

**CHALLENGES FACING SMALL, MICRO AND MEDIUM ENTERPRISES (SMMEs)
IN THE MAFIKENG AND MMABATHO AREA OF THE NORTH WEST PROVINCE**

BY

NORTH WEST UNIVERSITY



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ABSTRACT / SUMMARY

This research study investigates some of the problems or challenges faced by SMMEs in the Mafikeng and Mmabatho area of the North West province. It strives to find out the extent as to which these problems occur and the impact they have on these businesses.

The research focuses on two major problems considered to be hindering the growth of SMMEs in this area, namely the lack of entrepreneurial management and financial skills. The lack of these skills in the running of small businesses results into poor business management, poor quality products or services, lack of demand for produce, lack of access to credit as well as poor marketing techniques. The absence of entrepreneurial education or sensitizing young people in a way that could encourage them to enter businesses and acquire a culture of entrepreneurship is one of the causes of the lack of these skills.

A stratified random sampling method was employed, with stratifying variables being area and size of the business. Primary data were sought for this study, and gathered through structured questionnaires which were distributed to owners and managers of the sampled businesses. The descriptive statistics method of analysis was employed using a computer aided statistical analysis, the SPSS programme.

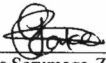
Some of the significant findings of this research study are; that majority of entrepreneurs in the area do not have the necessary entrepreneurial, management and financial skills to run their businesses; that the educational and training levels of the members of top management of small businesses are relatively low; and many businesses do not have access to credit.

The lack of entrepreneurial, management and financial skills can hamper the performance and growth of SMMEs in the area, which can cause many businesses' failure or closure. Education plays an important role in the overall running of a business enterprise in terms of revenues. Many entrepreneurs are unable to finance their own businesses, yet there is little support from financial institutions and government bodies.

SMMEs in the Mafikeng and Mmabatho area need to be assisted in every way in order to enhance their performance, growth and sustainability. In order to achieve this, government needs to take the initiative to form collaborations with these business enterprises, in order to identify areas of need such as training and funding. This endeavor will impact positively to the economic growth, in terms of job creation to the entire province.

DECLARATION

"I declare that the dissertation for the degree of Masters of Business Administration at the North West University, Mafikeng Campus hereby submitted. has not been submitted by me for a degree at this or any other university, that it is my own work in design and execution and that all material contained herein has been duly acknowledged."



Gladys Serumaga-Zake

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CHAPTER 1: ORIENTATION

1.1 INTRODUCTION

There has been a growing concern about the increasing closure of Small, Micro and Medium Enterprises (SMMEs) in the Mafikeng and Mmabatho area of the North West Province as of recent. It is therefore evident that these enterprises are facing quite a number of problems and challenges, which prevent them from becoming successful. It may be true that the lack of entrepreneurial and financial skills are the most important challenges faced by these enterprises. There is a plea for management of Small businesses in the province to equip themselves with the proper training in order to deal with these issues. This study intends to investigate the problems and challenges facing the SMMEs in the Mafikeng and Mmabatho area of the North West Province.

The study by Kgorong Investment Holdings (Pty) Ltd, K2M Technologies (Pty) Ltd and Strategic Development Consultants (Department of Economic Development and Tourism-Project Report: November 2002), indicated that 48% of closures of small businesses take place within the first three years after they commenced with business activities. The average age of businesses in North West province is 0-3 years contributing 44% of SMMEs in the province. 70% of all SMME ventures employed five or less people. This is therefore, a very poor performance of SMMEs in the North West province, as opposed to the fact that SMMEs are considered to be an important component to any country's economic development strategy in terms of job creation and

reducing the rate of unemployment. According to the findings, 85% of SMME ventures only have one business branch, and 74% of SMMEs have their areas of operation as local areas.

Within the context of this chapter, the background to the study, the problem statement, objectives of the study, are presented below. The scope of the research study, importance of the study, the study environment and the plan of the study will follow thereafter.

1.2 BACKGROUND TO THE STUDY

In South Africa high unemployment rates dominate the labour market; they are estimated to be between 20% and 46%. Unemployment was officially estimated at 39% on the broad definition and 26% on the narrow definition (STATSSA, 2000). It has risen steadily in the preceding years. Income distribution remains among the most unequal in the world and is characterized by race, gender, region and area.

In South Africa;

- The Gini Coefficient is 0.58 - indicating a much skewed distribution of income.
- Living standards are closely correlated with race. While poverty is not confined to any particular race, it is concentrated among black Africans.
- According to the OHS (2000), 52% of black Africans are poor, while they make up 78% of the total population and account for 95% of the total poor.

- Poverty has a gender component too; in that a female-headed household is likely to be poorer than a male-headed one with a 48% chance of being poor.
- There is also a strong correlation between education attainment and standard of living.
- Illness increases the risks of households or individuals becoming impoverished.
- The percentage of adult deaths due to AIDS-related diseases increased from 9% in 1995/1996 to about 40% by 2000/2001 (STATSSA, 2000).
- The number of orphans and that of child-headed households in South Africa are increasing.
- 45% of the population (18 million people) lives on less than \$2 a day, as measured by the World Bank.
- 25% of African children are stunted.
- 10% of Africans are malnourished.
- 60% of the poor get no social security transfers.
- Mortality from infectious diseases and malnutrition, which is regarded as one of the major causes of death in developing countries including South Africa, is increasingly concentrated among the poor (www.wri.org/wr-98-99/001-povr.htm).

For decades, the majority of South Africans were deprived of viable business opportunities in the following ways:

- Bantu education restricted opportunities for the acquisition of technical and professional skills by black people.
- There was total absence of entrepreneurial education or sensitizing for young people in a way that could encourage them to enter business and acquire a culture of entrepreneurship. It is therefore imperative that an orientation towards business should also be introduced at an earlier age, at secondary school level if not earlier.
- The drastic curtailment of property ownership rights of blacks made it impossible for them to acquire assets that could serve as collateral for loan financing. This also excluded blacks from the long run process of capital accrual and growth through rising property values and share prices.
- Small businesses are facing a lot of problems and challenges, which are a major hindrance to their growth. It is common knowledge that many managers are unable to change attitudes and behaviours to fit the changing needs of the organization whether it is Small, Medium or Large (Mabey and Moyon, 1993: pg 199-200).

History has shown that the economy of South Africa was built on a systematically enforced racial division in every sphere of society. Segregation in education, health, welfare and employment left deep scars of inequality and economic inefficiency.

A report by the United Nations Population Fund argues that larger families and fast-growing populations obstruct development and perpetuates poverty by slowing growth and diverting consumption. It concludes that, to overcome poverty countries must deal with the population and fight poor production, unwanted fertility, illiteracy and discrimination against women.

SMMEs are internationally recognised as an important component of any country's economic development strategy. Small businesses constitute the bulk of the established business, with employment ranging between 5 and about 50. The enterprises are usually owner-managed or directly controlled by the owner community. Small businesses are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements. The small business sector plays a crucial role in people's efforts to meet basic needs and help marginalized groups- like female heads of households, disabled people and rural families to survive during the current phase of fundamental structural changes where the formal economy is unable to absorb the increasing labour supply and social support systems are grossly inadequate (Fred, 1998).

