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MINI- DISSERTATION

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AN ASSESSMENT OF THE FINANCIAL CHALLENGES AND PROSPECTS OF SMMEs DEALING WITH SERVICES IN BOTSWANA

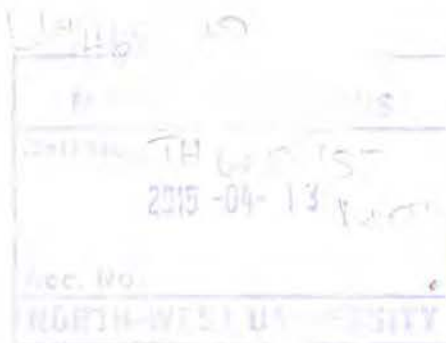
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Mini- dissertation submitted in partial fulfilment of the requirements for the Masters degree in Business Administration (MBA, Finance) at the Mafikeng campus of the North-West University

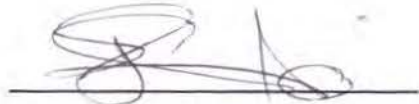
Supervisor: Professor, S. M. Kapunda

November 2010



DECLARATION

I, Irene Pinkie Motsomi, do hereby declare that this dissertation is the result of my investigation and research and that this has not been submitted in part or full for any degree or any other degree to any other University.



Irene Pinkie Motsomi

28 March 2011

Date

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I am also indebted to the entrepreneurs in the service sector who provided the information needed to see this study to its fruitful conclusion.

ABSTRACT

There are many obstacles to survival and growth of Small, Medium and Micro Enterprises (SMMEs) dealing in services, one of which is the financial aspect. The current study evaluates how these four aspects fair with regard to SMMEs as well as how they contribute to performance. The findings from the literature review enabled the researcher identify the financial aspect as being composed of funding, financial planning, financial records maintenance, and working capital management. The findings from the primary study enabled the researcher identify working capital and funding as being the two aspects of financial aspect that contributed immensely to the performance of SMMEs in the services sector. Funding was also identified as being the biggest challenge to survival of SMMEs.

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CHAPTER ONE

INTRODUCTION

1.1 Background Information

There is an overwhelming evidence world over that Small, Medium and Micro Enterprises (SMMEs) play an important role in the economic development of a country (Barakat, 2001:2). A country can therefore only ignore the contribution made by SMMEs to its peril. It should be noted that in the recent past, the biggest portion of the population in developing countries is increasingly joining entrepreneurial world and in the process play a significant role in the building of the nation's economy (Kamalanabhan and Vijaya (2009:1).

It is unfortunate, however, according to Gwebu (2005:6) that 80% of the SMMEs in Botswana cease operations and collapse within the first five years from commencement of operations, with very few growing beyond their initial size. Gwebu's (2005:6) observation is supported by ICSB (2008:1) that revealed that a majority of SMMEs in Nigeria cease operation between 3 to 5 years of incorporation. Temtime (2004:4) regarding the survival of SMMEs noted that over 70% of SMMEs set up cease operations within 18 months and only 2% manage to expand in size. The major drawbacks to SMMEs survival and growth according to Jefferis (2010:2), include lack of entrepreneurship skills and experience, financial and restrictive regulations.

Government Paper No. 1 QF (1999:4) joins the fray with an observation that 80-85% of the SMMEs do not celebrate their fifth birthday. A majority of those SMMEs which make it beyond 5 years since conception never expand.

In recognition of the contribution made by SMMEs towards the country's economic development and their high failure rate in Botswana, the researcher in this study identifies and evaluates the financial challenges that SMMEs dealing in services encounter.

The study, however, focuses only on the financial challenges experienced by SMMEs in the services sector. As noted by Gwebu (2005:7), SMMEs mostly rely on internal funding for their start up and expansion, a source which has little or no funding hence the biggest drawback to SMMEs growth and survival. Currently as observed by

Jefferis (2010:2), 51% of the SMMEs funding is from savings, 47.7% is in the form of loans from family and friends and only 1.3% is from the government. The banks are reluctant to lend money to SMMEs as they have low credit rating, lack business skills and experience (Gwebu 2005:6)

The services sector was chosen as opposed to the other sectors. This is because the researcher is of the opinion that since SMMEs in this sector do not deal in tangible products, they find it hard to attract financial support unlike those in the other sectors. Services sector also happen to be the sector that is growing at high pace than other sectors, the implication, therefore is that the study would be beneficial to the majority of SMMEs if the financial challenges facing the sector were to be addressed (Government Paper No. 1 QF, 1999:8).

1.2 Statement of the Problem

Gwebu (2005:6) says that a majority of the SMMEs cease operations and collapse within the first five years of commencement of operations. There are many challenges that contribute to their collapse (Jefferis, 2010:2). These include; lack of entrepreneurship skills and experience, financial and restrictive regulations. The researcher in the current study only focuses on the financial challenges encountered by SMMEs dealing in services. Preliminary survey by the researcher led to the primary conclusion that the financial challenges as opposed to other drawbacks play a significant role in the survival of SMMEs hence the focus of the study.

The researcher plans in the current study to investigate how the SMMEs handle the financial issues namely; financial planning, raising of funds, financial records maintenance and working capital management as well as how they impact on the SMME performance and hence their survival in the current competitive environment.

1.3 Objectives of the Study

The main objective of the study is to identify financial challenges encountered by SMMEs dealing with services in the course of their operations and how these can be overcome in order to enhance their performance and survival. The specific objectives of the study are as listed below:

1. Determining the level of performance of SMMEs in the services sector
2. Evaluating the management of the financial aspects by SMMEs in the services sector namely; financial planning, raising of funds, financial records maintenance and working capital management

3. Determining the relationship between the management of the financial aspect of SMMEs in the services sector namely; financial planning, raising of funds, financial records maintenance and working capital management and level of their performance

1.4 Significance of the Study

The study will be of great benefit to a variety of stakeholders in that the entrepreneurs will know the kind and level of support they receive from the government and other organizations. The existing body of knowledge in the field of financial aspect of SMMEs will be increased. Researcher's knowledge in the area of financial aspect of SMMEs will be enhanced. Finally, the government as a policy maker will be enlightened on the financial support needed to ensure that the SMMEs improve on their performance and in the process ensure their survival

1.5 Hypothesis of the Study

In order to draw concrete conclusions from this study it is necessary to develop the following Null Hypothesis that was put to test.

Ho1: There is no significant relationship between the management of the financial aspect of SMMEs namely; financial planning, raising of funds, financial records maintenance and working capital management and their level of performance in Botswana.

1.6 Organization of the Study

The rest of the study is organised as follows: Chapter two gives an overview of SMMEs with special focus on Botswana. Chapter three consists of the literature reviewed in order to put the study into perspective. Chapter four explains in detail how the study was performed. Chapter five presents, analyses and discusses the findings of the study while in Chapter six conclusions and recommendations are presented.

CHAPTER TWO

OVERVIEW OF SMMEs WITH SPECIAL FOCUS ON THOSE DEALING WITH SERVICES

2.1 Introduction

In this chapter, the importance and constraints of SMMEs dealing with services are explored.

2.2 Importance of SMMEs in General

SMMEs play an important role in the economic development of a country. A notable growth over the past years in the industrialised world is attributed to them (Barakat, 2001:2). According to Government Paper No. 1 QF (1999:1), Governments world over recognize the role played by SMMEs namely; employment, wealth creation and development of entrepreneurs.

A good example is the United States of America (USA), where SMMEs represent 99% of all employers, 52% of the private sector work force, 51% of the private sector output and 96% of all export goods (Pilch, 2001:1). The contribution of the SMMEs to the economy can therefore not be under estimated.

Pilch (2001:2) also highlighted the case of Poland where SMMEs contributed 50% in 1997 and 40% in 1993 of the total country's turnover. This further goes on to underscore the contribution made by SMMEs in the economy.

Barakat (2001:3) went on to explain that SMMEs contribute immensely to the economies of countries with limited natural resources as evidenced by the case of Taiwan where they account for 98% of the total number of companies, 69% of total employment and 55% of the country's manufacturing exports. Botswana though has huge diamond resources unlike Taiwan, the government efforts have been biased towards mining and provision of social amenities to the Batswana. This calls for establishment of SMMEs to provide other products and services, hence the country (Botswana) could highly benefit from fuelling the spirit of entrepreneurship which would contribute immensely to the economic development of the country.

Pilch (2001:1-2) argued that SMMEs are to the employee, a customer and supplier who provides goods and services to the market and entrepreneurship in any economy. In this light, they require a lot of support from the government and other relevant organizations such as Non Government Organizations (NGO's).

