The development of Small, Medium and Micro Enterprises in Ngaka Modiri Molema District Municipality

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DECLARATION

I, Lorato Gasealahwe, declare that this study titled "The development of SMMEs in Ngaka Modiri Molema District Municipality" is my original work. This dissertation has never been submitted for any degree at any university. All materials used in the study have been indicated and acknowledged through various references.

20\08\2018

Signed Date

APPROVAL FOR SUBMISSION

This dissertation has been approved for submission by my authority as the candidate's University Supervisor.

Prof W Musvoto

20/03/2018

Signed　　　　　　　　　　　　　　　Date

DEDICATION

This work is dedicated to God who showered me with His grace to complete this study.

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First and foremost, I would like to thank my supervisor, Prof W. Musvoto, for his guidance, patience and continued encouragement throughout my study. Thank you for always wanting the best for me.

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My deepest gratitude goes out to my family for always encouraging me. Thank you for always being there, and for my son Tshepo, while I spent late nights away from home. Words cannot express my gratitude to you all. I will forever be indebted to you.

Last but not least, I would like to once more say thank you to my dear God for continuing to bless me and for giving me the strength to conclude my Masters Studies.

ABSTRACT

SMMEs have been faced with numerous problems which retards the speedy development of the sector in the South African context. The purpose of this study is to examine the challenges facing the development of SMMEs in Ngaka Modiri Molema District Municipality. The financial gap theory and the dependency theory form the theoretical foundations of this study. A descriptive quantitative research design was adopted for the study. The population of the study consisted of all the SMMEs in the district municipality, N=3607 while the sample size was n=167. The Statistical Package for Social Sciences (SPSS) was used for data analysis. The findings indicate that the majority of the respondents agreed that financial challenges, inability by the government to grant credit easily, an inadequate business plan by the entrepreneur, ignorance of the available government grants (CSBP), and the inability to make transparent rules and regulations are the main variables that impede the growth of the SMMEs. The study therefore recommends that the government should provide start-up capital, make simple and transparent rules for the operations of the SMMEs, and create awareness of the available financial assistance, while the SMMEs should make potential strategic business plans and improve their line of business to encourage growth in their sector. The study also recommends a number of measures which would help to address the challenges facing the SMMEs in the Ngaka Modiri Molema District Municipality.

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LIST OF ABBREVIATIONS

BER	Bureau for Economic Development
DTI	Department of Trade and Industry
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
LBSC	Local Business Service Centre
LED	Local Economic Development
NDP	National Development Plan
NMMDM	Ngaka Modiri Molema District Municipality
OECD	Organisation for Economic Co-operation and Development
RDP	Reconstruction and Development Programme
SEDA	Small Enterprise Development Agency
SME	Small and Medium Enterprise
SMME	Small Medium and Micro Enterprise
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION AND OVERVIEW OF THE STUDY

1 Introduction

According to the National Small Business Act 102 of 1996 (as amended in Act 29 of 2004), the Small, Medium, and Micro Enterprises (SMMEs) are regarded as independent businesses, cooperatives, and non-governmental entities that employ a stipulated number of employees. Chimucheka and Mandipaka (2015:309) posit SMMEs as the main drivers of economic growth in South Africa. The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) outlined that the small and medium enterprises in the nation have assisted in addressing the challenges faced in job creation, poverty, economic growth, and equity in the nation.

In the view of Chimuecheka (2013:783) it remains an acceptable fact that SMMEs contribute to the economic growth, stability and help in reducing the socio economic challenges of the nation. The goals of the SMMEs as outlined by the National Development Plan (NDP) (2012:12-20) include a target of 90% for employment opportunities, and at least 5.4% growth per year till 2030. It is disappointing that despite the provisions made by the government to stabilise the growth of the SMMEs, they continue to be faced with unfavourable business environments, lack of business plans, unskilled staff, lack of finance and burdensome regulations (Smit & Watkins, 2012:). Presently, most of the SMMEs in the Ngaka Modiri Molema District are facing numerous challenges which result in the winding-up of quite a number of them (SABC Newsroom, 2017). This study will strive to examine the main challenges facing proper development of the SMMEs in the Ngaka Modiri Molema District Municipality.

1.2 Background and overview of the development of SMMEs in NMMDM

The Ngaka Modiri Molema District Municipality is one of the four District Municipalities in the North West Province that is located in the Northern part of the Republic of South Africa. The Ngaka Modiri Molema District is surrounded by Dr Kenneth Kaunda District in the South, Dr Ruth Segomotsi Mompati District in the

West, Bojanala Platinum District in the East, Waterberg District of Limpopo Province in the North-East, and shares an international boundary with Botswana in the North.

There are five local municipalities that make up the Ngaka Modiri Molema District. They are Mahikeng, Ditsobotla, Ramotshere Moiloa, Tswaing, and the Ratlou Municipalities.

The Ngaka Modiri District Municipality is well endowed with land mass , which is about 28 206 08.00 square kilometres, population of 806 977.00 with 185 268.00 registered residents (IDP, 2014 Due to interdependence of the residents in the district, various business organisations are established which provide services and produce new goods to satisfy human wants.
Furthermore, IDP (2014) posits that most SMMEs in the Ngaka Modiri Molema District encounter some issues related to development of their business enterprises. Figure 1.1 presents the map of the Ngaka Modiri Molema District.

Figure 1.1: The map of Ngaka Modiri Molema District Municipality
Source: Map sharing, 2012

The emergence of the democratically elected government in South Africa in 1994 provided an enabling environment where Small and Medium Enterprises could function effectively. Despite its environment, there was a lack of effective plans to prioritise the development and promotion of SMMEs in the country (van der Westhuizen, 2002:12). However, the President's Conference on SMMEs in 1995 triggered the need for a new framework which was to support the growth and development of this sector (Nieman, 2001:1). This movement from 1994 brought the Reconstruction and Development Programme (RDP) which enabled a conducive environment to encourage creative and enthusiastic individuals, and to promote the operation of SMMEs in the country as a means of livelihood.

Despite the assumed neglect by the government, SMMEs remain an important sector that provides opportunities for employment, enhances competition and productivity, and serves as a means of economic development in the country (Ministry of Trade and Industry, 1994:11). Consequently, SMMEs play a vital role in the Ngaka Modiri Molema District Municipality as they provide job opportunities to a substantial percentage of the population, as the majority depend on government grants due to the high rate of unemployment.

Chimuecheka and Mandipaka (2015:309) assert that despite the support of the South African government to provide an enabling environment for SMMEs in the country, some enterprises fail after 3 years of establishment. According to the Ministry of Trade and Industry (1994:24), the issues facing the SMMEs in South Africa include access to finance needed to boost or to start up the business enterprise, market access, a lack of effective management, communication and adequate skills. To achieve the strategic plan as postulated by the National Development Plan (NDP), the goals of SMMEs, which include 90% employment before 2030, need to be actualised through various government aids.

1.3 Problem statement-

Small, Micro and Medium Enterprises (SMMEs) in the Ngaka Modiri Molema District Municipality continue to play a vital role in the South African economy by providing job opportunities, provision of services, and production of goods, and contribute to the economic development of the nation (Kesper, 2000). Despite the provision of financial assistance by the government to enhance the growth in this sector, the

Small, Micro and Medium Enterprises (SMMEs) in the Ngaka Modiri Molema District Municipality wind-up within a very short time frame (NW Department of Finance, 2016). The high rate of failure in this sector may be attributed to the challenges they face in the course of developing their business operations and strategies, education level as regards their business strategies, legal frameworks by the government and the economic development programmes provided by the government to develop the sector. It is, therefore, deemed necessary that a study should be carried out in the Ngaka Modiri Molema District to examine the actual challenges facing the development of SMMEs in Ngaka Modiri Molema District Municipality.

1.4 Aim of the study

The aim of this study is to determine the challenges facing the development of SMMEs in the Ngaka Modiri Molema District Municipality, hence giving relevant recommendations to address the situation.

1.5 Research Questions

The main research question this study seeks to address is

"What are the challenges facing the development of SMMEs in Ngaka Modiri Molema District Municipality?"

The following are the research sub-questions:

- Are the entrepreneurs educated to understand the business dynamics and concepts in their line of business?
- What economic development programmes have the government put in place to support the development of SMMEs?
- Are the legal frameworks provided by the government adequate to improve the operation of SMMEs in NMMD?
- What is the best practice to improve the development of SMMEs in the Ngaka Modiri Molema District Municipality?

1.6 Research Objectives

The primary objective of this study is to determine the challenges facing the development of SMMEs in the Ngaka Modiri Molema District Municipality.

The research sub- objectives are:

- To investigate if the entrepreneurs are educated to understand the business dynamics and concepts.
- To examine the economic development programmes the government has put in place to support the development of SMMEs.
- To examine if the legal frameworks provided by the government are adequate to improve the operations of SMMEs in the District Municipality.
- To discover the best practice to improve the development of SMMEs in the Ngaka Modiri Molema District Municipality.

1.7 Importance and benefits of the study

The study will investigate the challenges encountered by the Small, Micro and Medium Enterprises in Ngaka Modiri Molema District Municipality in the course of their business operations. This study will seek to identify empirically the possible measures that could be implemented by the South African Government to improve the development of the sector. Also, it will investigate the shortcomings of the various entrepreneurs that result in the winding-up of their enterprises in the Ngaka Modiri Molema District Municipality.

1.8 Delimitations and assumptions

This section addresses the nature of the study, the scope of the study, what is included and what is not included in the study.

1.8.1 Delimitation of the study

This study will be delimited to the five local municipalities of the Ngaka Modiri Molema District Municipality. The participants of this study will be the SMMEs registered under law in the various local municipalities of the district. Data will be collected from the participants only.

1.8.2 Assumptions of the study

This study is confined to matters related to the challenges facing the SMMEs in the Ngaka Modiri Molema District Municipality. The empirical findings and recommendations of this study will be aimed at improving the smooth operations of the SMME sector and may be applied to other SMME in South Africa which fall under the same situation.

1.9 Definition of key terms

This section presents the definition of key terms obtained by the studies of Chimuecheka and Mandipaka (2015:309):

- Small Medium Micro Enterprises (SMMEs)

SMMEs are enterprises that are flexibly operated within a given economy. Also, SMMEs are enterprises owned by private individuals for profit maximization.

- Small Enterprises

Small business enterprises are businesses owned by private individuals or entrepreneurs which employ from 5 to 50 employees.

- Medium Enterprises

Medium enterprises are businesses owned by entrepreneurs or a private individual that employ not more than 100 employees.

- Micro Enterprises

Micro enterprises are the smallest form of enterprises in the business sector. A Small enterprise can function in the formal or informal sector because of its small size and low financial capacity.

1.10 Layout of the study

Chapter 1: Introduction

This chapter addressed a general overview of the study, including introduction and rationale, background of the study, the problem statement, aims of the study, the research question and objectives, importance and benefits of the study, delimitations and assumptions of the study, definitions of key terms and the layout of the final report.

Chapter 2: Literature review

This chapter will examine theories such as the financial gap theory and the resource dependency theory. In the literature review, topics such as the nature of SMMEs, the challenges facing SMMEs, the nature of government legislation and financial aid available for SMMEs, communication, innovation, competition and market, and the recommendations for SMMEs in the Ngaka Modiri Molema District Municipality, will be examined.

Chapter 3: Research design and methods

This chapter will address the research design and method that will be applied in this study. The research paradigm, research methods, population, sampling methods, data collection techniques, and data analysis will be discussed. This section will also address validity, reliability and ethical considerations.

Chapter 4: Presentation and discussion of empirical findings

This chapter will present and discuss the empirical findings as obtained in the quantitative study.

Chapter 5: Overview of the research, summary of findings and recommendations of the study.

This chapter will present the summary of the research results, as well as the conclusions and recommendations for future or additional research.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2 Introduction

This chapter presents the theoretical framework and the literature review of the study which supports the findings. The chapter provides the relevant topics related to the government programmes and initiatives provided for the growth and development of SMMEs in the Ngaka Modiri Molema District Municipality.

2.1 Theoretical framework

This study adopts the financial gap theory and the resource dependence theory as its theoretical framework. The financial gap theory and the dependency theory were adopted to underpin this study because they form the underlying foundations for SMMEs to make choices to obtain and manage funding in the business process.

2.1.1 Financial gap

The financial gap theory was put forward by Bolton in 1971 in the quest to analyse the availability of funding and the use of funds by SMMEs. The theory posit that there are numbers of enterprises that actually need legal funding from the government and can make judicious use of the funds but cannot obtain such funds due to requirements from the financial system (OECD, 2006:1). In the view of Chimuecheka and Mandipaka (2015:311), financial gap theory refers to the inability of SMMEs to understand the requirements for external sources of funds while the financiers find it difficult to mobilise the SMMEs due to lack of knowledge about the nature of the business formalities. In the absence of external funding, the only options left for the SMMEs to raise funds include personal savings, friends, family and acquaintances. The financial gap theory suggest that the SMMEs should strive to obtain information to apply for external funding from the government or other financiers while the financial markets should endeavour to examine the business profiles of the SMMEs in order to provide them with good funding to ensure that the financial gap is closed to achieve maximum output.

2.1.2 Resource dependency theory

The resource dependence theory was postulated by Pfeffer and Salancik in 1978. The theory analysed the flow of resources between organisations in the same business environment; the dependence created due to unequal resource exchange; the effect of the interdependence of resources on the organisation and the actions the social actors have taken to manage dependence (Johnson, 1995:1). It further posits the survival of SMMEs lies in the ability to obtain resources from other business stakeholders within the same business environment (Chimuecheka & Mandipaka, 2015:311). This theory implies that the SMMEs in the Ngaka Modiri Molema district should implement adaptive strategies to reduce dependence level on other stakeholders and look for other alliance measures like joint ventures to survive in their various lines of business.

2.2 Literature review

The literature review of this study discusses the nature of SMMEs in South Africa, the challenges facing the development of SMMEs in South Africa, the nature of business dynamics, the developmental programmes provided to the SMMEs, the legal frameworks of SMMEs, and the recommendations to improve SMMEs. These topics were selected just to provide answers to the research questions of the study.

2.3 The nature of SMMEs in South Africa

The term Small, Micro and Medium Enterprises (SMME) refers to the businesses that have the largest shares in the countries' economies, provide employment and contribute to the general economic development of nations (Kaya & Alpkan, 2012:31). Stefanovic, Milosevic and Miletic (2009:128) aver that the percentage of SMMEs in most developed countries is about 90% while the percentage of the employees is about 60%. According to the DTI (2008:4), SMMEs have contributed to create jobs for the jobless and flourished in the aspect of innovation in South Africa. The White Paper (1995:10) sub-divides SMMEs as follows:

- Survivalist Enterprises: These refer to the type of enterprises that are operated by people that could not get a paid job or formal employment. The income generated in this form of enterprise falls short of a minimal standard. One of the characteristics of this type of business is that the capital invested is normally small and the entrepreneur lacks the needed skills, knowledge and capacity to keep the business going.

- Micro-enterprise: These refer to the enterprises handled by family members or at the most with one or two employees who will be helping in the business operations. Micro-enterprises in South Africa often lack formality in terms of business licences, Value Added Tax (VAT) and other operating permits and accounting procedures.
- The owners may have little or no knowledge in the line of business. However there is opportunity for growth into a small enterprise.
- Small Enterprise: Small enterprises are businesses that employ between 5 to 50 employees. These enterprises are formally registered while business licences and taxes are fully paid. The enterprises are managed by directors or managers that direct the affairs of the business.
- Medium Enterprises: These refer to enterprises that are capable of employing a maximum of 200 employees and have R5 million worth of capital assets, which excludes property. Medium enterprises are also controlled by a manager while shareholding is obtainable in this category.

Figure 2.1 provides the summary of the categories and performances of SMMEs

Enterprise Size	Number of Employees	Annual Turnover(SA. Rand)	Gross Assets, Excluding Fixed Property
Medium	Fewer than 100 to 200,depending on Industry	Less than R4 million to R50 m depending upon Industry	Less than R2 m to R18 m depending on Industry
Small	Fewer than 50	Less than R2m to R25 m depending on Industry	Less than R2m to R4.5 m depending on Industry
Very Small	Fewer than 10 to 20 depending on Industry	Less than R200 000 to R500 000 depending on Industry	Less than R150 000 to R500 000 depending on Industry
Micro	Fewer than 5	Less than R150 000	Less than R100 000

Figure 2.1 The categories of SMMEs

Source: Mahembe (2011)

2.4 The challenges facing the development of SMMEs

Despite the fact that SMMEs are recognised in South Africa as the key drivers of economic growth and job creation, they are faced with outstanding challenges which tend to retard the development of the sector. In this study, the challenges facing the development of SMMEs are classified into internal and external factors.

