenience sampling and snowball sampling. Convenience sampling means that the “researcher will take whichever readily available elements”. The snowball means “to start with few cases of the study which in turn the participants will “lead the researcher to more and more participants” (Dejong *et al.*, 2011). The rationale for this blending approach is simply because it gives the “researcher the freedom to be flexible”. The participants being interviewed are informed about the other sectors in their areas; therefore the researchers are able to refer the researcher to the other eligible participants. The interviews were conducted in July 2012 until September 2012. On this regard, the following were interviewed:

Table 4.1 Sample size in SDM

Subjects/ Elements	Area	Sample size	Sample size (proportional allocation)
	Evaton Plaza	2	30
	Boitumelo	1	
	Sebokeng Plaza	5	
	Sharpeville	4	
	Vanderbijlpark	9	
	Vereeniging	9	
SDM municipal office	The Director: LED, Tourism and IDP in SDM;	1	1

The Director: LED, Tourism and IDP in SDM represented the Municipality, including the three local municipalities in the SDM. The 30 SMME participants interviewed were selected in their respective business locations.

The next sections will present the research results of the study undertaken by this study.

4.4 RESEARCH RESULTS AND FINDINGS

The study was undertaken by Sintu Mavi (student) and Dr L.B. Mzini was the supervisor. The purpose of the study was to evaluate and explore the role of LED in capacity building and growth of the SMMEs in SDM. The world of the SMMEs is viewed as the driver of employment in the economy. The LED is also seen as the vehicle in which its meaningful application can make the SMMEs thrive. Researchers usually overlook SMMEs and LED. As a result this reflects badly on SMMEs and LED because in many cases their challenges and prospects are unknown especially in the academic side. The milestones achieved are not shared with the community and by policy makers. Cases like this serve as sentiments to the researcher of this study. Hence it is pursued for this study in order to inform the academia with the untold stories relating to the developmental outcomes of the SDM.

The research results are presented in two folds. The first report is based on the data obtained from the SMME participants. The second report is based on the interviews held with the SDM with regard to their support towards the growth of the SMME in the region.

4.5 SMME QUESTIONNAIRE

The results of the research carried out in Sedibeng District Municipality pertaining to role of LED in building capacity and growth for SMMEs are presented below.

4.5.1 Characteristics of SMME respondents

The aim of these questions was to understand the profile and the living patterns of the group being studied. The respondents were required to provide their ages in order to view the economically active communities. The study also posed questions to find out about the marital status of the participants. These questions enable to ascertain the

motive for business participation among the communities. The results are presented in table 4.2.

Table 4.2 Characteristics of SMME respondents (*N*=30)

VALUE LABEL	FREQUENCY (v)	PERCENTAGE (%)
GENDER		
Male	16	53%
Female	14	47%
CATEGORY		
Youth	12	40%
Elderly	18	60%
Disabled	0	0%
Unemployed	0	0%
Employed	0	0%
AGE GROUPS		
18-24	0	0%
25-31	2	7%
32-37	10	33%
38-44	12	40%
45-52	6	20%
MARITAL STATUS		
Single	13	43%
Married	12	40%
Divorced	3	10%
Widow	2	7%

It was surprising about these figures is the fact that SMMEs are known to create jobs and yet youth which make up 60% of the unemployment do not use SMMEs to create jobs.

Residential data

The living patterns of the participants are presented below.

Table 4.3 Type of residence

VALUE LABEL	FREQUENCY (v)	PERCENTAGE (%)
House (formal housing)	15	50%
Flat (formal housing)	2	7%
Hostel (formal housing)	2	7%
Low Cost house (RDP) (formal housing)	9	30%
Informal residence (shack)	2	7%
Total	30	100%

All these participants resides in the low income households of the SDM. Some of these living patterns are government support model programmes. Especially the low income households. Some of these households are used to provide the participants business operations.

4.5.2 SMME Educational qualifications

The respondents were asked to describe their highest level of qualification.

Table 4.4 Highest level of qualification

VALUE LABEL	FREQUENCY (v)	PERCENTAGE (%)
Never attended	2	7%
Primary	2	7%
JC/ Std 8/ grade 10/11	8	27%
Matric/ Grade 12	13	43%
Certificate	1	3%
FET	4	13%
Diploma	0	0%
University degree	0	0%
Total	30	100%

From the engagement with the SMMEs they demonstrated a certain level of skills and understanding as many of them obtained matric (grade 12) qualifications and others qualified for their diplomas and certificates. The owner's skills and expertise are vital for the success of any business and SMMEs are no different because if they know their environment they can grab opportunities as they arise.

4.5.3 SMME business profile

The study shows that these SMMEs were established as early as 1992, the most recent been 2012. In this study, 13% of the businesses were established in 2000 and the other 13% were established in 2010. Another 10% were established in 2011, 7% was established in 1992, 7% 1999, another 7% in 2004 and the other 7% was established in 2005, 7% established 2006, the other 7% 2008 and the last 7% 2009. For the study 3% of SMMEs were established in 1994, the other 3% in 1998, while the 3% was established in 2001, the other 3% in 2002 and the last 3% in 2012.

4.5.3.1 Number of years in business

The responses of the participants are presented in table 4.5 below.

Table 4.5 Number of years in business

VALUE LABEL	FREQUENCY (v) (Number of years)	PERCENTAGE (%)
Less than 1 year	4	13%
2-3 years	6	20%
4-5 years	1	3%
6-9 years	6	20%
10 + years	13	43%
Total	30	100%

As shown by the paragraphs above 43% of SMMEs in the study have more than 10 years in business and still going strong. 20% has between 6 and 9 years while the other 20% has been in business for 2-3 years. 13% of these SMMEs are less than a year established and only 3% has 4-5 years in business. To start a business is very difficult but to maintain it and keep a successful business is even harder. Most of these

businesses started in street corners and backyard to shopping complexes and established business location.

4.5.3.2 Reasons for establishing business

Out of all respondents 34% cited interest in owning a business as the reason for establishing a business. On the other hand, 33% cited unemployment as the main reason for starting their businesses. 20% pointed the other reasons such as being their own boss and others wanting to fulfill their dreams of furthering their studies. 10% of respondents established their businesses because of poverty and the other 3% said it was due to dire need to eradicate poverty. It is important to know why these SMMEs established their businesses. Most businesses are driven by passion (heart & mind) and commitment. Such opportunities require skills to be sustained.

4.5.3.3 Name of business

One can pose a question about the significance about the business name (what's in a name?). The name of a business is very important as to some it represents the objectives and aims of the business. From these names one is able to tell what kind of business it is and what it does. For this study, businesses which participated in the study cited many names for their respective businesses. Most of business names carries owners name and the field the business is in such as "Nom's kitchen and pub", "Betty's bed and breakfast" and "Sack's tavern". Moreover the names also symbolized some creative like "pies on the wheels", "nice and fresh fruits and vegetables", "self employed fruits and vegetables" to mention just few.

4.5.3.4 Period of business registration

Registering a small business has become very easy, 80% of SMMEs in the study are registered and only 20% cited that their businesses were not registered. The following were obtained from the participants based on their business registration. The results are presented in table 4.6 below.

Table 4.6 Business registration

VALUE LABEL	FREQUENCY (v)	PERCENTAGE (%)
ELM	18	60%
DTI	2	7%
CIPRO	1	3%
Pretoria	1	3%
Church	1	3%
Dept of education	1	3%
Total	24	100%

Like mentioned above, 80% SMMEs that participated in the study are registered. Now the burning question is where are they registered? The study shows that 60% of SMMEs are registered with Emfuleni Local Municipality, 7% is registered with Department of Trade and Industry (DTI), 3% with CIPRO, 3% with Department of Education, and this refers to crèche and preschool (ECD facility). And lastly 3% reported that they registered at their church. Businesses need to be formalized and the owners need to register their businesses with relevant authorities. This also helps in service delivery and in planning as the municipality or relevant small business agencies will know exactly how many businesses are operating in the municipality. This makes it easy to provide services and support and to monitor progress made thus far and be able to record challenges encountered.

A total of 33% registered between 2005 and 2009, this could be attributed to the euphoria of the FIFA soccer world cup which had a huge impact on the business beyond 2010. The study shows that 23% of the businesses were registered between 2011 and 2012. Another 14% registered between 2000 and 2002. Lastly, 10% as the study shows registered between 1996 and 1999. Looking closely at the figures, it is apparent that most of these businesses had been in business more than 10 years which is a very long time in business. The longevity shows the owners patience and determination and in a way success because to start a business is something and another thing to maintain it for more than 10 years.

4.5.4 SMME sector

SMMEs have many sectors ranging from agriculture, Manufacturing, construction, retail (food and nonfood), catering, accommodation, motor industry and other trade. For this study the following sectors were included in the research that is 40% other trade, 30% catering, 17% agriculture, 7% manufacturing (mostly arts and crafts –beadwork and traditional attire), 3% retail and another 3% in education. In this study diversity was very vital and it was the only drive to accommodate as many sectors as possible so as to capture perceptive of different SMME sectors.

