

Determining the challenges of SMEs in the Klerksdorp-Orkney-Stilfontein- Hartebeesfontein area

L Mthisi
20815689

Mini-dissertation submitted in partial fulfilment of the
requirements for the degree *Master of Business Administration*
at the Potchefstroom Campus of the North-West University

Supervisor: Dr HM Lotz

April 2015

ABSTRACT

Small and medium enterprises (SMEs) are very unique in nature and contribute immensely to the growth of the economy of any country in the world. Hence SMEs can be considered to be the greatest source of growth of the economy.

Regardless of these contributions, SMEs seem to be faced with an infinite number of problems and challenges. Although it is quite challenging for all businesses (from micro to large) to sustain and maintain a successful enterprise, SMEs face even more difficult challenges because of their unique small and medium sizes. The majority of which are caused by the Government (through restrictive regulations and a lack of SME focused policies), while some are internal, caused by the owners and/or managers.

The fundamental objective of this study was to explore and investigate the challenges and problems faced by SMEs and provide some recommendations to overcome these challenges especially within Klerksdorp Orkney Stilfontein Hartebeesfontein (KOSH) area.

A study consisting of 195 SMEs was conducted. Each SME faces its own unique challenges, such as lacking the management skills needed to run the business and difficulty accessing markets. Recommendations are suggested to both the Government and SMEs to help overcome these challenges and problems and to help sustain and grow these businesses successfully.

List of key words

Challenges, contribution, economy, entrepreneurship, and small and medium enterprises.

ACKNOWLEDGEMENTS

- To God, my heavenly father, thank you for blessing me so much and for being with me throughout this journey.
- To my mother, Merriem, thank you for instilling the value of education in me and encouraging me to keep pushing even when the times were tough.
- To my supervisor, Dr. H. Lotz, thank you for your valuable assistance and contribution.
- To Wilma Breytenbach, thank you very much for your statistical help.
- Wilma Pretorius, thank you for being there for the past three years, you made this journey easy for us. You were always there when I needed help.
- To City of Matlosana (HR Department), thank you for making learning conducive in the workplace.

TABLE OF CONTENTS

| | |
|---|------------|
| DECLARATION | i |
| ABSTRACT | ii |
| ACKNOWLEDGEMENTS | iii |
| CHAPTER 1: THE NATURE AND SCOPE OF THE STUDY | 1 |
| 1.1.1 INTRODUCTION | 1 |
| 1.2 PROBLEM STATEMENT | 3 |
| 1.3 RESEARCH OBJECTIVE | 3 |
| 1.3.1 Primary objective | 3 |
| 1.3.2 Secondary objectives | 4 |
| 1.4 SCOPE OF THE STUDY | 4 |
| 1.4.1 Field of the study | 4 |
| 1.4.2 Geographical/ industry demarcation | 4 |
| 1.5 RESEARCH METHODOLOGY | 5 |
| 1.5.1 Literature review | 5 |
| 1.5.2 Empirical research | 5 |
| 1.5.2.1 Research design | 6 |
| 1.5.2.2 Collection of data | 6 |
| 1.5.2.3 Data analysis | 7 |
| 1.6 LIMITATIONS OF THE STUDY | 7 |

| | | |
|------------|---|-----------|
| 1.7 | CHAPTER DIVISION | 7 |
| | CHAPTER 2: LITERATURE REVIEW: CONTRIBUTIONS AND CHALLENGES OF SMES | 8 |
| | 2.1 INTRODUCTION | 8 |
| | 2.2 NATURE AND OVERVIEW OF SMEs | 9 |
| | 2.3 CONTRIBUTION OF THE SMEs | 11 |
| | 2.4 CHALLENGES FACED BY SMALL AND MEDIUM ENTERPRISES IN SOUTH AFRICA | 12 |
| | 2.4.1 Lack of entrepreneurial and management skills | 13 |
| | 2.4.2 Lack of access to and awareness of business information | 14 |
| | 2.4.3 Inefficient institutional support environment | 14 |
| | 2.4.4 Lack of Capital and/ or Financial Resources | 15 |
| | 2.4.5 Lack of small business management education (training) | 16 |
| | 2.4.6 Lack of customer relation | 17 |
| | 2.4.7 Lack of credit access | 18 |
| | 2.4.8 Lack of Plan | 18 |
| | 2.4.9 Poor location (infrastructure) | 19 |
| | 2.4.10 Lack of managing cash-flow | 19 |
| | 2.4.11 Lack of Partnership and collaboration | 20 |
| | 2.5 PARTNERSHIP BETWEEN GOVERNMENT AND SMALL AND MEDIUM ENTERPRISES | 21 |
| | CHAPTER 3: RESEARCH METHODOLOGY | 24 |

| | |
|---|-----------|
| 3.1 INTRODUCTION | 24 |
| 3.2 EMPIRICAL STUDY | 24 |
| 3.2.1 Research design | 24 |
| 3.2.1.1 Section A: Personal information | 25 |
| 3.2.1.2 Section B: Source of start-up, industry, and structure of the participating businesses | 25 |
| 3.2.1.3 Section C: challenges of SMEs in the KOSH area | 25 |
| 3.2.1.4 Section D: Support and development of SMEs | 25 |
| 3.2.2 Population and sampling frame | 26 |
| 3.2.3 Data collection and research instrument | 26 |
| 3.2.4 Data analysis | 26 |
| 3.3 Reliability and validity | 27 |
| 3.4 Ethical Consideration | 27 |
| | |
| CHAPTER 4: REPORTING AND DISCUSSION OF RESULTS | 28 |
| 4.1 INTRODUCTION | 28 |
| 4.2 RESEARCH FINDINGS | 28 |
| 4.2.1 Results and Discussion | 28 |
| 4.2.1.1 Biographical information of respondents | 28 |
| 4.2.1.2 Structure of the participating businesses | 32 |
| 4.2.1.3 Source of start-up and the industry of the participating businesses | 37 |
| 4.2.1.4 Challenges and obstructions facing participating SMEs owners and/ managers | 41 |
| 4.2.1.5 Conduciveness of the geographical area (KOSH) to conduct business | 43 |
| 4.2.1.6 Support and developmental needs of SMEs | 44 |
| 4.3 Validity and Reliability | 47 |
| 4.3.1 Validity | 47 |
| 4.3.2 Reliability | 48 |
| 4.4 MEAN | 49 |

| | |
|---|-----------|
| 4.5 RESULTS AND DISCUSSIONs CONCLUSION | 50 |
| CHAPTER 5: CONCLUSION, LIMITATIONS AND RECOMMENDATIONS | 51 |
| 5.1 CONCLUSION | 51 |
| 5.2 LIMITATIONS | 52 |
| 5.5 RECOMMENDATIONS | 52 |
| BIBLIOGRAPHY | 54 |

LIST OF TABLES:

| |
|--|
| Table 2.1: Small Medium Micro Enterprises definition |
| Table 4.1: Results of the age group |
| Table 4.2: Results of the marital status |
| Table 4.3: Results of Gender |
| Table 4.4: Results of the Academic Qualifications |
| Table 4.5: Results of the structure of the participating business |
| Table 4.6: Result of the business industry |
| Table 4.7: Results of the legal status of the business |
| Table 4.8: Results of the business premises (location) |
| Table 4.9: Results regarding the business start- up information |
| Table 4.10: Results regarding the work experience |
| Table 4.11: Results regarding the path to business ownership |
| Table 4.12: Results of the assessment of the challenges facing SMEs Owners |
| Table 4.13: Conduciveness of the area as experienced by SMEs owners |
| Table 4.14: Training received by SMEs Managers- Owners |
| Table 4.15: Result of the support needs of SMEs |
| Table 4.16: Factor Analysis |
| Table 4.17: Cronbach Alpha Test |
| Table 4.18: Mean |

LIST OF FIGURES

Figure 4.1: Age Group Category

Figure 4. 2: Marital status

Figure 4.3: Gender

Figure 4.4: Academic Qualification

Figure 4.5: Business Size

Figure 4.6: Business Industry

Figure 4. 7: Legal Status

Figure 4. 8: Business Premises

Figure 4.9: Start-up funding

Figure 4.10: Work Experience

Figure 4.11: Path to business ownership

Figure 4.12: Types of training received

List of annexures

Annexure 1: QUESTIONNAIRE

Annexure 2: STATISTICAL ANALYSIS RESULTS

List of key words

Challenges, contribution, economy, entrepreneurship, and small and medium enterprises.

LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|--------------|---|
| BRICS | Brazil, Russia, India, China, and South Africa |
| CA | Cronbach Alpha |
| DTI | Department of Trade and Industry |
| GEM | Global Entrepreneurship Monitoring |
| KOSH | Klerksdorp, Orkney, Stilfontein, Hartebeesfontein |
| LED | Local Economic Development |
| MDF | Matlosana Development Forum |
| NDA | National Development Agency |
| NYDA | National Youth Development Agency |
| OECD | Organisation for Economic Cooperation and Development |
| SEDA | Small Enterprise Development Agency |
| SME | Small and Medium Enterprise |
| SMMEs | Small, Micro and Medium Enterprises |

CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

A strong business sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills.

How SMEs are dealt with in certain countries has a significant impact on the kinds of enterprises it will become. The Government therefore must promote protection and partnerships; protection and partnerships which involve commitment, motivation and joint efforts by the different stakeholders who have a vested interest in economic growth. The Government and business owners are some of the major stakeholders in growth and therefore their responsibility to rebuild respect and partnerships plays a big role.

As large enterprises have restructured and downsized small, medium and micro enterprises (SMMEs) have come to play an increasingly important role in South Africa's economy and development. The SMME sector has grown significantly in recent years. In 1996, around 19% of those employed were in the informal sector of the economy. By 1999 this had risen to 26%. The Government has therefore targeted the SMME sector as an economic empowerment vehicle for previously disadvantaged people. As a result, SMMEs have received significant attention and investment, ranging from the establishment of state-initiated projects to supportive legislation, a variety of funding institutions and Government incentives through the Department of Trade and Industry (DTI). The National Small Business Act, passed in 1996, helped to establish many of the supportive structures now in place. According to *Towards a Ten Year Review*, a discussion document reviewing the impact of the Government's policies since 1994, there were 2.3 million people who owned at least one Value Added Tax (VAT) nonregistered company. Of these, only 338 000 owners had employees, a total of 734 000. These numbers may raise the question of the job

creation potential of these enterprises, but it also demonstrates the level of self-employment, a large portion of which may be survivalist. Data on small and medium enterprises suggests that these enterprises contribute to about half of the total employment, and more than 30% of the total gross domestic product. Also, one out of five units exported is produced in the small and medium enterprise sector in South Africa (Brand South Africa, 2014).

Furthermore, according to the Banking Association of South Africa (2012), SMEs have been identified as productive drivers of inclusive economic growth and development in South Africa as well as around the world. Furthermore, Banking Association of South Africa have estimated that, in South Africa, small and medium-sized enterprises make up 91% of formalised businesses, provide employment to about 60% of the labour force and their total economic output accounts for roughly 34% of the GDP. While contributing significantly to the economy, SMEs foster diversification through their development of new and unsaturated sectors of the economy. In addition, innovative and technology-based small and medium enterprises can provide a platform for local, regional and international growth, especially in the Brazil, Russia, India, China, and South Africa (BRICS) economies. SMEs are considered an important contributor to the economy as drivers for reducing unemployment, especially since the formal sector continues to shed jobs.

Finally this chapter presents the nature and scope of this study and more specifically aims to:

- Explain the problem on which the study is based and provide a reason for undertaking the study.
- Present the primary and secondary objectives of the study.
- Describe the scope of the study.
- Provide a summary of the research methodology used in this study.
- Present the limitations of the study.
- Briefly describe the layout of the study.

1.2 PROBLEM STATEMENT

According to NCR (2011), there seems to be a consensus among policy makers, economists, and business experts that SMEs are drivers of economic growth. The dynamic role of SMEs in developing countries secures them as engines through which the growth objectives of developing countries can be achieved.

Related to the above statement, despite their significant importance and contribution to economic growth, SMEs across the whole world and in South Africa in particular, are still faced with numerous challenges that inhibit entrepreneurial growth. Apart from SME funding and access to finance (which is the focus of this study), the Global Entrepreneurship Monitor (GEM) Reports (2001-2010) noted that South Africa SMEs also suffer from poor managerial skills which is a result of a lack of adequate training and education. This results in high rates of business failure (S.A. has one of the lowest SME survival rates in the world), (NRC, 2011).

It is therefore very important to investigate the challenges and contributions of Small and Medium businesses in society and in building sustainable beneficial relationships between the public and private sectors. Small and medium enterprises play a crucial role in the growth of the economy, development and job creation. Many countries, including South Africa, depend fundamentally on the role of SMEs in supporting the growth of their national economy.

1.3 RESEARCH OBJECTIVES

The following primary and secondary objectives were set for this study:

1.3.1 Primary objective

The primary objective of this study is to explore and investigate the challenges and problems faced by SMEs, and to make recommendations that will help SMEs to overcome these challenges.

1.3.2 Secondary objectives

The following secondary objectives were devised as a means to address the primary objective:

- Define SMEs.
- Evaluate the role of SMEs in economic growth.
- To assess SMEs' challenges and/or failures.
- Recommend a long lasting relationship strategy between SMEs and the Government.

1.4 SCOPE OF THE STUDY

This section describes the field of study, industry demarcation and the geographical demarcation.

1.4.1 Field of study

The field of this study falls within the subject of entrepreneurship, namely business management and economics.

1.4.2 Geographical/ Industry demarcation

This study is limited to SMEs in the KOSH (Klerksdorp, Orkney, Stilfontein, and Hartebeesfontein) area in the North West Province.

The City of Matlosana Local Municipality, formerly known as City Council of Klerksdorp, is situated within the Dr Kenneth Kaunda District Municipality in the North West Province. The city of Matlosana incorporates four (4) cities/ towns namely: Klerksdorp, Orkney, Stilfontein and Hartebeesfontein. This gives the City of Matlosana a population of more than 350 000 inhabitants (Klerksdorp trade, 2014). Its main Economic Sectors are mining, agriculture, manufacturing trade, services,

construction and transportation. This area is approximated to be 3 561 km², with a substantial number of small and medium enterprises (City of Matlosana, 2014).

1.5 RESEARCH METHODOLOGY

This study was conducted over two phases. Phase one consisted of a literature review and phase two of the empirical research.

1.5.1 Literature review

The literature review for this study focused on the various aspects of the nature of SMEs and the economics. More specifically it focused on:

- Defining SMEs and assessing their role in economic development.
- An overview of SMEs.
- Examining the Government's support towards SMEs.
- The role of SMEs in economic growth.

The literature review consisted mainly of an analysis of secondary sources, such as books, journal articles, unpublished theses and dissertations, papers and internet sources, i.e. websites. The literature review aided in acquiring a thorough understanding of the problem that is being investigated, assisted in preparing a suitable empirical research methodology, and formed the basis of the questionnaire.

1.5.2 Empirical research

Empirical research mainly deals with the means of collection of data and the utilization of data (Riley, et al., 2007:18). The empirical research- for this study- consisted of the research design, sample design, the research instrument, and the method of data collection and the procedures for data analysis.

1.5.2.1 Research design

Mouton (2008:49) - defines research design as the plan of how you intend to conduct research. According to him, research design focuses on the end product, formulates a research problem as a point of departure and focuses on the logic of research.

In this research, a **Quantitative Research Design** was used to gather information on a few selected cases.

A 7 point Lickert scale was used to evaluate the questions asked on the questionnaires

| | | | | | | |
|--------------------------|-----------------|--------------------------|---------------------|-----------------------|--------------|-----------------------|
| Strongly Disagree | Disagree | Slightly Disagree | Neutral view | slightly Agree | Agree | Strongly Agree |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

1.5.2.2 Collection of data

The actual gathering of the data was done by means of the following procedure:

- An e-mail was sent to SEDA and the Matlosana Development Forum explaining the purpose of the study and requesting permission to distribute questionnaires to its members.
- After permission has been granted, the questionnaires were distributed and collected at a business seminar held at Klerksdorp.