Figure 2.2 presents the framework of the literature review.

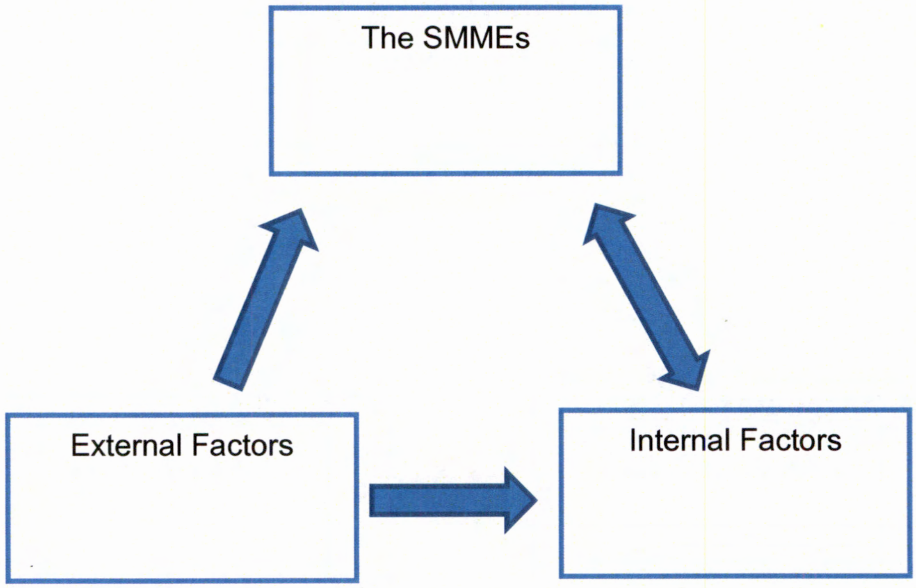


Figure 2.2 Literature Review Frameworks

Source: Adapted from Ismail & Karlsson (2013)

2.5 External factors

These are the factors that tend to retard the development of SMMEs that stand outside their control. According to Olawale and Garwe (2010:2), these factors cannot be controlled by the internal factors but the enterprises can only adjust their policies and schedules in order to handle the challenges. These factors include access to finance, government policies, competition and market and the availability of infrastructure.

2.5.1 Access to finance

According to Bureau for Economic Research (2016:7), lack of access to finance contributes to the major cause of business discontinuity in South Africa.

The inability to provide collateral as one of the prerequisites to obtain loans, lack of credit history and the inability to make substantial profit to move the business forward falls in this category (Chimuecheka & Mandipaka, 2015:311). It is obvious that South African banks and other financial institutions only consider SMMEs that are in their later stage of development rather than those striving to grow in the sector (BER, 2016:8).

However, in the development of SMMEs in South Africa, the government ensures that funds are distributed to the SMMEs through various departments but disappointingly, most SMMEs do not qualify or do not have the necessary information on how to obtain funding from the government (SEDA, 2016:7). The following institutions provide funding to the SMMEs:

- The Department of Trade and Industry
- The Department of Economic Development
- The Department of Science and Technology
- The Presidency
- The Department of Agriculture

2.5.2 Department of Trade and Industry

According to Berry *et al.* (2002:36-37), the Department of Trade and Industry (DTI) was instructed to promote the development of SMMEs in South Africa. This department was aimed at sustaining and enhancing economic growth, to provide employment through the assistance of the SMMEs and to provide an enabling environment for the operation of SMMEs. In its inception, DTI provided some incentives to aid the small business. These incentives include:

- Leasing scheme: The DTI made provision to lease factory buildings to small enterprises that cannot afford to build a functional factory.
- Small Medium Manufacturing Development Programme: The DTI department provided tax-exempted grants for the first two years and a skill support programme in terms of the Skills Development Act.
- Economic Empowerment Scheme: This department targets the disadvantaged business enterprises.
- Normal Finance Scheme: Provides low-interest loans which are administered through IDC
- Export Marketing: assists enterprises engaged in research, trade and exhibitions
- Import Finance Scheme: Provides assistance to entrepreneurs for importation especially capital goods.

- NTSIKA trade and development programme: The DTI offers assistance to entrepreneurs in export businesses.
- Creation of Centre for Small Business Promotion (CSBP), Khula, SEDA and NTSIKA.
- Regulatory institutions
- Standardisation and quality assurance of SMMEs

The Department of Trade and Industry has several departments that falls under it with different functions to facilitate the objectives of the organisation. These sub-departments are:

2.5.2.1 Small Enterprise Development Agency (SEDA)

As a result of enacting the National Small Business Act 29 of 2004, the Small Enterprise Development Agency (SEDA) was established. SEDA is formed in association with a member of the DTI group which is found in all the provinces of South Africa. SEDA was formed to assist SMMEs in aspects of finance and also enhance job creation to boost the economic growth of the nation. Furthermore, the Department of Trade and Industry directed SEDA to design and deliver one delivery network for the entire country and provide substantial financial support for the SMMEs, especially those in the rural areas. SEDA has tried to assist and empower SMMEs as well as giving them market opportunities in the international platform.

2.5.2.2 National Empowerment Fund (NEF)

This organisation was formed in 1998 and gained full operation in 2004. The purpose of establishing this organisation is to provide funding for black-owned enterprises in the country. This organisation worked in coalition with Imbewu Fund in 2003 to 2010 to distribute millions of Rands to over 208 enterprises, of which 156 are black owned.

2.5.2.3 National Small Business Advisory Council (NSBAC)

This organisation was established in 2006 as a subsidiary of the Department of Trade and Industry. The National Small Business Advisory Council was established to advise the minister on the measures to adopt in boosting the performances of the business enterprises in the country.

2.5.2.4 The Centre for Small Business Promotion (CSBP)

The Centre for Small Business Promotion was aimed at implementing, monitoring and evaluating the effectiveness of the National Small Business Strategy to ensure job creation, economic growth and redistribution of income. This programme enhanced economic growth and poverty alleviation.

2.5.2.5 The Local Business Service Centre programme (LBSC)

The Local Business Service Centre programme was established to coordinate local SMME partnerships and to direct the developmental activities within three spheres of government. Nieman *et al.* (2007:171) aver that the practical partnership within the local government, local communities and the private sector was coordinated by this sector which enhanced the creation of jobs, wealth and the transformation of the economy. The designed function of this sector includes:

- Dispersing information amongst small enterprises
- Training of employees in the SMME sector
- Counselling of employees
- Advisory services to employees

2.5.2.6 Local Economic Development (LED)

Consequent upon the autonomy that was granted to the local government by the Constitution of South Africa in 1996, local government prioritised the development of SMMEs to enhance employment and to promote economic growth. Local Economic Development (LED) provides an avenue for the SMMEs, the government and the local communities to work together to enhance economic development. It also includes the cooperation of sectors such as environmental planning, business development, infrastructure provision, real estate development and finance to work together to improve the economic competitiveness. The function of LED includes:

- Providing an enabling environment for business transactions
- Providing support for SMMEs in the municipality
- Providing support for formation of new SMMEs
- Sourcing for external investors
- Making investments with SMMEs
- Supporting marginalised groups

- Supporting the newly developing business

2.5.3 The Department of Economic Development (DED)

This department was established in 2009 to foster the coordination of the economic policies promulgated in South Africa. This department coordinates the activities of the following departments:

2.5.3.1 Khula Enterprise Finance Limited

Khula Enterprise Finance Limited was founded in 1996 under the Companies Act with the initiative of the Department of Trade and Industry (DTI) (DTI, 2004). This independent company is aimed at promoting the small enterprises by providing capital in cases where the commercial banks fail to provide support. Khula Enterprises Finance Limited supports the Small Business Development Corporation (Business Partners) in providing funds for SMMEs, wholesale finance (through Retail Finance Intermediaries), credit guarantee scheme, equity capital, gearing capital for the public and private sectors and creates jobs for the masses.

2.5.3.2 NTSIKA

According to the Small Business Act of 1996, NTSIKA is under obligation to coordinate the national programme for research, dispense necessary information concerning small business operations, synchronise the operations of small business providers and to disburse finances to small business providers to ensure that accredited services would be delivered. Nieman *et al.* (2007:170) asserts that NTSIKA promotes business support centres and engages in providing non-financial support to entrepreneurs such as counselling, institutional funding, technical support, market access and business linkages and provides an atmosphere for smooth operations of business for SMMEs.

2.5.3.3 Industrial Development Corporation (IDC)

The Industrial Development Corporation was established in 1940 in association with the Department of Economic Development to assist in the funding of small enterprises (Mahembe, 2011:29). In 2008/2009 financial year, this department funded 159 SMMEs with up to R2.13 billion from a total of R10.9 billion.

2.5.3.4 SA Micro-finance Fund (Samaf)

This organisation was established to assist in the provision of micro-finance loans to the small enterprises. It provides a wholesale financing by ensuring that the micro, small and the survivalist enterprises could have access to the needed funding. The fundamental aim of establishing this organisation is to reduce unemployment, poverty and provide funding to the enterprises at the grass-root level.

2.5.4 Department of Science and Technology

This Department was established to fund enterprises in the areas of science and technology. Its primary aim was to increase the level of technology in the country by providing funds to the various enterprises.

2.5.4.1 Technology Innovation Agency (TIA)

The Technology Innovation Agency (TIA) was established in 2009 and gained its full operation in 2010. It provides funding to the small enterprises that specialise in science and technology.

2.5.5 The Presidency (National Youth Development Agency) (NYDA)

The National Youth Development Agency was established in association with the National Youth Commission and the Umsobomvu Youth Fund in 2009 to provide funding to youths with promising careers. It also facilitates training and counselling, and ensures that funds are provided to the youth to start various businesses both in the urban areas and the rural communities.

2.5.6 Department of Agriculture (Micro-Agricultural Financial Institute of SA.) (Mafisa)

This department was established to provide funding to the enterprises in the area of agriculture in the country. It promotes the pace of agriculture by providing land, initial capital, training and development to the farmers in South Africa.

2.6 The Government initiative to support the growth of SMMEs

As noted earlier SMMEs remain the main drivers of the South African economy by engaging in activities such as production, employment and sustaining economic growth (Chimucheka and Mandipaka, 2015:309). As a matter of fact, the growth of this sector is most effective with the assistance of the government in providing the necessary legislation and enabling environment necessary for growth.

Having recognised the contributions of the private sectors in the economy by the South African government, some initiatives have been provided to enhance the growth of SMMEs (van der Westhuizen, 2002:12). These initiatives are provided to resolve the problem of unemployment, empower youths and communities, to ensure business growth, prevent winding-up of enterprises and to transform the economy of South Africa. The initiatives include:

- Financial assistance
- Appropriate legislations
- Capacity building programmes
- Provision of infrastructure
- Market relations

For the purpose of this study, this section will only discuss the framework of the programmes and the available legislation provided by the government to support the operations of SMMEs.

2.6.1 The National Small Business Act No 29 of 2004

This Act was promulgated in 2004 to amend the National Small Business Act of 1996. The changes that were made are as follows:

- To address all matters related to Ntsika Enterprise Development Agency (NTSIKA)
- To make provision for the establishment of Small Enterprise Development Agency (SEDA)
- To make adequate provision and arrangements to incorporate NTSIKA, National Manufacturing Centre (NAMAC) and other related institutions into the SEDA
- To facilitate the needed arrangements to this effect and;
- To provide for matters connected therewith.

2.6.2 Growth Employment and Redistribution (GEAR)

This legislation was adopted in 1996 to promote economic growth by the government. It is a macro-economic philosophy aimed at promoting business growth to enhance employment, poverty reduction and economic transformation. The objectives of promulgating this Act include:

- Provision of employment for the unemployed youth
- Equalisation of wealth
- Enhancing synergy amongst enterprises
- Enhancing productivity and innovation
- Encouraging economic growth
- Increasing black empowerment
- Enhancing internationalisation of products
- Encouraging black equity holding
- Sustaining transformation which favours the majority of the population

2.6.3 Invest North-West

This organisation is a provincial trade and investment agency that is established to promote international trade and to develop the economy. It facilitates direct investments, export promotion and development, and activities such as mining, tourism, and agriculture. Invest North-West also facilitates linkages amongst SMMEs operating within and outside the province and assists in business expansion. The strategic focus of this organisation is to provide good infrastructure, reduced cost electricity, easy entrance to SADC markets, good quality of life and a business-oriented province.

2.6.4 Local Economic Development (LED)

Consequent upon the autonomy that was granted to the local government by the Constitution of South Africa in 1996, the local government prioritised the development of SMMEs to enhance employment and to promote economic growth. Local Economic Development (LED) provides an avenue for the SMMEs, the government and the local communities to work together to enhance economic development. It also includes the cooperation of sectors such as environmental planning, business development, infrastructure provision, real estate development and finance to work together to improve the economic competitiveness. The function of LED includes:

- Providing an enabling environment for business transactions
- Providing supports for SMMEs in the municipality
- Providing supports for formation of new SMMEs
- Sourcing for external investors

- Making investments with SMMEs
- Supporting marginalised groups
- Supporting the newly developing business

2.7 Competition and Market

It remains a truth that most entrepreneurs do not access the market environment to understand the extent of the business dynamics (Chimuecheka, 2013:787). The entrepreneurs are required to scan the environment and find out the opportunities and threats thereby formulating measures to address them. Hellriegel (2008:98) pointed out that the entrepreneurs should understand the nature of rivalry amongst close competitors and new entrants in the line of business, substitute commodities, customers, location and the bargaining method of the business stakeholders.

The changes in the system such as technology, customer preferences, and competition need to be addressed consistently by the SMMEs. It is necessary that they should embark on product development and increase in productivity by getting new machinery and equipment (Ismail & Karlsson, 2013:11). Furthermore, Ismail and Karlsson (2013:11) affirm that the ability to handle competition drive in the aspect of production, quality of the products, handling of demand and supply of products determines the growth of the enterprise.

2.7.1 Poor infrastructure

Infrastructure refers to the basic physical, current innovation, services, facilities and structures needed for the smooth operation of an enterprise. Infrastructure can be good roads, methods of communication, methods of banking, types of utilities, means of transportation and land. SMMEs in South Africa need good infrastructure to function effectively. The inability to provide good infrastructure by the government remains a key barrier to business success in South Africa (Chimuecheka, 2013).

2.8 Internal factors

Internal factors are the sum total of factors within the organisation that retard the development of SMMEs. These factors include innovation, communication, management skills and organisational strategy.

2.8.1 Innovation

Montgomery and Perry (2011:1) assert that the organisations should consider innovation which refers to the process of transformation and application of better solutions of doing things. It is viewed that the greatest task of an entrepreneur is to perceive timeously the challenging problems and devise substantial measures to resolve them. Therefore, entrepreneurs should adopt breakthrough innovation and sustaining innovation (Stowe & Grider, 2014:2-3). Breakthrough innovation refers to the type of innovation where new services and new products are produced while sustaining innovation refers to incremental improvements on products and services (Montgomery & Perry, 2011:1).

Horth and Bunchner (2014:1-2) aver that planning to the next level remains an outstanding challenge to managers, therefore it is obligatory that the environment should be scanned and new ideologies introduced to get things done in the most appropriate way. This, in turn, implies that managers must think in a different way; find multiple possibilities to resolve outstanding issues hindering productivity and success of the organisation (Horth & Bunchner, 2014:5).

There are so many factors that drive the move for innovation in the organisation. According to Thenint (2010:7), the following factors contribute to an organisation's quest for innovation: emerging technologies and emerging changes in the external environment which may include social changes, demographics and structural development; introduction of new policies, increased funding and the quest to solve problems.

In organisations, before innovation is conceived, it passes through procedures by which it is established and accepted. Birkinshaw *et al.* (2008:833-837) assert that the process of innovation takes four integral processes. According to Birkinshaw*et al.* (2008:833-837), these processes of innovation as highlighted in Figure 2.5 include motivation phase, invention phase, implementation phase, and the theorisation and adoption phase. The discussions on the process of innovation are based on the studies of Birkinshaw *et al.* (2008:833-837).