Kamalanabhan and Vijaya (2009:20) concluded that with supportive and fully committed programmes, SMMEs can grow and in the process contribute immensely to a country's economy.

In Sub-Saharan Africa, most of the countries within the region have stagnant or negative economic growth rates (Gwebu, 2005:3). The reasons given by the author for the scenario include; poor economic management, civil strife, rapid population growth, environmental hazards, low foreign direct investments (FDI), globalization and Strategic adjustment programmes (SAPS). This dire situation (Ibid:4) can be, to some extent alleviated by the promotion of SMMEs. This is because SMMEs galvanise self help efforts of the marginalised and vulnerable groups who may consist of unemployed youth, female headed household and the disabled.

Many governments within the Sub-Saharan Africa have however ignored the SMMEs sector (Gwebu, 2005:4), while globalization and competition have made untenable the environment such organizations operate in. This situation (Barakat, 2001:3) has resulted in SMMEs being challenged in terms of quality standards, access to inputs and markets.

Focusing on the Botswana Scenario (Government Paper No. 1 QF, 1999:1), the government has, for a long time, recognised the significant role played by SMMEs in the economic development and provision of employment opportunities to the residents. SMMEs contribute 30-45% to GDP and 50% to formal employment. This has resulted in the introduction of both advisory and financial support by the government to those able and willing to start and or expand their businesses. This is evidenced by the formulation of a comprehensive policy by the Ministry of Commerce and Industry in 1998, which provides the guiding principles for the development of SMMEs in the country.

Having looked at the importance of SMMEs then it is only imperative that the characteristics of such organizations be explored with particular reference to services.

2.3 Constraints Facing SMMEs

The Government Paper No. 1 QF (1999:4)) went on to identify the constraints being faced by SMMEs within Botswana as being:

- Lack of financial access
- Absence of entrepreneurial skills and expertise
- Limited training opportunities for entrepreneurs
- Complicated government laws and regulations
- Limited information about the available government assistance programmes
- Poor marketing skills
- Inadequate data on SMMEs
- Lack of clear government policies on SMME development

However, the SMMEs in the services sector according to Sullivan (2002:212) are generally hampered in their operations by competition and difficulties in raising funds. It is in the researcher's opinion that the competition results from the ease of entry into the sector by other competitors. The challenge in raising funds for SMMEs in the sector on the other hand results from the intangibility of the products dealt with hence an uphill task when it comes to attracting of financial assistance.

2.4 Conclusion

From this chapter, it is clear that SMMEs contribute significantly to economies of all countries. Such organizations (SMMEs) can generally be classified based on their individual annual sales turnover and staff complement into Micro, Small and medium enterprises. Major challenges facing SMMEs in the services sector include raising capital and competition.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

Focus on this chapter, is on both theoretical/conceptual and empirical literature that exist with regard to the current study.

3.2 Theoretical Issues

The definition of SMMEs varies among countries. SMMEs are defined by the use of some indicators that may include; turnover and number of employees. Based on these two characteristics, SMMEs in Botswana can either be classified as small, medium or micro as per Government Paper No. 1 QF (1999:2). Such classifications are as described below:

- Micro-enterprises – They have less than 6 employees inclusive of the owner and have an annual turnover of less than P 60,000. Most of these businesses are located within the rural setup, are run from residential premises and the ownership is dominated by women.
- Small enterprises – the number of employees do not exceed 25 and have an annual turnover of between P 60,000 to P 1,500,000. Most of these businesses are located within the urban setup and mostly offer services.
- Medium enterprises – they employ less than 100 employees and have an annual turnover of between P 1,500,000 and P 5,000,000. Most of the businesses in this category fall under manufacturing sector and do not normally source funding from the government.

Other terms used in this study are as defined below:

Financial Aspect – financial management mainly focusing on financial planning, raising of funds, financial records maintenance and working capital management (Neungsigkapien, 2006:8).

Performance – growth in size, number of years in operation, increased revenue (profitability) and number of employees (Ahmed and Seet, 2009:76).

Success – evaluation as to whether the self set projects are able to meet their obligations as they become due (Sager and Dowing, 2009:90)

Support – financial help that if accorded to the entrepreneur would enhance the chances of them succeeding in their businesses (Government Paper No. 1 QF, 1999:7).

SMMEs play a crucial role in enabling countries achieve development economically and otherwise (Sentsho, Maiketso, Sengwaketse, Anderson and Kayawe; 2007:4).

According to Ahmed and Seet (2009:73), in order for SMMEs to immensely contribute to the economic development of their respective countries, they have to succeed. Frishharmmar and Anderson (2009:58) argued that the success of SMMEs is highly dependent on external and internal factors.

The internal factors that contribute to the success of SMMEs (Sager and Dowling, 2009:89) are the managerial and planning skills of the entrepreneurs. The authors go on to explain that the characteristics of the entrepreneur help essentially determine the management and planning approach adopted by an organization. Ahmed and Seet (2009:75) concludes with the observation that the managerial and planning skills help shape the organization culture, competencies and resources which make the organization ready to capitalise on available opportunities.

The external factors that contribute to the success of SMMEs (Pett and Woff, 2009:7) include the role of government and other organizations in creating various forms of support such as training and finance. Ahmed and Seet (2009:74) went on to explain that the support provided to SMMEs is important because many SMMEs lack financial and managerial capabilities which, if provided, would contribute immensely to their success.

Pett and Woff (2009:8) went on to argue that the external environment plays a significant role in the success of the SMMEs as it can be able to influence the internal factors to some extent and in the process enable the SMME to position itself so as to take full advantage of the available business opportunities. In this light, then the study will focus on both the external and internal financial aspects of SMMEs.

To ensure that both the external and internal environment are favourable to the well being of SMMEs, the government should formulate policies that help in reducing the vulnerability of the SMMEs (Ahmed and Seet, 2009:73). These policies according to

Ahmed and Seet (2009:73) cover the aspect of the government funding, basic infrastructure, protection against competition and government export assistance.

Sentsho et al. (2007:7) joined the argument through their observation that the Government should assist SMMEs overcome the constraints that normally restrict their growth namely; finance, entrepreneurial skills, business start up training, lack of information and marketing skills. However focus should be the financial aspect as it is the one cited having the highest contribution towards success or failure of many SMMEs world over (Ahmed and Seet , 2009:3).

Narrowing the study focus to the financial aspect of SMMEs, Neungsigkapien (2006:7) argues that a firm can have the best product, adequate market and an innovative leader, but in the absence of prudent management of the firm's financial aspect, it is bound to fail. A good example of this scenario is evidenced in the case of Thomas Chippendale of the 18th century English cabinet and chair maker who despite having the best designs, failed simply because he never put efforts in the management of the financial aspect of his business (Ameinfo.com, 2010:1).

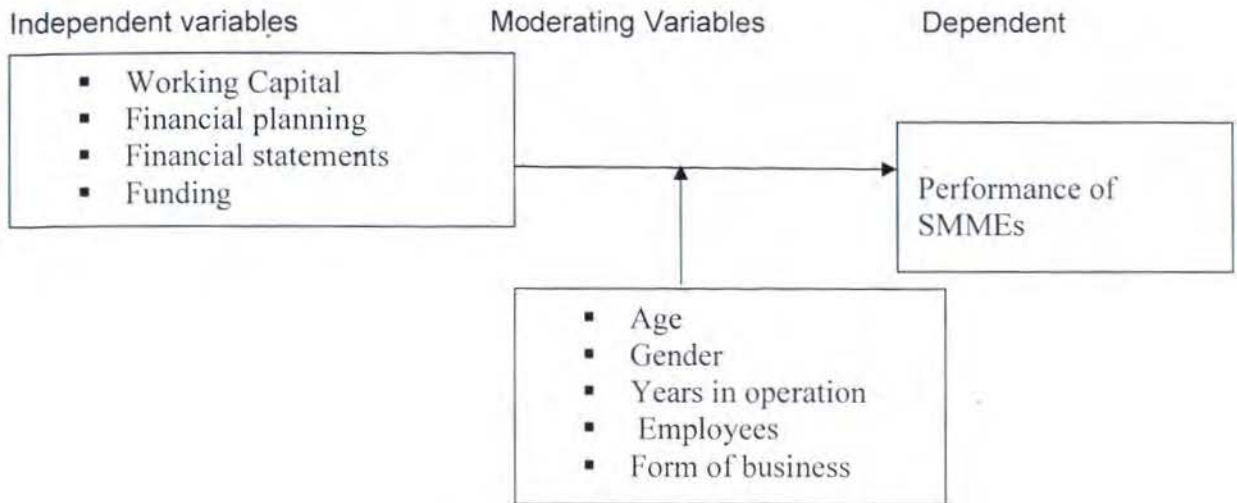
According to Neingsigkapien (2006:7-8), issues of financial aspect to be considered regarding SMMEs are financial planning, raising of funds, financial records maintenance and working capital management.