1.5.2.3 Data analysis

The data collected will be analysed statistically, using Statistical Analysis System (SAS Institute Inc, 2011).

1.6 LIMITATIONS OF THE STUDY

The study endeavours to construct a contribution to the already existing knowledge of small and medium enterprises. The limitations regarding the study are presented below:

- The respondents are from KOSH region only and therefore does not represent the broader South Africa

1.7 CHAPTER DIVISION

- Chapter 1: The nature and scope of the study
- Chapter 2: Contributions and challenges of small and medium enterprises
- Chapter 3: Research Methodology
- Chapter 4: Discussion of the results
- Chapter 5: Conclusion, limitations and recommendations.

CHAPTER 2

LITERATURE REVIEW: CONTRIBUTIONS AND CHALLENGES OF THE SMEs

2.1 Introduction

The role of SMEs in South Africa is no different from other countries and the South African Government actively supports SMEs. In his address at the President's Conference on Small Businesses, former President Mandela cited the following three reasons for the importance of the SMEs in the South African framework (Okello-Obura & Matovu 2011):

- The development of SMEs is important for the social and economic development of the country, since they increase competitiveness and mobilise idle funds into productive aims.
- The SMEs development contributes to a more equal distribution of economic powers.
- The stimulation of SMEs can reduce the level of unemployment.

Furthermore, South Africa currently has the dubious distinction of boasting one of the highest failure rates for new SMEs in the world, at 75 percent. Moreover, the probability of a new SME surviving beyond 42 months in South Africa is the lowest among all the countries sampled in the Global Entrepreneurship Monitor (GEM) (SEDA, 2012:43).

This chapter consists mainly of an analysis of secondary sources such as books, journal articles, unpublished theses and dissertations, papers and internet sources i.e. websites. The literature review helped in acquiring a thorough understanding of the problem that was being investigated, assisted in preparing a suitable empirical research methodology, and formed the basis of the questionnaire.

2.2 The nature and overview of SMEs

According to the National Small Business Act 102 of 1996, “The SMME’s is defined according to the economic sector in which it operates”. Depending on an economic sector, a **small enterprise** is defined as having between 50 and 100 employees, a **medium enterprise** as having between 100 and 200 employees, a **micro enterprise** as having 5 or fewer employees, and a **very small enterprise** as having between 10 and 20 employees as shown in the table below:

Table 2.1 Small Medium Micro Enterprise (SMME) definition

| Enterprise | Employees |
|------------|-----------|
| Medium | 100-200 |
| Small | 50 -100 |
| Very small | 10-20 |
| Micro | 5 |

The term “small business” can mean anything to anyone, depending on where they are based and the requirements of that country. This study will follow the definition of a small business as defined by the National Small Business Act of 1996 of South Africa. This is as follows: a separate and distinct business entity, including cooperative enterprises and non-Governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a very small, a small, a micro or a medium enterprise (SMME).

The White Paper (1995:10) sub-divides small business as follows:

1. **Survivalist enterprises** - These are defined as enterprises that engage in activities carried out by people who are unable to find a paid job or get into an economic sector of their choice. These activities generate income that falls far short of even minimum standards. Little capital is invested and there are

virtually no skills training available in the particular field. Only limited opportunities are available for growth into a viable business.

2. **Micro-enterprises** - These refer to a very small business, often involving only the owner, some family member(s) and at the most one or two paid employees. These enterprises usually lack “formality” in terms of business licences, value-added tax registration, formal business premises, operating permits and accounting procedures. Most of these enterprises have a limited capital base. The operators of micro-enterprises only have rudimentary technical or business skills. However, many micro-enterprises advance into viable small businesses.
3. **Small enterprises** - These are regarded as the bulk of the established businesses, with employment ranging between five (5) and fifty (50). These enterprises are usually owned by a manager or are directly controlled by the owner-community. These enterprises are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements.
4. **Medium enterprises** - These are still viewed as basically owner/manager controlled, though the shareholding or community control base could be made more complex. They employ a maximum of two hundred (200) employees and have about R5 million worth of capital assets (excluding property). These medium-sized enterprises face obstacles and constraints that cannot be solved through normal market forces and private-sector action.

The researcher defines the failure of an SME as an enterprise that does not survive the third (3rd) anniversary of its existence.

According to the National Small Business Act, Small business means a separate and distinct business entity, including cooperative enterprises and non-Governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the

economy mentioned in column 1 of the schedule and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule opposite the smallest relevant size or classed as mentioned in column 2 of the Schedule (vii).

2.3 Contribution of small and medium enterprises to South African economy

Small and medium enterprises (SMEs) make a significant contribution to the economic development, social uplifting and political stability of every country. SMEs are diverse in nature. SMEs can be established for any kind of business activities in the urban or rural areas. It can be considered as the back bone of a national economy (Khalique et al, 2011: 398)

It is clear that as the world economy continues to move towards increased integration because of advances in technology, growth in developing countries, and reductions in trade barriers, some of the greatest opportunities for small businesses will derive from their ability to participate in the international market place.

In addition, according to Gatt (2012) SMEs are being recognised increasingly as productive drivers of economic growth and development for African countries. SMEs also make up 91% of formalised businesses in South Africa and 70% of the manufacturing sector in Nigeria. SMEs not only contribute significantly to the economy, but can also serve as an impetus for economic diversification through their development of new and unsaturated sectors of the economy. In addition, innovative and technology-based SMEs can provide an interesting platform for expanding outside of domestic borders, and entering intra-regional and international markets. In view of the increasing emergence of SMEs across sub-Saharan Africa and the significant potential that they hold, it is important to look at what kind of support SMEs receive and their development, success and potential across the African continent.

Furthermore, in South Africa- much emphasis has been placed on the potential of SMMEs to generate employment, thus contributing to poverty alleviation. The South African literature focuses on the role of SMMEs in local economic development, entrepreneurship, growth prospects and constraints. The importance of innovation in small business development is also emphasised (Booyens, 2011: 67).

Related to the above, SMEs have been identified as productive drivers of inclusive economic growth and development in South Africa and around the world. Some researchers have estimated that, in South Africa, small and medium-sized enterprises make up 91% of formalised businesses, provide employment to about 60% of the labour force and their total economic output accounts for roughly 34% of the GDP. While contributing significantly to the economy, SMEs foster diversification through their development of new and unsaturated sectors of the economy. In addition, innovative and technology-based small and medium enterprises can provide a platform for local, regional and international growth, especially in BRICS economies (Banking Association of SA, 2014).

SMEs are considered to be important contributors to the economy as the drivers for reducing unemployment, especially since the formal sector continues to shed jobs. Within both developed and developing countries of the world, it is now generally accepted by the Government of the day at local, provincial and national level, that SME's are becoming increasingly important in terms of employment, wealth creation and the development of innovation.

2.4 Challenges faced by small and medium enterprises in South Africa

There are a number of general barriers to entry and challenges that are faced by SMEs in South Africa. According to Bakhas (2009: 18) and King (2007), some of the consistent challenges include the following:

2.4.1 Lack of entrepreneurial and managerial skills

According to Bakhas (2009: 18), entrepreneurship is defined as a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced. Successful entrepreneurs further possess excellent business management skills, experience and know-how (Timmons & Spinelli, 2007:79).

Start-up entrepreneurs often lack skills across a number of relevant areas. Rather than in the area of small business management skills, such as business planning and accounting, the major gap appears to be in the area of strategic skills associated with entrepreneurship, including decision-making, risk-taking, information processing, opportunity recognition, resource organisation, market awareness and product management. Furthermore, there are a number of common weaknesses in entrepreneurship training provision (OECD, 2010: 8).

Bakhas (2009) further indicates that the above-mentioned studies all found that South Africa SME owners and managers lack sufficient entrepreneurial skills, business intelligence and suitable management experience. This increases the risk perception of lenders and financiers and thus hinders SME access to finance. Although there is evidence indicating that SMEs are constrained by a lack of access to finance, the supply of finance is actually constrained by management's weaknesses and poorly presented business plans that do not meet the requirements and standards of financiers (Malhotra et. a/., 2006:14; Orford & Wood, 2005:32).

Furthermore, this includes a lack of skills, expertise and experience within some SMEs to market their product offerings effectively to end users (Mthete, 2012:1).

In addition, a lack of managerial skills can ruin any business. Every entrepreneur must seek to always upgrade and refresh their managerial skills if they intend to run their venture well. Also, if you do not manage your time well, you are surely heading for failure. Time management skills are important if you want to be successful as an entrepreneur. Forming a habit around keeping and maximizing time is highly necessary (Belonwu; 2013).

2.4.2 Lack of access to and awareness of business information

According to Bakhas (2009: 18), business information is defined as the conversion and packaging of raw data into a format that easily enables the user to make a decision pertaining to a business need (Thomas & Ballard, as cited in Chiware, 2008:25). Access to and awareness of business information has been identified as an impediment to SME growth and development (Chiware, 2008:1).

A lack of information about what is working, and what is not working, in the business, can become an issue. Often companies do not measure their results, and when something specific causes a blip (constructive or unconstructive) in their results, they do not know what has brought about the status quo.

According to Matovu and Okello-Obura (2011), SMEs need to have access to adequate information to enhance productivity and to facilitate market access. The establishment of an active SME sector - and the effective utilisation of quality business information - has been identified as crucial in attaining long-term and sustainable economic growth for developed and developing countries (Corps, 2005). However, in the most developing countries, the SMEs sector suffers from inadequacies in the provision of business information – since it is only available from stand-alone institutions; is often slow and cumbersome to access; is limited in scope; and is not provided in an integrated manner.

Bakhas (2009) further indicates that SMEs, particularly in developing economies, are not only unaware of the existence of national business information but are also discouraged from using it, due to the cumbersome procedures involved in accessing the information (UNIDO, 2003:3). A study investigating the SME financing gap reported that SME surveys in all countries indicate that insufficient information about the different financing options constitutes a barrier to finance (OECD, 2006:27).

2.4.3 Inefficient institutional support environment

The challenges experienced by South African SME's have been appropriately acknowledged by the Government through its SME development and intervention

policies. In this regard, the Department of Trade and Industry's (DTI) strategy on the promotion of entrepreneurship and small enterprises (2005:4), is based on three strategic pillars (to increase the supply of financial and non-financial support services; to create demand for small enterprise products and services, and reduce small enterprise regulatory constraints) and underpinned by efforts to improve the availability of quality business information and knowledge through expanded research and communication outreach (Bakhas, 2009:20).

More concerning is that South Africans have a very low perception of potential business opportunities, do not believe that they have the skills necessary to start a business and have very low intentions to do so. (The perception of opportunities was recorded at 41% in S.A.; compared to 81% in Zambia; 80% in Uganda; 75% in Ghana; and 67% in Angola). This goes a long way to elucidating why South Africa has a lower activity rate and SMME development is severely lagging behind. South Africa also falls very short in other areas of the Global Competitiveness Index, such as labour market competence (95 of 142 countries); hiring and firing strictness (139); flexibility of wage determination (138); education quality, -primary (131) and- higher (73); crime (136); and health (65), (Newline, 2008).

2.4.4 Lack of Capital and/ or Financial Resources

According to King (2007), a lack of capital is often the most critical challenge that a successful SME faces as its very success creates this and it quickly becomes a vicious circle.

Furthermore, despite the strategic contribution and the role that SMEs play in developing a vibrant economy, the challenges that they encounter in accessing finance, remains a universal problem. It has therefore been proposed that further research focusing on the immediate obstacles that have to be overcome in order to improve access to entrepreneurial finance, is necessary (Maas & Herrington, 2007:60).

A World Bank Enterprise Survey found that the smaller firms are less likely to have access to capital – a factor that constrains their ability to grow and become more productive. They are also more likely to rely on informal sources of capital – a factor

that is often negatively associated with growth and firm performance. Access to finance is disproportionately difficult for smaller firms in the least developed countries (LDCs), with 41 percent of SMEs in LDCs reporting access to finance as a major constraint to their growth and development, by comparison to 30 percent in middle-income countries (MICs) and only 15 percent in high-income countries (World Bank, 2013).

As SMEs' financial resources are often limited, it often forces companies to select a solution, which appears to be cheap initially. However, the hidden costs will start to emerge during implementation. This sometimes causes the project to be abandoned or sometime sent the company into a further financial crisis (Hutex, 2014). Hence lack of capital and financial resources pose challenge for SMEs.

2.4.5 Lack of small business management education (training)

This particular problem is broad but includes weaknesses in terms of business knowledge, a lack of management skills, poor or inadequate planning, and inexperience. There is an overreliance on the single ownership manager of most small firms, as well as a reluctance to move away from this managerial tendency on the part of the owner/-manager. This results in and translates into poor human resource practices where no new qualified personnel are hired or authority and responsibilities are delegated to other employees (Tsoabisi, 2012: 47).

A lack of management skills is a problem that is very difficult to deal with in most SMEs as the size of the senior management team is necessarily limited. These areas of weakness could be in finance, human resources, marketing, any area where the current management does not have the expertise, or the time to deal with the issues (King, 2007).

A lack of effective management during their early stages is a major cause of business failure for small and medium sized contractors. Owners tend to manage their businesses themselves as a measure of reducing operational costs. Poor record keeping is also a cause for start up business failure. In most cases, this is

neither only due to the low priority attached to this activity by new and fresh entrepreneurs, but also a lack of basic business management skills. Most business people, therefore, end up losing track of their daily transactions and cannot account for their expenses and profits at the end of the month. During the early stages of some business start-ups, owners were unable to separate their business and family/domestic situations. Business funds were put to personal use and thus used in settling domestic issues. This has a negative impact on profitability and sustainability. Some owners/managers employ family members simply because of kinship relations. In some cases, these appointments have turned out to be undisciplined and ineffectual, a factor that has led to the eventual and sometimes rapid failure of businesses (Thwala & Phaladi, 2009:199).

Small businesses need to improve their management skills, their capacity to collect information and their technology base.

2.4.6 Lack of customer relations

According to Tsoabisi (2012, 46) marketing aspects such as poor location and structures, failure to interact with prospective clients and customers and deficiency in a customer-friendly approach also negatively affect the success and elevation of SMEs.

Furthermore, a largest number of businesses fail because they are over-reliant on a very small number of clients. It takes just one unexpected closure to result in significant financial hardship. Short-term future earnings can be massively reduced, and invoices for completed work can go unpaid. While maintaining caution about spreading yourself too thin, you should try not to rely on a very small client base. If you deal with a very few clients, or if a small number make up the bulk of your turnover, you should begin scouting for new work (Hall, 2010).

Having customers patronize you, is the number one reason why you are in business as an entrepreneur. If you treat your customers badly, then rest assured you will be out of business soon (Belonwu; 2013).

2.4.7 Lack of credit access

A lack of credit access places a heavy burden on entrepreneurs to raise large amounts of capital for business development themselves and makes it hard for ideas to grow into enterprises. Improving access to credit is thus crucial if SMEs are to reach their potential and allow businesses to move from start-ups to established businesses with growth potential. Credit is also essential for creating an entrepreneurship spirit as it allows businesses to fail and rebound rather than just fail. Indeed, it is common for a number of start-ups and small businesses to fail, and a climate that allows failure, allows an entrepreneur to learn from that failure and start afresh. It is in such an environment that innovation and success can thrive the most. Supporting this statement, Ernst & Young's recent survey on entrepreneurship found that most respondents were 'serial entrepreneurs' in that they have launched one or two other companies before achieving success (Gatt, 2012).

Related to the above, constraints to accessing credit are rated consistently as one of the greatest barriers to the operation and growth of firms. Moreover, credit constraints affect SMEs more severely than large firms. Due to the low level of disaggregation of publicly available credit data, many questions regarding the pattern of formal SME financing remain unanswered. In this context, one is often reliant on perceptions. The demand side perceives that financing from the formal financial sector is scarce, expensive and short-term. The supply side (financial institutions) perceives that opportunities of acceptable quality are too rare and that too many obstacles must be overcome (Fuchs *et al*, 2011: xi).