Motivation phase refers to the prime motivation that leads to the origination of the product or process. This stage is characterised by identifying the problem, and sourcing for alternatives for solving the problems. In simple terms, it is considered to be a problem driven search, agenda setting and idea contextualization stages.

Invention phase involves a series of variations invented by management to change the former methods of doing things in the organisation to a new method. It is characterised by formulating different strategies for creating a process or product. This stage is considered as the idea linking, trial and error, and idea refining stages.

Implementation phase involves the technical phase of introducing the innovation in its full operation phase. This stage is characterised by idea testing, reflective experimenting and reflective theorising stages. In this phase, management is required to possess a well-developed capacity for reflection to monitor consequent progress and changes in order to achieve the objective of the organisation

Theorisation and labelling phase refers to theory-linking, adoption, and retention of the entire process through the effective implementation phase.

Figure 2.3 portrays that managers should be innovative consequent to changes from the external environment. It also presents the stages of innovation which are required to be implemented competently for the organisational goals to be achieved. Figure 2.3 presents the process of innovation.

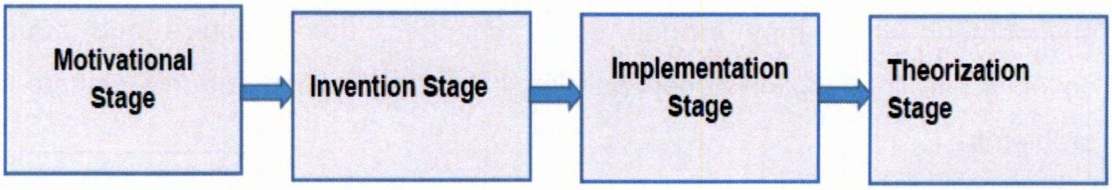


Figure 2.3: Process of innovation

Adapted from Birkinshaw *et al.* (2008)

2.8.1.1 Barriers to SMMEs innovation

There are so many factors that contribute to impeding the processes of innovation in the SMME sector. Bason *et al.* (2013:15-28) acknowledge that weak enabling factors, lack of leadership, limited knowledge and application of innovation process, and insufficient and unsystematic use of measurements and data are barriers to SMME sector innovation.

Weak enabling factors refer to structural, resource constraints, and coordination factors. Structural factors refers to when there are complexities in understanding the policies and steps needed in the innovation process; resource constraints refers to the situation where the needed human resource is unavailable to initiate ideas to improve innovation, while coordination factors arise due to the weakness of the management, lack of leadership, or the inability of the management to possess adequate skills to improve innovation, also the inability to source necessary information needed for effective innovation.

Limited knowledge and appropriate application of innovation process and methods occur due to lack of funds, limited knowledge of the management, and poor adoption of information technology while the insufficient and unsystematic use of measurements and data refers to the inability of management to use the information collected from the field or other experiments to keep the process of innovation.

2.8.1.2 Merits of SMMEs innovation

The adoption of innovation has helped SMMEs in acquiring a competitive advantage, improvement in productivity, quality of work and the overall change in the work process (Birkinshaw *et al.*, 2008:841). With regard to this assertion, SMMEs are required to engage continuously in the process of innovation to encourage advancement and to survive in the business environment. In the view of Montgomery and Perry (2011:4), innovation helps in the provision of value, development of new products and deployment of new products. Montgomery and Perry (2011:1) further maintain that innovation encourages good leadership and new skills to meet the demands of the public. Also, Horth and Bunchner (2014:3-4) assert that innovation is adequately and consistently needed in organisations for a move towards getting the best the interest of the public. In conclusion, the SMMEs in the Ngaka Modiri Molema District Municipality should abide by the prescripts of innovation to encourage development in the entrepreneurial sector.

2.8.2 Communication

Communication refers to the process by which information is sent from the sender to the receiver and from the receiver to the sender through a channel (Lunenburg, 2010:1-2). USAID (2005:7) and Sauer (2014:435-453) affirm that communication is a means by which useful information is passed to the right audience through the appropriate channels at the right time while Wallace and Roberson (2009:32), Valentzas and Broni (2011:117) and Wells (2011:3) posit that communication is said to be complete if there is an understanding of the message sent from the sender to the receiver.

In Figure 2.4, the communication model presents the process by which the sender creates a message and sends it to the receiver through a designated medium. It should be noted that the sender considers noise, which serves as an impediment that distorts the encoded message, before choosing the desired channel. The receiver decodes the message and sends the feedback to the sender, thereby making the communication process complete. The communication model further depicts that organisations should send the right message to the right persons, in the right manner and at the right time (USAID, 2005:7).

According to the prescripts of this model, the SMMEs should strive to make the right choice for the channels to be used in sending messages to the customers in such a way that they will be readable, persuasive, timely, and serve the purpose for which they are designed. The SMMEs should collect feedback from the customers to conceptualise further actions to take. This process enhances communication as a continuous process as organisations respond to the feedback from the customers.

Figure 2.4 presents the communication model.

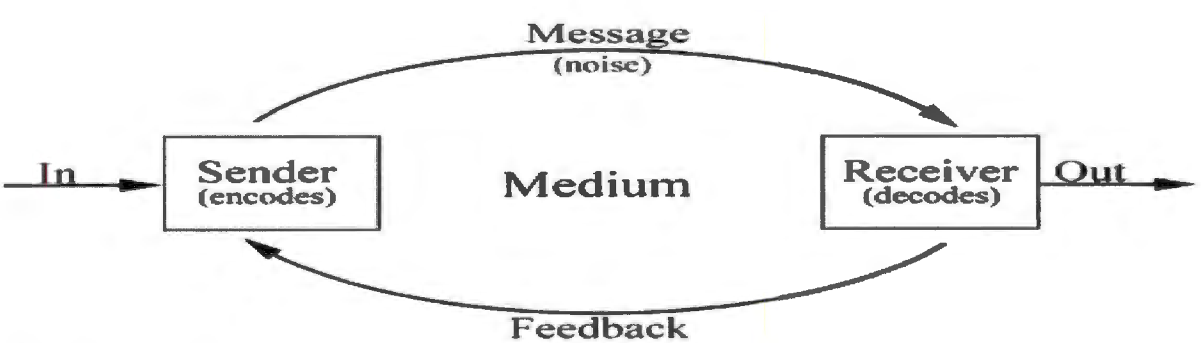


Figure 2.4: **Communication model**

Adapted from Lunenburg (2010)

In designing a good communication strategy, USAID (2005:7-8) maintains that the following factors are needed:

- Comprehensive policies: SMMEs are required to maintain good policies to ensure that messages will be acceptable to the customers.
- Dependability of the information must be well established.
- Proven moralities: Organisations should send information that is known and acceptable, also understandable to the customers.
- Tactical forecasting: the organisations must forecast and know the total population of the customers and the best acceptable means of encoding messages.
- Good use of communication measure by the organisations is advisable to ensure maximum penetration or coverage.
- Organisational communication can be implemented through the use of local languages to achieve a wider acceptance.
- Organisational communication must be simple and sound to promote comprehensibility.

2.8.2.1 Methods of communication

According to Valentzas and Broni (2011:120), several methods of external communication include the use of letters, fax, direct mail, the internet, video, telephone, adverts, and websites while forms of internal communication include team briefings, notices, reports, memos, face to face and e-mails. For the purpose of this study, electronic media, print media, and seminars will be scrutinised.

2.8.2.1.1 Electronic media

Electronic media is the form of communication that uses electronics in order for the receiver to get the content. In Table 2.1, it is observable that the use of mobile phones, radio sets, television and other methods of communication has increased over the years (Hutton, 2011:1). The use of electronic media has enhanced the sending and receiving of messages by the stakeholders of communication (Hassan, 2012:1). Table 2.1 below presents the usage of electronic media in South Africa.

Table 2.1: Users of electronic media in South Africa

Device	Population in millions
Mobile phone	29
Radio	28
Television	27
Internet	4
Computer	6
DSTV/MNET	5.5
Landline telephone	5

Adapted from Hutton (2011)

Table 2.2 presents the users of television in Ngaka Modiri Molema District Municipality.

Table 2.2: Television users in Ngaka Modiri Molema District Municipality (%)

Code No. and Municipality	Households with television
DC38: NMMDM	67.9
NW383: Mahikeng	71.9
NW384: Ditsobotla	67.8
NW385: Ramotshere Moiloa	65.2
NW382: Tswaing	65.1
NW381: Ratlou	62.2

Adapted from Statistics South Africa (Census 2011).

Tables 2.1 and 2.2 indicates that the usage of electronic media is great by increasing, it is therefore required that the SMMEs should adopt the various communication channels discussed below to communicate to customers and various business stakeholders.

Television is used to present infomercials and adverts to the public (USAID, 2005:8-9; Bird *et al.,* 2014:309; de Mooij, 2014:233). Adverts and infomercials are sent through the television to persuade the public to purchase particular products (Gerber *et al.,* 2014:1). Infomercials and adverts combine sound, signs and motion; capture a large number of people and do not have education barrier as messages can be encoded through local languages (Familusi & Owoeye, 2014:7-10).

Radio advertisements are designed to enlighten the audience about a particular product (Egan, 2007:437; de Mooij, 2014:236; Fielding & Plooy-Cilliers, 2014:309). According to Familusi and Owoeye (2014:7-10), radio advertisements are timely delivered, cheap, and gain access to many residents, while Meade (2012:2) affirms that radio is good to disseminate simple messages and slogans. The SMMEs should consider the use of radio sets to encode information to the customers.

YouTube refers to a search engine where adverts are placed on the internet to inform and educate the target audience. Sauer (2014:445) confirms that YouTube is the largest audio-visual search engine in the world. Also, YouTube is broadly acknowledged due to the audio-visual messages it conveys (Sauer, 2014:445). SMMEs should adopt the use of YouTube to place updates on the internet thereby helping to dispense urgent information to the customers (Baruah, 2012:4-5).

Social media enhances the dissemination of information among people on the same network (de Mooij, 2014:248-253). The dissemination of information through social network includes the use of Facebook and Twitter. Updates, advertisements and other necessary information can be dispensed through the social networks. Baruah (2012:4-5) and Familusi and Owoeye (2014:7-10) posit that the decision by organisations to send information through social networks reduces cost and gains a wider coverage.

Electronic mail (e-mail) involves the process of sending single and bulk messages through the internet (Bothma *et al.,* 2008:392; Sauer, 2014:453).

In sending messages through electronic means, e-mail serves as the best option because of its instantaneous ability to deliver messages. This medium serves as one of the most used means of sending mails in the present generation, therefore the SMMEs should adopt e-mail as a means of communicating with customers and stakeholders.

Electronic billboards and manual billboards are outdoor boards kept by organisations in strategic and high traffic places to advertise their products. They serve as a standing reminder to notify and to inform the target persons (Bird *et al.*, 2012:383). Electronic billboards are computer-controlled digital billboards that capture the attention of a large group of people because of the pictorial displays they conveys. Manual billboards are not computer controlled but manually placed. The availability of billboards in strategic position in the local municipalities helps to remind and educate the people. Ann et al, (2012:4) posits that billboards are cheap with low maintenance cost, capture attention due to size, are available all the time, and help in awareness creation.

The internet serves as a medium by which messages can be transferred from person to person. This involves the development of websites which help to disseminate vital information to the target persons (Bothma *et al.*, 2008:400; de Mooij, 2014:246-247). In web development, it is vital that organisations display vital information that will educate, inform and direct customers. Warner (2011:10) affirms that the internet encourages direct response, direct interaction, direct tracking, and promotes efficiency.

2.8.2.1.2 Print media

This refers to other media that uses physically printed materials. In this study, flyers, pamphlets, magazines, inserts, newspapers and community theatres will be reviewed.

Newspapers and magazines serve as a means of dispersing information. They function as national dailies or periodicals that convey matters of international, national, provincial and municipal interest (Bird *et al.,* 2012:384). Warner (2011:4) asserts that newspapers are credible and portable; contain visual photographs, catch a mass audience, and can be stored for a long period of time. Inserts are flyers that are inserted in the newspapers and magazines.

Inserts, newspapers, and magazines are frequently used by people, therefore, the choice of this media will help to sensitise and educate residents on significant matters.

Flyers are short written messages which are meant to be distributed to a wide range of the population for education and information purposes (USAID, 2005:9; Bird *et al.*, 2012:383). Flyers are inexpensive to produce, easy to distribute to the target people, and can deliver simple messages (Ann, 2012:4). It is advisable to design flyers with a good comic. Comics are regarded as a method of passing information using captivating images and texts. The visual images are designed in such a way to catch the attention of the receivers. USAID (2005:8) asserts that comics are cheap to produce, while expressing messages through good comics and with a simple language helps to ease communication.

2.8.3 Management skills

Management skills refers to knowledge, behaviours and understanding that can enhance the effectiveness of an organisation. According to Nieman and Nieuwenhuizen (2009:31), the lack of skills, training and education contributes to the business failures among SMMEs in South Africa. The acquisition of skills, training and education enables the management to be highly competent to handle organisational matters. Chimuecheka (2013:787) in Herrington and Woods pointed out that the inability of entrepreneurs to acquire good skills and education has contributed to the high rate of failures in the SMMEs sector in South Africa.

2.8.4 Human resource services

Human resource service remains the most intricate function of the entrepreneurs as training, advice, and mentorship are required in this category. The most challenging task facing the entrepreneurs is the choice of qualified and competent workers that will be motivated to secure productivity and profitability (Tsoabisi, 2010:16). The SMMEs are required to recruit and retain good employees, also motivate them adequately in such a way that the employees will always want to give their best and remain with the organisation for a relatively long period of time.

2.8.5 Financial management

Financial management refers to the measures which the entrepreneurs adopt to achieve their financial goals (Pauw, Woods, Linde, Foure & Visser, and 2013:119).

The basic function of financial management entails assessing and sourcing of funds, making of sound strategies for management of finance, mapping of targets, measuring and evaluating of targets, presentation of results, remedial actions of deviations and presentation of accounts (Pauw *et al.*, 2013:119). In this regard, SMMEs are required to source funds and make efficient use of the funds for profit motive.

According to Pauw *et al.* (2013:119) financial management is a management strategy which an organisation adopts to achieve its financial goals. The actualization of these financial goals entails analysing financial opportunities, evaluating investment opportunities and monitoring the financial implications of the investment. Furthermore, Pauw *et al.* (2013:126) establish three basic fundamentals of financial management as why, what and how financial resources can be effectively maximized and managed.

"Why should we manage the financial resources of the organisations?" This question in this category gives the SMMEs a guideline and a direction in getting involved in any financial activity. It should be clearly noted that the business aim of the SMMEs is to maximise profit and minimise cost in business opportunities, therefore, SMMEs in the Ngaka Modiri Molema District Municipality should manage their financial resources effectively in order to survive in their business environment.

"What is the function of financial management?" This question helps to ascertain the basic function of financial management. Pauw *et al.* (2013:128) recognize the basic functions of financial management as assessing and sourcing of funds, making of sound strategies for management of finance, making of targets, measuring and evaluating of targets, presentation of results and remedial actions for deviations. SMMEs in Ngaka Modiri Molema District Municipality should assess the use of funds and how to source adequate funding to support their business operations.

"How are the financial resources of the SMMEs managed?" The process by which the SMMEs manage their financial resources is determined by answering this question. The organisational managers and the accountants are expected to implement reasonable policies that will be able to guide the management to make good budgets, monitor budgets, raise technological standards, and make proper account of revenue and expenditure which will help the SMMEs to achieve their desired objectives. SMMEs in the Ngaka Modiri Molema District Municipality should strive to manage their available financial resources to ensure that their business will survive in the business environment.

According to Banerjee (2015:4) financial management is the act of acquiring funds for the organisation, making investment decisions and ensuring that investments are profit oriented.

Furthermore, financial management is considered to be a sensitive aspect of the organisation because of its quest to enhance the choice of financial decisions, investments and dividend sharing. The maximisation of profit depends on wise financial decisions and investments by the top management of the organisation (Oberholzer, 2011:35). Financial management is the aspect of management that ensures that the organisations mobilise and make use of the accrued funds in an effective and efficient way (Venkateswaran, 2014:93).