In the North West Province, economic development requires the creation of more jobs, faster economic growth, rapid poverty alleviation and greater equity in the sharing of the fruits of the economic growth. The small business sector is already identified by the North West government as crucial for alleviating inequalities in the province. In the North West Province, most small businesses are concentrated in urban areas. This is

explained by the narrow range of activities in which small businesses are concentrated as well as an indication of the fact that a lack of demand for their goods, coupled with high transaction costs implied by sparsely populated areas, are serious constraints to small businesses in rural areas. The South African Minister of Trade and Industry, Alec Erwin, reportedly told the national parliament that R68 million has been lost over the past four years because 117246 Small Businesses failed or went bankrupt (Big News, The paper for Growing Business, July 2001-No.55).

Constraints facing small businesses

Small businesses face a lot of constraints and problems which they cannot often solve on their own. The constraints relate among others, to the legal and regulatory environment in which small businesses operate, the access to markets, finance, and business premises(at affordable rentals), acquisition of skills and managerial expertise, access to appropriate technology, the quality of the business infrastructure in poverty areas, and in some case, the tax burden. These constraints differ according to the categories of small businesses. As an example, in South Africa, the legacy of apartheid constitutes an important factor in the inability of black owned or controlled small enterprises to face business development constraints.

The overwhelming majority of small businesses owned by blacks in the North West Province are informal due to lack of economic and social infrastructure, skills and knowledge of the formal economy (North West province, Development Strategy document, 1998). The issue of access to finance for SMMEs is a problem facing most

existing and new businesses in South Africa today (BRAIN, June 2004). Access to finance is therefore seen as a major constraint for the SMME sector. SMMEs have limited knowledge of where to access funding, and regard government initiatives, through the department of trade and industry (DTI), generally ineffective. The general perception is that inadequate financial resources are available to drive the industry from grassroots level.

Surveys indicate that weaknesses in marketing and management, and insufficient consumer orientation, are most often weightier hindrances to SMMEs, while entrepreneurs keep on complaining about the lack of finance in general terms (McIntyre & Dallago, 2003:187). South Africa lacks a vibrant SMME sector, with few support structures in place. SMMEs need to be assisted to change their focus from functioning in a survival mode to becoming highly skilled, specialized businesses. This means that emphasis should be placed on changing from a culture of dependence to one of independence. For example, in South Africa, too few people with appropriate skills are prepared to start their own businesses. This relates to the perception that there is more status attached to being employed by a large organization, and to the difficulty of obtaining venture capital at reasonable rates (www.queensu.ca/samp/migdocs/documents/2000/14).

A statistical survey was carried out in Wallacedene (Cape Town) to find the factors that affect small businesses in the area (Serumaga-Zake et al, 2005). The results indicated that, in general, the levels of education of the entrepreneurs in Wallacedene are relatively

low (averaging at grade eight) and that the education of an entrepreneur plays a major role in the performance of a small business. The other important factor is working capital, as expected. The policy implication was that human capital development and financial assistance should be encouraged, which seemingly might go a long way in creating jobs and alleviating poverty in Wallacedene.

The legacy of apartheid constitutes an important factor in the inability of black owned / controlled small enterprises to face business development constraints. The Small business sector has proven to be a highly significant vehicle for black economic empowerment (Department of Trade and Industry–Development Strategy, 1995). Although South Africa is trying to change the imbalances of the past, for example through the introduction of Black Economic Empowerment policy, it is however evident that this policy is still fairly small, and the majority of SMMEs industry is still largely dominated by white, male leaders. Also the lack of entrepreneurial training is a major constraint, which has only recently been addressed, and is still not regarded as sufficient to stimulate enough SMME development. It is therefore, suggested that aggressive training programmes need to be instituted in Technikons and Universities.

Cheap labour policies and employment segregation concentrated skills in white hands. Many workers are therefore poorly equipped for the rapid changes taking place at present while SMMEs in South Africa are underdeveloped. The new system needs now to reflect society's racial and gender composition, and to provide fairness and equality. According to the White paper on National Strategy for the development and promotion of small

business in South Africa and the North West–Development Strategy document (1996), the challenges that face SMMEs, which this research study seeks to address include:

- Lack of access to advice and information
- Unfavourable amendments to legislative and regulatory conditions
- Lack of access to marketing and procurement
- Lack of access to infrastructure and premises
- Lack of appropriate technology
- Lack of access to credit and venture capital
- Lack of access to finance for research and development
- Intense competition
- Lack of encouragement of interfirm linkages/joint ventures
- Lack of inward and outward communication and marketing/information,
- And lack of training in entrepreneurial and management skills.
- Lack of good business practice.
- Too many buy-and sell, and service sector businesses.
- Crime.
- Expanding big businesses kill off small ones.

Entrepreneurship

Entrepreneurship can be viewed as a function, which involves the exploitation of opportunities existing in the market. Such exploitation is mostly commonly associated with the direction and combination of productive inputs while an entrepreneur is defined

as -an individual who has the ability to identify opportunities in the environment to exploit those opportunities and to manage those opportunities. In the recent times, there has been rising entrepreneurial activity due to innovations in microelectronics, computers, telecommunications and information technologies. Political and economic factors also play a role. Local conditions also can stimulate entrepreneurship. Tax rates are another big factor. Many entrepreneurs are small business owners. Throughout the world, small businesses have been recognized as an important sector for social and economic development of a country. South Africa is not exceptional.

There are four main categories of businesses, namely, survivalist activities, micro-enterprises, small enterprises and medium-sized enterprises (i.e. Small Micro and Medium Enterprises). Survivalist enterprises are activities by people who are unable to find a paid job or get into an economic sector of their choice. The income they get from such activities is far below that of the minimum living standard—characterized by little capital invested, almost no skills training in a particular field and only limited opportunities for growth into a viable business. The owners are normally poor and struggle to survive. Micro-enterprises are very small businesses, often involving one owner or belonging to a family with one or two employees. They are normally unregistered, so operating in the informal sector. They have limited capital base with low earning levels which depend on the industry. Small businesses constitute the bulk of the established businesses with employment ranging from five to about 50. Normally, the businesses are managed by owners and are registered with government. Medium enterprises are also basically owner or manager-controlled but sometimes the

management can be more complex. Employment can be as many as 200 and with about R5 million capital assets. How can a small business be started? Next we see how.

Starting a small business

Before one starts a business, the first step is to do a thorough feasibility study to determine the practicality and viability of the business idea. The study indicates the market opportunity and growth potential of the business. It helps to analyze the possible risks and rewards of the concept and increases the probability of success (http://www.caredo_ldf.com/SBDC%20Feasibility%20Study.htm).

Normally one has to do a survey to gather information on the current economic conditions and state of the industry in which to start the business and does a detailed analysis on the competitors and potential customers (i.e. economic environment and target markets). The feasibility study helps to decide whether the idea is worthy of more time and money, that is, whether the business idea can become a profitable business.

This exercise helps to identify the requirements for starting a particular business such as experience, time, legal and funding issues. The feasibility study serves as the basis from which to develop a comprehensive business plan.

(http://www.caredo_ldf.com/SBDC%20Feasibility%20Study.htm).

According to the Canada Business Service Centres (2003), before one starts a business, a checklist is useful in evaluating a business idea. **(1) Preliminary analysis.** The following questions have to be answered, "Should I go into this business?" Answering this question

would involve a preliminary assessment of both personal and projected considerations. For general personal considerations, there are series of questions to ask. For example, do you like to make your own decisions? Yes or no. Do you enjoy competition? Yes or no among others.