Furthermore, funding gaps for smaller firms are a major impediment to growth. Wide variance in the profitability, survival and growth of SMEs compared to larger firms brings special financing problems. Owners and managers of smaller firms often lack commercial experience and/or a track record as entrepreneurs.

2.4.8 Lack of a Plan

Lack of a plan is often a fundamental problem for many SMEs. The arguments for planning are many and irrefutable and yet this is a very common failing for most SMEs, except those enjoying very rapid growth. In addition, the greatest failing is

that owners/ managers are not pausing in their proceedings to plan and create solution for the issues and solutions that are absorbing so much of their time and energy (King, 2007).

2.4.9 Poor location (infrastructure)

According to Tsoabisi (2012: 46), a change in the socio-political sphere has brought about some changes in the market economy.

Furthermore, considering the current supply side measures and its effectiveness to date, smaller towns and rural areas enjoy even less support from the Government institutions in terms of fostering an enabling environment conducive to creating and or expanding SME'-s, as opposed to urban areas. In addition, many services under the auspices of Local Economic Development (LED) are available through local Government structures, such as municipalities. Although they are mostly aware of problems faced by entrepreneurs in their respective districts, most of these municipalities unfortunately do not have the capacity to render efficient or effective support to existing and would-be entrepreneurs (Peters & Naicker, 2013: 1).

2.4.10 Lack of managing cash flow

According to Longenecker *et. al.* (2007: 298), cash-flow problems are a frequently expressed concern of small business owners. They believe that if a small business owner does not understand how decisions impact cash-flow they are almost surely destined to fail.

Furthermore, poor cash-flow management is the primary reason for a vast proportion of business failures. Many profitable companies find that they are, for all practical purposes, insolvent – simply because of uneven cash-flow. Your year-end profit and loss sheets are virtually irrelevant here; the key is to have enough cash coming in to meet your necessary expenditure on a month-by-month basis (Hall, 2010).

Related to the above, without very diligent cash-flow management and/or raising of more capital, including debt, the business often is constrained by a lack of capital as it grows. Often the profit in one operating cycle is insufficient to fund the extra

working capital required for the next operating cycle. This is especially the case where a business is either inventory or receivables intensive and/or the operating cycle is a long one. This can be made even worse where capital goods are required to process the goods, and the company cannot finance the acquisition of these capital assets. Many capable entrepreneurs cannot overcome the obstacles in their businesses' cash-flow cycle and cannot understand why bankers and other lenders often cannot provide the financing, as the SME often does not have the security to support the debt (King, 2007).

Furthermore, McGregor (2004) discovered that many owners of businesses cannot genuinely tell where their hard-earned cash has gone, let alone predict where it will be going in the future. In terms of cash-flow, one needs to know how to track the money coming into and going out of your business – even a profitable venture will flounder if it runs short of cash. In addition, one must learn to make cash-flow projections that will help you decide how much money you can afford to spend and warn you of impending trouble. If small business owners do not take cash-flow into consideration, their businesses will not flourish (Mboyane, 2006:19).

2.4.11 Lack of partnerships and collaboration

Although the business environments in developing countries differ in many aspects from that of developed countries, the problems of servicing SMEs are similar, namely- high perceived risk, information asymmetries and high administrative costs (Abereijo & Fayomi, 2005:222). Successful and recent innovations in developed countries aimed at improving SME access to finance, can however provide valuable insights for financial and support organisations in developing economies to become more SME-oriented, and to increase the volume of financing and the quality of their services to this sector (Abereijo & Fayomi , 2005:222).

It is noted from the experiences of financial institutions in developed countries that the provision of SME finance is closely linked to the delivery of business development services so as to improve the sustainability of SME businesses and their ability to repay loans (Abereijo & Fayomi, 2005:226). Initiatives undertaken by banks to better serve the SMME sector include cooperating with SMME support

organisations in order to reduce the risks and costs associated with the financing of SMEs (Ganbold, 2008:13).

Research undertaken by Sievers and Vandenberg (2007:1350) indicate that SMEs that have received Business Development Services (BDS), such as skills development, management training and marketing support achieved better business results, which in turn allowed them to access finance more easily and with longer maturities. As a result, linkages between financiers and BDS providers lead to mutually beneficial relationships for both parties and greatly benefits SMEs (Bakhas, 2009).

2.5 Partnership between the Government and small and medium enterprises

One of the challenges faced by SMEs in South Africa remains their inability to maintain an effective presence within the economic system for a relatively long period of time. A need exists to investigate the existence of SMEs as well as how they can promote Local Economic Development (LED). The presence of supporting entities in the economic system and the vitality of this role suggest that SME programmes and projects should reasonably operate in a favourable environment created by municipalities. The primary role of municipalities is defined in the Constitution of the Republic of South Africa, 1996 (the Constitution), as the “promotion of social and economic development” and reinforced in the White Paper on Local Government of 1998 and other associated legislation, such as the White Paper on Municipal Service Partnerships of 2000 and the Municipal Systems Act 32 of 2000. Sections 152(c) and 153(a) of the Constitution- Act 108 of 1996- state that a municipality must “structure and manage its administration, budget and planning processes, to give priority to the basic needs of the community and to promote the social and economic development of the community” (Tsoabisi, 2012: 42).

Related to the above, the South African Government, through legislation and other policies aims to support the development of sustainable local economies, through integrated Government action. This developmental action stimulates the heart of the economy, which consists of a collection of enterprises including cooperatives that operate in local municipal areas. In this regard, LED strategy is not about what

municipalities do, but more critically about what the three spheres of government do together with municipalities in supporting the generation of local economies through functional and effective SMEs. In order to unpack the notion of SMEs within municipalities in the context of this article, it is necessary to firstly understand the conceptualisation of LED as applied in this article (Tsoabisi, 2012: 42).

If the Government's strategy to use the SME sector is to have any significant success, focus must be placed on developing competent entrepreneurs, especially amongst those classified as previously disadvantaged persons (Peters & Naicker, 2013: 1).

According to Falkena *et al.* (2014) businesses are commonly subject to legislation that falls under different spheres of the Government, extending from local to national levels. This raises the need for inter-Governmental policy co-ordination. The local government's legal framework is of particular significance in this regard. Business firms are predominantly governed by local economic legislation, and the efficacy and efficiency of local governments play decisive roles in the success of SMEs.

Some Governments make it increasingly difficult for local businesses to flourish through burdensome regulations that lengthen important procedures and raise the stakes of failure. However, this is not the case across the continent and a number of countries have since made significant improvements to their business regulations (Gatt, 2012).

Related to the above, Falkena *et al.* (2014), points out the following basic elements of a favourable legal framework for business promotion that the Government needs to ensure:

- Well-entrenched property rights (legal tenure).
- Efficient business registration procedures.
- Simple and transparent rules for operations.
- Supportive taxation policies.
- Effective and cost-efficient contract enforcement.
- Streamlined systems of arbitration and dispute resolution.

- Effective law enforcement and crime prevention.

All these factors are critical for the viability and sustainability of business enterprises.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

The rationale of the study was to establish the challenges and problems of the SMEs. A questionnaire was developed, distributed and analysed. A quantitative method was used for this study.

The literature review that has been conducted for this study is based on the essential research question of the study and forms the basis of the research. The prominent themes originating from the literature review recognises earlier established research on the topic and presents the reader with background information pertaining to the research question and objectives. In order to determine the factors that obstruct and challenge SMEs' ability to grow and the recommendations that can help grow SMEs, the researcher consulted relevant journal articles, publications and reports, and research reports related to the topic.

This chapter aims to provide information on the empirical study conducted. The empirical research for this study consists of the research design, sample design, the research instrument, method of data collection and the procedures for data analysis.

3.2 Empirical study

3.2.1 Research design

According to Mouton (2008:49), research design addresses a question that is considered key, namely; what type of study could be undertaken to provide acceptable answers to the research question or problem.

The literature study provided important insight into the identification of aspects affecting and influencing SMEs. Standard questionnaires, initially developed by Prof.

Stephan van der Merwe (2012) and edited by the researcher, were used to gather data for this study. Information was gathered regarding the biographical information of the participating SMEs, the structure of their businesses, the challenges that they are currently experiencing and their support and development needs.

The questionnaire consisted of four sections and was structured as follows:

3.2.1.1 Section A: Personal information

This section aimed to gather specific information of respondents such as age, gender, marital status, designation, highest qualification, number of years of experience in SMEs.

3.2.1.2 Section B: Source of start-up, industry, and the structure of the participating businesses

This section aimed to gather the source of start-up information and the structure of the participating SMEs.

3.2.1.3 Section C: challenges of SMEs in the KOSH area

Section C's questions aimed to gather information regarding the challenges that the SMEs encountered. It further intended to determine the conduciveness of the area with regard to business.

3.2.1.4 Section D: Support and development of SMEs

The last section of the questionnaire aimed to identify the knowledge that SMEs' owners / managers have about the existing organizations developed specifically to assist SMEs.

3.2.2 Population and sampling frame

The target population of this study was small and medium-sized enterprises in the KOSH area. A convenience sample was used, by means of an availability sampling technique, to identify SMEs that could participate in this study. Respondents for the actual study were identified through the Matlosana Development Forum (MDF) and the Small Medium Development Enterprise (SEDA) business seminar. A total number of 266 Owners and/ or managers, residing in the KOSH area, were handed questionnaires at the seminar.

3.2.3 Data collection and the research instrument

In order to establish the challenges of the Small and Medium Enterprises in the Klerksdorp Orkney Stilfontein and Hartebeesfontein area, the researcher developed a research instrument in the form of a prearranged questionnaire. The researcher selected the closed- end (7 point Likert scale) technique to gather quantitative data.

Questionnaires were distributed by hand to the SMEs' owners/ managers listed on the database. A total of 195 (73% response rate) usable questionnaires were returned, which were subjected to further statistical analysis.

3.2.4 Data analysis

The data collected was statistically analysed by using the Statistical Analysis System (SAS Institute Inc, 2011). Data from the questionnaires were coded, investigated for integrity, analysed and presented in useful outputs, such as frequency tables. The frequency tables were utilised to draw conclusions and to make recommendations regarding the development of SMEs in the KOSH area.

3.3 Reliability and validity

According to Pallant (2007:6), reliability of a scale shows how free it is from a random error. For the most part, reliability is tested together with validity. Pallant (2007:7) further stated that validity refers to the extent to which it measures what it is supposed to measure.

3.4 Ethical Consideration

The researcher requested permission from MDF and SEDA to distribute the questionnaires. In order to secure participation in the study, the researcher clarified the relevance and objectives of the study and guaranteed potential respondents of anonymity and discretion.

CHAPTER 4

RESULTS AND DISCUSSIONS

4.1 INTRODUCTION

This chapter aimed to present, analyse, report and the discuss findings that were gathered by means of the questionnaire.

Questionnaires were collected after completion and were submitted to Statistical Consultation Services for statistical analyses at the North-West University, Potchefstroom Campus.

4.2 RESEARCH FINDINGS

The primary objective of this study was to explore and investigate the challenges and problems faced by SMEs, and to make recommendations that will help SMEs to overcome these challenges.

SMEs could efficiently and successfully collaborate to support and help each other grow within the KOSH area.

4.2.1 Results and discussion

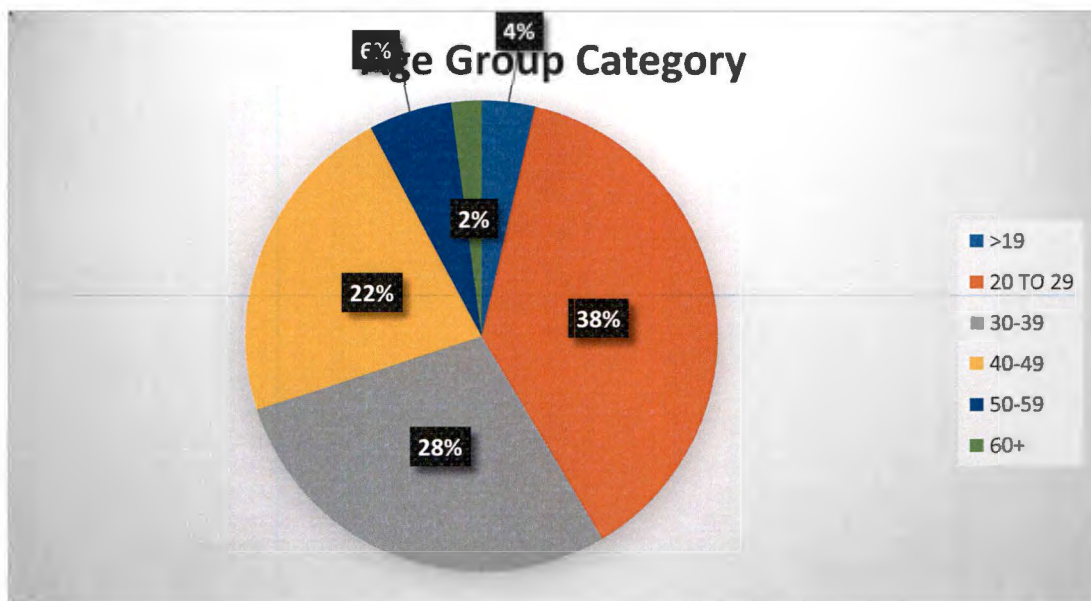
4.2.1.1 Biographical information of respondents

Biographical information of the owner-managers of the participating SMEs within the KOSH area was obtained, including their age group classifications, gender, marital status and highest academic qualifications (see Table 4.1 below).

Table 4.1: Results of the Age group category

| variable | Frequency | Percentage |
|----------------------------|-----------|------------|
| Age group category | | |
| Younger than 19 years old | 7 | 3.63% |
| Between 20 to 29 years old | 55 | 28.50% |
| Between 30 to 39 years old | 73 | 37.82% |
| Between 40 to 49 years old | 43 | 22.28% |
| Between 50 to 59 years old | 11 | 5.70% |
| Older than 60 years old | 4 | 2.07% |

Figure 4.1: Age group category

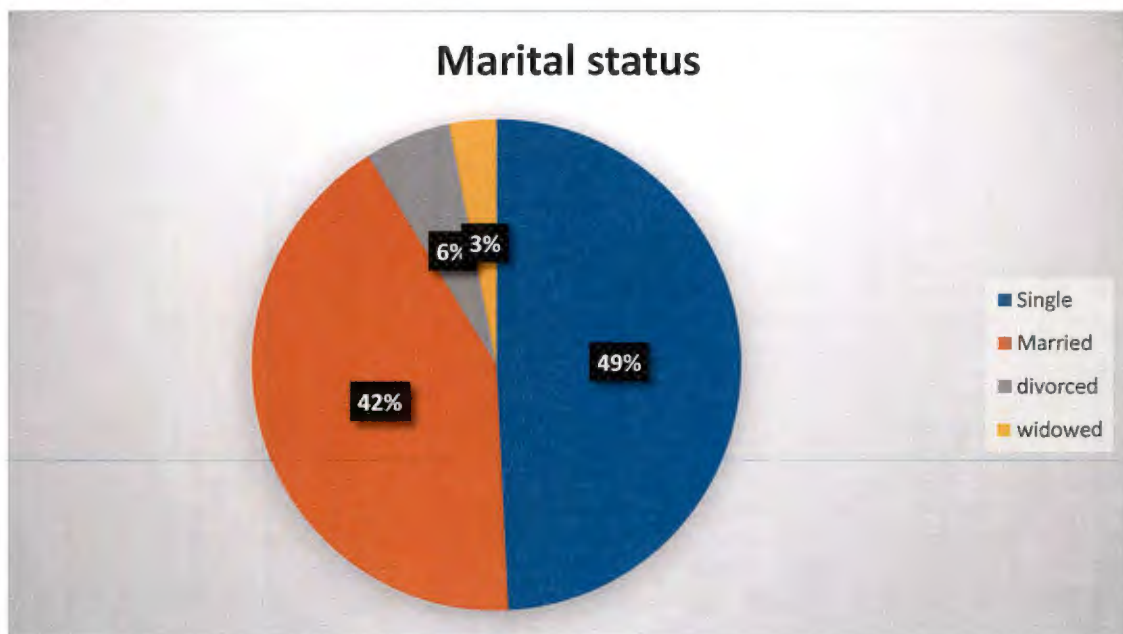


It was evident from the results that the participating SMEs managers/ owners were reasonably experienced (older than 20 years), with 73 (37.82%) who were between the ages of 30 and 39, a further 55 (28.50%) owners or managers were between the ages of 20 and 29, while 43 (22.28%) were between the ages of 40 and 49. A total of 11 (5.70%) of SMEs owners and managers were between the ages of 50 and 59. Lastly, only 4 (2.07%) owners or managers were 60 years of age and older.