Table 4.7 SMME sector

VALUE LABLE	NUMBER	PERCENTAGE (%)
Agriculture	5	17%
Manufacturing	2	7%
Construction	0	0%
Retail (non food & food)	1	3%
Accommodation	0	0%
Catering	9	30%
Motor industry	0	0%
Other trade	9	30%
Education - ECD	1	3%
Hair & beauty	3	10%
Total	30	100%

The next section provides the activities of the participants interviewed for this study.

4.5.4.1 SMME fields

Table 4.8 below shows fields of SMMEs that participated in this study. It is crucial to note that there are many fields of SMMEs in Sedibeng. The leading field is self catering services with 27%; this field is where most SMMEs are active as shown by the figures. The observation pointed that distinctiveness is the name of the game. One respondent asserted that “knowing your business competitive edge is what has kept the business growing” from strength to strength. It was evident from the interview that this business owner was passionate and has a business mind.

Followed by craft manufacture and sales with 17%, it is true South Africa has got talent; it is amazing what these women do with their hands, very gifted.

Table 4.8 SMME fields

VALUE LABEL	PERCENTAGE (%)
Bed and breakfast	3%
Craft manufacture and sales	17%
Self catering facilities	27%
Education	3%
Boutique	10%
Hair and beauty	10%
ICT	7%
Fruit and vegetables	17%
Car wash	3%

The fruit and vegetables were reported on 17% of SMMEs. Then, 10% for boutique and another 10% for hair and beauty, with this field there seem to be unresolved issues. From the interviews there are well established SMME with their own space and those that operate from the designated spaces for instance in the taxi rank. The established ones accuse the other Salons and beauty not established of pouching customers by charging small fees for their services to attract more customers because they do not pay rent like them. Information and Communication Technology (ICT) made up 7% of the respondents, on the other hand, Car wash, bed and breakfast and education (ECD facilities) made up 3% each field. Car wash is a growing business in the townships.

To cover as much fields as possible as shown by the sectors was the objective but it is challenging because most businesses that were studied (most SMMEs) are selling the same product or providing the same service. This is good for business competition but it spoils the principle of diversity and uniqueness. Even some of the SMMEs pointed out the same problem.

The question will be broken down according to fields. The field is catering services which made up 27%, SMMEs in this field sell fast foods (takeaways) selling “plates” (pap, chicken and meat), and the famous township food bunny chow or “skhambane” (bunny chow) in the township lingo, and 3% of this category had a restaurant and pub in their residential area. Fruits and vegetables constitute 17%, on this category the main business selling fruits and vegetables. Craft manufacture and sale also with 17%, it is clear that they manufacture crafts and sell them, like beadwork and traditional attire.

Then, 10% for boutique and 10% for hair and beauty, this category will be discussed as one thing because they are similar. The business revolves around beauty whether a salon providing hair care, nail care or a SMME selling beauty products and cosmetic bags and accessories.

ICT represented 7% of respondents, their business is mainly on providing internet services, printing, photo copying, fax and design of wedding and party invitations, funeral programmes and some have public phones in their business.

Bed and breakfast 3% mainly provide a bed and a breakfast like the name suggests and it is more like an affordable type of accommodation (in hospitality industry). Another 3% is the education, education is at the centre of their business, they provide ECD facilities or services to their respective communities and they teach the little ones and prepare them for schooling, which is why they are called pre schools and crèche. They act as the feeder school for many primary schools and they work closely with the department of education. And lastly, the car wash 3%, they provide car wash services and in addition the car wash visited sell fruit and veggies on the side.

4.5.4.3 Number of employees

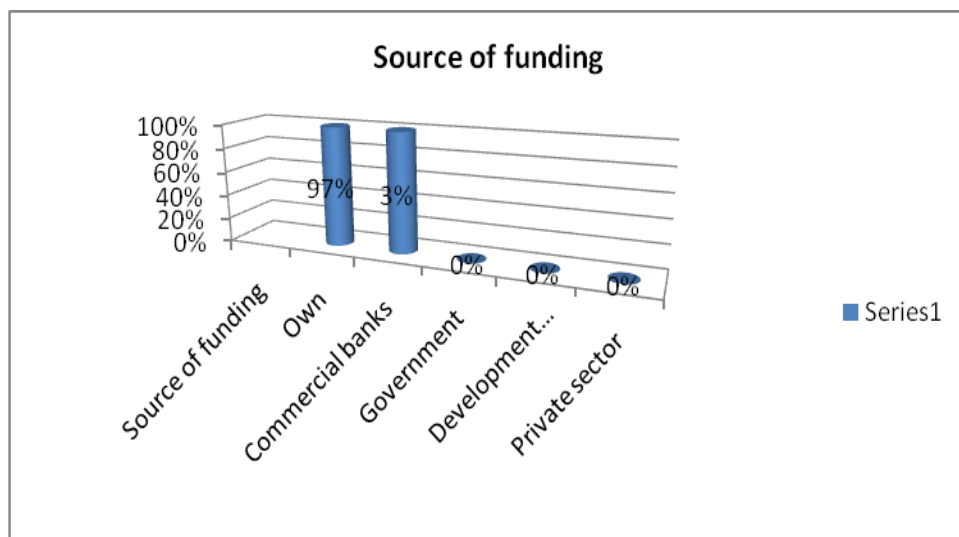
For this study 30% of respondents reported that they have only one employee, meaning only the owner running the business. The 23% reported that they are having two employees and 17% reported having three employees. Only 13% employed four people in their businesses. The businesses that employed seven employees were reported to

be 7% of the SMMEs interviewed. And 3% reported having six employees and only 3% had 11 employees and another 3% had 15 employees in their businesses. This is not surprising because literature out there stress that SMMEs create so many job opportunities by employing more people. It is amazing to see the potential these businesses have and it is suggested that more attention should be given to the SMMEs in South Africa in order to contribute to the country.

4.5.5 SMME Funding

The SMMEs are funded based on the following sources mentioned in table in figure 4.1 below.

Figure 4.1 Source of funding



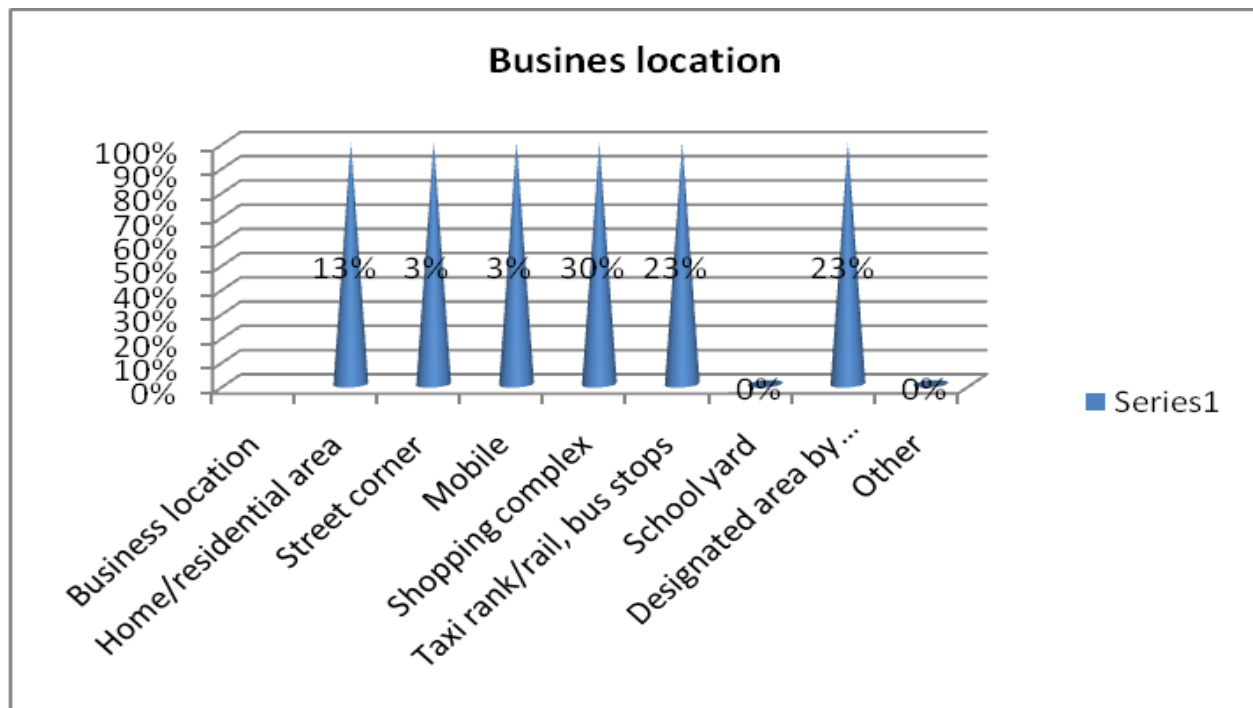
The figures and percentages are as clear as daylight. This is important noting that the figures and percentages represent the SMMEs that participated in the study. Now, as the graph shows, 97% of SMMEs reported their source of funding as own funds or savings. It is also important to note that only 3% got funding from commercial banks. The respondents reported their frustrations with the commercial banks and the government agencies. With the banks they asserted that they want documents which they do not have and as far as the development agencies are concerned, they pointed

out the paper work that they needed to fill and they went on to say it was not user friendly and fragmented.