Next series of questions: These stress the physical, emotional and financial strains of a new business. (1) Do you understand that owning your own business may entail working 12 to 16 hours a day, probably six days a week and may be on holidays? Yes or No. (2) Do you have the physical stamina to handle a business? Are you prepared to lose your savings? There are specific personal considerations to take into account. For example: Do you know which skills and areas of expertise that are critical to the success of your project? Yes or No. Do you have these skills? Do you have the ability to perform the feasibility study? (2) **Requirements of success:** Does the project/service/business serve a presently unserved need? Does it serve an existing market in which demand exceeds supply? The major flows are: are there any causes (i.e. restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e. unreasonable costs, scarce skills, energy, materials, equipment, processes, technology or personnel)? Is adequate financing hard to obtain? Are there factors that prevent effective marketing? (3) **Desired income:** What minimum income do you require? How much could you earn by investing this money? How much could you earn by working for someone else? (4) **Supply:** Can you make a list of every industry and operating supplies needed? Do you know the quantity, quality, technical specifications and price ranges desired? Do you know the sales terms of each supplier?

(5) Expenses: E.g. Do you know what your expenses will be for rent, wages, insurance, utilities, advertising, interest, etc. Do you know how much your overhead costs will be?

(6) Miscellaneous: Are you aware of any major risks associated with your product, service and or business? Can you minimize any of these risks? Can these risks bankrupt you?

(7) Venture Feasibility: Are there any major questions remaining about your proposed venture? For details see the “Canada Business Service Centres” document.

The market must be large enough to support the business. The feasibility study consists of an in-depth analysis of the market, its demographics, geographic and psychographics. Care must be taken to ensure that the population is large enough to sustain the business. The study also includes an analysis of the competitors both direct and indirect. You have to analyse the suppliers and the distribution methods, and also understand the industry- both its problems and opportunities.

If the business idea is valid, you then go ahead and prepare a business plan. The business plan clarifies various aspects of the business including marketing, operations and finances. Having identified your potential market and its size, you would need to define the uniqueness of your product and the best method of delivering the product/service to the target market. You must guarantee that you will deliver efficiently and most effectively to the market. You must ensure proper financial controls to always know the state of the business. Cash flow projections are important to the new business and should be monitored constantly. They should be compared with actual figures as they become available.

Financing the new business is always a problem. You have to self-finance until the business has proven its viability. A business plan with sufficient research, documentation and realistic financial projections are essential to seeking financing from established financial sources. Actual income and expense data is usually more reliable than estimates. For details see Becky Winters.
(<http://www.bestplaceshawaii.com/databook/bigisland/newbiz.html>).

There must be a competitive analysis, the analysis of who the direct and indirect competitors are. You must examine their strengths and discover their weaknesses so that you can use them to your advantage. **(8) Location analysis:** The feasibility study will include a look at the locations that are suitable and available. Consider how close you need to be to your customers, suppliers and competitors—finding out whether your home is appropriate.

http://www.city.kenora.eu.ca/biz_and_eco_dev/business_services/research_your_biz_idea.html.

According to “NSW Department of State and Regional Development Small Business Text-only Website” document,
(<http://www.smallbiz.nsw.gov.au/textonly/business/starting/study.html>), a feasibility study is a formalised written approach to evaluate your business idea. It shows you what facts and figures are needed to aid decision-making, whether or not your idea is viable, allows discovering and looking at alternative approaches and solutions to putting your idea into practice. (1) The questions to answer are: How would you describe your

business idea? What is it? Will it work? How is it different from existing businesses?

Who will buy from you? (2) You look at the **profiles of key people** you need to implement it. Who are they? These are the people upon whom the business will rely.

Does their background help or hinder the proposed venture? Create a one-page resume of each key person, showing his or her strengths, skills, experience, training and

qualifications. (3) **Personal objectives:** You need to set personal objectives. Do you know what you want in your private life, in short term (one year), medium term (two–three years) and long term (over three years)? You need to sort out personal desires first to avoid conflict in private and business lives. (4) **The market:** Who are potential

customers? Make a list. Why will they buy from you? Identify your market segment.

What knowledge do you have of your market segments/groups? How many are there?

What will they buy? How often will they buy? What will be their average purchase?

Product and services: Create a list of the products/services you will be offering to each segment. How long to produce or procure them? Determine how much it will cost to buy or produce them and how much you can sell them for. **Suppliers:** Identify preferred and alternative suppliers on a list and show products/services/prices on this list. Collect catalogues and brochures.

Competition: List your competitors and show their strengths and weaknesses. Ask a question, “How can you attract their customers from them?” Price is not the only answer.

Map: Obtain a map and on it define your market boundaries, your location, your competitors, your suppliers and any demographic information on your market.

(5) **Your business overview:** Identify your site. Is it rented, owned or at home? Why is it located there? What are the advantages and disadvantages? **Site plan:** Draw up the site plan. Sketch the floor plan; identify assets. If necessary, use several alternative floor plans. Work through the plan, placing a value on each item. Identify the equipment you will require. Place values on them. Identify resources you will inject into the business. Identify funding needs to be addressed. (6) **Staffing:** What staff will you need, and why? Who will they be? What will be the cost? Training? What alternatives are there? (7) **Legal checklist:** Which assistance do you need? **Your solicitor:** Who will it be? What can they offer and at what cost? You need information on the business license and requirements. (8) **Capital:** How much working capital will you need for up to 6 months funds?

After all these details, you recommend from the study whether “Yes, if...” or “No, unless...”(9) **Sources of help:** To write the feasibility study you may need help from various sources such as: Business advisory service centres (for training workshops, research facilities etc), Accountant (to advise on financial matters), Solicitor (contracts, leases, legal representation), Bank (financial information and support, leasing, advice, contracts and special services), Business advisors/consultants, Trade associations (membership and support, good deals, training, advice, etc). (10) **Information:** Own research, Business advisory centres, librarian, libraries, publications, government departments, local councils etc.

For competitors, check out your competition, their location, layout, advertising and services. What are they doing wrong or right? Equipping poor people with entrepreneurial skills can go along way in enabling them to create their own jobs by starting a small business. The resulting employment and regular income would in turn help them to escape poverty.

1.3 PROBLEM STATEMENT

There is a high failure and closure rate of SMMEs in the Mafikeng and Mmabatho area of the North West province. The problems and challenges facing SMMEs in Mafikeng (the capital city of North West Province), that are causing the closure of many of these businesses are not known. Defining the problem and rationale will be discussed in detail in chapter 3.

1.4 OBJECTIVES OF THE STUDY

The research focuses on two major problems considered to be hindering the growth of SMMEs in the province, namely the lack of entrepreneurial management skills and financial problems.

The objectives of this research study are given in terms of research questions, which are:

- 1.4.1 Do the managers / owners of small businesses in the Mafikeng and Mmabatho areas of the North West Province have the necessary entrepreneurial and management skills?
- 1.4.2 What are the educational and training levels of the members of the top management of these enterprises?
- 1.4.3 What is the level of cultural diversity based on dimensions such as gender, race, and ethnicity of the enterprises?
- 1.4.4 What are the sources of finance available to these enterprises?
- 1.4.5 Do these enterprises have access to credit? If yes, from where?
- 1.4.6 Do the core staff members of these enterprises have financial skills?

1.5 SCOPE OF THE STUDY

This research is limited to the boundaries of the Mafikeng and Mmabatho area of the North West province and to businesses employing not more than 100 workers. Therefore, the findings in this study cannot be generalized to all the SMMEs employing less than 100 workers in the whole of the North West province or South Africa; they apply only to those in Mafikeng and Mmabatho area. In terms of data analysis, the study gives a detailed description of the phenomenon under investigation. It basically tries to provide answers to questions *who*, *what*, *when* and *where*. The researcher attempts to give a profile of the SMMEs in the area under study. The research involves simply, collection of

data and creation of distributions of the number of times a single event or characteristic (known as a research variable) is observed. On a small scale, it also involves relating one or more variables to others. It does not intend to answer the *why* and *how* questions, which relate to causal relationships (explanatory research).