3.2.1 Conceptual Framework

In coming up with the conceptual framework for the study the researcher presupposes that prudent management of the financial aspect of SMMEs and in particular financial planning, raising of funds, financial records maintenance and working capital management will automatically result in high levels of performance and hence survival of such firms.

The conceptual framework displays in pictorial form the relationships between variables and in so doing it helps simplify the study (Donald, 2001:114). Figure 1 below presents the theoretical framework that forms the basis for the current study.

Figure 1: Theoretical Framework



Source: Neungsigkapien (2006:7-8)

3.2.2 Performance of SMMEs

Successful SMMEs contribute to the economic growth of a country (Barakat, 2001:2). The implication being that it is imperative to derive means and ways through which the success of SMMEs can be established.

According to Ahmed and Seet (2009:74), SMMEs success or failure can be established through traditional financial measures as well as non-financial measures. The two measures of SMMEs success are as discussed in the paragraphs that follow.

Traditional financial measures of SMMEs success are objective in nature as they evaluate the profitability, sales turnover and rate of return on investment for the organization (Ahmed and Seet, 2009:75). Other financial measures that may be used include (SEVEN Fund, 2009:1) the organization's cashflow, market share, sales growth, earnings and net worth. Ahmed and Seet (2009:76) concluded that the use of financial measures as a means of gauging the success of SMMEs is hampered by the difficulties encountered in obtaining such information from the founder – owners of SMMEs.

Non – financial measures can also be used to gauge the success of SMMEs. The rationale for this approach is based on the argument that success is more than money (Sager and Dowling, 2009:90). According to Ahmed and Seet (2009:76), the non – financial measures of SMMEs success is the attainment of personal objectives of the founder – owner which can be captured through job satisfaction, autonomy, balance in work and family, flexibility and freedom to take charge of their future. Though this approach is criticized for being a poor reflection of reality (SEVEN Fund, 2009:78), this information can be easily acquired from the founder-owners of the SMMEs.

Ahmed and Seet (2009:76) went on to conclude that both approaches for measurement of the success of SMMEs should be utilized as they commensurate each other. However as observed by Ahmed and Seet (2009:76), it is difficult to collect financial information about the SMMEs hence the study opted to make use of the non-financial measures.

3.2.3 Working Capital

Thachappilly (2009:1) looks at working capital as the cash required by a business during the conversion cycle which in manufacturing concerns covers the period from when payment is made for raw materials up to the time when cash is collected from customers. As expressed by Businessfinance.com (2010:1) working capital is the life blood of an organization and its management is therefore crucial to the performance and survival of an organization.

Instopedia.com (2010:1) from another angle, views the importance of working capital to an organization as crucial in that it evaluates the organization's operational efficiency. It is determined by the difference between the current assets and current liabilities of an organization. In other words when the current assets are more than current liabilities, the firm is able to meet its short term obligations as they arise through the use of the cash, assets, accounts receivable and inventory in its possession. There is therefore a need to carefully manage the working capital because if not watched it can lead to the bankruptcy of the firm.

Working capital components (Gordon, 2010:1) are current assets that are made of inventories, loans and advances, debtors, short term investments, cash and cash balances as well as current liabilities that are made of creditors, trade advances, borrowings and provisions.

Prudent management of working capital (Maneval: 2010) calls for a deliberate action by the firm managers to manage all the components of the working capital. An approach which can be utilized in management of working capital as suggested by Thachappilly (2009:1), is the use of ratio analysis. This includes management of different components of working capital with specific focus on inventory, receivables, cash and financing. Another major tool that can be applied according to Gordon (2010:1) is the cash flow forecasting which takes into consideration the unforeseen events, market cycles, loss of prime customers and effects of unforeseen demands on the working capital so as to ensure that there are contingency plans/funds to cater for the unexpected. Maneval (2010:1) concludes with an advice that at all times, an organization should strive to ensure that the period taken to collect cash from the customers is shorter than the period taken to pay the creditors.

According to Springer (2009:1), among all the components of working capital, cash management has proven to be the major stumbling block to the SMMEs world over. The reason given for the scenario as stated by Smallbusiness.com (2010:1) is the fact that many entrepreneurs mistake cash flowing into the organization with profit hence end up diverting it to their private/personal use which results in the organization being unable to meet its financial obligations as they become due.

3.2.4 Financial planning

Curtis (2010:1) states that, the aim of business planning is to ensure that an organization has adequate funds for keeping it operational, for expansion, competition and emergencies.

Financial planning according to Ward (2010:1), is the process of matching real and anticipated expenses to revenue in order to enable the entrepreneurs determine whether they have enough funds to cater for the operation and expansion of the organization as well as generate income for themselves.

Expert (2010:1) adds on to the importance of financial planning by a warning that without it, the business runs the risk of running out of funds for operations while, not spending enough may impede on its growth.

According to Curtis (2010:1), for successful financial planning the following issues should be considered and these include:

- Checking the industry standards through carrying out a market intelligence analysis
- Making of financial projections for the business
- Factoring in the unexpected occurrences that may arise in the course of operations
- Looking at all possible ways to cut in on operational costs of operations
- Reviewing the performance of the business periodically
- Constantly shopping for alternative cheap sources of services and products needed for operations of the business.

Expert (2010:1) on the other hand outlines six steps that when followed would result in adequate financial planning and these include;

- Clarification of the present situation through assessment of all the relevant financial data pertaining to the organization
- Identification of organization's financial goals and objectives as this will play a significant role in determining the best financial strategy
- Identification of the financial challenges that need to be overcome if the business is to achieve its financial goals and objectives
- Making the best recommendations that can best tackle the identified financial challenges so as to ensure achievement of the financial goals and objectives of the organization
- Implementation of the formulated financial strategy
- Monitoring and review of the business performance through variance analysis between the set standards and actual performance and where deviations exist then corrective action is taken on time.

3.2.5 Financial Statements

According to WiseGeek.com (2010:1), financial statements are used to reveal an organization's financial position. In other words the financial statements paint a picture of the transactions that flow through an organization.

QuickMBA.com (2007:1) points out that though there are many records maintained within an organization, all the information they contain can be summarized in four financial statements namely; income statement (profit and loss), balance sheet, cash flow statement and statement of changes in the owner's equity. These financial statements as noted by WiseGeek (2010:1) are necessary as they record all the transactions that take place in an organization within a certain period of time.

According to QuickMBA.com (2010:1), the four financial statements can be briefly described as follows:

- Balance sheet – is a statement showing the financial position of a business at a certain point in time. It summarizes the financial information on the organization into assets, liabilities and owners equity pertaining to the organization at certain point in time.
- Income statement (profit and loss) – shows the income, expenditure and profits over a period of time.
- Statement of changes in owners equity – shows the changes of the amount invested by the entrepreneur in the business at a certain point in time.
- Cash flow statement – shows the movement of cash from activities pertaining to operations, investment and financing.

WiseGeek.com's (2010:1) conclusion is that these statements should be prepared at all times as they go a long way in meeting the needs of the various stakeholders of the business. The article goes on to emphasize that during their preparation, the statements should be presented in a structured manner that is easy to understand. In other words the financial statements should be understandable, relevant, reliable and comparable.

3.2.6 Funding

According to the SMME Task Force Report, most business representatives maintain that the main problem facing small and micro –enterprises in Botswana is a lack of access to finance (Government Paper No. 1 QF, 1999:4). The financial assistance could be in the form of initial capital injection, additional capital for expansion purposes or temporal assistance given when such business units are faced with challenges of working capital.

SEVEN Fund (2009:1) joined the fray and made an observation that entrepreneurs frequently cite lack of access to investment capital as one of the major barriers to starting and growing their business. The author went on to point out that SMMEs in developed countries like the USA and UK benefit from inflow of capital from venture capitalists, private investors and banking sector as opposed to their counterparts in the emerging markets like Botswana where such vehicles of financing may be inadequate.

SMMEs in developed countries, though well positioned than those in emerging markets with regard to the access of finances, still face challenges when it comes to soliciting for finances. This is clearly put across by UEAME (2009:1) with the observation that access to finances is still considered as one of the problems faced by many SMMEs in Europe and can be addressed by coming up with regulations that support SMMEs in their search for finances. If developed countries like Europe have identified the need for formulation of policies that make it easy for SMMEs to have access to finances, what about emerging markets like Botswana?