Table 4.2: Results of their marital status marital status

| Marital status | | |
|----------------|----|--------|
| Single | 95 | 49.22% |
| Married | 81 | 41.97% |
| Divorced | 11 | 5.70% |
| Widowed | 6 | 3.11% |
| Not indicated | | |

Figure 4.2: Marital Status

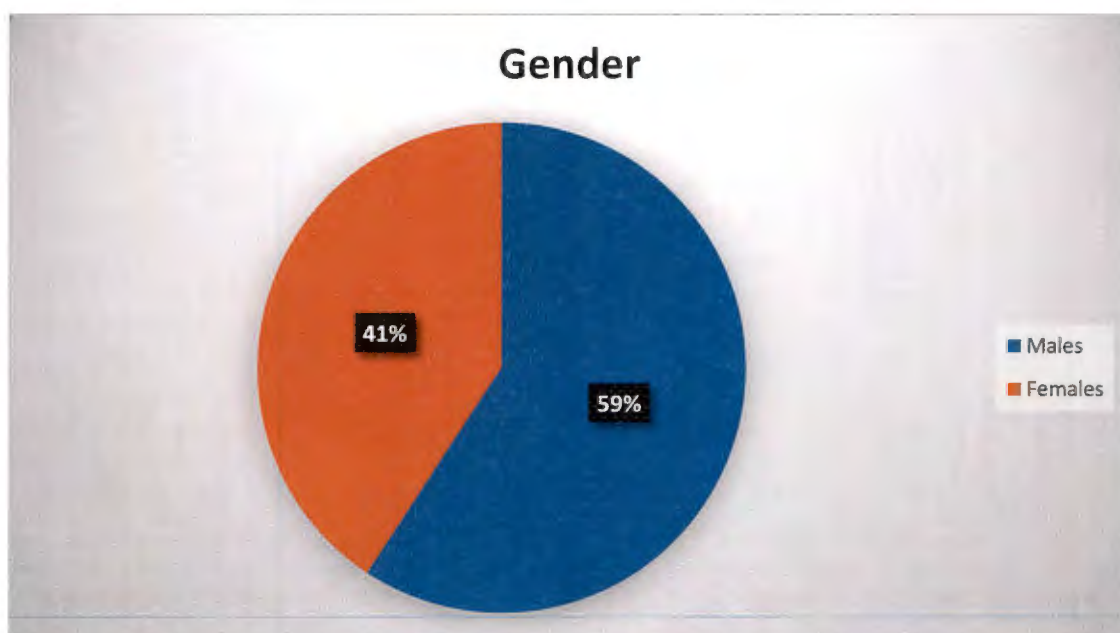


A sum of 95 (49.22%) managers or managers were single (unmarried), while 81 (41.97%) were married, and 11 (5.70) owners or managers indicated that they were divorced. Lastly, only 6 (3.11%) were widowed.

Table 4.3: Results of Gender

| Gender | | |
|--------|-----|--------|
| Male | 112 | 59.26% |
| Female | 77 | 40.74% |
| Other | | |

Figure 4.3: Gender



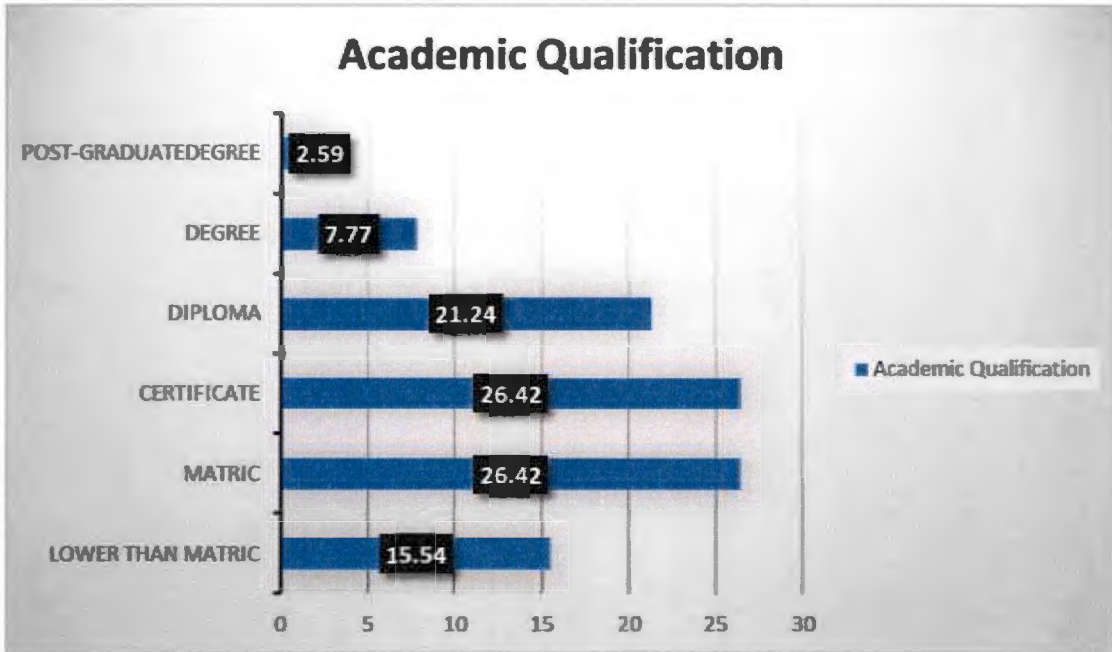
A total of 112 (59.26%) males dominated the industry, however the gap seemed to be closing as women stood at 77 (40.74%).

Table 4.4: Results of the academic qualifications

| Highest academic qualification | | |
|--------------------------------|----|--------|
| Lower than matric | 30 | 15.54% |
| Matric | 51 | 26.42% |
| Certificate | 51 | 26.42% |

| | | |
|-----------------------------|----|--------|
| Diploma | 41 | 21.24% |
| Degree | 15 | 7.77% |
| Post-graduate qualification | 5 | 2.59% |

Figure 4.4: Academic qualification



Furthermore, also of great importance was that 51 (26.42%) managers obtained a matric and FET certificate respectively, while 41 (21.24%) had a diploma, 15 (7.77%) of them obtained a Bachelor's degree. Only 5 (2.59%) of them obtained a post-graduate qualification, while 30 (15.54%) had an academic qualification lower than matric.

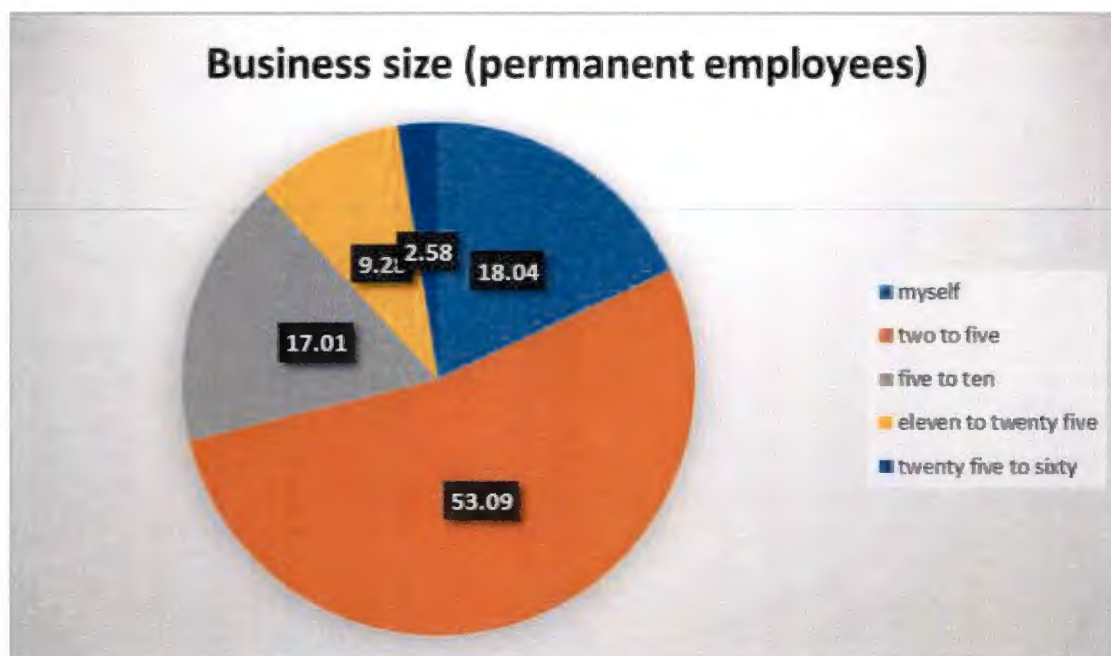
4.2.1.2 Structure of the participating businesses

Details on the structure of the participating SMEs were gathered and were presented in Table 4.5, these include: business size, business industry, legal status of the business and the business premises.

Table 4.5: Results of the structure of the participating businesses

| Variable | Frequency | Percentage |
|--|-----------|------------|
| Business size (permanent employees) | | |
| Myself | 35 | 18.04% |
| Between 2 to 5 employees | 103 | 53.09% |
| Between 5 to 10 employees (very small) | 33 | 17.01% |
| Between 11 to 25 employees (small) | 18 | 9.28% |
| Between 26 to 50 employees (small) | 5 | 2.58% |
| Between 51 to 200 employees (medium) | - | - |
| Not indicated | | |

Figure 4.5: Business size



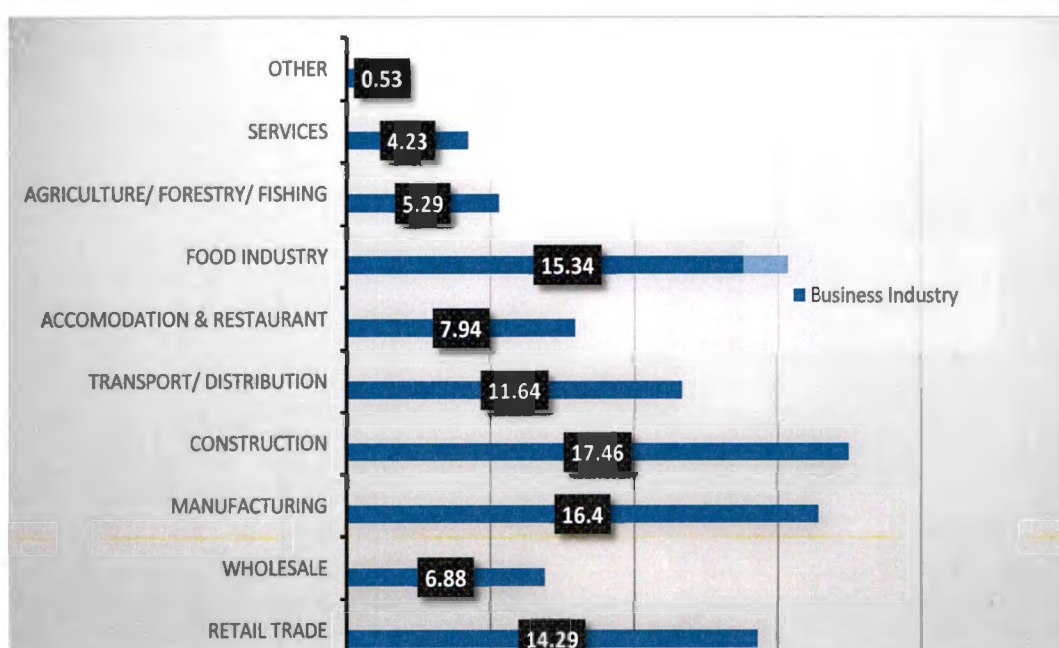
A total of 103 (53.09%) SMEs had a compliment of permanent staff ranging from 2 to 5 employees, while 35 (18.04%) were operated by the owner or manager alone. Only 33 (17.01%) had employed between five to ten staff members, while 18

(9.28%) had between 11 and 25 permanent employees. Lastly, only 5 (2.58%) reported to have 26 or more employees.

Table 4.6: Results of the business industry

| Industry | | |
|--------------------------------|----|--------|
| Retail trade | 27 | 14,29% |
| Wholesale | 13 | 6.88% |
| Manufacturing | 31 | 16.40% |
| Construction | 33 | 17.46% |
| Transport/ distribution | 22 | 11.64% |
| Accommodation & restaurant | 15 | 7.94% |
| Food industry | 29 | 15.34% |
| Agriculture/ forestry/ fishing | 10 | 5.29% |
| Services | 8 | 4.23% |
| Other | 1 | 0.53% |

Figure 4.6: business Industry

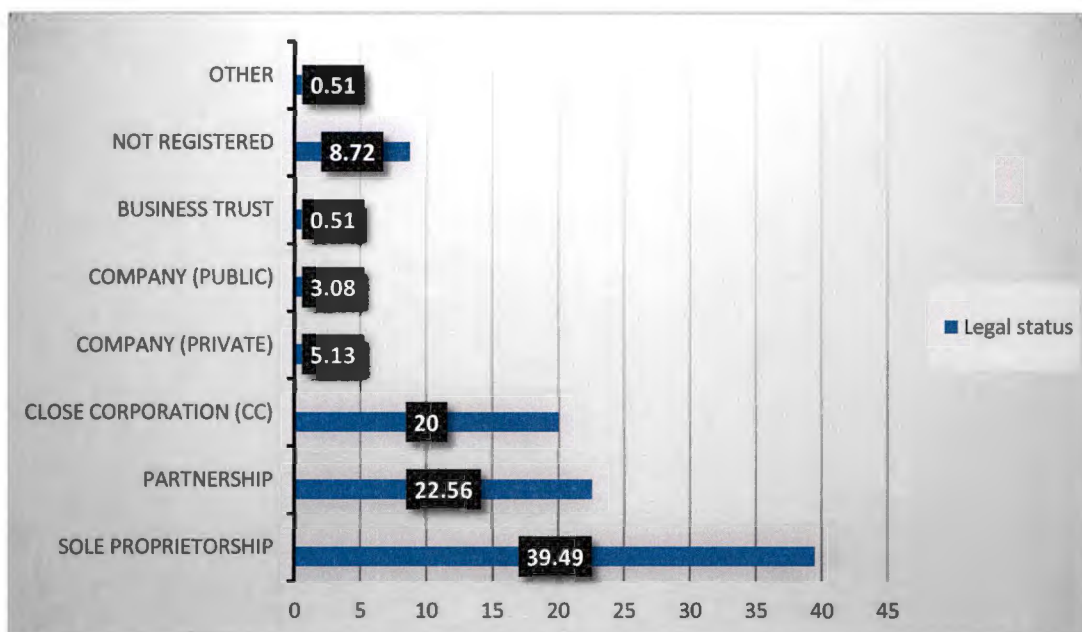


A sum of 33 (17.46%) SMEs were operating in the construction area, 31 (16.40%) were in manufacturing, 29 (15.34%) operated in the food industry (such as restaurants), while a total of 27 (14.29%) SMEs operate in the retail trade. Furthermore, a total of 22 (11.64) SMEs operated in the transportation and/ or distribution industries, and 15 (7.94%) in the accommodation & restaurant industry. The wholesale industry is represented by 13 (6.88%) SMEs, while 10 (5.29%) SMEs operated in agriculture/ forestry/ fishing.