4.5.6 Smme business located

The SMME businesses are located in the following location:

Figure 4.2 Business location



As shown by the above figure 4.2, 30% of businesses are located in the shopping complex. 23% of businesses are located in the taxi rank, rail or bus stops. Another 23% is located in the designated area by municipality. Of all the businesses in the study 13% operate their businesses from home or residential area. 3% is mobile and therefore does not have premises because the business is taken to the people. Lastly, another 3% is located in the street corner.

4.5.7 Access to services

The SMMEs have access to the following services presented in table 4.9 below.

Table 4.9 Access to services

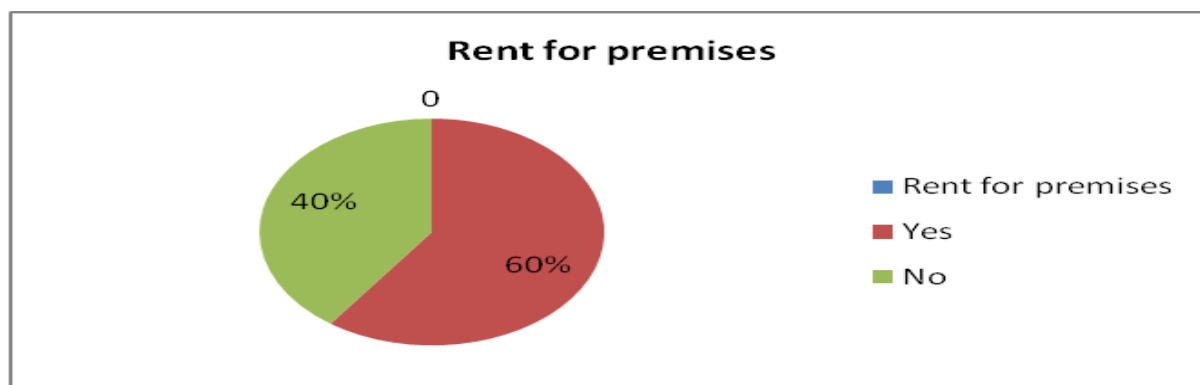
VALUE LABEL	YES	PARTIALLY	NO	ACCESS DISCONTINUED
Basic services				
Sanitation	57%	0%	43%	0%
Water	50%	0%	50%	0%
Electricity	30%	0%	70%	0%
Storage	57%	0%	43%	0%
Security	63%	0%	37%	0%
Access to information				
Meetings	50%	0%	50%	0%
Correspondence	43%	0%	57%	0%
Access to decision making				
Tariffs	13%	0%	87%	0%
Business area allocation				
Allocated space	90%	0%	10%	0%

The figures speak for themselves. Many SMMEs especially in malls, taxi rank and plaza reported that they use the toilets from the nearby shops and they pay for that. 50% of SMMEs have access to water and 50% do not have access to water. Only 30% of SMMEs have electricity, the 70% of SMMEs does not have electricity. This was a challenge especially for the SMMEs in catering because they need electricity to render the services.

Rental fee business premises

The rental details are presented below.

Figure 4.3 rental payment



Sixty percent of SMMEs are pay rents or tariffs and the remaining twenty percent do not pay rent or tariffs this could be so as twenty percent is operating from their residential or home and the other percentage is the twenty percent which is not registered and possible not paying tariffs or rent.

4.5.8 Awareness of government programmes in Gauteng

The content below presents the responses of the participants.

4.5.8.1 Knowledge about government programmes in Gauteng

Table 4.10 Government programmes in Gauteng

VALUE LABLE	Yes	No
Expanded Public works Programme (EPWP)	20%	80%
Gauteng Enterprise Propellor (GEP)	27%	73%
Arts and culture	20%	80%
Gauteng Tourism Authority (GTA)	17%	83%
Community Development Centers	13%	87%
Community Food Gardens Programmes	17%	83%
Local Economic Development (LED)	27%	73%

Many SMMEs interviewed were not aware about government programmes in Gauteng.

The figures show that over 70% of SMMEs interviewed do not or have never heard about the Programmes like EPWP, GEP, GTA, LED, arts and culture, Community Development Centres, Community Food Gardens and Thusong Service Centres. Only few SMMEs did know or have at least heard the programmes, with LED and GEP with 27% saying they know about the programmes. Others like EPWP and Arts and culture registered 20% each saying they have heard about the programmes. Furthermore, GTA and Community Food Gardens Programmes 17% in each programme reported knowing the programmes. The most programmes that got the lowest percentage are Community Development Centres and Thusong Service Centres both have 13% each that know about the programmes.

4.5.8.2 Consultation of the programme

The content below presents the responses of the participants.

Table 4.11 Consultation of the programme

VALUE LABLE	Yes	No
Expanded Public works Programme	3%	97%
Gauteng Enterprise Propellor	17%	83%
Arts and culture	3%	97%
Gauteng Tourism Authority	0%	100%
Community Development Centres	3%	97%
Community Food Gardens Programmes	3%	97%
Local Economic Development	7%	93%
Thusong Service Centres	0%	100%

These figures are not shocking in the sense that since many SMMEs do not know about the programmes so it expected that they have not approached or consulted these programmes. Over 83% of SMMEs have not consulted the above mentioned programmes for any kind of help. GTA and Thusong Service Centres registered a 100% no on the question if they have ever consulted these programmes. Other ranged 83% to

97% no on whether they have consulted the programmes. The programme that registered a yes is GEP with 17%, followed by LED with 7% and other programmes registered 3% yes on the question.

4.5.8.3 Business support received after start

The section below provides data for the areas in which the SMMEs received training.

Table 4.12 business support

VALUE LABEL	%	%
Business advice and information	Yes	No
Generic business start up advice and support	10%	90%
Business planning advice	13%	87%
Development support	17%	83%
Consultancy and advice on business plans	13%	87%
Business promotion	20%	80%
Marketing information	20%	80%
Business counseling	10%	90%
Training		
Generic skills training	20%	80%
Business training courses	20%	80%
Management training	20%	80%
Financial assistance		
Advice on raising finance	0%	100%
Provision of grants and funding	3%	97%
Financial planning and management	0%	100%
Tendering and procurement	0%	100%

Over 80% of SMMEs answered that they have never received any business advice and information from anyone including the organizations that had been listed in 4.1. and 4.2.

above. Only between 10% and 20% SMMEs said that they have received assistance with regard to business advice and information. On training, 80% of SMMEs answered they never received any training on generic skills, business training and management training. And 20% reported that they have received training in the categories of generic skills training, business training courses and management training reported that they received training. Based on the responses, 100% of respondents interviewed said they never received financial especially on advice on raising finance, financial planning and management and tender and procurement. On the positive side, 3% of SMMEs recorded that they did received financial assistance with regard to provision of grants and funding.

4.5.9 SMME improvement

This section gave SMMEs an opportunity to raise challenges they face on a daily basis and suggestions they have to improve service delivery by government and any organization and agencies that are concerned and anything SMMEs can do to improve the situation. Out of 30 SMMEs that participated in the study 9 SMMEs pointed bad weather conditions as the main challenge they encounter in running their businesses. 4 SMMEs pointed lack of basic services as the challenge they have to face day to day. Another 2 SMMEs identified Lack of stalls and shelter as challenges in their operations. And another SMMEs said non payments by customers was a challenge in their business.

The SMME said that they were satisfied with everything and went on to say there are challenges in the operation of their business. Others SMMEs identified various challenges ranging from informal traders charging less prices and therefore attracting customers, inadequate material and equipment, hair salons next door giving them problems especially on windy days, inconsistent market prices, interference by municipality, crime – criminals pretending to be customers in the bed and breakfast business, lack of finance to expand businesses and lack of diversity in products and services sold or provided to municipality not consulting SMMEs on decisions that affect them (SMMEs).

4.5.10 Suggestions for improved service delivery

SMMEs made many suggestions, and given the suggestions they brought forward it shows that SMMEs know their environment and they truly want to change things around and make the SMME sector a vibrant sector of the economy. The firstly the SMMEs suggested that the municipality must consult with the SMMEs and on the other side SMMEs need to unite and if possible must form cooperatives. Secondly, municipality should provide good infrastructure from tar roads to basic services and proper stalls and monitor them to avoid free trading. Thirdly, organize business management courses and workshops to help SMMEs with the running and managing SMMEs and expand their businesses.

Fourthly, provide training on financial management, customer relation and marketing. Fifth, the municipality to engage with commercial banks to accommodate SMMEs so that they can be able to access funding and expand their businesses. Sixth, Municipality to provide after care especially after workshops to follow up and monitor progress. Seventh, SMMEs to form alliances and fight crime. Again, one SMME responded by saying all is well, there is absolutely nothing wrong. Lastly, SMMEs suggested that a small business centre where all SMMEs can sell or provide their services in a safe and sound environment some sort of a business hub.