Financial management consists of four major important aspects namely, budgeting, accounting reporting and auditing. These aspects of financial management help the SMMEs to manage their available resources effectively. Figure 2.5 presents the link between financial management and its categories.

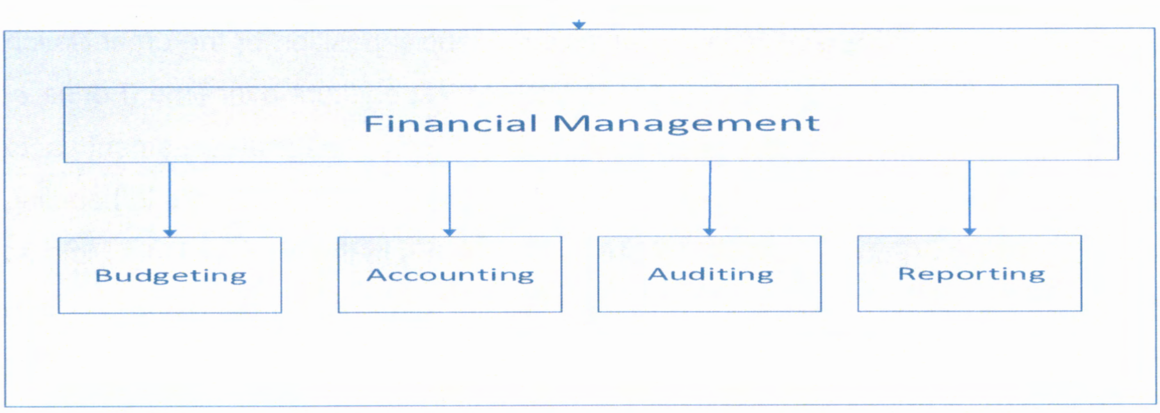


Figure 2.5 Aspects of Financial Management Own Source, 2016

2.8.5.1 Budgeting

Budgeting is a planning activity that involves forecasting the expected revenue that will be mobilised by the organisations and anticipated expenditure in a given financial year (Blore *et al.*, 2004:91; Fourie *et al.*, 2011:122). A budget represents a comprehensive and corporate plan for financial control and an intensive guide to limiting expenditure in the financial management practice. Devas *et al.* (2008:89) assert that a budget encompasses the necessary development plans that organisations adopt in achieving their long-term and medium-term objectives. Furthermore, the content of a budget may include the income and expenditure targets, the revenue sources, the expected expenditure, threats to budget objectives and a combination of strategic networks for achieving the objectives (Devas et al, 2008:89). The SMMEs in the Ngaka Modiri Molema District Municipalityare required to make budgets to ensure that they plan for the expected revenue and expected expenditure in order to be stable in their business practices.

2.8.5.2 Accounting

Financial accounting is a process of recording, classifying, interpreting and presenting financial related information of the organisations over a period of time (Devas et al, 2008:101).

Organisations receive funds from so many sources that it is the duty of the accountant to record and present the financial receipts and expenditures over a given period. Hence, it is deemed necessary to employ competent accountants for this task to ensure an effective record of performance. The prime objective of preparing a financial record is to ascertain the financial position of the organisation and to know the changes in the cash receipts and expenditure over time (Fourie *et al.*, 2011:546). The preparation and presentation of a financial statement is to ascertain the flow of funds in the organisation and how credible they are in handling the flow of funds (Fourie *et al.*, 2011:546). The SMMEs in the Ngaka Modiri Molema District Municipality should account adequately for the financial activities made in each financial year. This will enhance transparency in the business and also show the financial status of the business.

2.8.5.3 Auditing

Auditing is a process of evaluating the performance of the financial effectiveness of an organisation. Also, it examines the progress of the financial report with proper compliance with the judicial precedents and to provide a detailed financial report on the findings. A certified auditor is required to examine the financial report to ensure that the content conforms to the organisational policy (Devas *et al.*, 2004:105). SMMEs in the Ngaka Modiri Molema District Municipality should adopt the prescripts of auditing which will help to reveal management fraud, incompetence, progress, threat and other sensitive information contained in the financial report.

2.8.5.4 Reporting

Financial reporting is the process by which an accountant issues out reliable information on issues related to finance. This financial report gathers adequate information on receipt of funds on each financial source and the total expenditure by the management (Blore *et al.*, 2004:127). The revenue performance, the assessed income behaviour and the expenditure by the organisation should be recorded and reported regularly (monthly or quarterly), and submitted to the management for scrutiny. The SMMEs in the Ngaka Modiri Molema District Municipality should provide adequate financial information on the flow of funds in the organisation to enhance effective and efficient decision-making in a dynamic environment (Devas et al, 2004:48).

2.9 Summary

This chapter presents the theoretical background and the literature review of the study. The financial gap and the resource dependency theories underpinning this study suggest how SMMEs mobilise funds and make use of the available funds. The literature review explored the internal and external issues facing the development of SMMEs in the Ngaka Modiri Molema District Municipality. Factors such as lack of finance, government initiatives to support the growth of SMMEs, competition and market factors, innovation, communication, management skills human resource issues and financial matters were discussed.

CHAPTER THREE

RESEARCH METHODS

3 Introduction

This chapter presents the appropriate research methods adopted in the collection of data from the prospective respondents to achieve the objectives of this study. The pragmatic paradigm, research approach, and research design were presented. Furthermore, the population of the study, sampling techniques, data collection techniques, data analysis, and the ethical issues that guides the process of research will be discussed.

3.1 Research paradigm

According to Bryman (2004:453), a research paradigm refers to the cluster of beliefs that influences the totality of the study, research process and the data analysis. A research paradigm is a fundamental belief that directs a process of research (Creswell, 2014:6). It is also regarded as a worldview because it brings together the totality of the researchers' perception, or choice of the study and the methods involved in conducting the research (Kumar, 2011:14; Creswell, 2014:6).

The post-positivist paradigm was selected in this study. The post-positivist research paradigm was theorized after the positivist era in the nineteenth century out of the works of Comte, Durkheim, Newton Mill, and Locke (Smith, 1983:2; Creswell, 2014:5). The post-positivist paradigm rejected the general ideology of absolute truth and stressed the cause and effect of outcomes. Creswell (2014:6) affirms that the post-positivist paradigm develops knowledge through testing of hypotheses while Bhattacherjee (2012:20) maintains that the post-positivist paradigm follows a process of empirical observation and logical reasoning in finding answers to the research questions.

The choice for this research paradigm helped the researcher to use common reasoning and scientific process to provide findings to the problems facing the development of SMMEs in the Ngaka Modiri Molema District Municipality.

It also facilitated the use of questionnaires to collect data from the respondents, analysing it through Statistical Package for Social Sciences, explaining the concept of validity and reliability and analyzing the interrelationships among the independent and dependent variables.

3.2 Research design

The research design in this study followed a descriptive quantitative design. In a descriptive quantitative design, structured questionnaires are used to gather the opinions of the respondents thereby enabling the researcher to obtain a comprehensive knowledge on the phenomenon under study.

According to Maree (2015:263), research design is a strategy that is typically based on a philosophical assumption which helps in the selection of participants (qualitative) or respondents (quantitative), data collection procedures or statistical techniques to be used for the study and the analysis to be done. Based on this definition, the strategy of enquiry, also known as the research design, is determined by the researcher's philosophical assumption, researcher's skills and practice and even patterns of data collection. The proposed study adopted a quantitative study. Quantitative research refers to the application of systematic steps of scientific research while utilizing quantitative principles in the study (Edmonds & Kennedy, 2013:20). Creswell (2014:155) further asserts that the choice for a qualitative study will provide the researcher the advantage for the findings to be interpreted numerically. The choice for a quantitative study enabled an in-depth finding by collecting data through questionnaires and conducting a series of inferential statistics amongst the identified variables.

The study adopted a cross-sectional research approach due to the fact that data collection will be done at a single time. The SMMEs were contacted only once to know the problems facing the development of their sector (in the data collection phase) and there were no other recurrent appointments or monitoring by the researcher so as to know the evidence of changes occurring in some variables. The researcher adopted a cross-sectional approach because of the following advantages as identified by Salkind (2010:3):

i) Data is relatively cheap and quick to collect due to the fact that it is collected at a single time

ii) Data on all the variables were collected once

iii) It is able to measure prevalence for every factor under investigation

iv) Multiple outcomes can be studied

v) Good for descriptive statistic

3.2.1 Description of overall research design and population

As stated earlier, the research adopted a quantitative research design. The researcher will collect the quantitative data through questionnaires. Afterwards, the researcher will analyze data, then compare or relate the results obtained in the empirical studies with the literature review and the theories. The interpretation and recommendations will be done based on the outcome of findings. Figure 3.1 presents the overall research design.

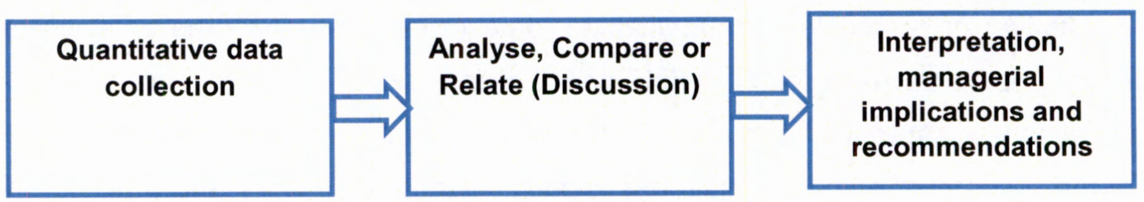


Figure 3.1 Research design of the study

Source: Adapted from Creswell (2014)

3.3 Population, sampling and sampling techniques

Population entails the total group which the researcher is interested in learning more about (O'Leary, 2010:162). Also, Kumar (2011:194) asserts that population (N) is a set from which the subset known as the sample (n) is drawn for various analyses and decisions. The population of this study includes two sets, namely: the five local municipalities of Ngaka Modiri Molema District Municipality and the SMMEs that are registered under law in the five local municipalities of the same district. Table 3.1 presents the population of the proposed study:

Table 3.1: The population of the study

Municipalities	Population of SMMEs
Mahikeng	2747
Ditsobotla	333
Ramotshere Moiloa	257
Tswaing	146
Ratlou	124
N	3607

Source: Municipality Handbook (2014).

Total number of the municipalities= 5

Total number of registered SMMEs= 3607

According to Bhattacharjee (2012:66), sampling is the process of selecting elements of a population for inclusion in a research study. Gray (2014:146) further affirms that sampling is done to study the characteristics of the larger group to minimize cost, save time and to avoid inconveniences involved in scheduling appointments with the whole population.

The researcher adopted a convenience sampling method to select three municipalities out of five municipalities in the District Municipality. These local municipalities were Mahikeng, Ditsobotla, and Ramotshere Moiloa. This enhanced the selection of respondents based on their proximity, availability and convenience to ensure that the study was a success (Maree, 2015:177). The sample size of the SMMEs were determined by using a stratified random sampling method by taking 5% of SMMEs from the three municipalities. This method of sampling enabled the sub-groups within the population to receive proper representation within the sample and to remove selection bias (Maxwell, 2012:28). Table 3.2 presents the sample size of the study.

Table 3.2: Sample size of the study

Municipalities	Total	5%	Sample frame
Mahikeng	2747	.05	137
Ditsobotla	333	.05	17
Ramotshere Moiloa	257	.05	13
Total	3337	.05	167

The study will adopt a convenience sampling method to select the local municipalities. Furthermore, a proportional stratified random sample was used to determine the total number of samples that was drawn from each municipality. This method enhances the chances for the SMMEs to be selected uniformly from the respective municipalities.

3.4 Data collection strategy

Data collection method refers to the procedure by which data are collected from the respective respondents (Gray, 2014:352). Questionnaires will be adopted as the data collection technique in this study. Bastic and Matalon (2007:82) aver that questionnaires are a set of questions which are structured by the interviewer, and the answers recorded by the respondents. Questionnaires were chosen in the proposed study because of the following reasons:

Questionnaires save cost

- They are easy to administer
- They are convenient to administer, thereby saving time and other arrangements involved in other methods of data collection.
- Questionnaires are easy to answer
- Questionnaires are easy to code and to analyse

Closed-ended questions were used in this study which were formulated in simple English language as a means of data collection. They were designed to collect facts, opinions, and feelings from the SMMEs in the selected local municipalities. A - 5 point response scale was used to measure the level of agreement or disagreement of the respondents with the following mixed continuous questions (strongly disagree, disagree, agree, strongly agree) – also not sure.

The questionnaires were structured according to sections to provide answers to the research questions in the following way:

Section 1 addressed the challenges facing SMMEs.

Section 2 elucidated the educational standard of the proprietors to handle their business dynamics

Section 3 sought information on available economic programmes provided by the government

Section 4 clarified the legal framework that enhances the smooth operation of the SMMEs in the district.

Section 5 sought information on the available recommendations to improve the development of SMMEs in the various municipalities.

Data was collected through self-administered questionnaires. A self-administered questionnaire involves a process by which the researcher distributes the questionnaires personally to the various respondents (Gray, 2014:352). The researcher identified the locations of the various SMMEs in the various municipalities and distributed the questionnaires.

3.5 Data analysis

Data are completely meaningless until they are interpreted and analysed (Bastic & Matalon, 2007:138). The collected data will be analysed with computer packages such as Statistical Package for Social Science (SPSS) and Statistical Analysis System (SAS) in order to interpret the data. The researcher commenced by coding questionnaires to SPSS and SAS. Descriptive statistics were used to describe data through percentages and frequencies. In the aspect of inferential statistics, correlation was calculated to check for the relationships existing between variables in the questionnaire. An analysis of variance (ANOVA) was also computed to test for effect and interacting variables which were hypothesised. Data were interpreted in different forms in this study. Descriptive statistics was basically used to summarise sets of data or information associated with a population while inferential statistics will be used to generalise to a given sample of a population

3.6 Assessing and demonstrating the quality and rigour of the proposed research design

The quality and rigour of the proposed study was addressed through the concepts of reliability and validity. Reliability measures the dependability or consistency of an instrument (Gratton & Jones, 2011:92). The researcher enhanced reliability in this study by employing a pilot test. A pilot test is regarded as a means whereby questionnaires are administered to one group of individuals, after which the same questionnaires will be administered to a different group of people. In this study, 10 questionnaires were taken as a pilot study to determine if the questions were answerable, clear to understand and able to convey the same meaning.

Validity refers to the instrument's capability to measure what it is expected to measure (Bastic & Matalon, 2007:121). The research instrument was made in such a way that it will be dependable to measure the desired opinion of the respondents. Content validity was adopted by formulating questions based on the literature review and the research objectives to ensure that the aims of this study were actualised. Also the questionnaires which were distributed to the SMMEs were formulated in simple English language for easy understanding and response.

3.7 Research ethics

Ethical considerations refer to what is required to do and what is not required to do in the process of conducting a research (Hammersley & Traianon, 2012:16). In this study, the researcher obtained permission from the ethical committee of the North-West University to be legally permitted to proceed with the research process. During the data collection process, the researcher obtained the consent of the respondents before the questionnaires were given to them. The researcher notified the respondents that participation is only voluntary; responses will be anonymous or confidential while respondents' life or interest is protected.

In the data analysis and reporting phase, the researcher was not biased in discussing the findings but discussed both positive and negative findings, while attempts to conceal findings or giving a confusing report were avoided.

3.8 Summary

This chapter presented the research method applied to find answers to the research questions of this study. The post-positivist research paradigm was chosen while the quantitative research approach was adopted. The descriptive research design was selected which enabled the researcher to compare the interrelationship existing among the dependent and independent variables. The next chapter presents the findings of the study.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF DATA

4. Introduction

This chapter presents the findings obtained in the study. The Statistical Package for Social Sciences (SPSS) and Statistical Analysis System (SAS) were used to analyse the responses collected through questionnaires from the various SMMEs in the Ngaka Modiri Molema District Municipality. A total of 140 questionnaires were distributed to the SMMEs, the total of 113 questionnaires were collected back from the respondents making a 71.8% response rate. According to Serame (2011:32), a valid and reliable conclusion can be made from the analysis of questionnaires if at least 70% responses could be obtained. These statistical tests form the basis on which the conclusions of the study were drawn to suit the purpose of the study.