1.6 IMPORTANCE OF THE STUDY

This research study seeks to investigate some of the problems/challenges faced by SMMEs in the Mafikeng and Mmabatho area of the North West province. It therefore, strives to find out the extent as to which these critical issues occur and the impact they have on small businesses situated in these areas.

It is the wish of the researcher that the results of this research study will be communicated to the relevant government departments to enable them to have a clearer picture of what exactly is causing the high failure rate of SMMEs in the Mafikeng and Mmabatho area of the North West province. The research study may then assist government and the business community to devise means and ways of overcoming some of the problems and challenges small businesses are facing in the Mafikeng and Mmabatho area. This might in the long run help to uplift the economy of the province as a whole.

1.7 PLAN OF THE STUDY

This research study covers the following topics:

- Chapter 1 deals with the introduction and the background to the study, the problem statement, objectives of the study, importance of the study, the study environment, some literature, and the plan of the study and definitions of some important concepts.
- Chapter 2 deals with the literature and theoretical foundation of the study. Literature will be sought from textbooks, published papers, internet, Government Documents, Newspapers, Business Magazines and articles.
- Chapter 3 gives the problem definition and the formulation of research questions.
- Chapter 4 deals with the research design and analysis for example, the method of data collection, sampling techniques and data analysis techniques.
- Chapter 5 discusses the results and interpretation of the information collected during the research process.
- Chapter 6 deals with the discussion, conclusion, policy implications and recommendations of the research study.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter, the nature of SMMEs in the major cities of the North West Province is discussed first, the definitions of Small, Micro and Medium enterprises will also be given. This is followed secondly by the constraints facing the manufacturing small business sector. The chapter will end with a discussion on how to run a business efficiently.

Small, Micro and Medium enterprises are defined according to the White Paper (1995) as follows:

2.1.1 Micro enterprises

Micro enterprises are very Small Businesses, often involving only the owner, some family members and at the most one or two paid employees. They usually lack formality in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of them have limited capital base and only rudimentary technical or business skills among their operators. However, many micro-enterprises advance into viable small businesses. Earning levels of micro-enterprises differ widely, depending on the particular sector, growth phase of the business and access to relevant support.

2.1.2 Small enterprises

Small enterprises constitute the bulk of the established businesses, with employment ranging from five to about 50. The enterprises are usually managed by the owner or directly controlled by the owner community. They normally operate from business or industrial premises, register with government and meet other formal registration requirements. Classification of small businesses in terms of assets and turnover is difficult, given the wide differences in various business sectors like retailing, manufacturing, professional services and construction.

2.1.3 Medium enterprises

Medium enterprises constitute a category, which is difficult to demarcate between the Small and Big Business categories. It is still viewed as basically owner-managed/controlled though the shareholding or community control base could be more complex. The employment of 200 and capital assets (excluding property) of about R5 millions are often seen as the upper limit.

2.2 THE IMPORTANCE OF THE SMALL BUSINESS SECTOR

Small, Micro and Medium enterprises can be used to alleviate poverty through job creation, economic growth and their promotion can help to address past imbalances in South Africa. According to the White Paper (1995), SMMEs are playing an important role in reducing unemployment, penetrating new markets and in expanding economies in creative and innovative ways. It is argued (White Paper,1995) that the statistical base of

the SMMEs in the country is still poor. The sector is characterized by a diversity of structures, problems, growth potential and access to support. These differences relate to the economic sectors, namely retailing, manufacturing, mining among others.

It has been proven that the labour absorption of the Small Business sector is high (see White paper, 1995). The average capital cost per job created in the Small Business sector is usually lower than in big businesses and the sector's role in technical and other innovation is vital for many of the challenges facing South Africa's economy. Given the South Africa's legacy of Big Business domination, constrained competition and unequal distribution of income and wealth, the Small Business sector is seen as an important force that can generate employment and more equitable income distribution. To activate competition, exploit niche markets (both internally and internationally), enhance productivity and technical change and through all this, stimulate economic development. Taking into account the very large micro-enterprise segment of the Small Business sector, as well as those enterprises struggling in survivalist activities, it should be clear that the small business sector plays a crucial role in people's efforts to meet the basic needs. They also help marginalised groups like female heads of households, disabled people and rural families to survive during the current phase of fundamental structural changes where the formal economy is unable to absorb the increasing labour supply with social support systems which are grossly inadequate.

Experience has shown that in the past, black people have been able to make far greater progress in the Micro and Small enterprise segments of the economy than in Medium

sized and larger enterprises. The SMME sector has all its impediments notwithstanding proven a highly significant vehicle for black economic empowerment.

According to Barrow (1998), small businesses are a vital spark in the economy, due to the following reasons:

Responsiveness to change

Because of their size, small businesses have limited resources and therefore are at the mercy of market falls. This means that as changes in the economic conditions arise, small businesses have to change as well, unlike their counterparts- the large firms which are not so much influenced by changes in the economic conditions. Large firms usually continue in the same direction before recognizing the need for change. Small businesses are therefore more flexible than large firms.

A major source of innovation

Small businesses play an important role in creating new technology and products. Large businesses are in most cases involved in process innovations. It was found that over 60% of the major innovations developed in the twentieth century were the work of independent investors and small companies. It is therefore clear that small businesses are three times as effective at innovating as are large businesses. Small firms seem to encourage innovation because less restrictive organisation provides for more individual initiative. Four other reasons have been suggested. First, in a small technological firm, innovation is necessary to ensure survival, while in a large organisation emphasis is on

maintaining product market position. Second, managers of small technological companies have more incentive to innovate. Third, large firms may prefer to hold technical improvements to a minimum for marketing reasons. Fourth, researchers and innovators in large firms tend to specialize while those in small firms tend to be technical generalists. Specialization can limit innovation, because the more knowledge a developer has to draw on, the more original the resulting innovation tends to be. It is therefore a sound conclusion to say that small businesses are a substantial source of innovation and technical change, and they make contribution more efficiently and at lower cost than larger businesses.

Job creation

In the United States between 1969 and 1976, small businesses with twenty or fewer employees created 66% of all new jobs. In New England alone 99% of all new jobs were created, while medium sized and big businesses created few new jobs. A US study found that small, young, high technology businesses created new jobs at a much faster rate than larger businesses. It was also found that small businesses are more resilient to the effects of recession.

2.3 ESTABLISHMENT OF A BUSINESS

New business opportunity

In order to establish a new business, a feasible opportunity must have been identified in the market. An opportunity can be defined as a gap in the market the entrepreneur identifies to satisfy a need of individuals or organizations by supplying a product or service. Entrepreneurs search for changes, respond to them and utilize the opportunity that arises to earn profit. In this regard, there are several sources from which an organization could arise. First, the proposed business should enhance a concept with which the entrepreneur is familiar. A motor vehicle mechanic for example, should preferably sell spare parts instead of selling and repairing personal computers. For repairing personal computers the mechanic requires the services of an electronic technician. This ties the success of the business to the success of an employee rather than the owner. Should the technician decide to leave, it could be a serious loss to the business. The technician may decide to start his own business, thereby robbing his former employer of clients. Second, an opportunity may stem from a hobby and develop into a thriving business. Third, there may be an opportunity to purchase an existing business. Although it may be a less expensive alternative than starting a new business, the buyer must ensure familiarity with the type of business. However, what should be borne in mind is that every idea will not necessarily develop into a viable business. Ideas have to be thoroughly investigated in order to establish their feasibility. Only one opportunity may be identified from a large number of ideas and may through successful management develop into a significant business. Ideas should therefore be subjected to feasibility

testing to establish their success potential. The feasibility of an idea is explored through market research (van Rensburg, 1997).