Table 4.7: Results of the legal status of the business

| Legal status | | |
|------------------------|----|--------|
| Sole proprietorship | 77 | 39.49% |
| Partnership | 44 | 22.56% |
| Close corporation (CC) | 39 | 20.00% |
| Company (Private) | 10 | 5.13% |
| Company (Public) | 6 | 3.08% |
| Business Trust | 1 | 0.51% |
| Not registered | 17 | 8.72% |
| Other: | 1 | 0.51 |

Figure 4.7: Legal status of the business

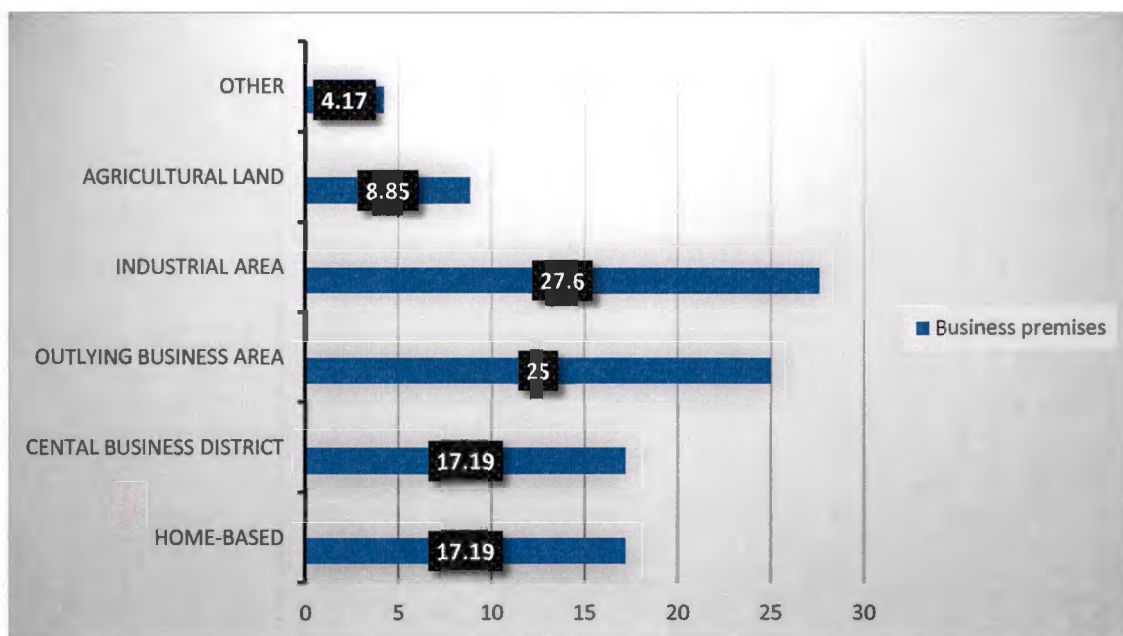


The majority of the participating SMEs' operated as Sole Proprietorships 77 (39.49%), with 44 (22.56%) that were in Partnership, while 39 (20.00%) were operating as Close Corporations. A total of 10 (5.13%) SMEs were in Private Companies, and 6 (3.08%) in Public Companies. Lastly, 17 (8.72%) SMEs were not registered.

Table 4.8: Results of business premises

| Business premises | | |
|--------------------------------|----|--------|
| Home-based | 33 | 17.19% |
| Central business district(CBD) | 33 | 17.19% |
| Outlying business area | 48 | 25.00 |
| Industrial area | 53 | 27.60% |
| Agricultural land | 17 | 8.85% |
| Other | 8 | 4.17% |

Figure 4.8: Business premises



A total of 53 (27.60%) SMEs operated from industrial areas, 48 (25.00%) operated from outlying business areas, while 33 (17.19%) were home-based or operating from the Central Business District respectively. A sum of 17 (8.85%) SMEs were operating from agricultural land, with only 8 (4.17%) being operated from various areas that were not mentioned.

4.2.1.3 Source of start-up and the industry of the participating businesses

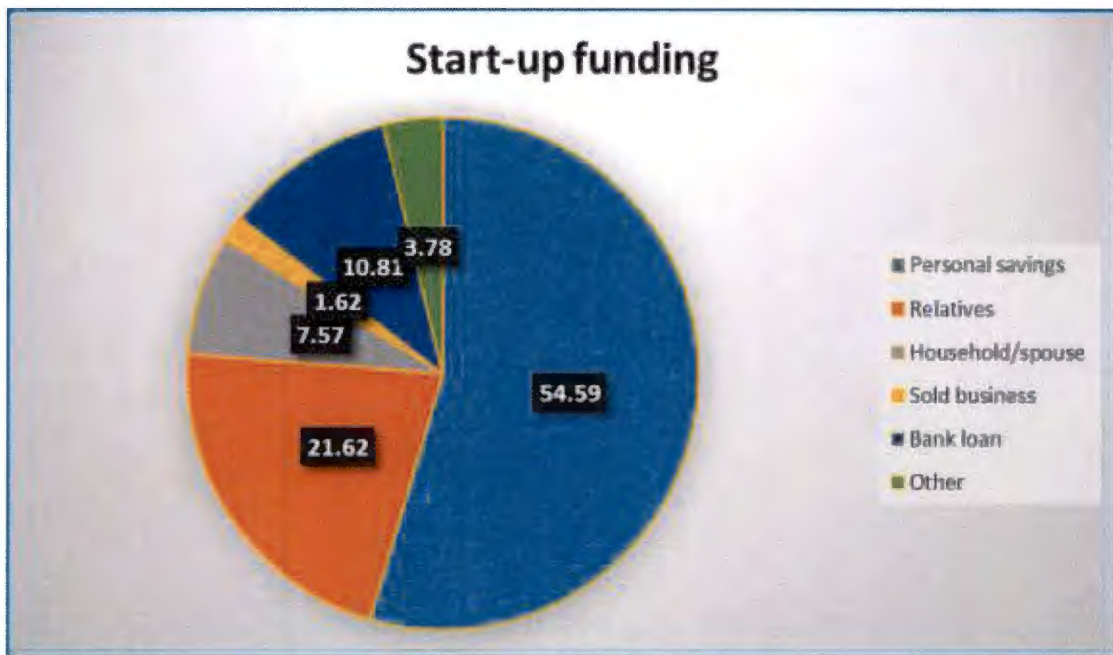
The set of details regarding the funding used during the start-up of the businesses, the age of the participating businesses, the experience of owners and/ or managers before self-employment, as well as the route to business ownership were presented in Table 4.9 below.

Table 4.9: Results regarding the businesses' start-up information

| Variable | Frequency | Percentage |
|------------------|-----------|------------|
| Start-up funding | | |
| Personal savings | 101 | 54.59% |

| | | |
|------------------|----|--------|
| Relatives | 40 | 21.62% |
| Household/spouse | 14 | 7.57% |
| Sold business | 3 | 1.62% |
| Bank loan | 20 | 10.81% |
| Other | 7 | 3.78% |

Figure 4.9: Start-up funding



In relation to the source of start-up, a total of 101 (54.59%) owners used personal savings for their business funding, 40 (21.62%) of them were assisted by relatives or friends to start their businesses. A total of 20 (10.81%) of them received bank loans, while 14 (7.57%) of them were assisted by their spouses. Lastly, 3 (1.62%) of them sold their previous businesses, while 7 (3.78%) of them used other forms of start-up funding, such as their retirement/ pension fund money.

Table 4.10: Results regarding their work experience

| Experience before self-employment | | |
|-----------------------------------|----|--------|
| Unemployed | 41 | 21.47% |
| Self-employed | 29 | 15.18% |
| Worker | 77 | 40.31% |
| Supervisor | 26 | 13.61% |
| Middle management | 16 | 8.38% |
| Top management | 2 | 1.05% |

Figure 4.10: Work experience

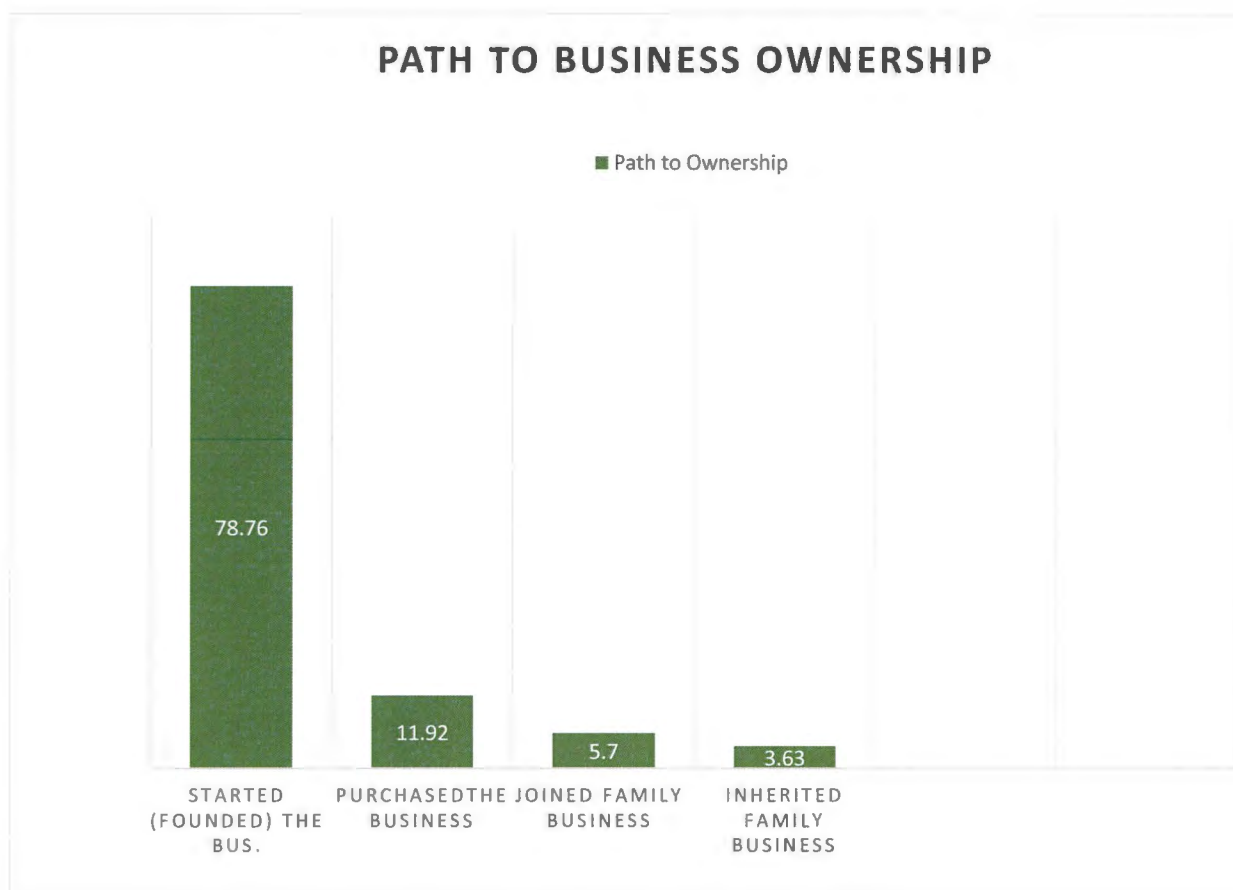


With regard to their experience before self-employment, 77 (40.31%) owners or managers were ordinary workers, 41 (21.47%) of them were unemployed, while 29 (15.18%) of them were already self-employed. A total of 26 (13.61%) owners were employed as supervisors, 16 (8.38%) of them were middle managers, and only 2 (1.05%) of them use to be in top management.

Table 4.11: Results regarding the path to business ownership

| Path to business ownership | | |
|----------------------------|-----|--------|
| Started (Founder) the bus. | 152 | 78.76% |
| Purchased the business | 23 | 11.92% |
| Joined family business | 11 | 5.70% |
| Inherited family business | 7 | 3.63% |
| Not indicated/other | | |

Figure 4.11: The path to business ownership



A total of 152 (78.76%) owners started (founded) their businesses, and 23 (11.92%) of them purchased their businesses. A total of 11 (5.70%) owners joined the family business, while 7 (3.63%) inherited family businesses.

4.2.1.4 Challenges and obstructions facing participating SMEs owners and managers

The respondents were further requested to indicate the challenges that they were facing while managing their businesses. Their feedback was presented in Table 4.12 below.

Table 4.12: Results of the assessment of the challenges facing SMEs owners-managers

| Obstacles | Frequency | Percentage |
|---|-----------|------------|
| Awareness/ access to business information | 53 | 27.46% |
| Lack of timely business information | 58 | 30.21% |
| Isolation from business network | 60 | 32.09% |
| Socio-cultural environment | 73 | 38.62% |
| Lack of business management skills | 55 | 28.95% |
| Lack of education and training | 44 | 22.92% |
| Inequality of access to credit | 61 | 31.44% |
| Lack of self-confidence | 54 | 28.13% |
| Risk adverse (great fear of failure) | 57 | 29.38% |

| | | |
|---|----|--------|
| Legislative (lack of focused SMEs policies) | 75 | 38.66% |
| Lack of partnership collaboration | 79 | 42.02% |
| Lack of plan | 51 | 27.72% |
| Lack of customer relation | 44 | 23.66% |
| Lack of strong relationship with employees | 36 | 19.67% |
| Lack of cash flow management | 49 | 26.34% |
| Liquidity & other financial problems | 63 | 33.33% |
| Gaining acceptance/ respect of people | 62 | 33.16% |
| Difficulty accessing funding/ credit | 83 | 43.46% |
| No time for training/ upgrading skills | 45 | 23.56% |
| Other | - | - |

The findings of the empirical study with regard to the factors obstructing and challenging SMEs to grow consistent, correlated with the literature review. This clearly indicated that the factors obstructing and challenging SMEs to grow in developing economies, was no different to the factors obstructing and challenging SMEs in developed economies.

Table 4.12 illustrates that 43.46%, representing 83 SMEs, indicated that they find it difficult to access funding and/ or credit, while 42.02% (79 SMEs) lacked in form business partnership and collaborations (could not form networks). A total of 38.66% 75 (38.66%) of the SMEs faced legislative problems (such as lack of focused SMEs policies).

In addition, a sum of 63 (33.33%) SMEs were faced with liquidation and other financial problems, 58 (30.09%) indicated a lack of timely information and 29.38% (57) SMEs were highly risk averse. 62 (33.16%) SMEs pointed to the fact that they found it difficult to gain respect and/ or acceptance of the community. A total of 55 (28.95%) indicated a lack of management skills hindering them to formulate and execute any strategies. While 54 (28.13%) SMEs lacked self-confidence to expand their businesses.

Related to the above, a total of 51 (27.72%) SMEs indicated that they did not have a plan to go forward, meaning that they are just operating their businesses without having any goal. Furthermore, 49 (26.34%) of them lack in cash-flow management. A lack of education and training in general as well as poor customer relations were respectively indicated by 44 (23.66%). Lastly, 36 (19.67%) SMEs indicated difficulty in forming strong employee relations with their current staff.

4.2.1.5 Conduciveness of the geographical area (KOSH) to conduct business

Results concerning the satisfaction of the KOSH area to run and grow businesses successfully were discussed below on table 4.13.

Table 4.13: conduciveness of the geographical area as experienced by SMEs managers-owners

| | Strongly disagree | Disagree | Slightly disagree | Neutral view | Slightly agree | Agree | Strongly agree |
|--|-------------------|----------|-------------------|--------------|----------------|-------|----------------|
| CONDUCTIVENESS OF THE AREA (KOSH) IN RUNNING YOUR BUSINESS | | | | | | | |
| The province/ region/ district (North West) is a source of ambient number of entrepreneurial opportunities. | 35 | 38 | 30 | 12 | 29 | 24 | 17 |
| The province/ region/district (i.e. KOSH) has proper policies in place for enhancing SMEs in the province/region/district. | 36 | 36 | 24 | 23 | 29 | 24 | 13 |

| | Strongly disagree | Disagree | Slightly disagree | Neutral view | Slightly agree | Agree | Strongly agree |
|---|-------------------|----------|-------------------|--------------|----------------|-------|----------------|
| The province/ region/ district (i.e. KOSH) provides ambient network opportunities with other businesses. | 33 | 33 | 30 | 29 | 27 | 23 | 9 |
| The province/ region/ district (i.e. KOSH) infrastructure (electricity, water, road network) adequately meets the needs of my business. | 30 | 35 | 54 | 24 | 22 | 16 | 4 |
| The province/ region/ district (i.e. KOSH) provides excellent base for export opportunities. | 30 | 46 | 25 | 35 | 21 | 16 | 12 |

The majority of SMEs saw their area (KOSH) as not sufficiently conducive as the infrastructure was not up to standard and should be upgraded. A total 38 (20.54%) disagreed that the region (North West) was a source of ambient number of entrepreneurial opportunities, with only 24 (12.97%) agreeing. A further 36 (19.46%) SMEs strongly disagreed and disagreed respectively that the district (i.e. KOSH) had proper policies in place for enhancing SMEs in the province/region/district.