4.5.11 SUCCESS STORIES

The following boxes contain some of the success stories shared by the SMME participants during the interviews. The

4.5.11.1 Nom's Kitchen and pub (Nomhle)

Box 4.1: Nom's Kitchen and pub (Nomhle)

Case study one – passionate business woman Nom's Kitchen and pub (Nomhle)

Nom's kitchen started in 1998 as a chill (Chilas) spot for friends; they would bring their own food and drinks. Many of Nomhle's friends suggested that she start a pub and a restaurant, so that's where the idea came from. When she started it was very small and she operated in a garage and her mother gave her a deep freezer for the business and she also had a two plate stove to cook with. To her surprise people came in numbers and she decided to move out of the garage and make shelter outside. The business was growing (booming) and in addition somebody introduced the jazz session and it grew from strength to strength. Then GEP came into the picture and because of marketing the owner is confident that the business is known and loved everywhere. The business premises were extended and the business now has the proper bar, kitchen (with stoves) and a lounge for chilling. The owners' business mind and understanding of the market, most of all knowing the business competitive edge. In her own words she said that as a business person it is important capitalized on what you can do which your closest competitor.

The owner also pointed out the marketing in various stokvels gave the business the financial boost in really needed. Another thing, the owner was once nominated by SAB limited to study tourism and hospitality with regard to the overall running of the business and financial management. GEP helped with renovations and marketing and according to the owner they wanted nothing in return. The owner is a passionate cooker and she is very confidence about the business. Through constant marketing the business is known everywhere, before the soccer world cup, the business would attract tourists from Japan, USA and China whenever they are in the country, they make it a point that they go to Nom's kitchen. Even students from overseas visiting Cape Town when coming to Sharpeville for the monument they also go to Nom's kitchen for the food, how amazing is that? Given the pace the business is growing, the owner's confidence and business mentality, it's only safe to say the sky is the limit.

4.5.11.1 Case study two – Humble beginnings

Box 4.2: Bra Sacks tavern and bottle store

A successful business man but yet very humble, throughout our conversation he tried to shy away from his success and be modest. Bra Sacks as he is known throughout Sharpeville is very hands on type of a business person. The business started in 1992 and the goal was for him to raise enough money to further his studies, it was all a dream. He turned things around and made something out of nothing, a true business person indeed. At first it was only a tavern at home and with family to assist as employees.

The tavern was in a backyard shack and as the business was booming, the proper house was erected for the business and to house the entire family. The owner's strategy was simple, to invite friends and in turn the friends invited their other friends and in no time the business was growing in a faster pace. The owner had the following to say about the success of the business; constant communication with employees and customers, respect and good behavior, and excellent service towards customers to top everything.

From a sheeben selling 10 cases a week in the backyard shack to a successful business. Bra Sacks applied for liquor license and it was granted, now Bra Sacks does not only own a tavern which is successful but he has a bottle store under his name in a promising and busy business centre in Tshepiso. A business person is always looking for new opportunities to invest and grow their business. After, opening the bottle store, again Bra Sacks saw another business opportunity and he went for it. He applied for a license to supply gas and now at home he also has gas supply business and it is successful like all his businesses. Bra Sacks is well known in Sharpeville because of his business ethics and approach and after all this success he remains a humble giant. A lot of business people around Sedibeng and South Africa in general can learn a thing or two from Bra Sacks story.

4.6 SMME: INSTITUTIONAL QUESTIONNAIRE

The results from the SDM are presented in the following section.

4.6.1 THE GROWTH AND DEVELOPMENT OF SMMES

The SDM was asked to “indicate whether the SDM have developed the LED strategy for building capacity and growth for the SMMEs”. The SDM indicated that its three municipalities have developed its own LED strategy, and the strategy focuses on SMME strategies in its three municipalities, namely: Emfuleni, Lesedi and Midvaal Local Municipalities.

The SDM was asked to “identify the criteria’s used for developing SMMEs”. The response provided by the municipality was that the criteria used for developing the SMMEs focused on the following:

- Creation of a data base for all SMMEs for networking forums. Such forums include the Sedibeng United Business Forum, which serves as an advocacy body for local SMMEs.
- The criteria for developing the SMMEs also focuses on facilitating SMMEs access to Non-government institutions, such as the bank centre, development agency and for advisory services.

The SDM was asked to “identify the limitation posed to the SMMEs” towards their development in the municipality. The response offered by the SDM was that there are no limits for developing the SMMEs. It was indicated that during 2010 the Mayor of the SDM is “hands-on” towards the development of the SMMEs. The SDM comprise of the townships that were previously economically disadvantaged. Such townships are in the state of a developmental facelift. That is attained through the Neighbourhood Development Programme Grant (NDPG), which is aimed to foster investments in these townships. The SDM shared the following milestones for recording in this study as municipal sentiments:

- Evaton Renewal Project (ERP). The ERP is showcased by the construction of roads in the residential areas such as Adams road, Hamilton road and Newman road. There are also sidewalks constructed for maintaining sustainable livelihoods. There are human settlements developed such as Evaton West

(“Hlalakabafileyo/Hlalas” and “Mkhelele”). There is shopping complex that was built in 2009 for attracting the purchasing power of the residents in Evaton and Sebokeng.

- In Sebokeng there are three shopping complex built adjacent to each other, also to attract the purchasing power of the residents in Sebokeng Zone 3, 6, 7, 8, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20.
- The Bophelong, Boipatong and Palm Springs, Rus-ter-val, De Deur and Rathanda also own a shopping complex which enables the residents to purchase their household consumable.
- The Sharpeville township has just celebrated its 50th anniversary. The investments include the Constitutional Hill, the Memorial Centre for the Sharpeville Massacre and the shopping complex.

All these townships have a transport hub centre “taxi rank” that accommodates the local taxi industry with parking bays. The taxi operators are now able to park their vehicles in a shady area that protects them from sunlight. The parking bays also protect the passengers from the sun and also in rainy days while they are standing on the queue to board a taxi. The municipality has also invested in developing sporting fields for inculcating a healthy nation. Some of these developments are meant to sustain themselves. For example, the Saul Tsotetsi Community hall hires the venue to local residents to host social functions and that “comes at a price” in order to maintain the area. Such developments involved local SMMEs who were employed on contract basis to be part of the project team for building/ constructing these premises.

The SMMEs perform their activities according to the laws stipulated by the legislative framework for small businesses in South Africa. The SMMEs development is diverse and cyclical. It was indicated that the SMME development starts with the training offered to the beneficiaries to generate income for themselves. Such training differs according to their needs and field of expertise. At a later stage you will find that these SMMEs becoming service partners to the government. The partnership involves the supply of food and non-food services to the state. The non-food services may include the supply

of office stationary, laundry service (hospital bedding, table cloths and office curtains); window and carpet cleaning. The SMMEs may also hire tents, chairs and tables mobile toilets for mini and mega events. The food services may include those who supply tea-sugar-milk and biscuits and catering for meeting, mini/mega events.

The SDM was asked to “indicate if the municipality has a data base for the SMMEs”. The response offered was positive (yes). The questions further inquired about “the number of SMMEs established in the SDM”. The response from the SDM indicated that there is an approximate number of 2000 established SMMEs in the municipality inclusive of the three local municipalities. This number represents the local SMMEs who are not do not own big well developed trades. Currently in the ELM there are 300 established SMMEs. It was indicated that the municipality faces a challenge to update the database of the SMMEs. This results from loss of contact between the municipality and the SMME community in the SDM.

The SDM indicated that they lost the beneficiaries contacts due to new lack of updating contact numbers. Now lately community members no longer use the landline telephone connection as it was overtaken by the cell phone industry. The participation in the SMMEs industry is characterized by ageing community who sometimes lack access to the social media instruments such as fax numbers, emails or face-book or twitter links. It was also hinted that some local economic activities are not registered since such operators fear that they will be taxed by the state if they declare their economic activity. Furthermore, the researcher raised a question to the SDM to “identify the SMMEs categories established in the municipality”. The response indicated that the SMMEs categories in the SDM participate in the following industries as presented in the table below.

Table 4.13 SMMEs categories

Soft services	Trade/	Consulting	Farming
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	construction		
Audi-visual (Photography and video-graphy)	Builders electrician	Construction/ Building/ road engineers	Plant production
Catering -Food: food preparation for social events -Non-food: tents, mobile toilets, chairs and table	Electrician	Human Resource: recruitment	Poultry
Cleaning	Painting	Training	Piggery
Fashion designing	Plumbing	Transport	Animal farming
Hair and Beauty			
Internet cafe			
Printing and media			
Stationary			

The SDM was asked to “identify the SMMEs growth level in their municipality”. The question posed required the SDM to select from the following indicators: “*infant growth*”, “*fast growth*”, “*fair growth*”, “*low growth*” and “*not growing*”. It was indicated that the SMMEs growth level in the municipality is within the range of “*fair growth*”. The fair growth signifies that there is hope for the growth of the SMMEs, and this is supported by government interventions based on the legislations, programmes and recognition on the small businesses. The municipality further indicated that the “fair growth” is also supported by:

- Growing level of registrations by the informal traders in the municipality
- CIBD levels. The SMMEs grows from the beginner phase (level 1) to the advance phases (level 2 or 3)
- The SDM comprises close to 11 shopping complexes and there are no vacant office spaces. The Thabong Shopping Complex in Sebokeng- Masoheng is in the

process of expanding its trading spaces to build more office space. The shopping complex in the Mandela Square in Sebokeng Zone 12-Kanana is also expanding its trading space to accommodate the shortage of infrastructure for the SMMEs.