The statistical analyses presented in this chapter include descriptive statistics, correlation analysis, chi-square test of independence, t-Test analysis, reliability analysis and analysis of variance. These statistical analyses will be presented in the following sub-sections 4.1 to 4.3

4.1 Presentation of the biographical information (Descriptive statistics)

This section presents the findings obtained from the biographical section of the questionnaire which investigated the general information of the respondents. The responses were presented using tables, frequencies, percentages and graphs.

4.1.1 Gender of the respondents

The respondents were asked to indicate their gender and their responses are illustrated in Figure 4.1 below:

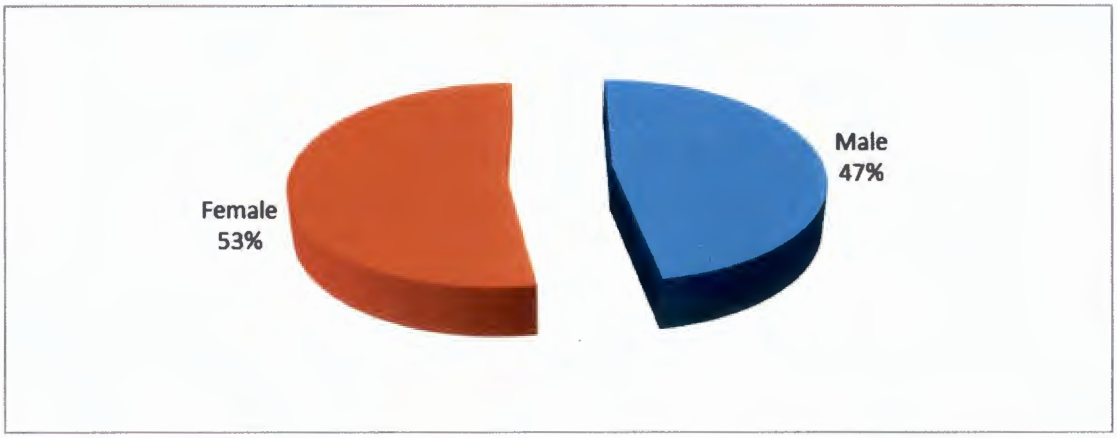


Figure 4.1: Respondents' Gender

Figure 4.1 portrays that the majority of the respondents were females with 53% while males are the minority with 47%.

4.1.2 Age group of the respondents

The respondents were requested to indicate their age groups and the responses are presented in Figure 4.2 below:

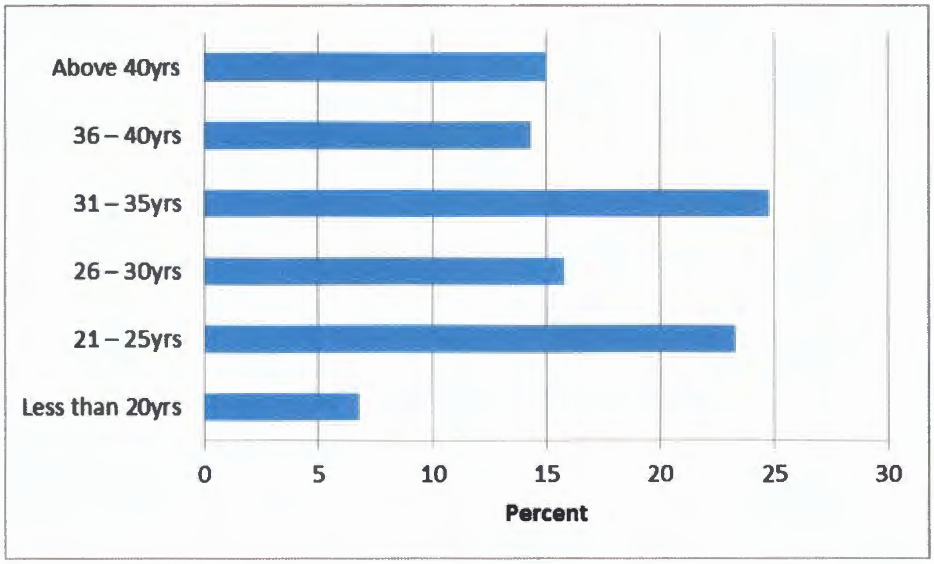


Figure 4.2: Respondents age group

Figure 4.2, shows that respondents less than 20 years were 6.8%, 21-25 years 23.3%, 26-30 years 21%, 31-35 years 24.8%, 36-40 years 14.3% and above 40 years 15%. The result depicts that the majority of the respondents were of the ages of 31-35 years while the minority were less than 20 years.

4.1.3 Local municipality where the business is situated

Results indicating the local municipalities of the respondents are presented in Figure 4.3 below:

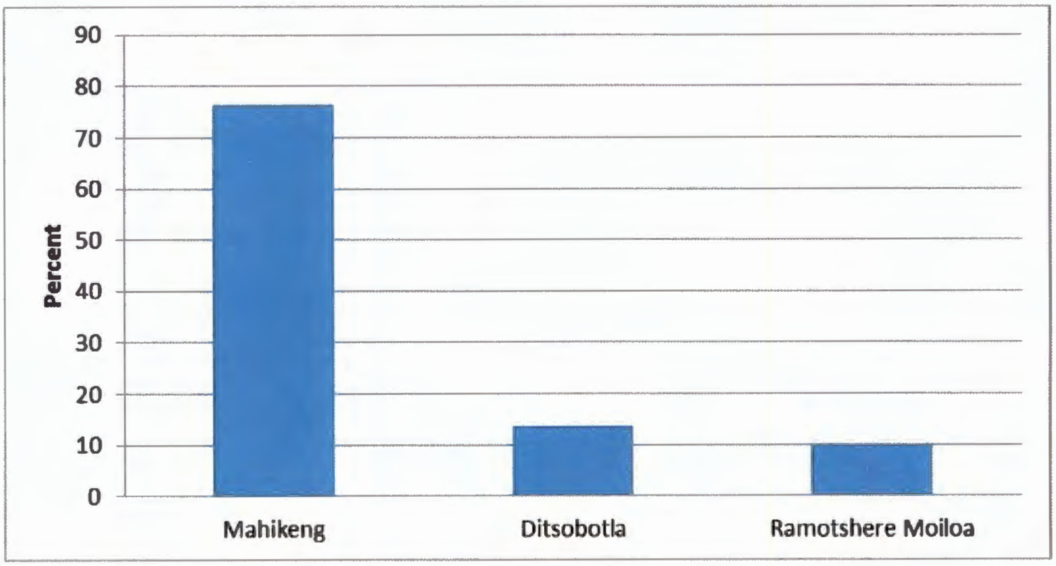


Figure 4.3: Respondents local municipality

The above figure 4.3 depicts that Mahikeng municipality 76.3%, Ditsobotla 13.7% while Ramotshere Moiloa 9.9%. The result portrays that the respondents are mainly located in Mahikeng local municipality followed by Ditsobotla and Ramotshere Moiloa respectively.

4.1.4 Number of years of the respondents in the type of business

Results indicating the number of years of the respondents are indicated in Figure 4.4 below:

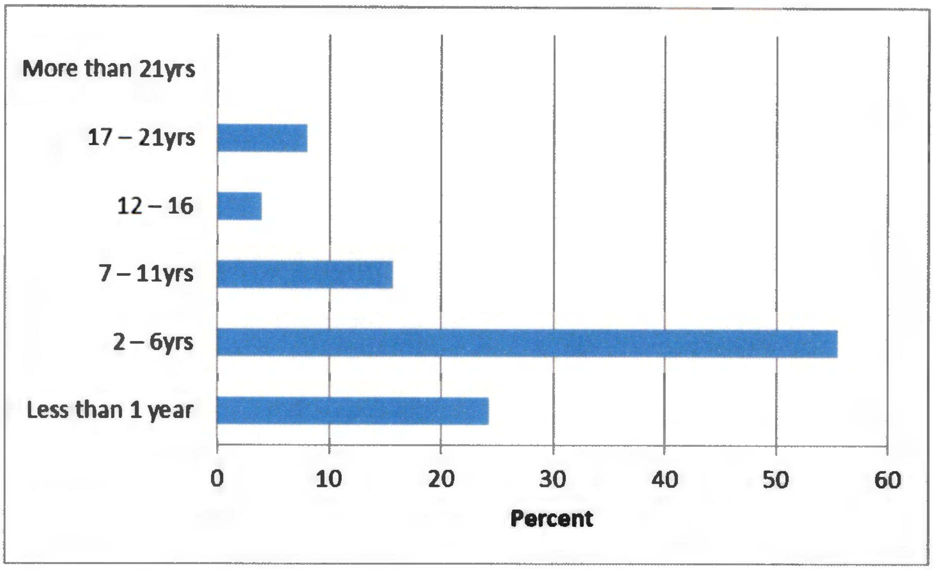


Figure 4.4 Respondents number of years in the line of business

In Figure 4.4, those with less than 1 year, 24.2%, 2-6 years,55.5%, 7-11 years, 15.6%, 12-16 years, 3.9%, 12-21 years, 8% while more than 21 years 0%. The above result portrays that the majority of respondents' number of years in the line of business is 2-6 years.

4.1.5 Race of the respondents

The respondents were asked to indicate their race and the results are indicated in Table 4.1 below:

Table 4.1: Respondents racial group

Race	**Frequency**	**%**
Black	133	99.3
Coloured	1	0.7
White	0	0
Indian	0	0
Others	0	0
Total	**N = 134**	**100**

The above Table indicates that majority of the respondents are blacks while there were no white or Indian respondents and a minority were coloured. The race of the respondents depicts black 99.3% and coloured 7%.

4.1.6 Educational Qualification of the respondents

The educational qualification of the respondents are shown in Figure 4.5

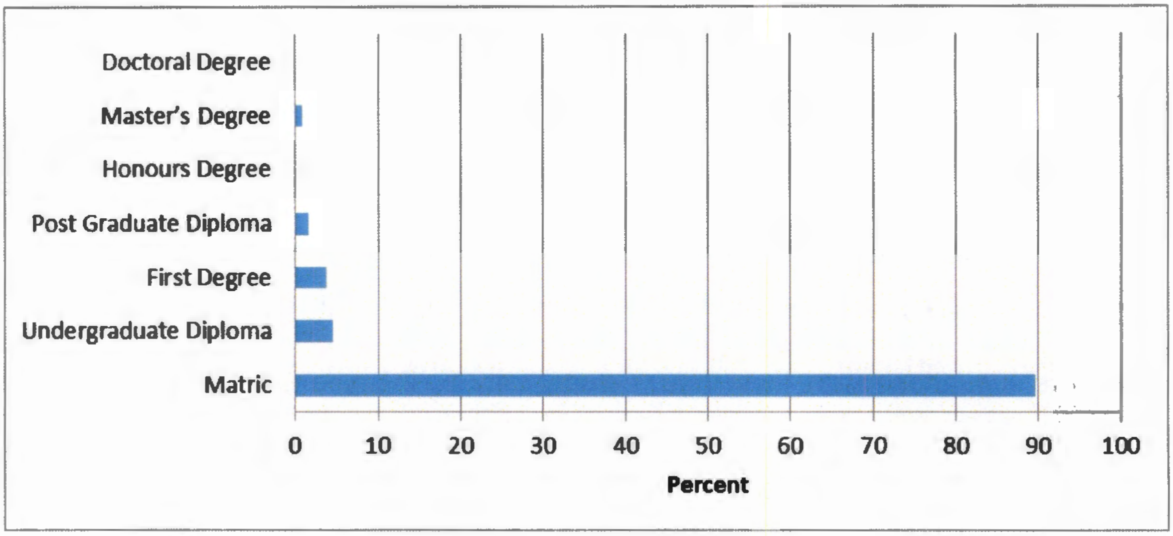


Figure 4.5 Educational qualification

The above figure depicts that the majority of the respondents have matric as the highest educational qualification. The educational qualifications of the respondents are Matric 89.5%, Undergraduate diploma 4.5%, First Degree 3.8%, Post Graduate Diploma 1.5% and Master's degree 0.8%. There were no respondents with Masters and Doctoral degree.

4.1.7 Business sector of the respondents

The results showing the business sector of the respondents are summarised in Figure 4.6 below:

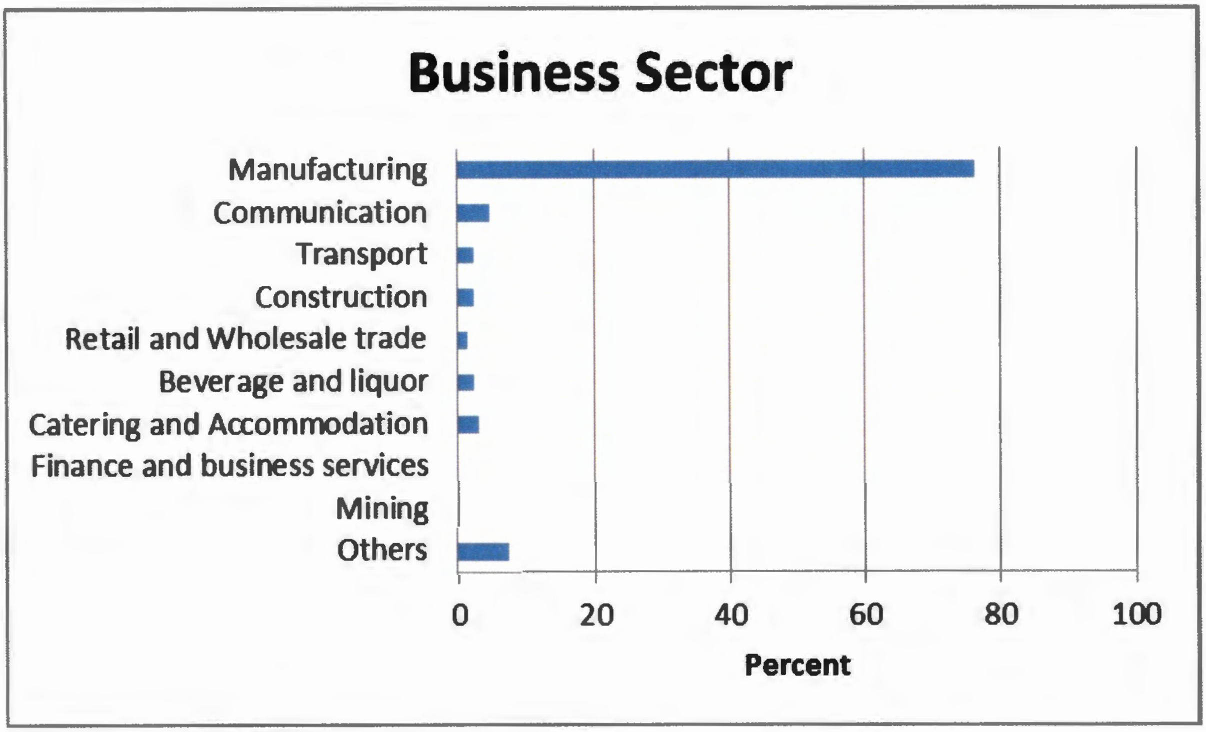


Figure 4.6 Respondents line of business

Figure 4.6 shows that the majority of the respondents are in manufacturing businesses while there were no respondents from mining or financial services. The line of business of the respondents show that 76.3% are in manufacturing industry, communication 4.6%, Transport 2.3%, Construction 2.3%, retail and wholesale trade 1.5%, beverage and liquor 2.3%, catering and accommodation 3.1%, and others 7.6%. There were no respondents in finance and business services, and mining.

4.2 Presentation of views on the research questions

This Section presents the results obtained from the views of the respondents on Section B of the questionnaire. It should be noted that the measurement scales used in this Section are strongly agree, agree, not sure, disagree and strongly disagree. This Section focused on research questions 1-5 which are:

- What are the challenges facing the development of SMMEs in Ngaka Modiri Molema District Municipality?"
- Are the entrepreneurs educated to understand the business dynamics and concepts in their line of business?
- What economic development programmes have the government put in place to support the development of SMMEs?

- Are the legal frameworks provided by the government adequate to improve the operation of SMMEs in NMMDM?
- What recommendations can be provided to improve the development of SMMEs in the Ngaka Modiri Molema District Municipality?