Looking at the Botswana scenario, according to Botswana SME Portal, (2010:1), the government introduced programmes, policies and schemes like Botswana Enterprise Development unit (BEDU), which was established in 1974, the Local Preference Scheme (LPS) which was introduced in 1978, the Financial assistance policy (FAP) introduced in 1982, Integrated Field Services established in 1987, reduction of tax rate for manufacturing companies to 15% in 1995, and introduction of a policy on Small, Medium and Micro Enterprises in 1998.

SMMEs were developed and supported through the above programmes but most of them did not survive beyond a period of 5 years (Gwebu, 2005:8). The government discontinued some of its programmes, schemes and policies and modified others as there was little or no fruits realised from the initiatives and later another financial assistance scheme called Citizen Entrepreneurial Development Agency (CEDA) was introduced (CEDA, 2007:1).

3.3 Empirical literature Review

Acquah and Mosimanegape (2007:1-17), carried out a study to determine factors that influence the performance of SMMEs in Botswana. The study evaluated 200 SMMEs in Gaborone, Molepolole, Ramotswa, Mochudi and Tlokweng. The findings of the study revealed that start up capital and total costs incurred in the business played a

crucial role on the performance of the business. This led to the recommendations that:

- Start up funds from government agencies and their utilization should be monitored and evaluated if the performance of SMMEs is to be improved.
- The performance of SMMEs could also be influenced through training of the workforce as well as entrepreneurs.
- The entrepreneurs should be assisted so as to have access to affordable loans in terms of interest.

An exploratory study to identify and rank the major constraints facing SMMEs in Botswana was carried out by Ndaloma (2007:VI). Initially, 30 entrepreneurs were requested to list the constraints they were facing in running their businesses. Secondly, 150 entrepreneurs were asked to rank the identified constraints in terms of their seriousness. Finally, the top four constraints were selected. The findings revealed that the top four constraints in terms of their seriousness were financial support, financial management, market and administration.

Another study was carried out on SMMEs in Botswana by Kapunda, Magembe and Shunda (2007). Many areas were explored but only the aspect of ranking of the cited challenges to SMMEs are cited. In carrying out the study, the respondents were asked whether they agreed with the cited challenges as being draw backs to the performance of SMMEs. The cited challenges included:

- Lack of funds
- Stiff Competition
- High cost of utilities
- High rental charges
- Limited market
- Bad debts
- Lack of training
- Unreliable workforce

The findings from the study revealed more that 50% of the respondents were of the opinion that all the cited challenges did not hinder the performance of the SMMEs. The implication being that poor performance of SMMEs sector was caused by factors beyond those observed in the above scenario.

Temtime (2004:30-44), observed that the rate of newly setup SMMEs failure was very high. This led to identification of the major reasons why this was the case. This was achieved by looking at the type of support the government gave to the SMMEs in Botswana. It became apparent that the government in the past concentrated mostly on provision of start up capital and neglected any other form of support that is very crucial to the survival of SMMEs. It was concluded that what newly established SMMEs need in order to survive is strategic intervention from the government possibly through the use of Business Incubation Programmes (BIP).

A survey was carried out by Temtime and Pansiri (2006:53-67) aimed at identifying the crucial marketing and financial related challenges encountered by SMMEs in Botswana. In total 39 marketing and finance related challenges were listed down. Entrepreneurs were asked to rank the level of impact each of these 39 challenges had on their business. The top four challenges facing SMMEs in Botswana were identified as marketing actions, customer relationships, investment analysis and working capital management.

In Botswana, as observed by Temtime, Chinyoka and Shunda (2004:563-577), there are various efforts to offer business assistance to SMMEs by different stakeholders (public, private and non profit organizations). Unfortunately these efforts are uncoordinated. The advice offered by the authors (Temtime et al. 2004:563-577) is to ensure that any assistance offered should be customized to suit the needs of the specific SMME. This can be achieved by evaluating the characteristics of a firm after which, an appropriate business assistance scheme is developed.

3.4 Conclusion

In this chapter, the conceptual frame work for the study was derived from the variables thereof discussed in detail within the context of the financial aspect and how it impacts on the performance and subsequently survival of SMMEs.

Other related studies went on to reveal that the top most constraints in order of their seriousness were financial support, financial management, market and administration. The studies only identified the constraints but did not go on to explore ways and means through which the identified constraints could be addressed.

The top most constraint identified was financial support followed by financial management. This therefore led to the researcher's decision to focus solely on the

financial challenges encountered as they appear to play a significant role in the performance and hence survival of SMMEs in Botswana.

Unlike the cited studies which identified and evaluated all the cited obstacles to SMMEs performance, this study focuses on the financial aspect obstacle to performance of SMMEs dealing with services that covers prudent management of working capital, financial planning, financial records maintenance and having adequate knowledge on funding.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

This section of the study gives a step-by-step synopsis of the procedure that was followed in conducting the current study. It includes the research design, population, sample, sampling technique, data collection technique and data analysis procedures.

4.2 Research Design

The approach adopted in conducting this study is a survey that is quantitative in nature.

Survey approach was adopted because a relatively large sample was selected from a predetermined population from which a relatively small amount of data was gathered. The data was then generalized to apply to whole wide population.

The quantitative approach was adopted as the study involved collection of information that was then sorted, classified, converted into statistical data and measured in an objective way with the collected data being accurately described by a set of rules and procedures that make the interpretation of the information independent of individual judgments.

4.2.1 Target Population

The population included SMMEs in the service sector located within Gaborone and the surrounding areas. Gaborone and the surrounding areas include; Gaborone, Mochudi, Ramotswa, Tlokweng and Oodi. The region was chosen because of its accessibility to the researcher who resides in the area. According to a preliminary survey by the researcher, the number of SMMEs in the services sector within Gaborone and the surroundings is 347.

4.2.2 Sampling

The number of the SMMEs in Botswana could not be established because there are those that are registered as well as those that operate without being registered. The researcher therefore clustered the country into regions and purposively selected

Gaborone and the surrounding region (Gaborone, Mochudi, Ramotswa, Tlokweng and Oodi).

The adoption of quantitative approach for the study meant that a large sample size of not less than 50 subjects was deemed necessary if the study was to produce reliable and valid results. In this study, a sample of 50 SMMEs was randomly selected.

4.2.3 The Research Instrument

The data collection instrument utilized for the study was a structured questionnaire designed by the researcher.

4.2.3.1 Questionnaire

The designed questionnaire is highly structured, with predetermined responses and is divided into two major parts. To complement the findings of the structured part of the questionnaire, open ended questions were included. The questionnaire is therefore divided into three parts. The first part determines age of the entrepreneurs, number of years they have been in operation, type of business, form of business and the number of employees while the second part collects the views of the respondents on a wide range of questions meant to respond to the research objectives. The second part is divided into five sections, four of which evaluates the four independent variables while the fifth measures performance of SMMEs. The third part consists of open ended questions that were meant to derive more information from the respondents.

To ensure that the questionnaire captures the finer points of the respondent's responses, a five point Likert scale was adopted, meaning that the respondents were given a range of five responses to choose from. In formulating the questionnaire, the researcher generated some pointer questions based on the literature reviewed in chapter three of the proposal.

The questionnaire was administered with the help of 2 research assistants engaged by the researcher.

4.2.3.2 The Questionnaire Items

The questionnaire items include all the independent variables, dependent variable as well the moderating variables. These variables are as listed below:

- Independent Variables

- Working capital
- Financial planning
- Financial statements
- Funding
- Dependent variable
 - Performance of SMMEs
- Moderating variables
 - Age
 - Gender
 - Number of years in operation
 - Number of employees
 - Type of business
 - Form of business

4.2.3.3 Pilot Study

To ensure that the data collection instrument which for the purposes of the current study is a questionnaire is both reliable and valid, a pilot study was carried out where 10 entrepreneurs from Gaborone and the surrounding area were randomly selected. The designed questionnaire was administered to them. With the help of the research supervisor, the findings from the pilot study were used to refine the questionnaire before final data collection. The entrepreneurs selected for the pilot study were excluded from participating in the final study

4.3 The Research Process

4.3.1 Administration of the Questionnaire

The research assistants engaged by the researcher sought permission to collect information from the targeted entrepreneurs.

The ethical issues adopted during the administration of the questionnaire include the explanation that the respondents' participation was purely out of their own free will, they were not to append their names on the questionnaire, and the fact that the information provided is for academic use only.

4.3.2 Collection of Questionnaires

The researcher engaged research assistants to collect the information from the owners of SMMEs in the services sector.