Why do people want to start a small business?

Advantages of running your own business

It is common belief that few people get rich working for someone else, therefore running your own business increases the opportunity to make more money although becoming wealthy depends on the success one makes of it. The owner of the business can determine the amount of money to take out as salary and be able to claim extra benefits on the business only if the business is doing well. It is known that big businesses are only small businesses that succeed. In running an own business, most entrepreneurs are not focusing only on making more money but also the freedom that comes from becoming your own boss. Entrepreneurs are totally independent, can plan the business and run it on a day-to-day basis in the manner they desire, as well as giving them an opportunity to work in the field they really enjoy. It is also a fact that self employed people have more tax allowances against income than employees.

Disadvantages of running your own business

A small business has its benefits, however in setting or owning a small business, the business owner must face an equal or even a greater number of disadvantages. It must be noted that these shortcomings have been of mostly obvious reasons that are faced by small businesses.

These are as follows:

- The inability to hire qualified employees
- Lack of funds for expansion
- Tax burdens
- Limited or non-existent credit suppliers
- High costs for advertising and
- Coping with competition.

It is important to know that many of the disadvantages in small businesses are directly linked to improper planning and misuse of funds.

There is more risk in running a business than working for someone else, because the failure of a business may result in huge losses including your job. This may come in forms of financial hardship in case a business owes money, your hard work would have been to no avail which is a great disappointment to an entrepreneur. The failure of a business may result in you having to sell your assets, including your home, and may also lead to bankruptcy. An entrepreneur becomes totally responsible for the success or failure of his/her business causing huge stress, constant pressure and long hours of work. This may drastically affect one's social and family life and one's health. These businesses are encounter problems of competition, recruiting/retaining people, management succession, new product development, investment in new premises and equipment, raising capital, environmental considerations and family succession (Barrow, 1998).

2.4 THE SITUATION OF SMALL BUSINESS IN THE NORTH WEST PROVINCE

According to the North West Province Development Strategy (1998), more than 95% of Small Businesses owned by blacks are informal. These businesses are characterized as “survivalist” Small Businesses whereby there is a major lack of appropriate skills and knowledge to the effective running of these businesses. It is however, evident that the concentration of Small Businesses is in urban areas as Small Businesses in rural areas suffer from lack of appropriate social infrastructure, lack of demand for their goods as well as the poor Small Business management, due to inappropriate Entrepreneurial and Financial skills. A lack of these skills and more leads to the closure of Small Businesses, and thus, the lack of sustainability of these Businesses in rural areas.

The Development Strategy also pointed out that the Small Business sector in the North West province is narrow-based. This means that approximately 84% of Small Businesses in the province are shops. This is another important fact to consider when attempting to uplift the Small Business sector in the province. People with the interest of pursuing Small Businesses in the province need to be given enough information as well as other available alternative forms of Small Businesses other than pursuing shops. This will encourage the interested parties to diversify to other forms of Small Business sectors, and thus preventing the overcrowding of people into a single sector.

Small Businesses must be encouraged to integrate, and create linkages with larger producing firms within and outside the North West Province. In this way Small Businesses will start to be competitive in the market and will promote growth through investment and job creation in the province.

2.5 ENTREPRENEURS IN SOUTH AFRICA

Sufficient entrepreneurs and intrepeneurs are determining factors in establishing and building economic prosperity in a society seen in light of the description of true entrepreneurs. no accurate statistics on the number of entrepreneurs in any country in the world are available. For practical purposes the number of top business people is taken and they are regarded as entrepreneurs. This includes small business owners, chief executives and managers of departments undertaking innovations given the lack of suitable statistics. Research has shown that there are relatively few entrepreneurs in South Africa in relation to other countries (Marx, van Rooyen, Bosch & Reynders, 1998).

In south Africa the estimated figure was 2.9% in 1986. In the same year the ratio of employer to employee in South Africa was 1:52. It was estimated that this ratio could worsen to 1:76 in the year 2000. Entrepreneurship today is viewed as a culture consisting of certain values, convictions and norms. The values indicating what is of importance to a society, convictions indicating how affairs in a society should be regulated and the norms applicable to the society. In South Africa this culture has to be strongly promoted to encourage everybody (Marx et al, 1998).

2.6 CONSTRAINTS FACING THE SMALL BUSINESS SECTOR

It is argued in the White Paper (1995) that small businesses face a wide range of constraints and problems, and are less able to address the problems on their own even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory environment confronting SMMEs, the access to markets, finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, the quality of the Business infrastructure in poverty areas and in some cases the tax burden. The constraints have particularly been hard on entrepreneurs in rural areas and on women. The micro and survivalist enterprises are far less able to face constraints linked to finance, market access and acquisition of skills. Some sectors like agriculture, construction and manufacturing confront small enterprises with a particularly wide range of problems and thus preventing easy access to these sectors by new enterprises or increasing the risk of those already in the sectors. Among medium-sized enterprises, problems like international competition, technology transfer and skill training can constitute major growth obstacles.

2.7 THE CHALLENGES FACED BY SMALL BUSINESSES

Most small businesses are affected by the following challenges:

- Lack of accessible information
- Lack of understanding of marketing

- Lack of potential market
- Lack of new business ventures business opportunities
- Communicational societal blocks or groups
- Similar business ventures rivalry
- Ineffective lack of support centres
- Strong local competitions from other similar business ventures
- High rents and charges from the local authority
- Lack of proper non-existing government incentives
- Lack of finance for investments
- High interest return on loan rates
- Bigger larger retailers
- Government policy–policies towards SMME, and assistance on support government agency in reference to training.
- Inflation–the rise of consumer prices affects the viability of businesses. Inflation increases the costs of products and services. There is increase in costs for exporting industries and also for local industries competing against imported goods. When a country's inflation rate is higher than that of its major trading partners and international competitors there is a reduction in its international competitiveness. This is still the case with South Africa today, because its inflation rate is still higher than most of the world's important trading countries
- Monetary policy of government, the influence of money supply, interest rates and the strength of the currency has tremendous implications on small businesses and

management. High interest rates for the past years have resulted in the high cost of credit and a subsequent decline in consumer spending and fixed investment.

- The government's fiscal policy has affected both businesses and consumers through taxation and tax reforms. Individuals now carry more of the tax burden than ever before, where revenue from company tax has seen little change.
- Greed, exploitation of workers and consumers, and the abuse of positions of trust have caused the business ethics of entrepreneurs and managers to be deplored. There has been already some accounting and auditing scandals and the outcry from investors for increased regulatory measures. In South Africa there are examples of unethical and corrupt conduct and bribery scandals by executives including the controversial arms deals, the SAAMBOW affair, and the misuse of funds at leisure net.
- HIV/AIDS. This is a major social problem that concerns and influences all South African businesses. The cause of HIV/AIDS is devastating, families and communities and destroying hope. South Africa has one of the highest largest numbers of people living with HIV/AIDS in the world. The concerns that potential investors have about the epidemic is that, an organization can lose key people of its workforce. Because investors, organizations are legally obliged to support HIV/AIDS positive employees, few investors are interested in entering labour intensive industries such as transport, mining, and manufacturing. To individual businesses, the cost of AIDS includes absenteeism, lost productivity, hospitalization and replacing workers at enormous cost.