4.2.1 The challenges facing the development of SMMEs in Ngaka Modiri Molema District Municipality

Table 4.2 presents the results obtained in research question 1 where the respondents were asked some questions related to the challenges facing the development of SMMEs in the district. The responses were summarised in Table 4.2 below:

Table 4.2 Challenges facing the development of SMMEs in NMMD

Responses	Strongly agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly disagree (%)
I faced a lot of financial challenges in acquiring the start-up capital	43.5	42	13	0.8	0.8
I don't have any financial support	34.1	29.5	22	12.1	2.3
I have cash flow problems	27.9	44.2	17.1	9.3	1.6
The legal requirements to start up the business is burdensome	28.8	47	16.7	5.3	2.3
The government does not manage crime in my location	45.8	26	16.8	8.4	3.1
The government does not grant credit easily	39.2	37.7	14.6	6.9	1.5
There is inadequate	37.1	25	28.8	6.1	3

infrastructures in my location					
There is low level technology in my location	28.2	47.3	14.5	6.9	3.1
The government does not subsidise training for us	31.6	30.1	29.3	6.8	2.3
We are not aware of any support by government agencies	26.5	40.2	18.9	8.3	6.1
The taxes levied on SMMEs are high	22	24.2	31.8	17.4	4.5

According to Table 4.2, it is observable that the majority of the respondents strongly agree or agree with almost all the variables examined as the challenges facing the development of SMMEs. Financial challenges 43.5%, grant credit 49.2%, inadequate infrastructures 37.1%, financial support 34.1%, subsidise training 31.6%.

The variables which were agreed by the majority of respondents are: there is low level technology 47.3%, the legal requirements 47% support by government agencies 40.2%. The majority of the respondents were not sure about the tax burden on SMMEs 31.8%.

The study discovered that crime management, financial challenges and provision of grants by the government are the main challenges faced by the SMMEs in the Ngaka Modiri Molema District Municipality. Also, this result shows that an effective implementation of all the factors listed in Table 4.2 will enhance the speedy development of SMMEs in the NMMDM. Chimuecheka and Mandipaka (2015:311) posit that the elimination of unnecessary barriers by the government to provide loans to the SMMEs will enhance the growth of the sector, while the Bureau for Economic

Research (2016:7) avers that lack of starting capital, inability to grant credit and other financial support hinders the growth of SMMEs in the South African SMME context.

In the same direction, Ismail and Karlsson (2013:11) maintain that inability to improve in technology; infrastructure and innovation remain a key barrier to business success.

4.2.2 The level of education and its effects in keeping the business going

This Section addressed research question 2 as the respondents were asked some questions related to their level of education. Their responses were summarised in Table 4.3 below:

Table 4 .3 The entrepreneurs level of education to understand the business dynamics

Responses	Strongly agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly disagree (%)
I have a business plan that I use in managing my business	33.1	16.5	35.3	13.5	1.5
I review my business plan consequent to the changing economic situations	15.8	23.3	41.4	15	4.5
My organisation ensures that all the staff are satisfied	24.2	22.5	35	14.2	4.2
We keep proper staff relation	17.6	35	35.2	9.9	2.3
We maintain adequate customer relations and satisfaction	20.3	28.6	38.3	9.8	3
Our organisation is located in a good site	12.3	30	41.5	11.5	4.6
We have financial specialists that manage the flow of finance	7.6	25.2	33.6	20.6	13

We have specialists that manage stock control	12.6	26.8	32.3	18.9	9.4
We have business analysts that analysis the future of the business	13.6	22.7	36.4	18.9	8.3
We maintain proper budget management	11.5	26.2	32.3	20	10
My organisation creates awareness to the public about our existence through public media	14.3	24.1	34.6	16.5	10.5
We have a good working internet	24.6	21.5	26.9	18.5	8.5
We have specialists that can handle the internet business options	9.1	26.5	34.1	18.2	12.1
We always improve our services to keep the principles of innovation	25.6	19.4	36.4	15.5	3.1

According to Table 4.3, it is evident that the majority of the respondents are not sure about the implementations of all the variables examined. This is an indication that all the variables examined are not well implemented and, as such need to be efficiently implemented in the entire SMME sector to achieve success in the business activities. Acquisition of a business plan were 35.3%, review of business plan 41.4%, satisfaction of staff members 35%, staff relationship 35.2%, customer relationship 38.3%, location of SMMEs 41.5%, availability of financial specialists 33.6%, stock control specialists 32.3%, business analyst specialists 36.4%, creation of awareness 36.4%, budget management 32.3%, public media awareness 34.6%, availability of internet 26.9%, availability of internet business specialists 34.1% and product improvement 36.4%.

The findings indicate that the SMMEs in the Ngaka Modiri Molema District Municipality lack relevant skills in business planning, human resource management and financial management which retard the chance for business growth. In the interpretation of the findings in Table 4.3, it is indicative that the majority of the respondents do not effectively implement all the educational variables examined which contribute to the growth of SMME sectors. In relation to this finding, Pauw *et al.* (2013:128) avows that the inability to implement the three basic financial management functions by the management in making good budgets, monitoring budgets, raising technological standards, and making proper account on revenue and expenditure will hinder the SMMEs from achieving their desired objectives. Furthermore, Tsoabisi (2010:16) maintain that the SMMEs are required to recruit and retain competent staff, motivate and satisfy them to get maximum production, while Egan (2007:437), de Mooij (2014:236), Fielding and Plooy-Cilliers (2014:309) affirm that the use of electronic media creates awareness about an existing product or organisation.

4.2.3 The economic development programmes available to develop SMMEs in the district

This Section addressed research question 3 as the respondents were asked to indicate the economic development programmes available in development of the SMME sector in the district. Their responses were summarised in Table 4.4 and 4.5 below:

Table 4.4 The government development programmes available to SMMEs in NMMDM

Statement	Yes (%)	No (%)
Are you aware of any government assistances to SMMEs in your location?	24.4	75.6
Are you aware of any economic development programmes in your location?	32.6	67.4
If yes, did it help to support the growth of your business?	34.9	65.1

According to Table 4.4, the majority of the respondents indicate that they are not aware of the government assistances to SMMEs (75.6%), not aware of any economic development programmes. Also the majority (67.4%) indicated that the development programmes did not support the growth of their business.

Furthermore, another investigation was done to know the nature and availability of government support programmes to enhance the effectiveness of the SMMEs; the results are presented in Table 4.5 below:

Table 4.5 Responses on the availability of government support programmes

Responses	Strongly agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly disagree (%)
I am aware of SEDA and its development opportunities	23.3	8.3	24.8	38.3	5.3
I am aware of the assistance by the Centre for Small Business	8.2	27.6	13.4	40.3	10.4

Promotion (CSBP)					
I am aware of the opportunities offered by the Department of Trade and Industry (DTI)	8.2	14.2	34.3	35.8	7.5
There is availability of low interest loans by the government (North West- Development Corporation)	8.3	31.6	11.3	38.3	10.5
We receive support from the local government (Local Economic Development Unit LED)	16.7	22	22.7	23.5	15.2
I receive support from the Department of Science and Technology	6.1	20.6	26	32.1	15.3
I receive support from the Presidency (National Youth Development Agency)	3.8	26.2	21.5	28.5	20
I receive support from the Department of Agriculture (Micro Financial Institute of SA)	3.8	19.2	24.6	33.1	19.2
We are aware of the procurement policies provided by the government that stimulates the operation of our business (North-West Development Corporation)	8.4	19.1	17.6	35.1	19.8
I have been approached by several government agencies offering this support	16.9	16.9	21.5	24.6	20

According to Table 4.5, it is observable that the majority of the respondents agreed that they are not aware of the government support programmes. Those who not aware of the assistance by the Centre for Small Business Promotion (CSBP) is 40.3%, those who not aware of SEDA and its development opportunities is 38.3%, those who not aware of availability of low interest loans by the government (North West- Development Corporation) is 38.3%, those who not aware of the opportunities offered by the Department of Trade and Industry (DTI) 35.8%, those not aware of the procurement policies provided by the government that stimulates the operation of their business (North-West Development Corporation) 35.1%,those who not received support from the Department of Agriculture (Micro Financial Institute of SA) 33.1%,those who not received support from the Department of Science and Technology 32.1%, those who not received support from the Presidency (National Youth Development Agency) 28.5%, those who have not been approached by several government agencies offering this support is 24.6%, those who not received support from the local government (Local Economic Development Unit LED) is 23.5%.

According to the responses obtained in Table 4.4 and 4.5 respectively, it is indicative that the SMMEs in the NMMDM are not very aware of the available government funding and financial support to boost their business operations. Chimuecheka and Mandipaka (2015:311) posit that the SMMEs should strive to obtain information to apply for external funding from the government or other financiers while the financial markets should endeavour to examine the business profiles of the SMMEs in order to provide them with good funding to ensure that the financial gap is closed to achieve maximum output. Nieman *et al.* (2007:170) and Mahembe (2011:29) aver that the practical partnership between the government and the SMMEs will help to transform the sector.

4.2.4 The legal frameworks that induce the smooth operation of SMMEs in the NMMDM

This Section addressed research question 4 as respondents were asked to indicate their views on the implementation of legal frameworks that enhance the operation of SMMEs in the district municipality; their responses were summarised in Table 4.6 below:

Table 4.6 The implementation of legal frameworks to SMMEs in the NMMDM

Responses	Strongly agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly disagree (%)
SMMEs in my municipality have efficient business registration procedures	10.7	15.7	24	38	11.6
There are simple and transparent rules for operations of SMMEs	10.8	16.7	20.8	40.8	10.8
There is an evidence of a supportive taxation system for SMMEs	5	18.3	22.5	40	14.2
There is an effective and cost-efficient contract enforcement for SMMEs	8.4	19.3	21	37.8	13.4
There is a streamlined system of arbitration and dispute resolution	5.9	15.1	21.8	41.2	16
There is effective law enforcement and crime prevention control	13.6	22	22	30.5	11.9

According to Table 4.6, it is noticeable that the majority of the respondents disagreed with statements of all the variables examined. There is a streamlined system of arbitration and dispute resolution efficient business 41.2%, there are simple and transparent rules for operations of SMMEs 40.8%, there is an evidence of a supportive taxation system for SMMEs 40%, SMMEs in my municipality have efficient business registration procedures 38%, there is an effective and cost-efficient contract enforcement for SMMEs 37.8%, there is effective law enforcement and crime prevention control 30.5%.

Govori (2013:703) asserts that it is essential to have government policies in place that support the growth of the SMME sector. These policies include government regulations to operate effectively and other regulations that reduce their operating costs. Bouazza, Ardjouman and Abada (2015:103) assert that the major failures of the SMMEs include a poor regulatory framework, an unfavourable business climate which affects the growth of SMMEs, inappropriate tax system, complicated rules, nepotism and crime-related issues. Nieman (2001) affirms that law enforcement and crime prevention, supportive taxation system, efficient business registration system improve the development of SMMEs while van der Westhuizen (2002) contends that a dispute resolution system and a contract enforcement system contribute to the growth of SMMEs. The SMMEs in the Ngaka Modiri Molema District Municipality should implement the variables measured to promote development in the sector.

4.2.5 The best practice to improve the SMME sector in the NMMDM

This Section addressed research question 5 as the respondents were asked to indicate the factors that will tend to improve the SMME sector in NMMDM, their responses are shown in Table 4.7 below:

Table 4.7 Factors that will help to improve the SMME sector in the NMMDM

SMMEs will improve if:

Responses	**Strongly agree (%)**	**Agree (%)**	**Not sure (%)**	**Disagree (%)**	**Strongly disagree (%)**
The government will help provide start-up capital for entrepreneurs	33.1	26.2	26.9	6.9	6.9
The government will improve in the provision of credit opportunities	16.4	36.7	28.9	11.7	6.3
The government will improve in	17.1	30.2	29.5	19.4	3.9

the provision of adequate infrastructure					
The government will make subsidies for trainings	18.6	35.7	31	10.1	4.7
The government will upgrade the level of technology	28.5	24.6	21.5	18.5	6.9
There are availability of business experts in our establishment	16.5	39.4	26	11.8	6.3
There is creation of awareness in our line of business	32.8	21.1	27.3	14.1	4.7
There are simple and transparent rules for SMMEs	37.2	20.9	21.7	12.4	7.8
There is an efficient business plan in our organisation	28	27.8	27.2	11.6	5.4
There is availability of credit opportunities by the government and other financial institutions	20.9	24	23.3	23.3	8.5

According to Table 4.7, the majority of the respondents strongly agreed with all the variables examined. The variables that the majority of the respondents strongly agreed with are: there are simple and transparent rules for SMMEs 37.2%, the government will help provide start-up capital for entrepreneurs 33.1%, There is creation of awareness in our line of business 32.8%, the government will upgrade the level of technology 28.5% and there is an efficient business plan in our organisation 28% while they agreed on the following variables: there is availability of business experts in our establishment 39.4%, the government will improve in the provision of credit opportunities 36.7%, the government will make subsidies for trainings 35.7%, the government will improve in the provision of adequate infrastructure 30.2%.

In agreement with this finding, Horth and Bunchner (2014:1-2) and Stowe and Grider (2014:2-3) avow that innovation and introduction of new ideologies by the management will improve the SMME sector. USAID (2005:7-8) posits that the organisations should implement good communication strategies, tactical forecasting and good use of communication measures to move the business forward. Oberholzer (2011:35) and Venkateswaran (2014:93) opine that SMMEs should implement adequate financial management to ensure that organisations should mobilise and make use of the accrued funds in an effective and efficient way. The studies of Smit and Watkins (2012) proved that the provision of credit facilities, starting-up capital, upgrading of infrastructural facilities and provision for training subsidies are the main factors needed to improve the SMME sector. Chimuecheka and Mandipaka (2015) posit that the development of SMMEs can be sustained by implementing efficient business plans, creation of awareness, having business specialists that will analyse business opportunities and siting of the business in a good location. The SMMEs and the government should ensure effective implementation of the tested variables to achieve success and development in the sector.

4.3 Presentation of the statistical analysis of the study

This Section presents the statistical analysis of the study such as the reliability analysis, correlation analysis, t-Test analysis and the chi-square test of independence.

4.3.1 Reliability analysis

Cronbach's alpha (α) reliability coefficient, (whose numerical value ranges from 0 to 1), measures the reliability (or internal consistency) of the items in the Likert scale. A high value (close to 1) for Cronbach's alpha reliability coefficient indicates good internal consistency of the items in the scale.

Table 4.8 Reliability analysis of the study

Dimension	Cronbach's Alpha (α)	No of Items
Challenges facing the SMMEs in the Ngaka Modiri Molema District Municipality	0.795	11
The level of education and its effect in keeping the business going	0.897	14
Government support to the SMMEs in your location	0.885	10
The legal frameworks that induce the smooth operation of SMMEs in NMMDM	0.843	6
Recommendation to improve the development of SMMEs in NMMDM	0.887	10

The Cronbach's alpha coefficients in Table 4.8 above are close to 1, suggesting that the items in the scale have relatively high internal consistency.

4.3.2 t–Test between two independent samples

The purpose of the t-Test is to compare the average responses of two populations. Samples are selected randomly from these populations and the variances of the populations' responses are assumed to be equal. The populations' responses are also assumed to be normally distributed. The difference of opinions (views) between the two populations is statistically significant if the p-value is less than 0.05 level of significance.

Table 4.9: Comparing perceptions (views) of the males and females respondents concerning the challenges facing the development of SMMEs in the community

Item	Gender	Sample Size	Mean	p-value
I faced a lot of financial challenges in acquiring the start-up capital	Male Female	61 69	1.54 1.90	0.008
I don't have any financial support	Male Female	62 69	1.95 2.41	0.019
The legal requirements to start up the business is burdensome	Male Female	62 69	1.85 2.23	0.021
The government does not subsidize trainings for us	Male Female	63 69	1.97 2.38	0.023
The taxes levied on SMMEs are high	Male Female	63 68	2.30 2.84	0.007
I am aware of the opportunities offered by the Department of Trade and Industry (DTI)	Male Female	63 70	2.98 2.59	0.027
There is availability of low interest loans by the government (North West-Development Corporation)	Male Female	63 69	3.06 2.64	0.023
I receive support from the Department of Agriculture (Micro Financial Institute of SA)	Male Female	61 68	3.61 3.15	0.019
SMMEs in my municipality have efficient business registration procedures	Male Female	61 59	3.18 2.66	0.012

There is effective law enforcement and crime prevention control	Male Female	58 59	3.22 2.71	0.022
The government will improve in the provision of credit opportunities	Male Female	61 66	2.79 2.32	0.016

The statistical software package (SPSS 24) was used to perform a t-test between two independent samples of male and female respondents in Table 4.9. Since the p-values are less than 0.05 level of significance, it means that there is a significant difference of opinions concerning the challenges facing the development of SMMEs in the NMMDM. The mean scores lie between 1 and 5. Low means scores show that the respondents tend to agree with the items listed in Table 4.9, whereas high mean scores show that the respondents tend to disagree with the items listed.