4.3.3 Data Analysis

Data should be analyzed in a manner that best answers the research questions as well as addresses the set hypothesis (Anderson, Sweeney and Williams, 2001:64). To enable ensure that the data was analyzed in a way that the set objectives were addressed, data collected was coded then analyzed by the use of SPSS statistical software and Microsoft Excel. To derive meaning from the data, descriptive statistics such as means were used while the relationship between the independent and dependent variable was explored with the help of multiple regression analysis.

Tables and Pie charts were used for data presentation, interpretation and discussion. This is important because according to MANCOSA (2003:28), data presentation in form of diagrams, tables, and pie charts, portrays a flash view of what the writer wants to communicate to the targeted audience, reduces the amount of data to be presented as well as makes it easy for comparison.

To enable ease of interpretation and discussion of the findings, Table 3.1 shows the verbal interpretations and the meanings assigned.

Table 3.1 - Evaluation and Scoring of Questionnaires

Scale	Responses	Verbal interpretation	Mean interval
5	Exceptional	Strongly agree	4.51-5.00
4	Very Good	agree	3.51-4.50
3	Good	neutral	2.51-3.50
2	Adequate	disagree	1.51-2.50
1	Poor	Strongly disagree	1.00-1.50

4.3.4 Validity and Reliability

Reliability in the current study was ensured through a pilot survey where 10 members of the population were issued with the data collection instrument, the findings thereof examined and where necessary the questionnaire was refined. On the other hand validity of the study was ensured through inclusion of a sample size of not less than 50 respondents.

4.4 Conclusion

In the course of proposal preparation, the justification as to why the researcher needs to spend money and time in investigating financial aspect of SMMEs in the services sector and how this impacts on their performance and subsequently their survival was clearly stipulated. A statement of the problem which showed the magnitude of the problem was presented, the significance of the study underscored, research questions raised, the research hypothesis set, the conceptual framework and the scope of the study defined.

CHAPTER FIVE

FINDINGS AND THEIR INTERPRETATIONS

5.1 Introduction

In this chapter, findings and their interpretations are presented. Findings are presented in figures and tables for ease of analysis. Presentation and interpretations of findings also follow the order in which the questions appear on the research instrument (questionnaire).

5.2 Background of the Findings

First and foremost the response rate is discussed, secondly the demographic information about the respondents is explored after which the issues relating to the objectives are presented.

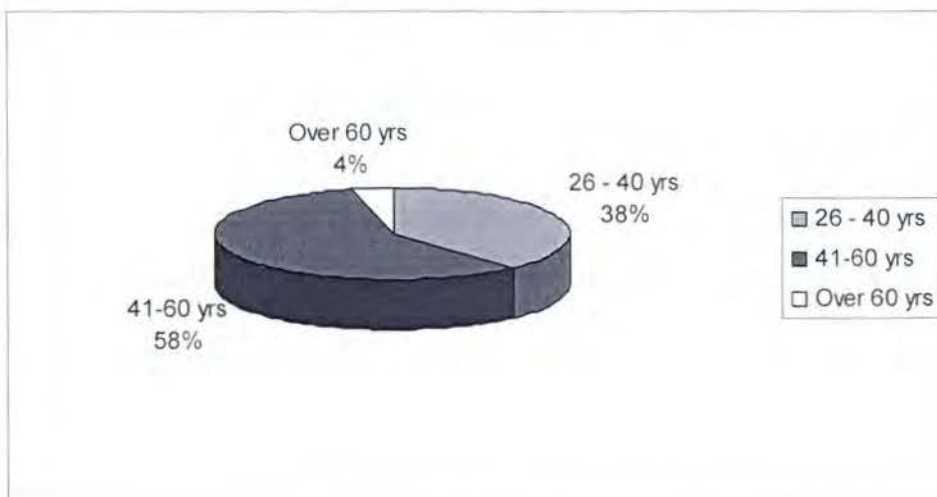
5.2.1 Demographic Information

This section roughly looks at the characteristics of the respondents so as to understand more about the subjects included in the study. Issues covered include age, gender, education, type of business, years in operation, number of employees and the type of business.

5.2.1.1 Age

As revealed on Figure 5.1, majority of the entrepreneurs in the service industry are in the age between 41 and 60 years. It is the researcher's opinion that people in this age group have gathered income from employment and are therefore in a position to invest. Alternatively they have gained experience from employment and can therefore branch out on their own.

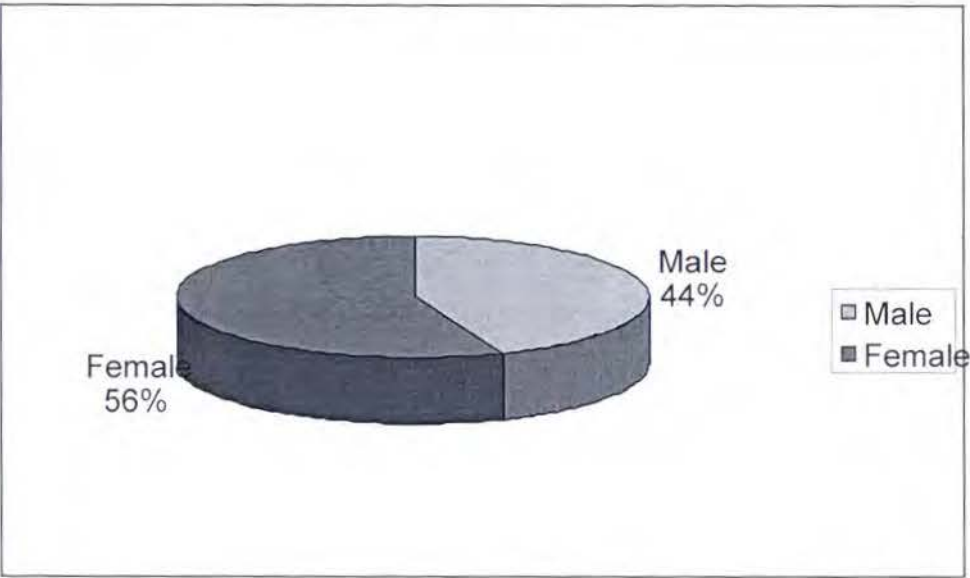
Figure 5.1 - Age



5.2.1.2 Gender

Figure 5.2 goes on to reveal that majority of the entrepreneurs in the service industry at 56% are female. The possible explanation for the findings could be based on the fact that in the Botswana setting, it is the women who are responsible for physical upbringing of the children, hence the need to be economically stable as opposed to their male counterparts.

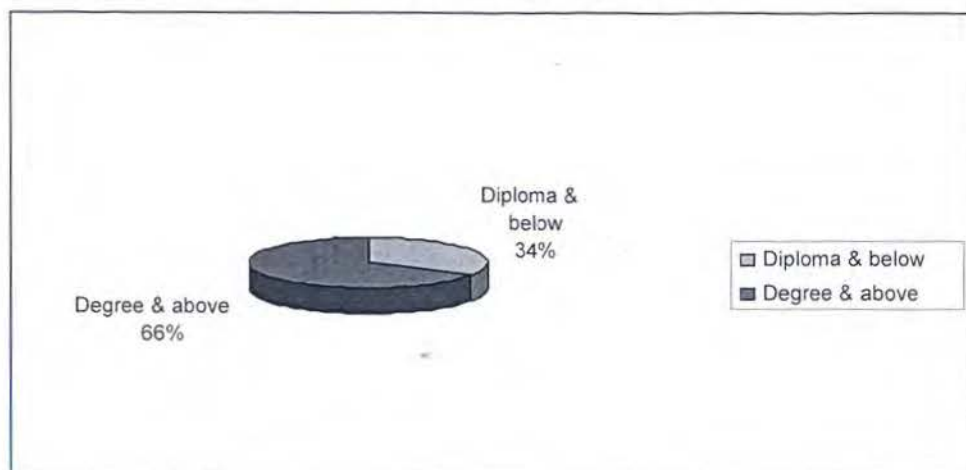
Figure 5.2 - Gender



5.2.1.3 Education

As tabulated in Figure 5.3, majority of entrepreneurs in the service sector at 66% are either degree holders or above. In the researcher’s opinion, the situation could have resulted from the fact that to start a service business one needs to possess skills and competencies that could possibly have resulted from high levels of exposure through education.