4.6.2 PUBLIC INVOLVEMENT

A question was posed to determine whether the “LED programmes on SMMEs projects include the consultation process with local people”. The SDM indicated that the consultation processes are maintained in the municipality. Municipalities are required to engage community members in the integrated development planning. The SDM has pride to announce that such meetings are held to plan the municipal developments with the community at large. However, the SDM indicated that there is poor attendance by community members. The municipality indicated that the SDM has a pool of SMMEs; however, such traders do not want to be visible as they are afraid to pay more taxes as local businesses. The municipality hopes to meet with all Local SMMEs to educate them about the SMME industry and how the municipality will assist them in this “fear of unknown syndrome” of high taxation and penalties. Globally, governments acknowledge the fact that the SMME industry is the corner stone of the local economic growth. For this the state has placed tax-incentive measures to protect the small business industry from harmful tax burdens and strict laws.

Afterwards a question was posed to “ascertain the voice of the community in the creation of SMMEs in the municipality”. It was indicated that the community has a say in matters affecting their development. Some beneficiaries deal with their concerns in a meaningful way, where by the “walk-in” to the responsible official to lodge their complaints to the municipality. Whereas some prefer to use power to voice their grievances, these are showcased by disrupting protest which leads to destruction of social services and looting of public facilities. Although some beneficiaries contact the municipality when a need arises based on their respective business operation. The beneficiaries also voice their concerns during the ward based meetings, to the office of the speaker as the office deals with public participation. The researcher of this study had an opportunity to attend the SMME Conference held on 15-16 August 2012. In this

event the SMMEs had an opportunity to raise their concerns and challenges pertaining to their operations. Some of the issues raised were as follows:

- delay of supplier payment;
- nepotism and corruption of awarding tenders;
- non-responsive government on issues raised by the SMME sector; and
- increase of SMME empowerment network session. The delegates in that event indicated that they wish that the state could have more events that will empower the sector especially the emerging SMMEs.

The researcher also believes that the expansion of these events will enable different SMME categories to know each other and to share their experiences. Mostly, the networking is practiced within ward system and not on the wider aspect (external locations). After that, the SDM was asked to identify the mechanisms used for liaising with the respective community. Some of these mechanisms were discussed in chapter, but for the sake of this section an outlines is presented as follows:

- Stakeholder engagement;
- IDP Consultations which was held on 25 April 2012 and on 30 October 2012;
- The Emfuleni Wedding Expo held on 4-5 May 2012 in Sebokeng Zone 14 at the Saul Tsotetsi Sports Centre;
- Bridal Expo held in June 2012 in the Vaal Mall Shopping complex;
- SMME conference held on 15-16 August 2012;
- The Business Breakfast held on 30 October 2012 in the Quest Conference Estate;
- The hair and beauty gala dinner held in September at the Vereeniging City Hall; and
- The Disc-Jockey (DJ) competition 2012.

There are also established business chambers who serve to promote local business according to their interests.

4.6.3 SMMES SUPPORT

SMMEs support encompasses a wide range of support including: business advice and information; training; financial assistance; and business networks and mentoring schemes. The researcher aimed to inquire about the SMME support practices in the SDM. The questions posed to the municipality are presented in the first column, and the responses are recorded in the second and third column. The fourth column provides the remarks made by the municipality relating to the questions posed below. The discussions are also presented below based on additional responses provided by the municipality.

Table 4.14 SMMES SUPPORT

SMMES SUPPORT	YES	NO	REMARKS BY THE MUNICIPALITY
Are there support services for small businesses in your municipality?	x		"100%, definitely"
Do entrepreneurs require support in running their businesses?	x		"of course!"
Are small businesses aware of available support services?	x	x	- "It is never enough to communicate" The awareness is "largely informed by interest" - "They seek until they have no problems"
Do entrepreneurs make use of these SMMEs support services?	x		"Those who know they do"

The department of supply chain management established the tender advice centre for the SMMEs support. The accomplishment of economic endeavor relies on robust state support. Therefore the SDM does provide support to the aspiring SMMEs. The respective support includes the business start-up, advisory services, financial and no-financial assistance. Some of the businesses are aware of such services, whereas some are not aware of these services. Some SMMEs benefit on the support services offered to them. Some of the SMME events have limited number of participants to play

part in the organized occasions. For example, the municipality may wish to host the SMME session on funding allocations, and have a window period for advertisement/ public awareness and for registration. The logistics for the session may expect a certain number of participants depending on the budget allocation and the venue size. For that matter in most cases the number of beneficiaries always differs from the initial plans, and that indicates the eagerness of the beneficiaries on their development affairs. The remarks offered the following remarks:

- “It is never enough to communicate”
- The SMME

4.6.4 SMME projects Funding

The municipality was asked to indicate the “manner in which the SMME projects are paid”. The municipality was asked to select from the following indicators”

“National funded”

“Provincial funded”

“Municipal funded: LED Funds”

“Development partners”

“Other”

In most cases the municipality funds the SMME projects on a non-financial basis. It was indicated that the municipality does not have a budget injected for funding the SMME projects. The non-financial budget is projected for SMME empowerment (road show, conferences, dialogue and networking sessions). These projects are mainly funded through the agencies partnering with the government to develop the previously disadvantaged communities. The respective partners are as follows:

- Seda
- IDC
- GEP
- Private institutions (retail and manufacturing companies)
- The banking sector and

- International organizations such the International Labour Organisation, PEPFAR and Canadian organizations who have interests towards

Whilst on the issues of SMME project funding the municipality was asked to indicate whether the municipality has made progress in supporting the SMMEs. The questions were led by the indicators listed on the left column. The responses are recorded in the latter columns.

Table 4.15 Municipal progress on SMME support areas

1=achieved; 2=partially achieved 3=not achieved 4=still in progress/ not planned, 5=not applicable

URP PROJECTS	1	2	3	4	5
Business advice and information					
Generic business start-up advice and support	X				
Business planning advice		X			
Development support	X				
Consultancy and advice on business plans				X	
Business promotion	X				
Training					
Generic skills training	X				
Business planning courses	X				
Management training	X				
Financial assistance					
Advice on raising Finance		X			
Provision of grants and funding				X	
Financial planning and management		X			

It was indicated that the Tender Advice Centre established in the municipality makes it easier to perform the above mentioned services. The municipality informed that they do not have the full capacity (workforce) to undertake some of the services. However it was

indicated that the above mentioned services are offered jointly with the development partners attached to the state.

The municipality informed that they do not have the full capacity (workforce) to undertake some of the services. Due to scarce human capital, the municipality would like to develop in-house training to support the municipal beneficiaries.

4.6.5 AVAILABILITY OF INFRASTRUCTURE

The researcher inquired about the availability of infrastructure for SMME support in the SDM. The responses are presented in the table below.

Table 4.16 Availability of infrastructure

Availability of infrastructure	Yes	No
Is there designated area for developing the SMMEs	X	
Is the area accessible?	X	
Is the area secured?	X	
Does the area have sanitation facilities?	X	
Does the SMMEs comply with the regulations specified for the designated areas?	X	

Finding location for business operation is difficult, especially when the owner wants to link the location with the nature of the business. Decision making in getting the right place involves “legal and financial complexities” (Fekade, 2008:3). There is limited infrastructure for the SMMEs. However the state has developed structures that will enable the support of the local SMMEs. The following are noticeable structures within the SDM allocated for operating SMME activities:

- Tender Advice Centre
- GEP in Vanderbijlpark
- Tourism advisory centre in Vanderbijlpark
- Flea market structures in De Deur

- Shopping complexes in all the three municipalities (there are rented office spaces; monthly paid trading zones, stalls demarcated outside the offices, demarcated spaces within the CBD where informal traders sell their merchandise)
- Land allocation for agri-business in the open spaces, public amenities (schools: Iphahlolleng Combined School-Sebokeng; clinic-Levai Mbatha community health centre in Evaton; community centres: ASED in Bophelong).

Some beneficiaries work in their households, whereas some use the stalls developed for SMME operations. Some are required to pay rent for the space allocated to them. The developmental outcome for local government relies on putting all economic avenues within the surroundings of the community. In that case the respective business areas are placed within the beneficiaries locations. All business operation centers operate on a 24hr security to secure the beneficiary belongings. With regards to sanitation facilities, business operation centers have physical toilet structures for both genders (females and males) with running water and the separate taps outside the toilets. When it comes to the question about the compliance of the SMME regulations the municipality made this remark; “there is other way”. That meant that the maintenance of a successful business requires adherence to the laws governing the industry. It was also indicated that the law enforcement department is operational to deal with non-complying business operators. There are health inspectors who also control the business operations to sustain compliance and credibility.