The economies surrounding countries also affect the economic variables and the diversity of entrepreneurs of South Africa. The South African economy operates in a region where most of the world's poor people live on less than US \$1 per day. South Africa is the continent's most powerful economy but due to low incomes in these countries, products from South Africa are unaffordable to these countries. This is due to the high prices of goods from South Africa due to high production costs. Whilst, there is availability of cheap products from China, India and other Asian countries which come at affordable prices to these countries. This in no way supports the export sector of South Africa (Cronje, Du Toit, Marais & Motlala, 2004).

2.8 WHY DO SMALL BUSINESSES FAIL

It was found by a study (Barrow, 1998) that, of the millions of new businesses born each year in the developed world, only half live as long as eighteen months and only one in five live as long as ten years. A U.K study which confined itself to looking at businesses registered for VAT—having a turnover of 25000 pounds or greater in 1990, came up with an interesting perspective on failure as follows—half the businesses superficially recorded as failures in the UK's national statistics had ceased trading. Nearly a third had either changed their legal identity as another type of business, and the remaining fifth of small firms de-registered from VAT because they fell below the turnover threshold, meaning that they are on their way to failure but have not failed yet. On the firms that fail, the biggest single reason that was found is incompetence.

It highlighted that the highest risk of small business failure is in the first few years in which some entrepreneurs lose their life savings, others end up in endless debts, and the fortunate few lose only their dignity and rise up a few years later using their experience as a ground on which to build a successful venture. Some academics believe that the high failure rate is the price that has to be paid in order to produce a thriving new business venture known as the survival of the fittest. According to the UK study, new start-up businesses fail for the following eleven basic reasons:

- Lack of expertise. In the owner-manager type of business. Starting a small business requires the manager/owner to become a jack of all trades. He/she needs to have a knowledge of all aspects of the business activities, which makes it difficult for entrepreneurs with a history in large firms.
- No product/marketing strategy. Most entrepreneurs do not first define their products and their market target before starting a business.
- Over-optimism about market size. The lack of not performing a market research to see who the competitors are and to determine the estimated sales prior to starting a business.
- Understanding the start-up time. This is when a business starts before the customers come along.
- Lack of working capital. Capital requirements with a good safety margin need to be determined on the onset.
- Start-up cost too high. Small business start-ups tend to spend too much on overheads early in the business.

- Consequences of early growth. Small businesses tend to change shape and size very rapidly in the early days as soon as customers start coming in, which results in the business growing faster than cash resources allow.
- Mistaking cash for profit. The cash that flows into the business has not had any of the automatic deductions knocked off it as has a pay cheque from an employer. In most cases entrepreneurs yield to the temptation to use this cash to maintain their living standards, and when the bills come in from the suppliers for national insurance, for VAT—they cannot pay them.
- Wrong location. Small businesses tend to take premises just because the rent is cheap not knowing whether the business is in a strategic area to attract customers. On the other hand some tend to take premises on an expensive high street site when their business turnover is unlikely to cover the costs of rent. This could be overcome by the initial research of the market to assist locate a suitable location.
- Selecting and managing people. Small businesses in most cases do not have the skills to selecting and managing people, this therefore results in selecting the wrong people who are incapable of performing the job.
- No management account. New business people often see regular accounting as a bureaucratic nonsense carried out for the benefit of the Inland Revenue alone (Barrow, 1998).

Reasons Why Small Businesses Might Fail

Inadequate management ability

Managing the business can be a major problem for managers or owners of small businesses. Because managers cannot specialize in any one field or area but rather they must function with broad based knowledge. This can be over-whelming to their natural abilities. Managers can be over stretched and this may lead to failure of tasks of a small business owner in areas such as initial strategy and business operation internally and externally. The business owner's inadequate management ability can bring about failure in good overall planning. For example, in site planning, an important reason for business failure has been noted to be poor location. Other problems here are proper marketing planning and incomplete and inadequate financial records.

Improper financing

Financial business failure has been realised as a major factor in small business failure. Most small businesses face the problem of undercapitalization. This means that a new firm lacks the money to enter into a venture property. Whilst, on the other hand, undercapitalization in an ongoing business means that too much money is tied up in fixed assets, accounts receivables or obsolete inventory. Therefore, it should be recognized that financial failure of a business will bring about problems like poor sales, high operating costs, and poor credit and collection policies. As well as too many fixed assets, too much of the wrong inventory, inflation, taxes, competition, government regulation, interest rates, among others.

Poor management

Poor management is one of the main reasons businesses fail. This is supported by the fact that small business managers or owners enter into businesses without any management skills or basics. In turn, these small businesses cannot afford to employ skilled management people because of the stringent budget they are faced with. The manager or owner of a small business therefore needs to have competence in many fields which will assist him/ her in the day-to-day operations of a small business, and in most cases this is not the case (Corman & Lussier, 1996).

Small businesses were regarded as the answer to structural changes and employment problems which large companies were unable to solve in U.S in the 1970, where large companies were seen as inflexible and slow to adjust to new conditions on the market. A study also indicated that the majority of all jobs in the U.S were created by small firms, thus small firms can be considered as a driving force regarding economic growth and increased employment. However, very few newly established and small firms show any considerable growth, and it is only a few small firms which amount for a major share of all new jobs, while most new firms are born small and stay small (Landstrom, Frank & Veciana, 1997).

According to Landstrom et al (1997), about 61 percent of small businesses are faced with the challenges of finding and retaining qualified workers, state and federal regulations (31 percent), economic uncertainty (29 percent), keeping up with the technology (28 percent), and access to adequate capital (27 percent) as the issues deterring their growth and survival.

Although doing business on the internet is an integral part of a business' success, the majority of small businesses are threatened by this venture, while their big counterparts are gaining major profits from the advent of e-commerce. Small businesses developed an attitude towards e-commerce as they view it as having no impact on their businesses. On the other hand, small businesses face barriers to conducting e-commerce such as having limited expertise to conduct e-commerce. These businesses, most of which are not well structured, do not have the adequate budget readily available for staff training.

Small businesses are seen to have many of the same challenges that big businesses face although they also have specific problems of their own as well as advantages. Compared to big businesses, small businesses have the advantage of being swift or moving faster once they have identified the source/cause of the problem. This is made possible due to the fact that the manager or owner who is the decision maker of the business becomes actively involved and works closely with the rest of the staff, since the different levels of management are in most cases non-existent or are not emphasized, procedures of business operation are mostly haphazard (Zaino, 2004).

In most cases growth for small businesses means getting supportive financing when needed. Most or all small businesses face a common set of challenges. For example, in Canada, small businesses will have to adopt new management practices. Management skills have remained a difficult challenge for many Canadian small firms. This is for the fact that small business owners and managers show little contribution to having/developing formal management training programs and courses to upgrade their skills.

Possible reasons include:

- **Relevance:** Many courses and training programs are not focused on the immediate needs of small businesses.
- **Accessibility:** courses in management are generally offered in the classroom and not in the workplace.
- **Selection:** it is difficult to select relevant courses from the many available.
- **Time:** Small business owners and managers cannot spare time away from their businesses to participate in conventional training programs.
- **Cost:** formal courses may seem expensive to small businesses, which are also unlikely to be able to afford management consultants.

Small businesses therefore have special difficulties because they generally cannot afford the formal training their employees need to maintain and develop the skills the new economy requires. On the other hand a Canadian Federation of Independent Business Survey in June 1991 showed that small firms are committed to on-the-job training and are aware of the importance of ensuring that the skills of their employees are up to date.