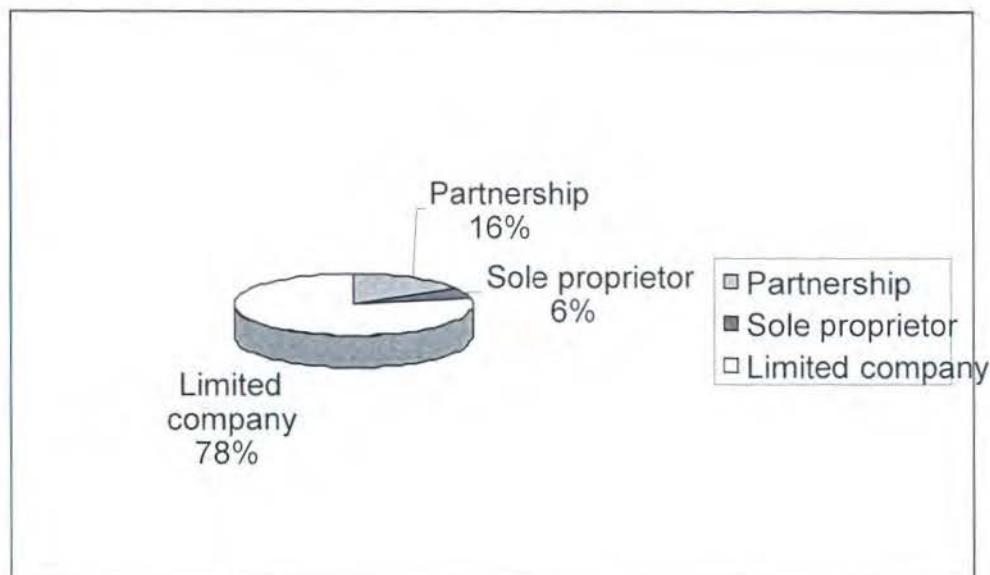
Figure 5.3 – Education



5.2.1.4 Type of Business

Figure 5.4 shows that majority of the businesses in the service industry at 78% are in form of limited companies. This is possibly because for a business to get funding especially from Citizen Entrepreneurial Development Agency (CEDA), one of the requirements is to have it in the form of a limited company.

Figure 5.4 – Type of Business

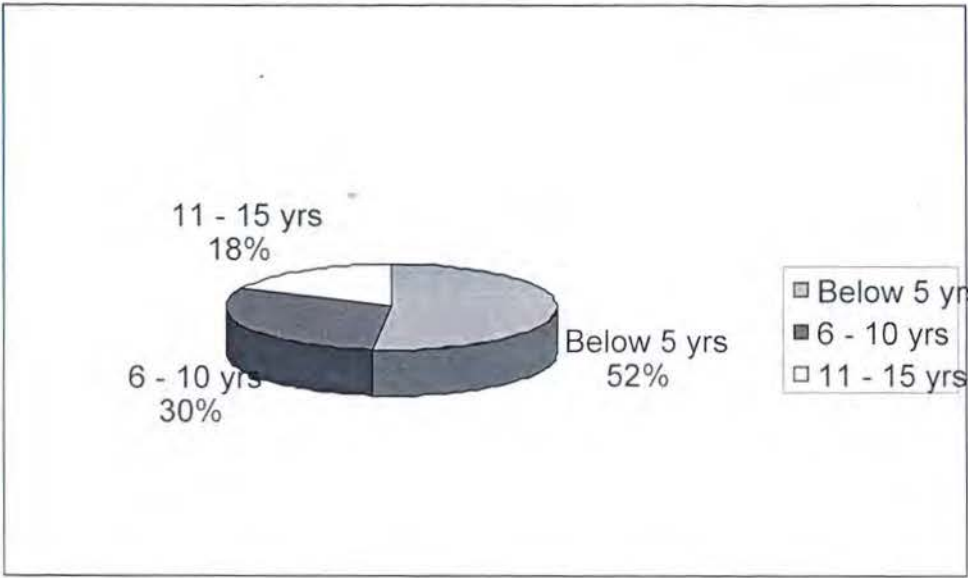


5.2.1.5 Years in Operation

As tabulated in Figure 5.5, the majority of businesses in the service industry at 52% are less than 5 yrs. This is possibly because as observed by Ndaloma (2007:VI), most of the businesses collapse before they celebrate their 5th year in business,

hence the reason why there are many businesses that have been in operation for less than 5 years.

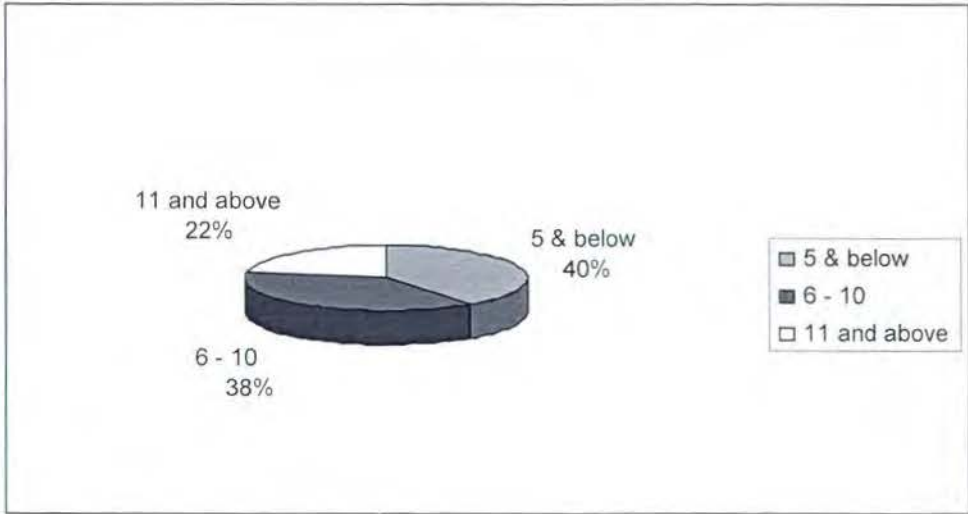
Figure 5.5 – Years in Operation



5.2.1.6 Number of Employees

Figure 5.6 goes on to reveal that most of the companies in the service sector have about 10 employees or less. The plausible explanation is that many of the companies are less than 5 yrs hence have not grown enough to accommodate many employees. Most companies in the service sector can also be classified as small enterprises or micro-enterprises as they employ less than 25 employees according to the classifications put forth by the Government Paper No. 1 QF (1999:2).

Figure 5.6 – Number of Employees



5.3 Main Findings

For ease of presentation and linkage, presentation, analysis and discussion will follow the order of the set research objectives.

5.3.1 Performance of SMMEs

At summary level as indicated on Table 5.1, the performance of SMMEs in the services sector with a mean score of 3.42 was found to be good which is slightly below the desired level of being exceptional with an average score of 5 on the five point Likert scale. The findings imply that since being established, SMMEs in the services sector have to some extent experienced growth in size, sales turnover, profit margins, customer base and staff complement. Such indicators as observed by Ahmed and Seet (2009:76), enable businesses gauge their performance.

At Indicator level (Individual level), all the indicators used to evaluate the performance of SMMEs in the services sector namely; growth in size, sales turnover, profits generated, customer base and staff complement were found to range between good and very good. Another observation from the findings is that SMMEs in the services sector perform better in terms of the size and customer base as opposed to sales turnover, profits and staff complement. The implication from the findings is that SMMEs in the services sector are to some extent performing well though not so well as would be required by the entrepreneurs.

Table 5.1 – Performance (Indicator level)

	Variable	Average	Verbal Interpretation
P1	Our business has grown in size	3.68	Very good
P2	Sales turnover for our business has continued to increase	3.36	Good
P3	There is increment in the profits generated by our business	3.10	Good
P4	Our customer base has continued to grow	3.66	Very good
P5	The number of employees has increased	3.28	Good
	Summary Level (Average)	3.42	Good

5.3.2 Aspects of Financial Management of SMMEs

At summary level as indicated in Table 5.2, the factors that contribute to performance of SMMEs namely; working capital and financial planning were rated as being very good by the entrepreneurs in the services sector, the aspect of maintenance of financial records was found to be good while the issue of funding was found to be adequate. The issue of working capital management and financial planning was regarded as being very good possibly because most entrepreneurs rely on funding from CEDA and other financial institutions hence are required to submit business plans which they have to adhere to when funded. The issue of funding was rated as adequate because it takes a lot of effort to raise funds due to the many requirements that have to be met before funding takes place.

Table 5.2 - Independent Variables

Variable	Mean	Verbal Interpretation
Working capital	3.63	Very good
Financial planning	3.85	Very good
Financial statements	3.07	Good
Funding	2.15	Adequate

In the remaining part the detailed findings (indicator level) about each of the above mentioned variables will be presented in the order in which they appear on the questionnaire and Table 5.2.