4.3.3 Correlation analysis

Spearman's rank rho test

This test is concerned with the relationship between two ranked variables (X and Y). The relationship is statistically significant if the p-value is less than 0.05 level of significance.

The coefficient of Spearman's rank correlation is given by

$$r = 1 - \frac{6\sum D^2}{N(N^2-1)}$$

Where

D = differences of ranks of corresponding values of X and Y

N = number of paired values in the data

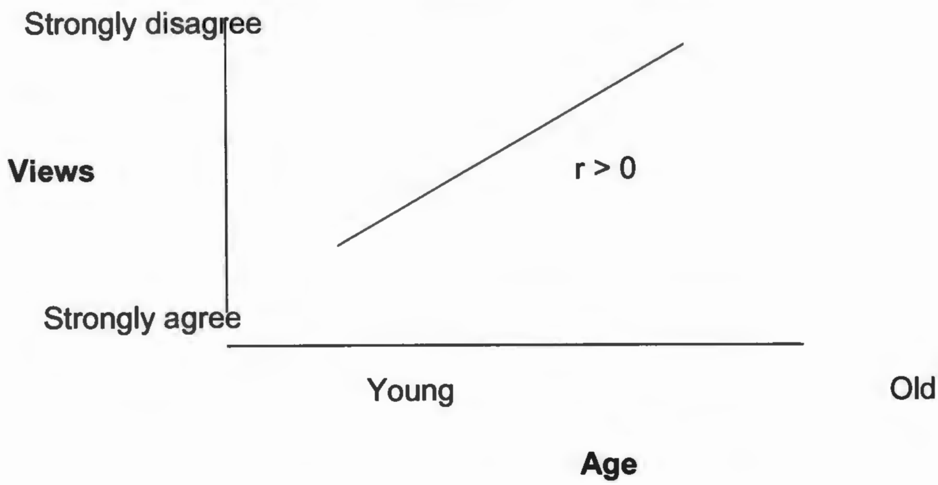
$-1 \leq r \leq 1$

Table 4.10: Spearman's rank correlation between age and views of respondents concerning the challenges facing the development of SMMEs in the community

Items	Correlation coefficient	P-value
Our organisation is located in a good site (N = 129)	0.200	0.023
My organisation creates awareness to the public about our existence through public media (N = 132)	0.293	0.001
I am aware of the assistance by the Centre for Small Business Promotion (CSBP) (N = 133)	0.223	0.010
I receive support from the Department of Science and Technology (N = 130)	0.266	0.002
I receive support from the Presidency (National Youth Development Agency) (N = 129)	0.230	0.009
I receive support from the Department of Agriculture (Micro Financial Institute of SA) (N = 129)	0.328	0.000
We are aware of the procurement policies provided by the government that stimulates the operation of our business (North-West Development Corporation) (N = 130)	0.203	0.021

SPSS 24 software package was used to perform the correlation analysis and the results are shown in Table 4.10. Since all the p-values are less than 0.05 level of significance, then the correlation between age and views of respondents about the items listed in Table 4.10 is significant. Positive correlation coefficients imply that older respondents tend to disagree with the listed items, whereas younger respondents tend to agree. See Figure 4.7 below to justify this research finding.

Figure 4.7: Views of respondents versus age (r > 0)



4.3.4 Chi-square Test of Independence

This test of independence is concerned with the relationship between two different factors (or categories) in a population under study. There is a significant relationship between the two categories if the probability value (p-value) is less than or equal to 0.05 level of significance.

Table 4.11: Cross-tabulation of views of respondents on the availability of low interest loans by the government (North West Development Corporation) by gender.

	There is availability of low interest loans by the government (North West Development Corporation)					
Gender	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Male	4	19	19	11	10	63
Female	7	23	31	4	4	69
Total	11	42	50	15	14	132
	p-value = 0.046		chi-square statistic = 9.664		df = 4	

SPSS 24 software package was used to perform a chi-square test of independence for the data in Table 4.11. The observed frequencies, chi-square statistics and the p-value with 4 degrees of freedom (df) are shown in Table 4.11. Since the p-value (0.046) is less than 0.05 level of significance, then the views of the respondents about the availability of low interest loans by the government are significantly dependent on their gender. It means that the majority (10/14 = 71%) of the respondents who strongly disagree with the item listed in Table 4.11 are men, whereas the majority (7/11 = 64%) of the respondents who strongly agree are women. See Figure 4.8 below.

Figure 4.8 Availability of low interest loans by the government (North-West Development Corporation)

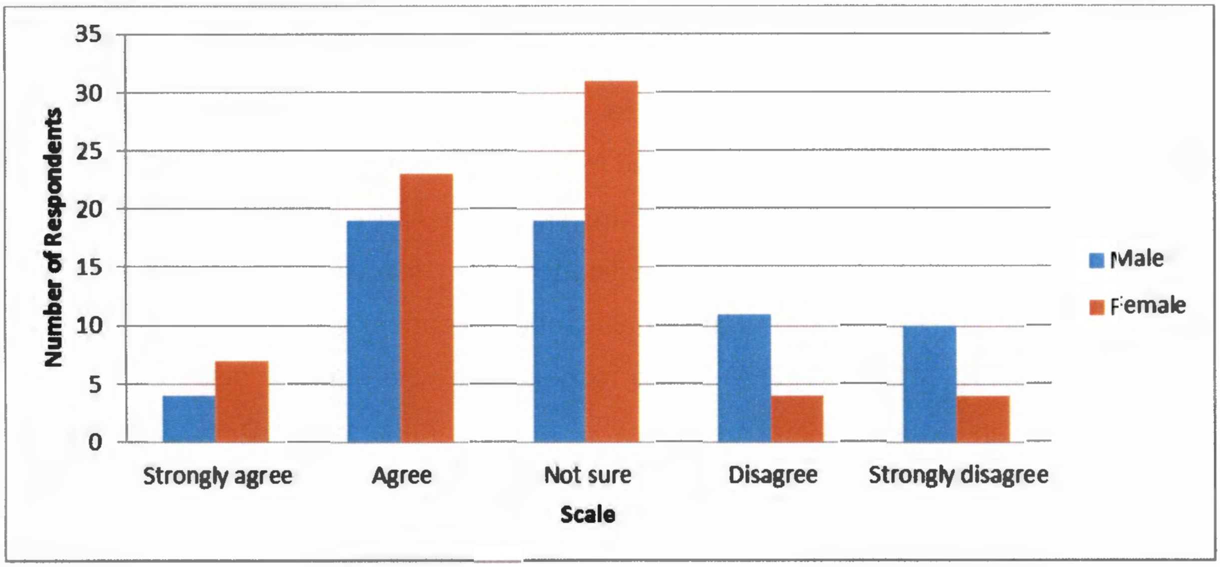


Table 4.12: Cross-tabulation of views of respondents on the cost-efficient contract enforcement for SMMEs by gender.

	There is an effective and cost –efficient contract enforcement for SMMEs					
Gender	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Male	3	14	15	16	11	59
Female	7	11	30	6	5	59
Total	10	25	45	22	16	118
	p-value = 0.008		chi-square statistic = 13.755		df = 4	

SPSS 24 software package was used to perform a chi-square test of independence for the data in Table 4.12. The observed frequencies, chi-square statistics and the p-value with 4 degrees of freedom (df) are shown in Table 4.12. Since the p-value (0.008) is less than 0.05 level of significance, then the views of the respondents about the contract enforcement are significantly dependent on their gender. It means that the majority (11/16 = 69%) of the respondents who strongly disagree with the item listed in Table 4.12 are men, whereas the majority (7/10 = 70%) of the respondents who strongly agree are women. See Figure 4.9 below:

Figure 4.8 Cost effective and cost efficient contract enforcement for SMMEs

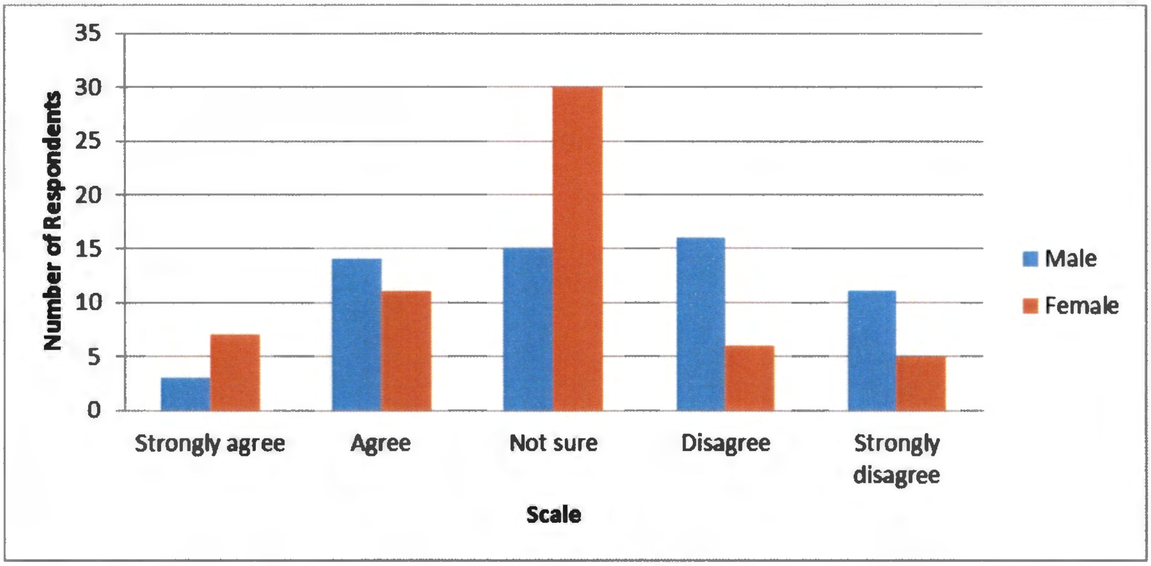
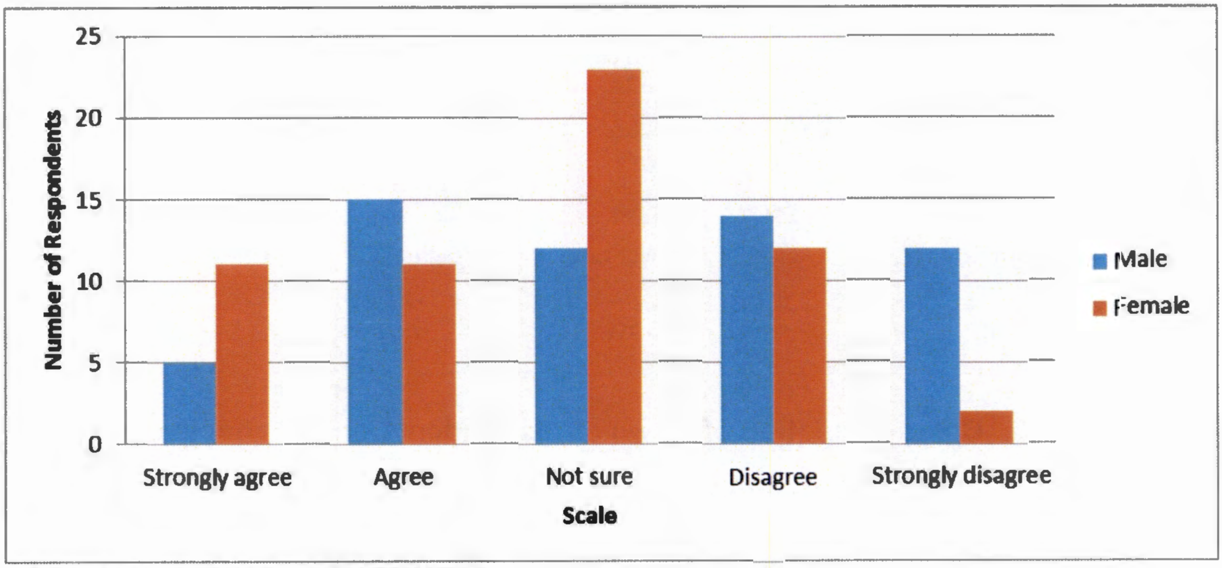


Table 4.13: Cross-tabulation of views of respondents on the effective law enforcement and crime prevention control by gender.

	There is an effective law enforcement and crime prevention control					
Gender	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Male	5	15	12	14	12	58
Female	11	11	23	12	2	59
Total	16	26	35	26	14	117
	p-value = 0.009		chi-square statistic = 13.612		df = 4	

SPSS 24 software package was used to perform a chi-square test of independence for the data in Table 4.13. The observed frequencies, chi-square statistics and the p-value with 4 degrees of freedom (df) are shown in Table 4.13. Since the p-value (0.009) is less than 0.05 level of significance, then the views of the respondents about the law enforcement are significantly dependent on their gender. It means that the majority (12/14 = 86%) of the respondents who strongly disagree with the item listed in Table 4.13 are men, whereas the majority (11/16 = 69%) of the respondents who strongly agree are women. See Figure 4.9 below:

Figure 4.9 Effective law enforcement and crime prevention control



4.3.5 Analysis of Variance (ANOVA) Test

The purpose of the ANOVA test is to compare the average responses of more than two populations. Samples are selected randomly from these populations and the variances of the populations' responses are assumed to be equal. The population responses are also assumed to be normally distributed. The difference of opinions (views) among the populations is statistically significant if the p-value is less than 0.05 level of significance.

Table 4.14 presents the one-way analysis of variance of the study:

Table 4.14: One-Way Analysis of Variance

Factor: Current age group

Item	**p-value**
The government does not manage crime in my location	0.041
I have a business plan that I use in managing my business	0.004
Our organisation is located in a good site	0.014
We have business analysts that analyse the future of the business	0.016
My organisation creates awareness to the public about our existence through public media	0.000
We have a good working internet	0.000
I am aware of the assistance by the Centre for Small Business Promotion (CSBP)	0.025
I receive support from the Presidency (National Youth Development Agency)	0.000
I receive support from the Department of Agriculture (Micro Financial Institute of SA)	0.000
I have been approached by several government agencies offering these supports	0.000
There are simple and transparent rules for operations of SMMEs	0.002
There is creation of awareness in our line of business	0.013
There is an efficient business plan in our organisation	0.007

SPSS 24 software package was used to perform an ANOVA test for the data in Table 4.14. Since the p-values are all less than 0.05 level of significance, then there is a significant difference of the population means of responses among the respondents in the six age categories. It means that the respondents in the six age categories do not equally agree on the items listed in Table 4.14.

4.4 Summary

This chapter presented empirical findings of the study. The empirical studies focused on the quantitative studies. The quantitative study provided the presentation of findings such as biographical information of the SMMEs; presentation of findings as obtained in views on challenges facing the SMMEs, views on the level of education of the SMMEs, views on available economic development programmes for SMMEs, views on the legal framework for the SMMEs and the views on the best practice for the SMMEs. The study also provides reliability analysis, t-Test analysis, correlation analysis, Chi-square test of independence and the analysis of variance. The following chapter presents the overview, summary and recommendations of the study.

CHAPTER FIVE

OVERVIEW, SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE STUDY

5. Introduction

This chapter presents the overview of the entire study as well as the summary of findings from the empirical study. The recommendations of the study were made to find solutions that will be implemented to enhance the effectiveness and development of the SMME sector in the Ngaka Modiri Molema District Municipality.

5.1 Overview of the research

Chapter one provided the introduction and the background of the Small, Micro and Medium Enterprises in the Ngaka Modiri Molema District Municipality. The problems facing the SMME sector in NMMDM were established and the appropriate research questions were formulated to guide the process of this study. Other topics provided include the aims and importance of the study, delimitations and assumptions, definitions of key terms and the layout of the study.