4.2.1.6 Support and developmental needs of SMEs

In developing SMEs, both the public and the private sectors should be committed to take action to actively develop SME entrepreneurs. It was important to understand whether SMEs had knowledge about organisations specifically established for SMEs development. The knowledge of organisations established specifically to support the SMEs, was very crucial in the development of SMEs (Van der Merwe & Lebakeng, 2012: 431).

Furthermore, the participating owners and/ or managers were asked if they had any knowledge of organisations specifically established for SMEs development. Out of 191 SMEs, only 53 had knowledge about organisations established specifically for

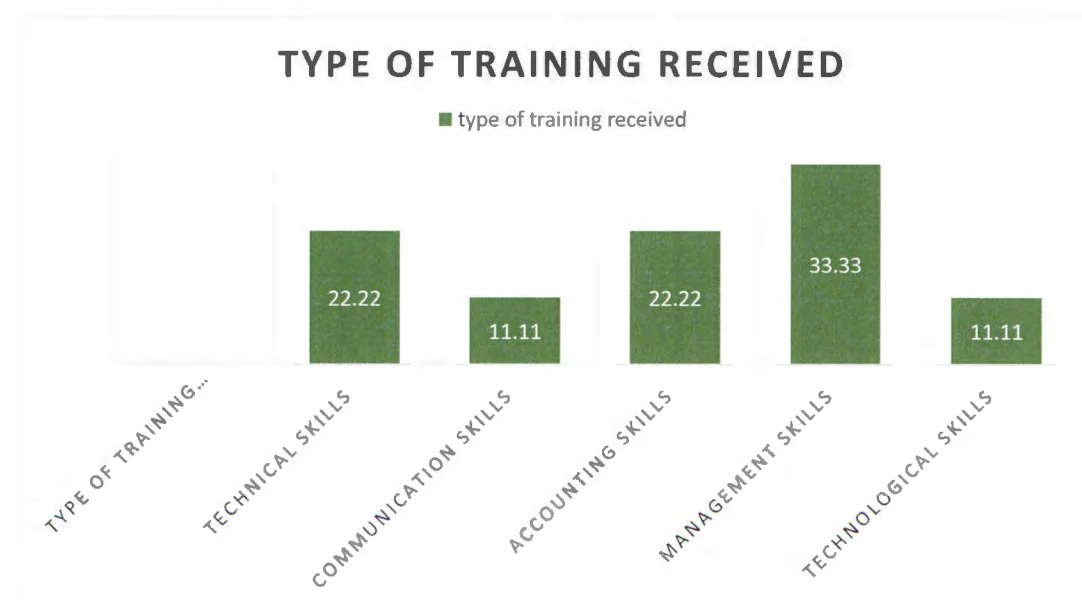
SMEs, representing 27.75%, while 72.25% (138 SMEs) did not know about such organisations.

The results of the type of training received analysis were presented in Table 4.14 below.

Table 4.14: Training received by SMEs managers-owners

| Type of training received | Frequency | Percentage |
|---------------------------|-----------|------------|
| Technical skills | 4 | 22.22% |
| Communication skills | 2 | 11.11% |
| Accounting skills | 4 | 22.22% |
| Management skills | 6 | 33.33% |
| Technological skills | 2 | 11.11% |

Figure 4.12: Types of training received



A total of 16 (8%) of the participating 195 SMEs indicated that they received training from Government agencies or the private sector. A total of 4 (22.22%) received train-

ing in technical and accounting skills respectively, while 2 (11.11%) SMEs received training in communication and management skills. Furthermore, a total of 6 (33.33%) SMEs received training in managerial skills.

The participating SMEs owners and/or managers were in addition requested to indicate what their specific support and developmental needs were met (see Table 4.15 below).

Table 4.15: Results of the support needs of SMEs

| Specific need | Frequency | Percentage |
|--|-----------|------------|
| Financial support | 185 | 95.36% |
| Training/knowledge/skill | 104 | 53.61% |
| Tools, equipment, machinery | 102 | 52.58% |
| Business advice, information, counselling | 69 | 35.57% |
| Marketing support | 121 | 62.37% |
| Suitable business premises | 80 | 41.24% |
| Growth support | 115 | 59.28% |
| Technical support | 40 | 20.62% |
| Psychological support | 26 | 13.40% |
| Networking with other business owners | 58 | 29.90% |
| Infrastructure (roads, telephone, electricity) | 39 | 20.10% |
| Legal support | 56 | 28.87% |
| Other | | |

Table 4.15 indicated that out of the 195 participating SMEs in the KOSH area study, a total of 185 (95.36%) pointed out that they needed financial support to expand their enterprises, a further 121 (62.37) pointed out that they needed marketing support. A

sum of 115 (59.28%) SMEs indicated that they needed growth support as the majority were not growing but standing still, some were even growing negatively, while 104 (53.61%) needed training, knowledge and/ or skills to run successful enterprises. A total of 102 (52.58) SMEs needed tools, equipment and machinery.

In addition, a sum of 80 (41.24%) SMEs pointed out that they needed suitable business premises to run their businesses smoothly, while 69 (35.57%) indicated that they need assistance with business advice, information and counselling. Furthermore, 58 (29.90%) indicated that they needed to support in networking with other business owners, a further 56 (28.87%) necessitated legal support. A total of 40 (20.62%) needed technical support, while 39 (20.10%) needed infrastructure by means of better roads, telephones, and electricity. Lastly, psychological support was necessitated by 26 (13.40%) SMEs.

4.3 Validity and Reliability

4.3.1 Validity

Factor analyses were done as a data reduction method, as well as to assure construct validity. The results of factor analyses were shown in the table below.

Table 4.16: Factor analysis

| Factor Analysis | construct | Number of factors | Percentage variance explained | Communalities | (Measure of Sample Adequacy) MSA |
|------------------------|------------------|--------------------------|--------------------------------------|----------------------|---|
| I | C 1- C10: | 3 | 68.61 | (0.40;0.80) | 0.70 |
| II | C 12- C17: | 1 | 57 | (0.32;0.74) | 0.82 |
| III | C 18- C26: | 2 | 57 | (0.28;0.69) | 0.76 |
| IV | C 28- C32: | 1 | 75 | (0.59: 0.86) | 0.87 |

Factors were categorized as follows: factor I: C 1- C10: which has 3 factors. Factor II: C 12- C17: and factor IV: C 28- C32: having only one factor respectively and factor III: C 18- C26: having 2 factors.

As could be seen from the table above, all the Kaiser's MSAs were above 0.5 (Hair *et. al.* 1998: 730). Furthermore, the percentages (%) of the variances explained were above 50% for all the factor analyses reported factor analysis. Thus construct validity were confirmed.

4.3.2 Reliability

The following Cronbach Alpha values were obtained and reported in the table below.

Table 4.17: Cronbach Alpha values

| Construct | Cronbach Alpha (CA) value |
|----------------------------------|----------------------------------|
| Business industry (C1- C4) | 0. 83 |
| Educational training (C5- C7) | 0. 70 |
| Owners self-perception (C8- C10) | 0. 72 |
| Inability to network (C12-C17) | 0. 83 |
| Financial problems (C18- C26) | 0. 79 |
| Demographics (C28- C32) | 0. 92 |

As could be seen from the table above, all the Cronbach Alpha values were above 0.6 (Field, 2005: 779). Thus construct reliability was confirmed.

4.4 Mean

The means of the construct were presented in the table below:

Table 4.18: means of construct: study population

| Construct | (Number of participants who completed this section) N | MEAN | STANDARD DEVIATION |
|----------------------------------|--|-------------|---------------------------|
| Business industry (C1-C4) | 194 | 5.09 | 1.22 |
| Educational training (C5- C7) | 194 | 4.92 | 1.21 |
| Owners self-perception (C8- C10) | 194 | 5.29 | 1.17 |
| Inability to network (C12-C17) | 191 | 5.38 | 0.97 |
| Financial problems (C18- C26) | 191 | 4.94 | 0.92 |
| Demographics (C28-C32) | 185 | 3.42 | 1.59 |

The mean of the Business Industry construct is 5.09, meaning that the participants of the study tended to agree that the Business Industry itself made it challenging to conduct business within it. Educational training had a mean of 4.92, which indicated

that participants also agree that lack of Educational training makes it difficult for them to operate their businesses effectively.

Furthermore, the inability to network construct has a mean of 5.38, which indicated that the participants tended to agree that inability to network posed a challenge to their businesses. Lastly, a mean of 3.42 on the demographics construct tended to disagree to the point that demographics was restricting them to grow in their businesses, i.e. they believed that the area (KOSH) was conducive for conducting businesses.

4.5 Results and Discussions conclusion.

With regard to Validity, the Kaiser's MSAs were above 0.5 (with the lowest being 0.70 and highest being 0.87). Furthermore, the percentages (%) of the variances explained were above 50% (with the lowest being 57 and highest being 75) for all the factor analyses reported factor analysis. Thus construct validity were confirmed.

Regarding reliability, the Cronbach Alpha values were above 0.6 with the lowest being 7.0 for educational training and 9.2 for demographics. Cut-off of 0.6 is also considered to be acceptable.

The meaning of the challenges faced by SMEs ranged from 3.42 to 5.38, with the standard deviation ranging from 0.92 to 1.59.

CHAPTER 5

CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

5.1 CONCLUSION

Despite the huge contribution of small and medium enterprises to the economy and employment creation, SMEs face a number of challenges - some are internal and others are external. In relation to the challenges and hindrances faced by SMEs, the findings are expected. The KOSH area's SMEs are no exception as they are also confronted by the very same challenges; they face similar problems to other SMEs worldwide.

The support and development needs indicated also reflect the obstacles. SMEs' managers and/or owners have definite needs, such as financial and marketing support, business growth, training and skills development, and access to tools, equipments and machines.

Factor analysis and Cronbach Alpha values ensured compliance of validity and reliability to the study, with the mean value indicating that the KOSH area is not conducive to operate business smoothly.

Furthermore, in order to access support and assistance, SMEs need to know about and utilise the organisations created specifically to help and support them. These organisations include Small Enterprise Development Agency (SEDA), National Youth Development Agency (NYDA), National Development Agency (NDA), etc.

It can be deduced from the study that a healthy SME sector contributes highly to the economy through creating more employment opportunities, initiating higher production volumes, and introducing innovation and entrepreneurship skills. The Government needs to promote protection and partnership; bearing in mind that

protection and partnerships involve commitment, motivation and joint efforts by the different stakeholders who have a vested interest in economic growth.

5.2 LIMITATIONS

The study endeavoured to add knowledge to a very unique SME sector, it can be considered as a tiny move towards shifting away from the present dependence on anecdotal and subjective proof and case studies.

The study only used a quantitative research method to assess and substantiate the information gathered..

Furthermore, the results of this research were based only on descriptive and factor analysis statistics. Because of SMEs' fundamental role in the economy (job creation, poverty alleviation, amongst others), and because of the growing number of challenges faced by SMEs, the findings of this study challenges further research.

5.3 RECOMMENDATION

Based on the findings in this study, the following recommendations (to owners and/ or managers) were designed to improve the importance and effectiveness to SMEs:

- ❖ Ensure better entrepreneurial skills and mindset as well as business acumen. This includes an improvement of skills, expertise and experience within some SMEs to market their product offerings effectively to consumers.
- ❖ Managers and owners should develop, support and promote small enterprises to ensure their growth and sustainability in coordination and partnership with other role players.
- ❖ Improve sector specific expertise.
- ❖ Improve experience among owners and managers in enterprise management.
- ❖ Managers and owners should maximise the creation of decent work opportunities.

Related to the above, in order to make an important contribution to local, provincial and national economic development and prosper, SMEs need a constructive

business and regulatory environment, and access to appropriate business development services and support.

Exceptional consideration should be given to issues of consistency and inter-Governmental policy co-ordination. Entrepreneurship, high levels of business and economic literacy constitute the foundation of a healthy, efficient and effective SME promotion.

In addition, this study supports Peters & Naicker's (2013:1) theory and recommends that if the Government's strategy to use the SME sector with any significant success, focus must be placed on developing competent entrepreneurs- especially amongst those classified as previously disadvantaged persons.

As a result, the Government needs to set and monitor clear policies/ frameworks that promote SMEs and SMEs need to learn and know these policies by making use of Government's SMEs focused organisations. The Government further need to market its established SMEs focused organisations in order for SMEs to know about them. It is also very important that these organisations are decentralised and accessible to all SMEs.

SMEs owners and managers should also familiarise themselves with all related legislations and frameworks to ensure compliance with them. Continuous formal education is needed for SMEs owners' and managers in order to grow and operate their businesses successfully. SMEs should ensure their compliance with the requirements of financial institutions in order to access funding and/or business loans.

In addition, SMEs owners and managers should further familiarise with necessary business skills needed to operate a successful business by ensuring, a constructive achievable plan is set in place; adequate access to and awareness of business information; adequate of capital and/ or financial resources; adequate small business management education (training); harmonious customer relations; better managing of cash-flow; and better understanding of markets.

BIBLIOGRAPHY

Abereijo, O. & Fayomi, A.O. 2005. Innovative approach to SMME financing in Nigeria: a review of small and medium industries equity investment scheme. *Journal of Social Science*, 11 (3):219-227

Bakhas, I.G.H. 2009. Improving SME access to finance in the North West Province of South Africa. North West University (MBA- mini dissertation). Pg 18-20

Banking Association of South Africa, 2012. Small & Medium Enterprise <http://www.banking.org.za/index.php/our-industry/small-medium-enterprise/>.

Accessed 05 March 2014

Belonwu. V. 2013. 20 Reasons Why Entrepreneurs Fail.

<http://businessgross.com/2013/04/03/why-entrepreneurs-fail/>. Accessed 05 July 2014

Booyens, I. 2011. Are small, medium- and micro-sized enterprises engines of innovation? The reality in South Africa. *Science and Public Policy*, 38 (1). Beech Tree Publishing

Brand South Africa. 2014. Boosting small businesses.

<http://www.southafrica.info/business/trends/newbusiness/smallbusiness.htm>.

Accessed 15 July 2014

Chiware, E.R.T. 2008. Business information needs, seeking patterns and information services in the small, medium and micro enterprises in Namibia. University of Pretoria (PhD - Thesis). 248pg.

City of Matlosana. 2014. The local government handbook: a complete guide to Municipalities in South Africa. <http://www.localgovernment.co.za/south-africa/local-municipality/193/city-of-matlosana-local-municipality>. Accessed 20 September 2014.

Clover, T. & Darroch, M. 2005 Owners' perceptions of factors that constrain the survival and growth of small, medium and micro businesses in KwaZulu-Natal, South Africa. *Agrekon*, 44(2):238-263.

Corps, M. (2005). Information and communications technologies in small and medium enterprise development. Available: www.globalenvision.org/library/7/698 accessed 20 July 2015

Department of Trade and Industry. 2005. Integrated strategy on the promotion of entrepreneurship and small enterprises: unlocking the potential of South African entrepreneurs. <http://www.thedti.gov.za/smme/strategy.pdf>. accessed 30 May 2014.