As shown on Table 5.3, the indicators used to evaluate the level of performance in regard to working capital namely; the issue of diverting business cash to private use, payment of salaries in time, and running out of cash to pay the creditors were found to be very good with the exception of preparation of cash flow projections which was found to be good. The possible reason as to why the aspect of preparation of cash flow projection lagged behind other aspects is that many entrepreneurs are not equipped to handle such a technical issue. The other reason why preparation of cash flow projections lags behind could be that SMMEs are still small in size and may not be able to employ accountants that are skilled to make cash flow projection. The findings with regard to working capital can lead to the conclusion that SMMEs in the services sector are fairing relatively well which is important because according to

Business finance (2010:1), working capital is the lifeblood of an organization and its management is therefore crucial to performance and survival of an organization.

Table 5.3 – Working Capital

	Indicators	Mean	Verbal Interpretation
WC1	We do not divert the business cash to private use	3.60	Very good
WC2	Salaries are paid on time	4.02	Very good
WC3	We never run out of cash to pay our creditors	3.46	Very good
WC4	We always prepare cash flow projections for our business	3.44	Good

With regard to the indicators used to evaluate the aspect of financial planning as indicated on Table 5.4, the issues of planning for emergencies, setting financial goals and objectives and constantly looking for ways to cut costs were found to be very good, while the aspect of making financial projections was rated as being good. The aspect of making financial projections could have lagged behind as the entrepreneurs due to their size may not be able to employ staff who are able to carry out such a technical activity. The other aspects were rated as being very good possibly because business have to have proper financial plans if they are to get funding from CEDA and other financial institutions. The findings from the study indicate that on average, SMMEs in the services sector take financial planning seriously which is important because as observed by Curtis (2010:1) doing so ensures that a business has adequate funds for operations, expansion, competition and emergencies.

Table 5.4– Financial planning

	Indicator	Mean	Verbal Interpretation
FP1	We make financial projections for our business	3.48	Good
FP2	We always plan for emergencies	3.82	Very good
FP3	We have set financial goals and objectives for our business	3.98	Very good
FP4	We constantly look for ways to cut costs	4.12	Very good

Indicators used to evaluate the financial statement aspect as shown on Table 5.5, reveal that preparation of financial statements, utilization of financial statements in making decisions, relevancy of the financial statements and their reliability were found to be good which is way below the desired level of being exceptional. The probable explanation for the findings is that entrepreneurs of SMMEs lack necessary funds to employ skilled staff who are able to prepare financial statements that are reliable. It is important to note that through maintenance of financial records and statements an organization is able to know its financial position as observed by WiseGeek.com (2010:1).

Table 5.5 – Financial Statement

	Indicator	Mean	Verbal Interpretation
FS1	Financial statements are prepared for our business	3.12	Good
FS2	Our financial statements enable make decisions	2.96	Good
FS3	Our financial statements are relevant	3.08	Good
FS4	Our financial statements are reliable	3.14	Good

Finally, the indicators used to evaluate the aspect of funding as shown on Table 5.6, revealed that entrepreneurs had adequate knowledge about organizations that fund business and how to approach them for funding. The aspects of ease in getting funds and funds raised for their business was rated as poor. Among all the four variables (factors) explored, funding appears to fair the lowest. The possible explanation is that many entrepreneurs lack information on Government Assistance Programmes. This has the effect of blocking many potential entrepreneurs with practical business ideas from becoming entrepreneurs, an observation which is in agreement with the argument put across by (Government Paper No. 1 QF, 1999:5)

Table 5.6 – Funding

	Indicator	Mean	Verbal Interpretation
F1	We have organizations that can fund our businesses	2.50	Adequate
F2	We know how to approach organizations that fund our business	2.68	Adequate
F3	It is easy to get funds for our business	1.54	Poor
F4	Funds raised for our business are adequate	1.90	Poor

5.3.3 Relationship Between Independent Variables and Dependent Variable

Is there significant relationship between management of the financial aspect of SMMEs in the services sector namely; financial planning, raising of funds, financial records maintenance, working capital and level of performance?

Table 5.7 shows that at summary level there is a significant relationship between all the independent variables and dependent variable. This did not occur by chance as the F statistic at 25.372 is quite high. At the same time the table indicates that the SMMEs performance model with Adjusted R square of 0.666 explains 66.6% of the variation in the model, the implication being that 33.3% of the variation is explained by other factors not included in the current performance model. Findings at summary level therefore imply that if a business manages its working capital, does financial planning, maintains adequate financial records and is able to access funds, the outcome is high level performance on the part of the business, which is in agreement with Neungsigkapan (2006:7) observation that a firm can have the best product, adequate market and innovative leader, but in the absence of prudent management of firm's financial aspect, it is bound to fail.

Table 5.7 - Multiple Regression- Model Summary

Adjusted R-Square	F- Statistic	Level Significance at 95% (p-value)
0.666	25.372	0.000

At individual level as indicated on Table 5.8, not all aspects of financial management contribute immensely to the performance of SMMEs in the services sector. Working capital and funding were found to be significantly associated with performance as

they had a p-value which is lower than the set of 0.05 at 95% significance while at the same time had a t-statistic higher than the recommended of 2 and above. On the other hand, financial planning and financial records were found not to contribute a lot towards performance of SMMEs in the services sector as they were not significantly associated with performance as they had a p-value greater than the set of 0.05 at 95% level of significance. The findings lead to the conclusion that the financial aspect of a business namely; working capital, and funding when well managed then the business will perform well. The set hypothesis was adopted with regard to financial planning and financial records and rejected when it comes to working capital and funding.

Table 5.8 - Multiple Regression - Detailed

Variable	Coefficient	T-Statistic	Level Significance at 95% (p-value)
Working capital	0.347	3.202	0.003
Financial planning	0.252	2.417	0.020
Financial statement	0.109	1.010	0.318
Funding	0.530	5.420	0.000

5.3.4 Response to Open Ended part of the Questionnaire

The respondents were asked as to what contributes to their strength, obstacles that hinder performance of their business and recommendations that would improve the financial performance of their businesses.

With regards to the aspects that contribute to the strength of their business, the common observations were advertising, personalised service, quality service, and honesty when dealing with customers.

On obstacles that hinder performance of their businesses, the entrepreneurs revealed that bad debts, funding, competition and the small market size interfered with the performance of their businesses.

The entrepreneurs made some recommendations that could possibly result in improved financial performance of their businesses. These recommendations include; advertising, prudent financial management, cost control and entering into partnership in order to access input in the form of ideas and finances.

5.4 Conclusion

The findings from the study revealed that funding was the biggest challenge faced by SMMEs in the services sector. The SMMEs appeared to be performing relatively well in all other aspects that include; working capital management, financial planning and financial record management.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

Conclusions and recommendations based on findings from literature review and primary research are made in this chapter. Also included are the limitations encountered when conducting the study.

6.2 Findings from the Study

The reviewed literature with regard to the subject under focus and the findings from the current study enabled the researcher draw conclusions as well as make recommendations to the government, entrepreneurs, investors, financiers and scholars in the field of SMMEs. The findings from both the literature review and the study are as presented in the below subsections.

6.2.1 Findings from Literature Review

The following conclusions were arrived upon review of the literature

- SMMEs play a significant role in the economic development of a country (Barakat, 2001:2).
- SMMEs happen to be the largest employer in an economy (Kamalanabhan and Vijaya, 2009:1).
- 80% of SMMEs in Botswana collapse within the first 5 years (Gwebu, 2005:6).
- The major hindrances to survival and growth of SMMEs include lack of entrepreneurship, skills and experience, financial, and restrictive regulations (Jefferis, 2010:1).
- Survival of SMMEs can be enhanced through formulation of policies by the government covering the aspects of funding, basic infrastructure, protection against competition, and export assistance (Ahmed and Seet, 2009:73)
- Financial aspect of SMMEs contributes immensely to survival and growth of SMMEs (Neungsigkapien, 2006:7).
- Financial aspect of SMMEs include; financial planning, raising of funds, financial records management, and working capital management (Neungsigkapien, 2006:7-8).

- Traditional financial measures of SMMEs performance are profitability, sales turnover, rate of return on investment, cash flow, market share, sales growth and net worth (Ahmed and Seet, 2009:75).
- Non financial measures of SMMEs performance according to Ahmed and Seet (2009:76) include; job satisfaction, autonomy, flexibility, balance of work and family, and freedom to take charge of one's future.
- Working capital is the lifeblood of an organization (Businessfinance.com, 2010:1).
- The main problem facing small and micro –enterprises in Botswana is a lack of access to finance (Government Paper No. 1 QF, 1999:4).