Most small businesses fail to acquire venture capital from banks, venture capitalists and individual investors due to the fact that these businesses have inadequate management and business planning skills. This makes them have difficulty in obtaining financing from financial institutions (<http://strategis.ic.gc.ca/epic/internet/insbrp-rppe.nsf/en/rd00418c.html>. 6 July 2005).

Many small businesses are relatively slow to innovate or apply technology to improve competitiveness. They may lack the time or resources to become well informed about technological change or its implications for their businesses. They may not even recognize that solving a problem or realizing an opportunity could depend on technology. Price is no longer the only or even the most important determinant of competitive success. Businesses increasingly compete on their ability to apply innovative technologies to produce development, marketing, production, distribution, after sales services, and internal administration.

Throughout the world, small businesses have been recognized as an important sector for social and economic development of a country. Survivalist enterprises are activities by people who are unable to find a paid job or get into an economic sector of their choice. The income they generate is far below that of a minimum living standard. These enterprises are characterized by little capital invested, almost no skills training in a particular sector of their choice, and only limited opportunities exist for them to grow into a viable business. The owners are usually poor and are struggling to survive. Small businesses face a number of constraints and problems, which in most cases they cannot solve. The constraints involve among others the legal and regulatory environment in which small businesses operate, the access to markets, finance, and business premises at affordable rentals, acquisition of skills and managerial expertise, access to appropriate technology, the quality of the business infrastructure in poverty areas, and in some cases the tax burden. These constraints differ according to the type of business for example survivalist, small, medium and micro enterprises.

2.9 PAST SUPPORT POLICIES ON SMME'S

A number of institutions have over decades developed a limited, often fragmented range of Small Business support policies and programmes, some operating in competition with each other, and virtually all of them racially and gender-biased. Even with the parastatal corporations and some specialized SMME support agencies such as the Bophuthatswana National Development Corporation (BNDC), the Development Bank of Southern Africa (DBSA), the Small Business Development Corporation (SBDC) and the Industrial Development Corporation (IDC) as financiers and government, there was little co-operation extended directly to the black Business sector. For example, government procurement was largely channelled to white businesses.

Most of the university-based Small Business Units, while receiving financial support from the state, have until recently not succeeded in effectively addressing the needs of the black Small Business sector. In the private and NGO sectors a wide range of Small Business support bodies have evolved over the last decade, often operating in competition with each other. While largely ineffective in their overall impact, this trend reflects the rise of attention to support Small Businesses among local stakeholders and donors.

According to the North West Development Strategy (1998), there are recent developments in the restructuring and re-organization of Small Business support organizations. These include the Khula Enterprise Finance LTD and Khula Credit

Guarantee LTD; the Ntsika Enterprise Promotion Agency and (NSBC) the National Small Business Council which was established to facilitate communication amongst representative business organization. Policy advisory bodies and Government, through the National Small Business Act of 1996.

Small Medium Micro enterprises need to be facilitated in every way because they will lead to an increased job creation in the province. They will also become the big companies in the near future if given a chance to grow (see Doc web.pwv.gov.za/docs/telesubs/ericson.pdf). One of the qualifying principles for acquiring a loan from Khula Finance Ltd is the fact that, the applicant must have a sufficient level of skill and experience directly related to the business or the applicant must have access to such skill. Bearing in mind that most of these entrepreneurs come from the previously disadvantaged communities, with no skills at all of managing a business, and his/her only need is survival. Most of these people have no education, so this requirement is really a major blockade for them to acquire funds to start their own businesses or to expand their businesses. Therefore, the government must really look into this matter if it is really prepared to offer assistance to these groups of people.

The government must find ways and means of helping the interested people for them to be able to run Small Businesses with the necessary skills, most importantly with financial and entrepreneurial skills training. Many small businesses cannot acquire information related to the running of Small Businesses because they find it difficult to locate where and how to find it. There must therefore be some means of communication for the proper

access of this information (ABSA Bank document (2001): Business Referral and Information Network (BRAIN); now a powerful means of networking to unlock information sources for SMMEs).

2.10 ACCESS TO INFORMATION AND ADVICE

Lack of access to appropriate, relevant and understandable information and advice is one of the most important problems of small enterprises, in particular micro-enterprises, survivalists and small start-up enterprises. Due to past discrimination and lack of opportunities, this problem is most severe among black entrepreneurs. In many cases the passive availability of information and advice is not sufficient for the effective transfer of experience. An inward and outward flow of information for Small Businesses must be made readily available to them. The information on loan financing schemes as well as their conditions and ways of applying for them need to be brought to the disposal of these Small Business sectors in the province. Small Business information aiding units need to be put in place to help Small Businesses to market themselves better and to create greater linkages with larger firms.

2.11 ACCESS TO MARKETING AND PROCUREMENT

Small enterprises usually regard market constraints and the inability to sell their products and services (because of lack of demand for their goods and services) as one of the most serious obstacles to the starting of businesses and growth beyond mere subsistence level.

This is particularly in the case of entrepreneurs from disadvantaged communities where their consumers are situated in non-commercial areas in the province.

2.12 ACCESS TO FINANCE

Access to finance comes out as one of the most urgently felt needs. Other problem areas (like marketing, technical skills, poor product, quality and weak management) often aggravate the financial position of Small enterprises and hamper their access to funds. The financial needs of different types of SMMEs vary widely, with access problems particularly severe in rural areas, among start-up micro enterprises and among those owned or controlled by women as well as other formally disempowered groups. This is also the case in certain higher-risk business categories. These businesses experience high transaction costs, lack of access to credit for working capital and for investment purposes.

2.13 THE PHYSICAL INFRASTRUCTURE

The development and financing of business and industrial premises (shops, offices, factories, market stands, hawkers' shelter) as well as infrastructure facilities, including the supply of electricity, water, telecommunication connections, sewage, street lights, parking facilities, is usually seen as the responsibility of the private sector or local authorities, rather than the government. Due to past neglect of the needs of black townships and even basic facilities, lack of infrastructure has emerged especially in rural

areas as one of the areas deserving special attention. The fact that Small Businesses in rural areas suffer from lack of growth and sustainability of their businesses, due to the location of Small Businesses outside commercial districts and technology. This makes Small Businesses in rural areas less competitive than their counterparts in urban areas of the Province.

2.14 GOVERNMENT'S ROLE

Government has the responsibility to create a conducive environment to entrepreneurial activity as the activity is needed in a country which is in the process of economic reconstruction and development. The government must bring about and implement the legal framework that will bring about an adequate and fair economic system possible. Regulating and over-regulating by government in the business world results in the hindrance of potential entrepreneurs from becoming economically active, which may result in a more poorer economy.

Deregulating by government should promote the expansion of the small trade in the informal sector. A healthy and growing small business sector within the informal sector is the key to creating welfare in a market-oriented economy and in enhancing the creation of jobs in an economy. The informal sector on the other hand is seen as the environment in which entrepreneurship is developed, individual innovation and initiative is rewarded as well as the promotion of job creation. This sector is known to be labour intensive, competitive, characterized by the ease of access into the market, and a gateway for

entrepreneurs. Deregulation is seen as the first sensible step towards privatization. Privatization combined with deregulation promotes the performance of small businesses and the informal sector. Although deregulation is a good strategy, the economy of a country cannot function in an orderly manner without some form of regulating measures. It however has a limiting influence on the development of private entrepreneurship. Competition and the creation of job opportunities (Moolman & Visagie, 2004).