Droksie, P. 2002. Job Creation and Productivity through Accessing Finance Productivity Pretoria; Official publication of the National Productivity Institute of South Africa April-May, 19-20

Falkena, H, Abedian M, von Blottnitz, C, Coovadia, G, Davel, J, Madungandaba, E, Masilela, S, & Rees, S. 2014. SMEs' Access to Finance in South Africa: A Supply-Side Regulatory Review:

<http://www.treasury.gov.za/publications/other/Access%20to%20Finance%20in%20South%20Africa%20-%20A%20Supply-Side%20Regulatory%20Review.df>. Accessed 15 June 2014

Field, A. (2005). Discovering Statistics Using SPSS, London, SAGE publications, 779 p.

Fuchs, M, Iacovone, L., Jaeggi, T., Napier, M., Pearson, R., Pellegrini, G., & Sanchez, C. 2011. Financing Small and Medium Enterprises in the Republic of South Africa. The World Bank—Africa Finance and Private Sector Development (AFTFP) Department. Washington DC. Pg xi

Ganbold, B. 2008. Improving access to finance for SMEs: International good experiences and lessons from Mongolia. IDE-JETRO, No 438.

Gatt, L. 2012. SMEs in Africa: Growth despite constraints: available at http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=1120:smes-in-africa-growth-despite-constraints&catid=82:african-industry-a-business&Itemid=266. Accessed 10 June 2014

Hall, J. 2010. Top five reasons why businesses fail. Simply Business. <http://www.simplybusiness.co.uk/knowledge/articles/2010/02/2010-02-08-five-reasons-why-businesses-fail/>. Accessed 26 July 2014

Hair, J.R., Anderson, R.E., Tatham, R.L. & Black, W.C. (1998). Multivariate data analysis. New Jersey, Prentice-Hall, Inc. 730 p.

Hult, C. A. 1995. Researching and writing in sciences and technology. Boston: Allyn & Bacon. P 114

Hutex. 2014. Problems Faced by SMEs. <http://www.hutex.com/Problems.htm>. Accessed 10 August 2014

Khalique, M. et al. 2011. Challenges faced by the small and medium enterprises (smes) in malaysia:an intellectual capital perspective. *International Journal of Current Research Vol. 3 (6), pp.398-401*

King, J. 2007. Overcoming Challenges that Prevent Small Business Growth. http://www.canadaone.com/ezine/april07/small_business_growth_challenges.html. Accessed 08 August 2014.

Klerksdorp Trade. 2014. Klerksdorp history. <http://www.klerksdorptrade.info/klerksdorp-history/>. Accessed 20 September 2014.

Ladzani, W.M. & Van Vuuren, J.J. 2002. Entrepreneurship Training for Emerging SMME's in South Africa. *Journal of Small Business Management* 40: 154-161.

Longenecker, J.G., Moore, C.W., Petty, J.W. & Palich, L.E. (2007). Management: an entrepreneurial emphasis. International edition. Ohio: Thomson South-Western.

Maas, G. & Herrington, M. 2007. Global Entrepreneurial Monitor. Graduate School of Business, UCT, Cape Town.

Malhotra, M., Chen, Y., Criscuolo, A., Fan, Q., Hamel, I. I. & Savchenko, Y. 2006. Expanding access to finance: good practices and policies for micro, small and medium enterprises. The World Bank, Washington DC.

Mboyane, B. L. 2006. An Exploration of Factors that Lead to Failure of Small Businesses in the Kagiso Township. University of South Africa (MBA-Mini dissertation) pg 12-19

McGregor, A. 2004. My Own Business. Available at:
[http://m1.mny.co.za/4225686C004E64FC/\(UNID\)/AMAS-4GAMML?OpenDocument](http://m1.mny.co.za/4225686C004E64FC/(UNID)/AMAS-4GAMML?OpenDocument) accessed 20 July 2014

Mouton J (2008). How to succeed in your Master's & Doctoral Studies. A South African Guide and Resource.

Mthete. 2012. SME's challenges and constraints across all sectors. SEDA: CIPC 2468. Pg 1-2

Mthente Research and Consulting Services (Pty) Ltd. Pg 43

Mutezo, A.D. 2005. Obstacles in the access to finance: an empirical perspective on Tshwane Pretoria: UNISA (MCom- Dissertation.). pg 95

National Small Business Act. (1996). Government Gazette. 27 November. Government Printers: Cape Town.

National Credit Regulator, 2011. Literature review on small and medium enterprises' access to credit and support in South Africa:
http://www.ncr.org.za/pdfs/Literature%20Review%20on%20SME%20Access%20to%20Credit%20in%20South%20Africa_Final%20Report_NCR_Dec%202011.pdf.
Accessed 03 January 2014

Newsline. 2008. Lack of entrepreneurship threatens to empty Africa's breadbasket. University of Cape Town: Graduate School of Business.

OECD. 2010. Lessons from the global crisis and the way forward to job creation and growth. Issues Paper 1: Innovative SMEs and Entrepreneurship for Job Creation and Growth. Paris pg8

Orford, J. & Wood, E. 2005. Supporting small businesses in the Western Cape: Draft SMME Second Paper. Cape Town.

http://www.capegateway.gov.za/other/2005/11/final_second_paper_printing_smme.pdf. Accessed 20 July 2014

Okello-Obura, C. & Matovu, J. 2011. SMEs and Business Information Provision Strategies: Analytical Perspective. <http://www.webpages.uidaho.edu/~mbolin/okello-obura-matova.htm>. Accessed 26 July 2014

Organization for Economic Cooperation and Development (OECD). 2006. The SMME financing gap: theory and evidence, Volume 1. USA: OECD Publishing.

Pallant, J. 2007. SPSS Survival Manual: A Step by Step Guide to Data Analysis using SPSS Version 15 for Windows. Berkshire: McGraw-Hill Open University Press.

Peters, R. & Naicker, V. 2013. Small medium micro enterprise business goals and government support: A South African case study. *Journal of Small Business Management*.44 (4): 1-2

Pretorius, M. & Shaw, G. 2004. Business plans in bank decision making when financing new ventures in South Africa. *South African Journal of Management Sciences*, 7(2):221-241

Riley, M., Wood, R.C., Clark, M.A., Wilkie, E. & Szivas, E. 2007. Research and writing dissertations in business and management. London: Thomson Learning.

Rogerson, CM. 2008. Tracking SMME development in South Africa: issues of finance, training and the regulatory environment. *Urban Forum*, 19(1):61-81.

SAS Institute Inc. 2011. The SAS System for Windows Release 9.3 TS Level 1M0. SAS Institute Inc., Cary, NC, USA

South Africa. 1996. National Small Business Act 102 of 1996. Pretoria: Government Printer.

SEDA.2012. Analysis of the Needs, State and Performance of Small and Medium Businesses in the Agriculture, Manufacturing, ICT and Tourism Sectors in South Africa.

Sievers, M. & Vandenberg, P. 2007. Synergies through linkages: who benefits from linking micro-finance and business development services? *World Development*, 35(8): 1341- 1398.

Thwala, W.D. & Phaladi, M. J. 2009. An exploratory study of problems facing emerging contractors in the North West province of South Africa. University of Johannesburg Department of Construction Management and Quantity Surveying. Pg 199

Timmons, J.A. & Spinelli, S. 2007. *New venture creation*. 7th ed. New York: McGraw-Hill.

Tsoabisi, S. 2012. Supporting Small Medium and Micro Enterprises. *Mediterranean Journal of Social Sciences*. 3(12). Pg 42-47

United Nations Industrial Development Organization (UNIDO). 2003. Capacity building for information networking: UN IDO Small and Medium Enterprises Branch, Vienna, Austria.

http://www.unido.org//Capacity_building_for_business_information_networking.pd

Date of access: 10 JUNE 2014.

V.d Merwe, S., P & Lebakeng, M. 2012. Chapter twenty eight: An empirical investigation of women entrepreneurship in Lesotho. *Africa Casebook- synergies in African Business and Management practices*. Ajbuma Publishing, University of Nairobi- School of Business. Pg 431

World Bank. 2013. *Micro, Small, and Medium Enterprise (MSME) Finance Expanding Opportunities and Creating Jobs*.

<http://www.worldbank.org/en/results/2013/04/05/msme-finance-expanding-opportunities-and-creating-jobs>. Accessed 08 August 2014

ANNEXURE 1

QUESTIONNAIRE:

THE CHALLENGES OF SMALL & MEDIUM ENTERPRISES (SMEs) IN THE KLERKSDORP ORKNEY STILFONTEIN & HARTEBEEFONTEIN (KOSH) AREA

PLEASE NOTE:

This questionnaire must only be completed by SMEs owner-managers.

All information will be treated as **STRICTLY CONFIDENTIAL** and will only be used for academic purposes.

Instructions for completion:

1. Please answer the questions as objectively and honestly as possible.
2. Place a cross (x) in the space provided at each question which reflects your answer the most accurately. Use the following key: **1** = Strongly disagree; **2** = Disagree; **3** = Slightly disagree; **4** = Neutral view; **5** = Slightly agree; **6** = Agree; **7** = Strongly agree.

| | | Strongly disagree | Disagree | Slightly disagree | Neutral view | Slightly agree | Agree | Strongly agree |
|-----------|---|-------------------|----------|-------------------|--------------|----------------|-------|----------------|
| B7 | Matlosana Municipality is assisting adequately in the needs of especially SMEs. | 1 | 2 | 3 | 4 | X | 6 | 7 |

It is essential you indicate your choice clearly with a **pen**.

3. Where asked for comments or to express your own opinion, keep answers short and to the point.
4. Please answer all the questions, as this will provide more information to the researcher so that an accurate analysis and interpretation of data can be made.

Thank you for your co-operation. I hope that you will find the questionnaire interesting and stimulating.

SECTION A: PERSONAL INFORMATION

The following information is needed to help me with the statistical analysis of the data for comparisons among different businesses. All your responses will be treated confidentially. I appreciate your help in providing this important information.

Mark the applicable block with a cross (X). Complete the applicable information.

| | | | | | | | |
|-----------|--|------|---------|---------|---------|---------|-----|
| A1 | In which age group do you fall? | ≤ 19 | 20 - 29 | 30 - 39 | 40 - 49 | 50 - 59 | 60+ |
| | | (1) | (2) | (3) | (4) | (5) | (6) |

| | | | | | |
|-----------|-------------------------------------|--------|---------|----------|---------|
| A2 | What is your marital status? | Single | Married | Divorced | Widowed |
| | | (1) | (2) | (3) | (4) |

| | | | | | |
|-----------|-----------------------------|------|--------|----------------------------|--|
| A3 | What is your gender? | Male | Female | Other: (Please specify) | |
| | | (1) | (2) | (3) | |

| | | | | | |
|-----------|--|--|--|--|-----|
| A4 | Indicate your highest academic qualification. | | | | |
| | Lower than matric | | | | (1) |
| | Matric | | | | (2) |
| | Certificate | | | | (3) |
| | Diploma (Technical College or Technicon) | | | | (4) |
| | University degree | | | | (5) |
| | Postgraduate degree | | | | (6) |

| | | | | | |
|-----------|--|--|--|--|-----|
| A5 | Indicate your past experience before self-employment (occupational background). | | | | |
| | Unemployed | | | | (1) |
| | Self-employed (owned a business) | | | | (2) |
| | Worker (administration, clerk, secretary, cashier) | | | | (3) |
| | Supervisor (first-line management) | | | | (4) |
| | Middle management | | | | (5) |
| | Top (executive) management | | | | (6) |

| | | | |
|-----------|---|--|------------|
| A6 | Indicate the number of years that you are self-employed. | | |
| | Less than one (1) year | | (1) |
| | 1 –3 years | | (2) |
| | 4 – 5 years | | (3) |
| | 6 – 10 years | | (4) |
| | More than 10 years. Please specify: | | (5) |

SECTION B: BUSINESS INFORMATION

Mark the applicable block with a cross (X). Complete the applicable information.

| | | | | | |
|-----------|--|--|--|--|------|
| B1 | In which industry does your business operate? | | | | |
| | Retail trade | | | | (1) |
| | Wholesale trade | | | | (2) |
| | Manufacturing | | | | (3) |
| | Construction | | | | (4) |
| | Transport/distribution | | | | (5) |
| | Accommodation and restaurant (guest houses, hotel) | | | | (6) |
| | Food industry | | | | (7) |
| | Agriculture/forestry/fishing | | | | (8) |
| | Services (Please specify the type of service) | | | | (9) |
| | Other: (Please specify) | | | | (10) |

| | | | | | |
|-----------|---|--|--|--|-----|
| B2 | Indicate the legal status of your business (form of business ownership). | | | | |
| | Sole proprietorship | | | | (1) |
| | Partnership | | | | (2) |
| | Close corporation | | | | (3) |
| | Company (private) | | | | (4) |
| | Company (public) | | | | (5) |
| | Business Trust | | | | (6) |
| | Not registered | | | | (7) |
| | Other: (Please specify) | | | | (8) |

| | | | | | | |
|-----------|---|--------|---------|---------|---------|-----|
| B3 | What is the age of the business (years)? | | | | | |
| | 0-5 | 5 - 10 | 10 - 15 | 15 - 20 | 20 - 25 | 25+ |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| | Please specify: | | | | | |
| | (7) | | | | | |

| | | |
|-----------|--|-----|
| B4 | Indicate your path to business ownership. | |
| | Started (founded) the business | (1) |
| | Purchased the business | (2) |
| | Join the family business | (3) |
| | Inherited the business (from the family) | (4) |
| | Other: (Please specify) | (5) |

| | | |
|-----------|---|-----|
| B5 | Indicate your source of start-up funding. | |
| | Personal savings | (1) |
| | Borrowed or gifted(donated) from relative or friend | (2) |
| | Household/spouse | (3) |
| | Sold previous business | (4) |
| | Bank loan | (5) |
| | Other: (Please specify) | (6) |

| | | |
|-----------|---|-----|
| B6 | Indicate the business premises (from where does the business operates?). | |
| | From home (home-based) | (1) |
| | Central business district (CBD) | (2) |
| | Outlying business area | (3) |
| | Industrial area | (4) |
| | Agriculture land | (5) |
| | Other: (Please specify) | (6) |

| | | | | | | | | |
|-----------|--|-----|------|-------|-------|--------|---------|------|
| B7 | How many permanent employees are employed by your business? | | | | | | | |
| | Myself | 2-5 | 6-10 | 11-25 | 26-50 | 51-100 | 101-200 | 200+ |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |

| | | | |
|-----------|---|--|-----|
| B8 | Indicate the turnover (annual sales) that your business generates. | | |
| | Less than R30 000 | | (1) |
| | R30 000 – R50 000 | | (2) |
| | R50 000 – R100 000 | | (3) |
| | R100 000 – R500 000 | | (4) |
| | R500 000 – R1 million | | (5) |
| | R1 million – R5 million | | (6) |
| | R5 million+ | | (7) |

| | | | |
|-----------|--|--------------------|-------------------|
| B9 | Did you have any exposure to business in your childhood? (I.e. parents, close family friend that owned a business). | Yes (1) | No (2) |
| | If yes, who owned the business? (Please specify – i.e. father, mother, sibling, family friend, close friend.) | | |

| | | | |
|------------|---|--------------------|-------------------|
| B10 | Is the present business the first business that you own? | Yes (1) | No (2) |
| | If no, please indicate what happened to the business previously owned. | | |
| | Went out of business | | (3) |
| | Still successful | | (4) |
| | Sold of | | (5) |
| | Other (Please specify): | | (6) |

SECTION C: CHALLENGES FACED BY SMALL AND MEDIUM ENTERPRISES

The presence of different institutional, financial, market and social barriers has for long discouraged SMEs to start and run their own business and many believe that those barriers still exist today. The purpose of this section is to accumulate a body of knowledge of barriers that are faced by current SMEs in growing and running their own business ventures.