4.6.6 MONITORING SMME PROGRAMMES

The municipality was asked to indicate the tools used for monitoring the SMMEs developed in the municipality. It was indicated that there is gap in measuring the progress made in the SMME development. Some of the services are referrals to the development partners and there is no feedback about the outcome or for further assistance. The municipality would like to develop tracking mechanisms to record the referral system in order to ascertain whether there is progress made to the lives of the beneficiaries in the SDM.

4.6.7 MUNICIPAL AND SMME CHALLENGES

After all the questions posed to the municipality, the researcher anticipated to discover the challenges encountered by the municipality in terms of the SMME development. The responses are presented in the table below.

Table 4.17 Municipal challenges

MUNICIPAL CHALLENGES	YES	NO
Lack of consultation with local residents in drawing-up LED projects for business development		X
Lack of consultation with local residents in drawing-up SMMEs development		X
Failure to target the benefits of urban renewal at local people		X
No overall framework guiding SMMEs development		X
Limited coordination of government programmes	X	
Limited resources	X	
Inadequate monitoring and assessment of the outcomes of SMMEs	X	
Funding and Financial Framework		X
Organisational and Institutional Framework		X
Human Resources and Capacities	X	
Lack of public participation		X

The municipality is in the process to develop in-house structures that will deal with the SMME support. The municipality also aims to develop mechanism that will address the monitoring and evaluation process. The table below looks at the problems that may inconvenience the success of the SMMEs in the SDM.

Table 4.18 Entrepreneur/ Business Owner Challenges

ENTREPRENEUR/ BUSINESS OWNER CHALLENGES	YES	NO
Lack of public participation	X	
Inexperience in running and managing own enterprises	X	
Poor cash management	X	
Weak marketing efforts	X	
Access to business support and advice	X	
Lack of awareness	X	

The municipality faces the abovementioned challenges when it comes to SMME advocacy. The intended beneficiaries do not make use of the services developed for them. Some lost interest as they do not liaise with their equals during the scheduled meeting. Some businesses do not survive and that is caused by lack of experience and business management. Most of the beneficiaries enter the SMME sector with an aim to generate income instead of sustainable livelihood. This imbalance ruins the purpose of economic development. Some beneficiaries do not have access to markets. The customer base is limited and consumers want more “taste” and diversity of merchandise.

Based on the abovementioned problems the municipality was asked to propose for measures for overcoming such problems. The respective measures are identified below. The municipality aims to:

- In terms of SMME dialogues and networking session the municipality will try to divide the trading sectors according to their sizes and expertise in order to gain participation from the beneficiaries;
- Develop a monitoring and evaluation tools to record the milestones achievements gained by the municipality and the beneficiaries;
- Open avenues for funding the SMMEs;
- Increase the network forums sessions;
- Attract more private sector firms towards local investment and support. The private sector is regarded as an engine for social and economic development. The private sector may assist to produce economic diversification, in creating job

opportunities for citizens, equitable distribution of resources and reducing poverty (Fekade, 2008:3); and

- Develop a suggestion box to enable the SMME sector to raise their concerns

4.7 CONCLUSION

This chapter discussed the activities of the SMMEs in the SDM. The results shows that there is hope for the SMMEs in the SDM, however the municipality still needs to place emphasis on the participation angle by the SMMEs. The research methods for this study were also discussed on how it benefited the researcher for attaining the objectives of this study. The following section will provide the summary for this study.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. INTRODUCTION

This chapter provides comprehensive and summative account of the study on the role of LED in capacity building and growth of SMMEs in SDM. Throughout the study the link between LED and SMMEs was explored. In this regard this study confirms the linkage between the two concepts, namely: LED and SMMEs. From the study it is apparent that LED should be viewed holistically and clarity should be provided as far as the role players and their roles and responsibilities. The evaluation of the objectives and aims of the study are drawn out also the hypothesis of the study which served as the walk sticking throughout the study is tested.

Based on the four chapters, with more emphasis on findings in chapter 4 which captured the insights of both SMMEs and SDM official in LED unit, the conclusions have been reached and are presented below in this chapter. Subsequent to that and still based on the findings and available LED literature presented in chapter 2 and the activities of SMMEs in chapter 3, recommendations are given in the pages below.

5.2 Summary

The section below provides a summary of the study. The summary and the objectives of the study are summarized and the hypothesis tested in the pages below.

5.2.1 The overall aim of the study

It was the aim of this research project to critically evaluate and explore the role of LED in building capacity and growth of SMMEs in Sedibeng District Municipality. This broad aim was broken down into four manageable objectives to simplify the study and give direction and they are summarized below.

The first one was to give a theoretical exposition of LED and SMMEs. Literature was consulted to get an in depth analysis of the LED and SMMEs. Literature review is an

important part of research to get an analysis by researchers that had conducted research in the field of the subject under examination and to see gaps. In this regard chapter 2 and chapter of the study dealt with this objective.

The second and third objectives were to investigate the development of Small Medium and Micro Enterprises in SDM and to assess the effectiveness of LED support programmes in SDM. These objectives speak to the capacity and growth of SMMEs because they address the fundamental issue of development and support of LED. To deal with these issues the questionnaires, the institutional and the SMME were developed and they focused on development, growth and support of SMMEs and LED.

The last objective was about the provision of recommendations on the improvement and support of the SDMs LED programmes. In this regard the recommendations based on the literature reviewed and the research findings of the study, recommendations were provided to SMMEs and to SDM and the people of Sedibeng because they too can bring much needed change as far as LED and SMMEs are concerned.

5.2.2 Summary of the preceding chapters

LED is not a new phenomenon in South Africa; it has been used in the past. The first signs of LED in South Africa were in the Eastern Cape and that is where it was visible. In the past, not much emphasis was paid or put on LED, the new dawn of democracy led to so many changes. Evidence in this case is the numerous legislation that had been enacted in the name of LED. There are a number of reasons that led to LED getting such a status. The government inherited inequalities especially in economy and societal backlogs which needed to be addressed urgently to avoid unrests and to maintain political and economic stability. In short the government has put a lot of emphasis on LED which is seen as the vehicle for reconstruction and development in general, so the better way is to promote LED and the best practice in the world seem to point to LED.

A number of legislations in South Africa had been enacted to emphasize the importance of LED and to create a legal framework for LED to exist and help with the implementation also to serve as a guideline. It is imperative to mention the constitution (section 152 & 153) which point that municipalities should in their processes promote social and economic development to bring about the much needed change in the communities. Other legislation include the green paper on local government, rural development framework to mention just a few put emphasis on LED to promote economic development so that South African economy can be strong and flourish and change people's lives because that is what development is about.

As far as LED is the viable option for South Africa to address the issues of underdevelopment, unemployment and promotion of SMMEs, it is important to note that there is a need to also look at the challenges involved. Local government is still experiencing a lot of challenges with regard to executing their mandate to delivery services to local communities, and capacity is among the problems that municipalities have. Few years back many municipalities were rescued by national government and were placed under project consolidate, and the SDM was one of them. The government is dealing with the challenges as they arise. Service protests characterized South Africa as every month there will be a protest and a lot of measures were put in place to change the situation and the local government turnaround strategy was one of the ways to deal with the challenges in local government.

In chapter 2 and chapter 3, the correlations between LED and SMMEs were explored. In South Africa LED has been used to promote SMMEs. The success of the SMMEs depends on many issues; however conducive environment, knowledge of target market and capacity are critical for SMMEs to thrive. SMMEs create employment in their localities and what seem to hinder their activities are among other things, the infrastructure, crime, lack of funding and capacity to run business.

Capacity and growth are vital for SMMEs and South Africa because this sector of the economy is important for South Africa. Most SMMEs still find it difficult to access

funding and the issue of capacity cannot be emphasized enough. This in some way prevents SMMEs from growing their businesses and moving from the street corner, taxi rank, complex to a big business that can grow and sustainability is key.

The issue of capacity is not only important for the SMMEs but for the whole country and with much emphasis the SMMEs can be the needed vehicle to deal with unemployment and poverty. Another issue is the role players of LED and their roles and responsibilities. The LED is not the responsibility of municipality alone or government everybody has a role to play and the municipality must coordinate and ensure the coherent policies that make LED a force to be reckoned with. Workshops for the SMMEs and the general public to highlight importance of buying local and the power they have to promote local economies were discussed in Chapter 3. The private sector should come to the picture and promote SMMEs in their business; this is not the battle of the government alone everyone has the role to play. Chapter 4 dealt with the research methodology used for this study. Chapter 4 also prescribed the results of the study.

5.3 Testing the hypothesis

The hypothesis for the study is that “LED has the potential to build capacity and help SMMEs grow, given the environment is conducive for SMMEs to thrive. The literature proved this to be true and it was further validated by the responses cited by the SMMEs and the LED unit in SDM. As far as there are numerous legislations and organizations created for strengthening SMMEs, from time to time there is the need to review and restructure to suit the ever changing social and economic environment.

5.4. Recommendations

Two sets of recommendations are presented in this section.

Recommendations for the SDM and SMMEs

Based on the findings of this study the following recommendations for SDM and SMMEs are listed below.