6.2.2 Findings from Primary Research

Findings from the primary study enabled the researcher to conclude that:

- Majority of the entrepreneurs in the services sector are between 41 and 60 years.
- Female entrepreneurs in the services sector are slightly more than their male counterparts.
- A bigger portion of entrepreneurs in the services sector posses relatively high levels of education (Degree and above).
- A bigger portion of the firms in the services sector are in form of private limited companies.
- Majority of SMMEs in the services sector have been in existence for less than 5 years.
- SMMEs in the services sector have a staff complement of less than 10.
- Performance of SMMEs in the services sector can be considered as being good, which is below the desired level of being exceptional.
- Working capital management is considered as being very good, which is slightly lower than the desired level of being exceptional.
- Financial planning is considered as being very good, which is slightly lower than the desired level of being exceptional.
- Financial records management is considered as being good which is lower than the desired level of being exceptional.
- Funding is considered as being adequate, which is way below the desired level of exceptional.
- SMMEs are not doing well with regards to preparation of cash flow projections.

- SMMEs find making financial projections for their businesses a challenge.
- Though financial records are maintained by SMMEs, they are not very reliable.
- SMMEs find it difficult to raise funds.
- Funding organizations are limited in number.
- Entrepreneurs are not well equipped with regards to attracting funding for their organizations.
- SMMEs performance is highly influenced by the ability to raise funds and manage working capital.
- Strength of a business is ensured through advertising, personalised service, and honesty when dealing with customers.
- Major obstacles to performance of SMMEs are bad debts, funding, competition and market size (small).
- Performance of SMMEs can be improved through advertising, prudent financial management, cost control, and entering into partnerships so as to gain ideas and finances.

6.3 Recommendations to the Stakeholders (Government and Entrepreneurs)

Recommendations to the stakeholders based on the findings of the study are:

- Formulation of policies by the government, public and private sector geared towards providing assistance to newly established SMMEs in form of advice, training and funding.
- Entrepreneurs should sharpen their working capital management and fund raising skills if they are to improve on their performance.
- Entrepreneurs should ensure that they maintain financial records that provide adequate, timely and reliable information for decision making.
- Entrepreneurs should make more effort to manage cash flow as a tool for working capital management.
- Entrepreneurs should make feasible financial projections with regard to financial planning.

6.4 Limitations of the Study

1. The study was limited to the views of the entrepreneurs in Gaborone and the surrounding region and excluded the views of government and other supportive organizations as it is in the researcher's opinion that they are best suited to respond to the issues raised.

2. The researcher happens to be fully employed hence had limited time within which to thoroughly dwell on the study.
3. The study was limited to the SMMEs in the services sector as it was in the researcher's opinion that the sector experienced a lot of financial challenges as opposed to the other sectors.
4. The study was limited to the financial aspect of the SMMEs and ignored other challenges encountered as it is considered to be the major drawback to the success of SMMEs.
5. The questionnaire was used to gather the perceptions of the entrepreneurs on the issues under focus and may therefore lack objectivity.

6.5 Recommendations for Further Studies

The findings from the study revealed that funding was the biggest obstacle to the survival of SMMEs in the services sector. It is therefore recommended that a study be carried out, the outcome of which is to come up with a guideline on how SMMEs in the services sector can overcome the issue of funding.

6.6 Concluding Remarks

The aim of the current study was to assess the financial challenges and prospects faced by SMMEs in the services sector. Secondly, the financial challenges and prospects contribution to SMMEs performance was evaluated.

The findings from the literature review enabled the researcher identify the financial prospects and challenges as being composed of funding, financial planning, financial records maintenance, and working capital management.

The findings from the primary study enabled the researcher identify working capital and funding as being the two aspects of financial management that contributed immensely to the performance of SMMEs in the services sector. Funding was also identified as being the biggest challenge to survival of SMMEs.

After looking at the aim as well as the outcome of the study as reviewed in the above paragraphs, it can be concluded that the study achieved its purpose. It is evident that the problem stated that was broken down into objectives, was then adequately addressed.

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QUESTIONNAIRE

Dear Respondent,

The researcher, **Irene Pinkie Motsomi** is currently pursuing an MBA at the University of North West in Mafikeng and in order to successfully fulfill the requirements for the programme she has to carry out a study in any field of her choice. The researcher chose to evaluate the financial challenges and prospects facing the SMME service sector in Botswana and the impact in their performance and survival. For these to be realized, all the entrepreneurs are requested to answer all the below questions. The information gathered is for academic purposes only and shall not be divulged to third parties. Please note that participation in the study is purely voluntary and the respondents are not required to append their names on the questionnaire.

I. Demographic Information

1. Age _____
2. Gender _____
3. Number of years in operation _____
4. Number of Employees _____
5. Type of operation _____
6. Form of business _____

II. Evaluation of the objectives

For the part on the evaluation measures, you put 1 on strongly Disagree and 5 on strongly Agree

Evaluation measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. PERFORMANCE					
Our business has grown in size					
Sales turnover for our business has continued to increase					
There is increment in the profits generated by our business					
Our customer base has continued to grow					
The number of employees has increased					
2. WORKING CAPITAL					
We do not divert the business cash to private use					
Salaries are paid in time					
We never run out of cash to pay our creditors					
We always prepare cash flow projections for our business					
3. FINANCIAL PLANNING					
We make financial projections for our business					
We always plan for emergencies					
We have set financial goals and objectives for our business					
We constantly look for ways to cut costs					
4. FINANCIAL STATEMENT					
Financial statements are prepared for our business					
Our financial statements enable make decisions					
Our financial statements are relevant					
Our financial statements are reliable					
5. FUNDING					
We have organizations that can fund our business					
We know how to approach organizations that fund our business					
It is easy to get funds for our business					
Funds raised for our business are adequate					

III. Open ended questions

1. Outline briefly other aspects that contribute to the strength of your organization
2. Please briefly outline any other obstacles that hinder the performance of your organization
3. What recommendations would you make to improve the financial performance of your organization?

STATISTICAL OUTPUT

Descriptives - Detailed

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
P1	50	2.00	5.00	3.6800	.9134
P2	50	1.00	5.00	3.3600	.9638
P3	50	1.00	5.00	3.1000	.9530
P4	50	2.00	5.00	3.6600	.9172
P5	50	1.00	5.00	3.2800	1.0887
WC1	50	1.00	5.00	3.6000	1.0302
WC2	50	1.00	5.00	4.0200	.8449
WC3	50	1.00	5.00	3.4600	1.0919
WC4	50	1.00	5.00	3.4400	1.0134
FP1	50	1.00	5.00	3.4800	1.0544
FP2	50	2.00	5.00	3.8200	.7743
FP3	50	2.00	5.00	3.9800	.6224
FP4	50	3.00	5.00	4.1200	.3854
FS1	50	1.00	5.00	3.1200	1.3037
FS2	50	1.00	5.00	2.9600	1.1773
FS3	50	1.00	5.00	3.0800	1.1925
FS4	50	1.00	5.00	3.1400	1.2124
F1	50	1.00	5.00	2.5000	1.4880
F2	50	1.00	5.00	2.6800	1.5043
F3	50	1.00	5.00	1.5400	1.0343
F4	50	1.00	5.00	1.9000	1.3132
Valid N (listwise)	50				

Descriptives -Summary level

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PERFOR MA	50	2.00	5.00	3.4160	.7249
WKCPI TA	50	2.25	5.00	3.6300	.6066
FPLANNI N	50	2.75	5.00	3.8500	.5297
FINSTMN T	50	1.00	5.00	3.0750	1.1330
FUNDIN G	50	1.00	5.00	2.1550	1.0024
Valid N (listwise)	50				

Regression

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	FUNDING, WKCAPITA, FPLANNIN, FINSTMNT		Enter

a All requested variables entered.

b Dependent Variable: PERFORM

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832	.693	.666	.3600

a Predictors: (Constant), FUNDING, WKCAPITA, FPLANNIN, FINSTMNT

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	13.151	4	3.288	25.372	.000
Residual	5.831	45	.130		
Total	18.982	49			

a Predictors: (Constant), FUNDING, WKCAPITA, FPLANNIN, FINSTMNT

b Dependent Variable: PERFORM

Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
1 (Constant)	-.165		-.394	.695
WKCAPITA	.356	.347	3.202	.003
FPLANNIN	.296	.252	2.417	.020
FINSTMNT	6.012E-02	.109	1.010	.318
FUNDING	.329	.530	5.420	.000

a Dependent Variable: PERFORM