Chapter two provided the theoretical framework and the literature review of the study. The financial gap and the resource dependency theories were explained to validate how they underpin the entire study. In the literature review, the nature of SMMEs in South Africa and the challenges facing their development were examined. External challenges such as access to financial resources, government initiative to support the growth of SMMEs and competition arising from the market situation were examined while internal factors such as innovation, communication, management skills, human resource issues and financial management were explained.

In chapter three, the research design and methodology were appropriately discussed. The post-positivist paradigm was selected; also the descriptive quantitative design was adopted as its design. Literature review and the empirical study followed a methodological approach which helped in the discussion of the quantitative result obtained from the questionnaires.

Data analysis was discussed, trustworthiness were established while the ethical issues surrounding the process of research were discussed.

Chapter four presented and interpreted the data obtained from the empirical research. The results were subdivided into three stages; the biographical information, presentation and interpretation of the views of the respondents on the five research questions and the presentation of the statistical analysis of the study. Data was analysed using SPSS, presented using tables and graphs which comprised frequencies and percentages of the respondents' responses. Discussion of data was made subsequently.

Chapter five focused on the presentation of the overview and the summary of the entire study. Finally, the recommendations for future or additional study were made on the theme of the study.

5.2 Summary of findings

The summary of findings in this section was grouped according the research objectives of the study which are:

- To determine the challenges facing the development of SMMEs in the Ngaka Modiri Molema District Municipality.
- To investigate if the entrepreneurs are educated to understand the business dynamics and concepts.
- To examine the economic development programmes the government have put in place to support the development of SMMEs.
- To examine if the legal frameworks provided by the government are adequate to improve the operations of SMMEs in the District Municipality.
- To discover the best practice to improve the development of SMMEs in the Ngaka Modiri Molema District Municipality.

5.2.1 The challenges facing the development of SMMEs in Ngaka Modiri Molema District Municipality.

According to the empirical study, the SMMEs face a lot of challenges which retard the growth of the sector. The following portray the order of the challenges faced by the SMMEs as indicated by the majority of the respondents: inability for government to manage crime, inability to provide starting-up capital, inability for government to grant credit, lack of adequate infrastructure, inability to get financial support, inability for government to subsidise training, burdensome legal requirement to start up business, inability to upgrade the level of technology, cash flow issues, communication gap to know the various supports by the government and burdensome tax obligations.

With regard to the findings in this category, the government should endeavour to provide an enabling environment for the SMMEs to ensure smooth business operations. The findings indicates that the three main challenges faced by the SMMEs in the Ngaka Modiri Molema District Municipality are inadequate crime management, inability to provide start-up capital and inability for government to grant credit. Therefore, the government should ensure the provision of all the aforementioned factors to ensure success in the sector.

5.2.2 The level of education of the entrepreneurs to understand the business dynamics and concepts in their line of business.

In this section, the majority of the respondents were not sure about all the factors measured which indicates that the level of education of the respondents is low and as such, they do not understand the business dynamics and concepts in their line of business. According to the study, the entrepreneurs are not sure if their business are located in a good site, if they have business analysts that analyse the future of their business, review their business plan prior to the changing economic situation, improve their services to keep the principles of innovation, create awareness for their existing products, maintain proper budget management, maintain adequate customer relations, satisfy all the staff, have a competent business plan, maintain proper staff relations, have financial specialists and good working internet.

The findings disclosed that the three main educational factors that impede the SMMEs from understanding their business dynamics are location of business in a good site, availability of a business analyst who analyses the future of their business, and the review of their business strategy due to the varying economic conditions. The SMMEs should certify that all these factors are put in place before starting up business establishments to encourage growth in the sector.

5.2.3 The economic development programmes introduced by the government to support the development of SMMEs.

This finding in this category indicates that the government has succeeded in putting in place so many economic development programmes to support the development of SMMEs but it is apparent that the majority of the respondents are not very aware of the various economic development programmes. The respondents disagreed, among others, that they are not aware of the assistance by the Centre for Small Business Promotion (CSBP), they are not aware of SEDA and its development opportunities, they are not aware of the availability of low interest loans by the government (North West Development Corporation) and they are not aware of the opportunities offered by the Department of Trade and Industry (DTI). They also disagreed that they have not received support from the Department of Science and Technology, not received support from the local government (Local Economic Development Unit LED), not received support from the Presidency (National Youth Development Agency), not received support from the Department of Agriculture (Micro Financial Institute of SA), while the respondents disagreed that they have never been approached by any government agency offering supports.

The study found out that the economic development support that is not known by the SMMEs are the assistance by the Centre for Small Business Promotion (CSBP), assistance by SEDA and its development opportunities, and availability of low-interest loans by the government (North West- Development Corporation). The study suggests that the government should provide support to all SMMEs who are willing to accept economic development support; also the government should communicate adequately to the SMMEs to make them aware of the nature of support and the procedure to obtain such support.

5.2.4 The legal frameworks provided by the government to improve the operation of SMMEs in NMMDM.

The findings obtained in this category indicate that the majority of the respondents disagreed that the legal frameworks provided by the government are adequate to improve the operations of SMMEs in the Ngaka Modiri Molema District Municipality. The results obtained in this category portray the order of disagreement of effectiveness of legal frameworks by the majority of the respondents as: availability of streamlined system of arbitration and dispute resolution, provision of simple and transparent rules for operations, evidence of a supportive taxation system, provision of efficient business registration procedures, availability of effective and cost-efficient contract enforcement and the provision of effective law enforcement and crime prevention control.

The implication of the findings as obtained in this category suggests that the government should make friendly legal frameworks capable for implementation to enhance the growth of SMMEs. The study also discovered that the three legal factors that most hinder the growth of SMMEs are the inability to provide a streamlined system of arbitration and dispute resolution, failure to provide simple and transparent rules for operations and the inability to provide a supportive taxation system. The study therefore supports a need for the government to make these factors available to encourage the growth of SMMEs in the Ngaka Modiri Molema District Municipality.

5.2.5 The best practice to improve the development of SMMEs in the Ngaka Modiri Molema District Municipality.

The findings obtained in this category reveal various ways to improve the operations of SMMEs in the Ngaka Modiri Molema District Municipality. The respondents indicated that the provision of simple and transparent rules, provision of starting-up capital, consistent creation of awareness in the line of business and provision of efficient business plans will enhance the operation of SMMEs in the Ngaka Modiri Molema District Municipality. Furthermore, other recommendations include the availability of business experts, provision of credit opportunities, provision of subsidies for training, improvement of adequate infrastructure and availability of credit by financial institutions.

With regard to these findings, the government should endeavour to provide these factors in order to ensure an enabling environment for the SMMEs in the Ngaka Modiri Molema District Municipality. The study found out that the three main requirements to improve the success of SMMEs are provision of simple and transparent rules, provision of starting-up capital by the government and consistent creation of awareness in the line of business.

5.3 General recommendations of the study

The following recommendations are inferred to resolve the problems identified in the problem statement. The recommendations of this study will be made to the government and the SMMEs in the Ngaka Modiri Molema District Municipality.

5.3.1 Recommendations to the SMMEs

Efficient business plan: There is the need for the SMMEs in the Ngaka Modiri Molema District Municipality to have an efficient plan in their line of business. This would encourage a sense of direction and effective planning to make the business successful.

Business review: The SMMEs in Ngaka Modiri Molema District Municipality should adequately review their business plan owing to the changing economic situation. The administrators should scan their environment, adapt to certain situations and change their leadership styles to accommodate the changing circumstances.

Human resource management: The human resource department should adequately recruit, train, motivate and satisfy all the staff to put in their best in the work environment. This will reduce staff turnover and enhance quality output from the employees.

Customer relationship: The maintenance of customer relationship is an essential factor in the business sector. The SMMEs should ensure effective maintenance of customer relationships in the location of the business: The SMMEs should site their business enterprises in good locations that will be easily accessible and not in hidden areas.

Financial specialists and analysts: There should be availability of financial specialists who will maintain the flow of funds. SMMEs in the Ngaka Modiri Molema District Municipality should hire professionals who should analyse the viability of a business venture to understand if it is worth committing resources.

Stock control: There should be supply chain specialists who should handle stock control in the business. Stocks should be constantly replenished to ensure that goods are steadily available.

Budget management: There should be proper budget management in the sector to check deviations to maintain consistency and to avoid fraudulent acts.

Communication: There should be awareness creation through public media and the Internet to inform the public about the existence of various products and other business opportunities. Also, there should be specialists who will always source information from the internet and make provisions for innovation.

5.3.2 Recommendations to the government

Provision of starting-up capital: The government should assist the SMMEs in the provision of starting-up capital and other financial supports to enable the SMMEs in the Ngaka Modiri Molema District to have a sound financial base.

Transparent rules: There should be simple and transparent rules in the SMME sector capable of enhancing continuity in the various lines of business. The legislation should be capable of performance while the enforcement should be a transparent process. The legal requirements to start up a business in Ngaka Modiri Molema District Municipality should be reviewed to accommodate the entrepreneurs.

Crime management: The government should ensure that there is adequate crime management to halt the recurrent robbery and theft cases in the area. The theft and robbery cases reported should be taken seriously, while the offenders should be punished according to what the law demands.

Credit procedure: The methods of granting credit should be revisited by the government to enable the SMMEs in the Ngaka Modiri Molema District Municipality obtain credit easily. The government should endeavour to disseminate information in due time on the availability of grants and the procedures for application.

Upgrading the infrastructure: The government should upgrade the level of infrastructure and technology in the area to enhance smooth operation of business. There should be an accessible road network, good communication network and uninterrupted electricity provision to encourage stability in the business process.

Employee training: The government should subsidize training for SMMEs in the Ngaka Modiri Molema District Municipality to encourage expertise and skills acquisition in managing the affairs of the organization.

Minimal Tax burden: The government should review the tax burden on SMMEs as they indicated that it is high and burdensome.

SMME credit: The government should encourage financial institutions to grant credit to SMMEs that qualify for grants to boost their financial capacity to encourage stability and expansion

5.4 Limitations of the study

Despite the fact that the research aims of this study were successfully achieved, the researcher is aware of the limitations and shortcomings of this study. The identified limitations of this study include:

5.4.1 Failure of the respondents to honour appointments

During the period of the study, some respondents failed to honour and accept questionnaires which resulted in re-scheduling of appointments, which was time wasting and had financial implications.

5.4.2 Inability of the respondents to complete questionnaires

The inability of the respondents to complete the questionnaires on time hindered the success of the study which caused the researcher to move from office to office till the questionnaires were completed

5.4.3 Lack of access to some SMMEs management personnel

The researcher faced some limitations during the period of the study due to lack of access to management personnel as they were absent from work due to external engagements or having meetings with sectional groups.

5.5 Conclusions

This study was carried out in the Ngaka Modiri Molema District Municipality to investigate the challenges facing the SMMEs in the area. The study discovered that there are several challenges facing the development of SMMEs in the district. These challenges include provision of simple and transparent rules for business operation, provision of credit opportunities, provision of subsidies for training, improvement of adequate infrastructure, availability of credit by financial institutions and provision of starting-up capital for the SMMEs. Furthermore, the inability to create awareness in the line of business, failure to provide efficient business plan and failure to involve business specialists retard the development of the sector.

Despite the fact that this study was conducted in a district municipality in South Africa, the researcher believes that the results/findings may be applied to other provinces of South Africa that fall under the same situation hold like beliefs, customs and traditions. The researcher concludes that the shortcomings faced in the SMME sector may be attributed to both the actions of the entrepreneurs and the government. Nevertheless, the situation can be salvaged if the recommendations as provided in the study will be implemented in the various local municipalities

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APPENDIX A QUESTIONNAIRE

NORTH-WEST UNIVERSITY
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

Dear Participant,

My name is Lorato Maria Gasealahwe, a Master of Commerce student of the North-West University, Mafikeng campus. I am conducting a research study on the challenges facing the development of SMMEs in your municipality. I wish to invite you to participate in the study by completing the attached questionnaire. The questionnaire will require approximately 5to 10 minutes to be completed.

Should you agree to take part in the study, please note that your participation will be voluntary and you may withdraw as and when you wish. I would also like to assure you that your identity will be kept secret and your responses will not be used against you.

Thank you for your assistance.

Yours sincerely,

Name: Lorato Gasealahwe

e-mail: loratogas@gmail.com

Cell: 082 9711033

Section 1: Personal characteristics of the respondents

1. Please indicate your gender

Male	Female

2. Please indicate your current age group in years

Less than 20	21- 25	26-30	31-35	36-40	Above 40

3. Please indicate the local municipality where your business is situated

Mahikeng	Ditsobotla	Ramotshere Moiloa

4. How many years have you been in this type of business?

Less than 1	2- 6	7-11	12-16	17-21	Above 22

5. What is your race?

Black	
Coloured	
White	
Indian	
Others	

6. What is your highest educational qualification?

Matric	
Undergraduate Diploma	
First Degree	
Post Graduate Diploma	
Honours Degree	
Master's Degree	
Doctoral Degree	

7. What is the section of your business?

Manufacturing	
Communication	
Transport	
Construction	
Retail and Wholesale trade	
Beverage and liquor	
Catering and Accommodation	
Finance and business services	
Mining	
Others	

Section 2: The challenges facing the SMMEs in the Ngaka Modiri Molema District Municipality.

Responses	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
I faced a lot of financial challenges in acquiring the start-up capital					
I don't have any financial support					
I have cash flow problems					
The legal requirements to start up the business is burdensome					
The government does not manage crime in my location					
The government does not grant credit easily					
There is inadequate infrastructures in my location					
There is low level technology in my location					
The government does not subsidize trainings for us					
We are not aware of any support by government agencies					
The tax levied on SMMEs are high					

Section 3: The level of education and its effect in keeping the business going.

Responses	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
I have a business plan that I use in managing my business					
I review my business plan consequent to the changing economic situations					
My organisation ensures that all the staff are satisfied					
We keep proper staff relation					
We maintain adequate customer relations and satisfaction					
Our organisation is located in a good site					
We have financial specialists that manage the flow of finance					
We have specialists that manage stock control					
We have business analysts that analysis the future of the business					
We maintain proper budget management					
My organisation creates awareness to the public about our existence through public media					

We have a good working internet					
We have specialists that can handle the internet business options					
We always improve our services always to keep the principles of innovation					

Section 4: The economic development programmes available to develop SMMEs in the district.

	Yes	No
Are you aware of any government assistances to SMMEs in your location?		
Are you aware of any economic development programmes in your location?		
If yes, did it help to support the growth of your business?		

Please rate the following government support to the SMMEs in your location.

Responses	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
I am aware of SEDA and its development opportunities					
I am aware of the assistance by the Centre for Small Business Promotion (CSBP)					

I am aware of the opportunities offered by the Department of Trade and Industry (DTI)					
There is availability of low interest loans by the government (Invest North-West)					
We receive support from the local government (Local Economic Development Unit LED)					
I receive support from the Department of Science and Technology					
I receive support from the Presidency (National Youth Development Agency)					
I receive support from the Department of Agriculture (Micro Financial Institute of SA)					
We are aware of the procurement policies provided by the government that stimulates the operation of our business (Invest North-West)					
I have been approached by several government agencies offering these supports					

Section 5: The legal frameworks that induce the smooth operation of SMMEs in NMMD

Responses	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
SMMEs in my municipality have efficient business registration procedures					
There is a simple and transparent rules for operations of SMMEs					
There is an evidence of supportive taxation system for SMMEs					
There is an effective and cost-efficient contract enforcement for SMMEs					
There is a streamlined system of arbitration and dispute resolution					
There is effective law enforcement and crime prevention control					

Section 6: Best practice to improve the development of SMMEs in NMMD

Question: SMMEs will improve if:

Responses	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
The government will help provide start-up capital for entrepreneurs					
The government will improve in the provision of credit opportunities					
The government will improve in the provision of adequate infrastructure					
The government will make subsidies for trainings					
The government will upgrade the level of technology					
There are availability of business experts in our establishment					
There is creation of awareness in our line of business					
There is simple and transparent rules for SMMEs					
There is an efficient business plan in our organisation					
There is the availability of credit opportunities by the government and other financial institutions					

Required Sample Size†

Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586