- The consultation needs to be given special attention and both the SDM and SMMEs in SDM need to work together and pull towards one direction for better results for all involved. Moreover, the SMMEs should make use of facilities and infrastructure provided for them especially in complexes and plazas in Sedibeng.
- Over the years the government has introduced a number of organizations and agencies to assist SMMEs with the financial and nonfinancial support, despite this, access to funding is still a big issue and the nonfinancial support is also vital as capacity is key for success and growth of any business. In this regard, the municipality should assist to facilitate the provision of finance, services such as business advice and training by government agencies to maximize impact. The agencies should make their services accessible to SMMEs and SMMEs should be accommodated especially with regard to funding processes, should simplify the forms.
- There is an urgent need to establish a monitoring and evaluation mechanisms or tools to gauge the effectiveness of the support programmes to SMMEs.
- All the people of Sedibeng have a role to play in the promotion, growth and development of SMMEs in the region. In workshops and business forums the essence of instance buying local or proudly South African products should be emphasized for the people to grasp and thoroughly understand the SMME sector and the role they can play.
- SMMEs should attend and participate in business forums, workshops and any programmes intended for the benefit of SMMEs in other words should take charge and be the leaders they should be for the better Sedibeng region with sustainable and vibrant SMME sector which will lead to the much needed growth.

Desktop recommendations

The following suggestions could add benefit of building capacity in SMMEs to address the issues identified through the study. The respective recommendations include the following:

- Deliver messages to SMMEs through supply chains;
- Focus the message on benefits for the SMME;
- Rely on local networks;
- Utilize capacity building as a key element of success;
- Raise awareness through communications and outreach to the general public to support SMME efforts to reduce poverty and unemployment;
- Use market-based strategies as an effective strategy in reaching and assisting SMMEs; and
- Promote SMME leadership (Perera *et al.*, 2005:3-4).

5.4 CONCLUSION

This study was an interesting part of the researcher's project. This chapter discussed the summary outline of the study. The chapter also analyzed the realization of the objectives of this study. Furthermore the study also provided the recommendations for further development of the SMMEs. Through literature review the researcher was able to draw some desktop recommendations which may assist the implementing government spheres in supporting the SMMEs.

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NORTH-WEST UNIVERSITY
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
VAAL TRIANGLE CAMPUS

Annexure A LETTER OF PERMISSION

PUBLIC MANAGEMENT

Tel +27 16 910 3462

Fax +27 16 910 3449

Email: Tumi.Mzini@nwu.ac.za

16 July 2012

Mr. Yunus Chamda
The Municipal Manager
Sedibeng District Municipality
PO Box 471
Vereeniging
1930

Cc: Office of the Mayor; Executive Director: Strategic planning and Economic Development; LED Manager

Tel: 016 450 3165

Fax: 016455 5264

REQUEST FOR PERMISSION TO UNDERTAKE RESEARCH ON THE ROLE OF LOCAL ECONOMIC DEVELOPMENT IN BUILDING CAPACITY AND GROWTH FOR SMALL MEDIUM AND MICRO ENTERPRISES IN SEDIBENG DISTRICT MUNICIPALITY

This certifies that Mr. S Mavi is conducting research on his Masters Degree. The title of his Mini-Dissertation is "*The role of local economic development in building capacity and growth for small medium and micro enterprises in Sedibeng District Municipality*"

Mr. Mavi looks for assistance of respondents: municipal employees (*Municipal Manager's Office, The Mayoral Committee Members (MMC) responsible for local economic development, The LED managers of the three local municipalities in SDM, Ward Councillors*) and community members to co-operate in completing questionnaires and for interviews. The student intends to access the following institutions, namely: the Emfuleni, Lesedi and Midvaal local municipalities. The student mainly looks on the LED programmes building capacity and growth for small medium and micro enterprises in the SDM. The research conducted by the student is mainly academic and the findings of his research will be shared and presented to the academic conference and then published in the accredited scholarly journals.

Yours sincerely

Dr LB MZINI
SENIOR LECTURER and RESEARCHER: PUBLIC MANAGEMENT

ANNEXURE B SMME: INDIVIDUAL QUESTIONNAIRE

QUESTIONNAIRE NR INTERVIEW DATE.....

STUDENT NAME: Mr. S. Mavi, North West University (Vaal Triangle Campus)

Please tick (x) your answer(s) below.

QUESTION 1

DEMOGRAPHIC DATA

AREA OF INTERVIEW:

1.1 Gender:

Female	Male
1	2

1.2 Age:

18-21	22-25	26-35	36-49	50+
1	2	3	4	5

1.3 Respondents Category:

Youth	Elderly	Disabled	Unemployed	Other
1	2	3	4	5

1.4 What is your marital status?

Single	Married	Divorced	Widow	Never married
1	2	3	4	5

RESIDENTIAL DATA

1.5 Municipal/Geographic area:

Emfuleni Local Municipality	Midvaal Local Municipality	Lesedi Local Municipality
1	2	3

1.6 Location (e.g. Sebokeng, Evaton):

.....

1.7 Indicate the type of your residence.

House	Flat	Hostel	Low Cost Housing (RDP)	Informal Resident/Shack
1	2	3	4	5

1.8 Educational Qualification:

Never Attended School	Primary	Junior Certificate / Grade 8-11	Matric / Grade 12	Certificate	Diploma	Degree	Post graduate
1	2	3	4		5	6	7

QUESTION 2

2.1 When did you establish your business? Year..... Month Date.....

2.2 Number of years in business

Less than one year	2-3	4-5	6-9	10 +
1	2	3	4	5

2.3 Why did you establish your business?

Unemployment	Poverty	A need to Support communities	A dire need to eradicate poverty	Interest in owning a business	Other
1	2	3	4	5	6

2.4 What is the name of your business, if there is any?

.....

2.5 Is your business registered? If yes where and when? Yes/ No

When:	Where:
-------	--------

2.6 What sector are you in?

-Agriculture, Manufacturing, Construction, Retail (non-food and food), Catering, accommodation, Motor industry other trade, Other trade

2.6.1 Please indicate your SMME field?

Adventure sites and venues		Entertainment		Sports venues and performances	
Backpacker lodges		Guest houses		Taverns/shebeens	
Bars & breweries		Hotels, lodges and motels		Tea rooms and coffee bars	
Bed & breakfast		Meetings, conferences, exhibitions		Tour buses	
Caravan & camping sites		Nature sites		Tour operators	
Catering services/bakeries		Other accommodation		Tourist guides	
Craft & curio sales		Restaurants		Township tours	

Craft manufacture & sales		Retail at tourism locations		Travel agencies	
Cultural villages		Self-catering facilities		ICT	

2.7 What is your main business (What do you do)?

.....

2.8 How many people are employed in your business, yourself included?

.....

2.9 How did you obtain funding to start your business?

Own	Commercial Bank	Govt	Development Agencies	Private sector
1	2	3	4	5

QUESTION 3

INFRASTRUCTURE/ BUSINESS LOCATION

3.1 Where is your business located?

Home/ Residential area	Street corner	Mobile (train, taxi, train, bus, door to door)	Shopping complex	Taxi rank/ rail, bus stops	School yard	Designated area, located by municipality	Other
1	2	3	4	5	6	7	8

3.2 When you operate your business, do you have access to the following services?

Access to services	Yes	Partially	No	Access discontinued
Basic services				
Sanitation				
Water				
Electricity				
Storage				
Security				
Access to information				
Meetings				
Correspondences				
Access to decision making				
Tariffs				
Business area allocation				
Other				

3.3 Do you pay rent/tariff in your respective premise(s) for your business? Yes/No

QUESTION 4

AWARENESS OF GOVERNMENT PROGRAMMES IN GAUTENG

4.1 Have you heard about the following programmes?

AWARENESS OF GOVERNMENT PROGRAMMES	Yes	No	Never heard
The Expanded Public Works Programme (EPWP)			
The Gauteng Enterprise Propellor (GEP)			
Arts and Culture			
Gauteng Tourism Authority (GTA)			
Community Development Centres			
Community Food Gardens Programme			
Local Economic Development (LED)			
Thusong Service Centres			

4.2 Have you ever consulted the following programmes?

Programme consultation	Yes	No	Never consulted
The Expanded Public Works Programme (EPWP)			
The Gauteng Enterprise Propellor (GEP)			
Arts and Culture			
Gauteng Tourism Authority (GTA)			
Community Development Centres			
Community Food Gardens Programme			
Local Economic Development (LED)			
Thusong Service Centres			

QUESTION 5

BUSINESS SUPPORT RECEIVED AFTER START

5.1 Have you received support in the following?

BUSINESS SUPPORT RECEIVED AFTER START	Yes	No	Support never received
Business advice and information			
Generic business start-up advice and support			
Business planning advice			
Development support			
Consultancy and advice on business plans			
Business promotion			
Marketing information			
Business counselling			
Training			
Generic skills training			
Business planning courses			
Management training			
BUSINESS SUPPORT RECEIVED AFTER START	Yes	No	Support never received
financial assistance			
Advice on raising finance			
Provision of grants and funding			
Financial planning and management			
Tendering and procurement			

QUESTION 6

SMME IMPROVEMENT

6.1 Identify the challenges you encountered in your operation.....

6.2 Is there any suggestion(s) for improved service delivery for capacitating and development of the SMMEs in the SDM.

Thank you for your cooperation

Annexure C INSTITUTIONAL (SDM) QUESTIONNAIRE

QUESTION 1

THE GROWTH AND DEVELOPMENT OF SMMEs?