Indicate to what extent does you agree or disagree with the statements. Mark the applicable block with a cross (X).

| | | Strongly disagree | Disagree | Slightly disagree | Neutral view | Slightly agree | Agree | Strongly agree |
|---|---|-------------------|----------|-------------------|--------------|----------------|-------|----------------|
| FACTORS (OBSTACLES) THAT HINDER SMEs TO GROW AND SUCCEED | | | | | | | | |
| C1 | Awareness/ Access to business support | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C2 | Lack of timely business information | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C3 | Isolation from business network | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C4 | Socio-cultural environment (lack of respect from large companies, community and stereotype) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C5 | Lack of business management skills | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C6 | Lack of education and training (in general) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C7 | Inequality of access to credit (difficult to obtain financing as a SMEs) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C8 | Lack of self-confidence | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C9 | Risk averse (great fear of failure) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C10 | Legislative (lack of focussed SMEs policies from regional municipalities or government) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C11 | Other (Please specify) | | | | | | | |

| Strongly disagree | Disagree | Slightly disagree | Neutral view | Slightly agree | Agree | Strongly agree |
|-------------------|----------|-------------------|--------------|----------------|-------|----------------|
|-------------------|----------|-------------------|--------------|----------------|-------|----------------|

| | | Strongly disagree | Disagree | Slightly disagree | Neutral view | Slightly agree | Agree | Strongly agree |
|--|---|-------------------|----------|-------------------|--------------|----------------|-------|----------------|
| FACTORS (OBSTACLES) YOU ARE FACING CURRENTLY IN RUNNING YOUR BUSINESS | | | | | | | | |
| C12 | Awareness/ Access to business support | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C13 | Lack of timely business information | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C14 | Isolation from business network | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C15 | Lack of partnership collaborations | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C16 | Socio-cultural environment (lack of respect from large companies, community and stereotype) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C17 | Lack of business management skills | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C18 | Lack of plan | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C19 | Lack of customer relation | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C20 | Poor location | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C21 | Strong relationship with employees | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C22 | Lack of cash flow management | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C23 | Liquidity and other financial problems | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C24 | Gaining acceptance/respect of people (internally and externally) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C25 | Difficulty accessing funding/ credit | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C26 | No time for training/upgrading of skills | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C27 | Other (Please specify) | | | | | | | |

| DEMOGRAPHIC ASPECTS | | | | | | | | |
|----------------------------|--|---|---|---|---|---|---|---|
| C28 | The province/region/district (North West) is a source of ambient number of entrepreneurial opportunities. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C29 | The province/region/district (i.e. KOSH) has proper policies in place for enhancing SMEs in the province/region/district. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C30 | The province/region/district (i.e. KOSH) provides ambient network opportunities with other businesses. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C31 | The province/region/district (i.e. KOSH) infrastructure (electricity, water, road network) adequately meet the needs of my business. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C32 | The province/region/district (i.e. KOSH) provides excellent base for export opportunities. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| | |
|------------|--|
| C33 | Other aspects of the province/region/district (i.e. Gauteng, KOSH) that motivated you in starting your business in this province/region/district. |
|------------|--|

SECTION D: DEVELOPMENT NEEDS OF SMALL and MEDIUM ENTERPRISES

Mark the applicable block with a cross (X). Complete the applicable information.

| | | | | |
|-------------|---|-------------|-------------|-------------|
| D1 | Have you ever been trained or developed by either a government agency or the private sector? | Yes | No | |
| | | (01) | (02) | |
| (03) | If yes, name the institution: | | | |
| | Indicate the type of training that you received. | | | |
| | Technical skills (i.e. hand crafting) | | | (04) |
| | Communication skills | | | (05) |
| | Accounting skills | | | (06) |
| | Management skills | | | (07) |
| | Technological skills (computers) | | | (08) |
| | Other: (Please specify) | | | (09) |

| | | | | |
|-------------|--|-------------|-------------|-------------|
| D2 | Do you know any organisation which is specifically established for SMEs? | Yes | No | |
| | | (01) | (02) | |
| (03) | If yes, what is the name of that organisation? | | | |
| | How does the organisation(s) help(s) to develop SMEs in their activities? (Choose one or more.) | | | |
| | Provides education and training | | | (04) |

| | | |
|---|--|------|
| Provides financial assistance | | (05) |
| Supports/enables networking with other SMEs | | (06) |
| Provides access/exposure to motivational speakers/role models | | (07) |
| Provides business information | | (08) |
| Other: (Please specify) | | (09) |

| | | |
|-----------|--|------|
| D3 | Indicate your specific needs. (Choose one or more.) | |
| | Financial support | (01) |
| | Training/knowledge/skills | (02) |
| | Tools, equipment, machinery | (03) |
| | Business advice, information, counselling, mentoring | (04) |
| | Marketing support | (05) |
| | Suitable business premises | (06) |
| | Growth Support | (07) |
| | Technical support | (08) |
| | Psychological support | (09) |
| | Networking with other business owners | (10) |
| | Infrastructure (roads, telephone, electricity) | (11) |
| | Legal support | (12) |
| | Other: (Please specify) | (13) |

THANK YOU FOR YOUR TIME.

ANNEXURE 2

CRONBACH ALPHA

Cronbach Alpha:Business_industry

The CORR Procedure

4 Variables: C1 C2 C3 C4

Simple Statistics

| Variable | N | Mean | Std Dev | Sum | Minimum | Maximum |
|----------|-----|---------|---------|-----------|---------|---------|
| C1 | 182 | 4.75824 | 1.57565 | 866.00000 | 1.00000 | 7.00000 |
| C2 | 182 | 5.07143 | 1.43375 | 923.00000 | 1.00000 | 7.00000 |
| C3 | 182 | 5.17033 | 1.37403 | 941.00000 | 1.00000 | 7.00000 |
| C4 | 182 | 5.47802 | 1.27321 | 997.00000 | 1.00000 | 7.00000 |

Cronbach Coefficient Alpha

| Variables | Alpha |
|--------------|----------|
| Raw | 0.826183 |
| Standardized | 0.826692 |

Cronbach Coefficient Alpha with Deleted Variable

| Deleted Variable | Raw Variables | | Standardized Variables | |
|------------------|------------------------|-------|------------------------|-------|
| | Correlation with Total | Alpha | Correlation with Total | Alpha |
| | | | | |

////////////////////
 fffff

| | | | | |
|----|----------|----------|----------|----------|
| C1 | 0.614829 | 0.802719 | 0.607187 | 0.801689 |
| C2 | 0.781383 | 0.718631 | 0.775697 | 0.723185 |
| C3 | 0.727166 | 0.746986 | 0.728676 | 0.745843 |
| C4 | 0.505040 | 0.840616 | 0.511441 | 0.843042 |

Cronbach Alpha: Educational_training:

The CORR Procedure

3 Variables: C5 C6 C7

Simple Statistics

| Variable | N | Mean | Std Dev | Sum | Minimum | Maximum |
|----------|-----|---------|---------|-----------|---------|---------|
| C5 | 188 | 4.85638 | 1.59062 | 913.00000 | 1.00000 | 7.00000 |
| C6 | 188 | 4.58511 | 1.68612 | 862.00000 | 1.00000 | 7.00000 |
| C7 | 188 | 5.36702 | 1.25744 | 1009 | 1.00000 | 7.00000 |

Cronbach Coefficient Alpha

| Variables | Alpha |
|--------------|----------|
| Raw | 0.702221 |
| Standardized | 0.693495 |

Cronbach Coefficient Alpha with Deleted Variable

| Raw Variables | Standardized Variables |
|---------------|------------------------|
|---------------|------------------------|

| Deleted Variable | Correlation with Total | Alpha | Correlation with Total | Alpha |
|------------------|------------------------|-------|------------------------|-------|
|------------------|------------------------|-------|------------------------|-------|

fff
 fffff

| | | | | |
|----|----------|----------|----------|----------|
| C5 | 0.599948 | 0.502015 | 0.572239 | 0.518135 |
| C6 | 0.635829 | 0.447840 | 0.616829 | 0.457426 |
| C7 | 0.357222 | 0.782371 | 0.356402 | 0.783181 |

Cronbach Alpha:Managers_owners_self_perception

The CORR Procedure

3 Variables: C8 C9 C10

Simple Statistics

| Variable | N | Mean | Std Dev | Sum | Minimum | Maximum |
|----------|-----|---------|---------|-----------|---------|---------|
| C8 | 192 | 4.82813 | 1.60713 | 927.00000 | 1.00000 | 7.00000 |
| C9 | 192 | 5.14063 | 1.54378 | 987.00000 | 1.00000 | 7.00000 |
| C10 | 192 | 5.90104 | 1.22179 | 1133 | 1.00000 | 7.00000 |

Cronbach Coefficient Alpha

| Variables | Alpha |
|--------------|----------|
| Raw | 0.719783 |
| Standardized | 0.715283 |

Cronbach Coefficient Alpha with Deleted Variable

| Deleted Variable | Raw Variables | | Standardized Variables | |
|--|------------------------|----------|------------------------|----------|
| | Correlation with Total | Alpha | Correlation with Total | Alpha |
| ff ffffff | | | | |
| C8 | 0.621572 | 0.524763 | 0.606198 | 0.535325 |
| C9 | 0.614607 | 0.533881 | 0.595975 | 0.548531 |
| C10 | 0.412630 | 0.767991 | 0.412511 | 0.768374 |

Cronbach Alpha:Inability_to_network

The CORR Procedure

6 Variables: C12 C13 C14 C15 C16 C17

Simple Statistics

| Variable | N | Mean | Std Dev | Sum | Minimum | Maximum |
|----------|-----|---------|---------|-----------|---------|---------|
| C12 | 179 | 5.10615 | 1.52688 | 914.00000 | 1.00000 | 7.00000 |
| C13 | 179 | 5.55866 | 1.26787 | 995.00000 | 1.00000 | 7.00000 |
| C14 | 179 | 5.51397 | 1.22409 | 987.00000 | 2.00000 | 7.00000 |
| C15 | 179 | 5.55866 | 1.15665 | 995.00000 | 1.00000 | 7.00000 |
| C16 | 179 | 5.58101 | 1.23973 | 999.00000 | 2.00000 | 7.00000 |
| C17 | 179 | 4.73184 | 1.52715 | 847.00000 | 1.00000 | 7.00000 |

Cronbach Coefficient Alpha

| | |
|---|----------|
| Variables | Alpha |
| <i>ffffffffffffffffffffffffffffffff</i> | |
| Raw | 0.832016 |
| Standardized | 0.840950 |

Cronbach Coefficient Alpha with Deleted Variable

| Deleted Variable | Raw Variables | | Standardized Variables | |
|---|------------------------|----------|------------------------|----------|
| | Correlation with Total | Alpha | Correlation with Total | Alpha |
| <i>ff</i> | | | | |
| <i>fffff</i> | | | | |
| C12 | 0.624157 | 0.802092 | 0.622720 | 0.814069 |
| C13 | 0.674056 | 0.791230 | 0.678994 | 0.802809 |
| C14 | 0.746723 | 0.777911 | 0.754545 | 0.787270 |
| C15 | 0.704296 | 0.788285 | 0.716676 | 0.795119 |
| C16 | 0.504337 | 0.823807 | 0.512993 | 0.835270 |
| C17 | 0.442752 | 0.843251 | 0.439683 | 0.848889 |

Cronbach Alpha:Financial Problems

The CORR Procedure

9 Variables: C18 C19 C20 C21 C22 C23 C24 C25 C26

Simple Statistics

| Variable | N | Mean | Std Dev | Sum | Minimum | Maximum |
|----------|---|------|---------|-----|---------|---------|
|----------|---|------|---------|-----|---------|---------|

| | | | | | | |
|-----|-----|---------|---------|-----------|---------|---------|
| C18 | 168 | 4.78571 | 1.56359 | 804.00000 | 1.00000 | 7.00000 |
| C19 | 168 | 4.58333 | 1.51802 | 770.00000 | 1.00000 | 7.00000 |
| C20 | 168 | 4.07143 | 1.88461 | 684.00000 | 1.00000 | 7.00000 |
| C21 | 168 | 4.61905 | 1.63718 | 776.00000 | 1.00000 | 7.00000 |
| C22 | 168 | 5.08333 | 1.51011 | 854.00000 | 1.00000 | 7.00000 |
| C23 | 168 | 5.22024 | 1.44945 | 877.00000 | 2.00000 | 7.00000 |
| C24 | 168 | 5.55357 | 1.01344 | 933.00000 | 3.00000 | 7.00000 |
| C25 | 168 | 5.72619 | 1.13043 | 962.00000 | 2.00000 | 7.00000 |
| C26 | 168 | 4.43452 | 1.78362 | 745.00000 | 1.00000 | 7.00000 |

Cronbach Coefficient Alpha

| Variables | Alpha |
|--------------|----------|
| Raw | 0.792149 |
| Standardized | 0.799140 |

Cronbach Coefficient Alpha with Deleted Variable

| Deleted Variable | Raw Variables | | Standardized Variables | |
|------------------|------------------------|----------|------------------------|----------|
| | Correlation with Total | Alpha | Correlation with Total | Alpha |
| C18 | 0.561006 | 0.760506 | 0.547738 | 0.771716 |
| C19 | 0.557638 | 0.761297 | 0.518740 | 0.775602 |
| C20 | 0.286679 | 0.805750 | 0.275818 | 0.806660 |
| C21 | 0.566892 | 0.759261 | 0.533134 | 0.773678 |
| C22 | 0.557774 | 0.761338 | 0.569429 | 0.768783 |
| C23 | 0.563132 | 0.761166 | 0.602073 | 0.764329 |

| | | | | |
|-----|----------|----------|----------|----------|
| C24 | 0.371880 | 0.785752 | 0.404184 | 0.790578 |
| C25 | 0.402316 | 0.782250 | 0.440810 | 0.785855 |
| C26 | 0.525222 | 0.765955 | 0.523399 | 0.774980 |

Cronbach Alpha:Demographics

The CORR Procedure

5 Variables: C28 C29 C30 C31 C32

Simple Statistics

| Variable | N | Mean | Std Dev | Sum | Minimum | Maximum |
|----------|-----|---------|---------|-----------|---------|---------|
| C28 | 184 | 3.56522 | 1.99893 | 656.00000 | 1.00000 | 7.00000 |
| C29 | 184 | 3.53804 | 1.93576 | 651.00000 | 1.00000 | 7.00000 |
| C30 | 184 | 3.48370 | 1.82567 | 641.00000 | 1.00000 | 7.00000 |
| C31 | 184 | 3.20109 | 1.59843 | 589.00000 | 1.00000 | 7.00000 |
| C32 | 184 | 3.36413 | 1.80558 | 619.00000 | 1.00000 | 7.00000 |

Cronbach Coefficient Alpha

| Variables | Alpha |
|--------------|----------|
| Raw | 0.916386 |
| Standardized | 0.915298 |

Cronbach Coefficient Alpha with Deleted Variable

Raw Variables Standardized Variables

| Deleted Variable | Correlation with Total | Alpha | Correlation with Total | Alpha |
|------------------|------------------------|-------|------------------------|-------|
|------------------|------------------------|-------|------------------------|-------|

*ff
 fffff*

| | | | | |
|-----|----------|----------|----------|----------|
| C28 | 0.839570 | 0.886431 | 0.834197 | 0.885698 |
| C29 | 0.878188 | 0.877623 | 0.871929 | 0.877754 |
| C30 | 0.843887 | 0.885607 | 0.838749 | 0.884746 |
| C31 | 0.657812 | 0.921443 | 0.658779 | 0.921007 |
| C32 | 0.716954 | 0.911084 | 0.718879 | |

MEANS OF CONSTRUCTS.

The MEANS Procedure

| Variable | N | Mean | Std Dev | Minimum | Maximum |
|---------------------------------|-----|-----------|-----------|-----------|-----------|
| Business_industry | 194 | 5.0889175 | 1.2158716 | 1.0000000 | 7.0000000 |
| Educational_training | 194 | 4.9201031 | 1.2129612 | 1.6666667 | 7.0000000 |
| Managers_owners_self_perception | 194 | 5.2920962 | 1.1698159 | 1.0000000 | 7.0000000 |
| Inability_to_network | 191 | 5.3809773 | 0.9691704 | 2.0000000 | 7.0000000 |
| Financial_Problems | 191 | 4.9353860 | 0.9233374 | 2.7777778 | 7.0000000 |
| Demographics | 185 | 3.4227027 | 1.5902294 | 1.0000000 | 6.6000000 |