1.1 Does the municipality have a SMME strategy? Yes/ No

1.2 What are the criteria's for developing SMMEs?

1.3 Are there limits on SMMEs development? Yes/No

1.4 Is there a data base for SMMEs in SDM? Yes/ No

1.5 How many SMMEs are established in your municipality?

1.6 Which SMMEs categories are established in your municipality?

1.7 How is the SMMEs growth level in your municipality?

Infant Growth	Fast growth	Fair growth	Low growth	Not growing
1	2	3	4	5

QUESTION 2

PUBLIC INVOLVEMENT

2.1 Does the LED programmes on SMMEs projects include the consultation process with local people? Yes/No

2.2 How much say does the public have in the creation of SMMEs in your municipality?

.....

2.3 Which mechanisms are utilized to liaise with the respective community?

.....

QUESTION 3

SMMES SUPPORT

SMMES support encompasses a wide range of support including: business advice and information; training; financial assistance; and business networks and mentoring schemes.

3.1 Are there support services for small businesses in your municipality? Yes/ No

3.2 Do entrepreneurs require support in running their businesses? Yes/ No

3.3 Are small businesses aware of available support services? Yes/ No

3.4 Do entrepreneurs make use of these SMMES support services? Yes/ No

3.5 What do small businesses think of their SMMES support services?

3.6 How are SMMES projects funded?

National funded	Provincial funded	Municipal funded: LED Funds	Development partners	Other
1	2	3	4	5

3.7 Indicate the progress on the following support areas.

URP PROJECTS	ACHIEVED	PARTIALLY ACHIEVED	NOT ACHIEVED	STILL IN PROGRESS/ NOT PLANNED
Business advice and information				
Generic business start-up advice and support				
Business planning advice				

Development support				
Consultancy and advice on business plans				
Business promotion				
Training				
Generic skills training				
Business planning courses				
Management training				
Financial assistance				
Advice on raising Finance				
Provision of grants and funding				
Financial planning and management				

QUESTION 4

INFRASTRUCTURE

4.1 Is there designated area for developed SMMEs? Yes/ No

4.2 Is the area accessible? Yes/ No

4.3 Is the area secured? Yes/ No

4.4 Does the area have sanitation facilities? Yes/ No

4.5 Does the SMMEs comply with the regulations specified for the designated areas?
Yes/ No

QUESTION 5: MONITORING SMME PROGRAMMES

5.1 How do you monitor the SMMEs developed in your municipality?

6. QUESTION

6.1 Indicate the challenges that your institution is faced with, as identified below:

MUNICIPAL CHALLENGES	YES	NO
Lack of consultation with local residents in drawing-up LED projects for business development		
Lack of consultation with local residents in drawing-up SMMEs development		
Failure to target the benefits of urban renewal at local people		
No overall framework guiding SMMEs development		
Limited coordination of government programmes		
Limited resources		
Inadequate monitoring and assessment of the outcomes of SMMEs		
Funding and Financial Framework		
Organisational and Institutional Framework		
Human Resources and Capacities		
Lack of public participation		
ENTREPRENEUR/ BUSINESS OWNER CHALLENGES	YES	NO
Lack of public participation		
Inexperience in running and managing own enterprises		
Poor cash management		
Weak marketing efforts		
Access to business support and advice		
Lack of awareness		

6.2 If there are challenges explain how you will address the situation.

Thank you!!!

APPENDIX D: SMME LOCAL ENTREPRENEUR

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Vaal Weekly, 5 - 11 October 2011

Move over, Pretty Woman

By Thabiso Radebe

SEE OKENG. An entrepreneur in Zone 14 has turned her garage into a thriving dressmaking business. Julia Roberts (47) may not be a movie star like her name, but she is building her own reputation that of a hard working mother of three girls and one boy who started her own company called Botle Ba MaAfrika. The demand for Roberts' products has grown to such an extent that she has hired two trainees who help with the cutting of garments, measurements, beadwork and final stitches. Recently, Roberts was part of 41 businesswomen who were selected to attend a five-day course on personal and business finance – an opportunity which was made possible by Emfuleni Local Municipality's Iris Nthebe, who is responsible for stakeholder relations at the municipality's Communications, Branding and Marketing Department. This mentorship programme was ar-

ranged by the Emfuleni municipality in partnership with Old Mutual and Nedbank and involves a 12-month monitoring and evaluation period. Julia's passion for dressmaking dates back a long time ago, but she registered her business in 2005 and has not looked back ever since.

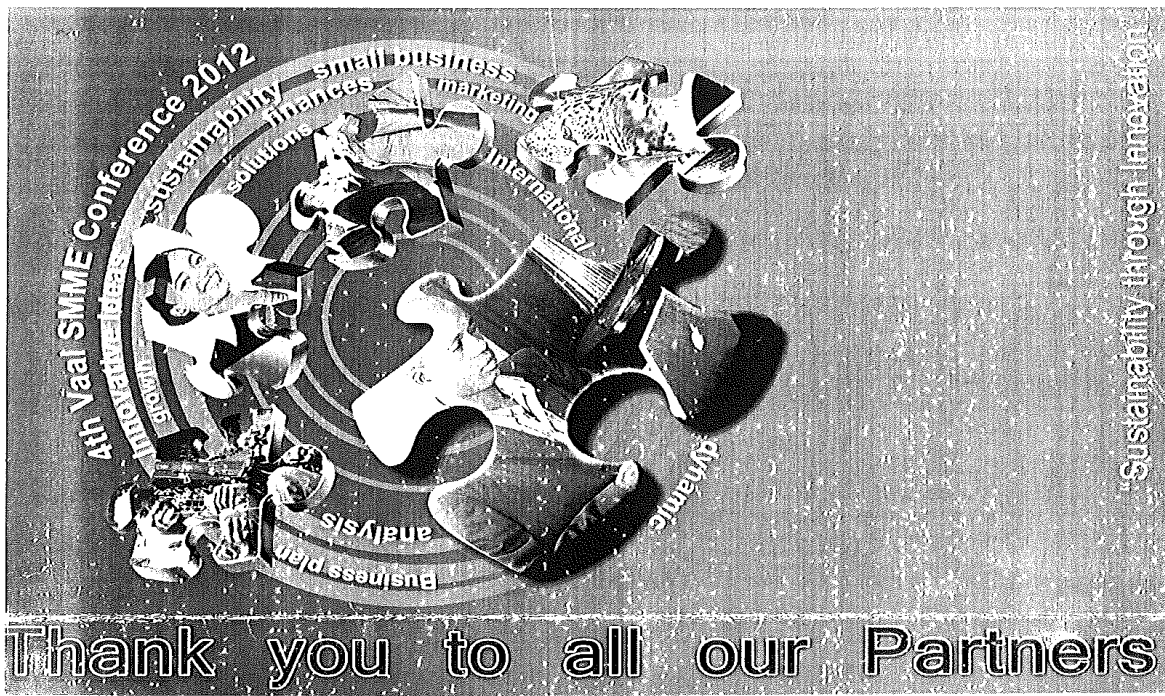
Botle Ba MaAfrika specialises in traditional wear and Roberts says that her secret to success is making time to attend business empowerment sessions that come her way. She has attended the Gauteng Enterprise Propeller basic business management training at the organisation's Vanderbijlpark branch.

Roberts is also a proud winner of the Sedibeng District Municipality's Tourism Awards in the category of craft and remains happy for this achievement as it serves as a source of inspiration and motivates her to go on with her business. Roberts says, "I offer clothing for all seasons including winter tracksuits, windbreakers to mention but a few. Summer is the busiest time for me due to many festivities on my calendar." She adds that young people today are distracted by material things and want to make quick cash as they lack perseverance to invest their energies in worthwhile activities.



Julia Roberts shows her certificate in her workshop.

APPENDIX E: SMME CONFERENCE HELD IN THE SDM



APPENDIX F SMME COMPETITION



SMME COMPETITION ENTRY FORM

NAME & SURNAME			ID No	
<i>Name of person completing this form must be the owner of the business</i>				
Cell No			E-Mail Address	
Business Tel No			Business Fax No	
NAME OF BUSINESS			TYPE OF BUSINESS	
ANNUAL TURNOVER			DATE BUSINESS REGISTERED	
Type of Industry			Core Business	
Business Address			Business Postal Address	
<small>Disclaimer of confidentiality: The organisers of the SMME conference hereby agree to keep all information provided for the SMME competition and the assessment procedures private and confidential. Conference Entry Agreement: By signing this competition entry form you hereby agree to abide by the rules and regulations of the competition as found on the reverse of this form.</small>				
SIGNATURE OF ENTRANT			DATE	