2.15 TRAINING IN ENTREPRENEURSHIP AND MANAGEMENT SKILLS

The acquisition of relevant vocational, technical and business skills is generally regarded as one of the critical factors for success in small enterprises. In addition, literacy and entrepreneurial awareness are seen as particularly important to enable people to advance from survivalist activities into larger and better earning enterprises, as well as improving the efficiency and success of their existing businesses (White Paper, 1995).

According to the Strategic Management Concepts (Fred,1998:66), small business owners need to apply the strategic management knowledge in the planning of their businesses, because a lack of strategic management knowledge is a very serious problem for them. However, there are various other problems encountered when applying strategic management concepts to small business. These include the lack of sufficient capital to exploit external opportunities and a day-to-day cognitive frame of reference. It is also reported that strategic management in small businesses is more informal than in large firms, but small firms that apply strategic management to their businesses perform much

better than those that do not. An entrepreneur in small businesses should strive for the highest standards of integrity and fair dealing both internally and externally in order to run his/her business effectively and efficiently (Entrepreneurs only; striving for the exceptional; ABSA document).

According to Big News of August 2001, loans are the most common form of finance provided by commercial banks. The previously disadvantaged individuals find it difficult to acquire these loans, because they do not have proper securities required by these commercial banks in order to acquire these loans for their businesses.

2.16 HOW TO RUN A BUSINESS EFFICIENTLY

According to Flack (2001), there are four basic ingredients for every organisation to be successful namely; (1) leadership, (2) a strategic plan, (3) a Management team capable of implementing the strategy and (4) an action plan, which breaks the strategic plan down into measurable small-sized bits. Other basic necessities are a management information system, an accounting system, a sales system, marketing and a human resource procedure. If there is a gap in the whole organization system, the organization cannot survive. Of all these ingredients, business leadership is the most important, because it drives the management process.

Flack continues to say that a leader has two functions: one, he owns the strategic planning process, and two, he must recruit, motivate and maintain a management team capable of

implementing it. A business plan has to be written and has to be communicated to all the company stakeholders on a regular basis. The strategic plan has to be well focused, and must be broken into measurable small-sized bits to enable the senior management to track progress on a daily and weekly basis. The author argues that, in a business, there are important and urgent issues; one has to deal with the important ones first when running the business.

The operation of small business enterprises can be managed in almost similar circumstances just like in large business enterprises but in certain management areas it differs. For instance, in large enterprises, usually there are professional managers who have control over a large number of personal and duties, so as a result they are directly assisted by other personnel.

In contrast, small business owners operate mainly with a small number of personnel with whom they have direct contract. It is important to note, that for both business enterprises labour specialization is more prevalent in large enterprises than in small enterprises, as a result the small business manager has to handle various functions personally.

CHAPTER 3: DEFINING THE PROBLEM & RESEARCH QUESTIONS

3.1 INTRODUCTION

This chapter is aimed at defining the problem of this study. In helping to define the major problem, the primary problem, as well as the secondary problem will be defined. The concluding remarks will follow thereafter.

It is evident that the performance of small businesses in the North West province is very poor. These businesses are faced with a large number of problems and challenges which they are unable to overcome on their own, ultimately this contributes to the high failure rate evident in the SMMEs situated particularly in the Mafikeng and Mmabatho area of the North West Province. It is statistically proven that the life-span of SMMEs in the province is 0-3 years on average meaning that the majority of small businesses fail and close within the first three years of operation. (Department of Economic Development and Tourism-Project Report: November 2002). The poor overall performance of SMMEs is contradictory to the fact that these businesses are considered to be playing an essential role in people's efforts to meet basic needs through the alleviation of poverty, as sources of job creation and economic growth, especially to the disadvantaged groups of people. The small business sector is seen as an important tool for alleviating inequalities in the province since most of them are situated in urban areas—whereby the disadvantaged communities are left out, because many of them are found in rural areas of the province.

The SMMEs play a crucial role in reducing unemployment, penetrating new markets and in expanding economies in creative and innovative ways. Above all that the SMMEs are seen to be offering, it was found that their statistical base in the country is still poor. This calls for innovative ways to be put in place to enhance the implementation of these enterprises in order to uplift and sustain their economic stand, so that they may be in a position to offer the different advantages that arise from their existence.

To mention but a few, the hindrances faced by the SMMEs in the manufacturing industry of the major cities of the province are, the lack of appropriate social infrastructure, lack of demand for their domestic goods, poor small business management- due to inappropriate entrepreneurial and financial skills. The lack of appropriate technology, lack of access to credit and venture capital, lack of access to finance for research and development, and the intense competition are some of the major problems/gaps leading to the lack of growth of these businesses in the province and they thus end up failing and closing down.

An entrepreneur needs to be a generalist in order to deal with the day to day operations of a business. This requires him/her to be a human resource manager at one stage and at another stage or concurrently to be able to perform the functions of a financial manager, a marketing manager, a strategist, and a procurement manager. It is therefore imperative that he/she must have acquired a business related course or some basics. This relates to the education aspect, where most small business owners or managers in the province are

not equipped with even the basic education of running a business, which is the root cause of most business failures in the early stages of their development.

Many small businesses tend to lack expertise in the type of business they are involved in. An entrepreneur or a manager of a small business needs to have knowledge of all aspects of a business and the activities involved. He/she has to have proper management skills or at least the basics of managing a business. This happens not to be the case in many small business developments. In addition to this, these businesses cannot afford to employ skilled personnel let alone invest in training programs to upgrade their lack of skill because of the stringent budget they are faced with.

Improper financing of small businesses has also been seen as a contributing factor to small business failure as a result of not being able to access loan credits from banks and other financing institutions, since these institutions tend to have very strict requirements for small businesses, therefore making it difficult or even impossible to access or acquire funding. In the end, these businesses face repercussions such as poor sales, high operating costs, and very little working capital. The lack of proper education has also been seen as a contributing factor to the small businesses' lack of access to funding (for working capital) from financial institutions for start-up and also for business expansion purposes.

3.2 DEFINING THE PROBLEM

3.2.1 Primary problem definition

The lack of acquiring proper education by the entrepreneurs in the Mafikeng and Mmabatho area of the North West province, has led to poor management of small businesses in the area, and thus has deterred their growth. As discussed in Chapter 1, the restricted opportunities for the acquisition of technical and professional skills by black people were caused by Bantu education.

Research questions

- What are the educational levels of the members of top management of the small business?
- What type of business courses or education have the managers or owners of the small businesses acquired?

3.2.2 Secondary problem definition

The major secondary problem was seen to be the lack of entrepreneurial and financial skills in small businesses in the area. The lack of these skills in the running of small businesses has resulted into poor small business management, lack of productivity, poor quality products or services, lack of demand for their goods, lack of access to credit, and poor marketing techniques. The total absence of entrepreneurial education or sensitizing young people in a way that could encourage them to enter businesses and acquire a culture of entrepreneurship is one of the causes of the lack of these skills.

All these factors and more have contributed to these businesses becoming bankrupt and therefore closing down. For this reason, there is a need to determine the extent to which these critical problems occur, as well as determining their impact on small businesses – and to verify whether these problems are the core issues leading to the closure of small businesses in the Mafikeng and Mmabatho area of the North West Province.

Research questions

- Have the managers/owners of small businesses in the Mafikeng and Mmabatho area of the North West Province received any kind of entrepreneurial and management or financial skills training?
- What are the major sources of finance available to these businesses?
- Do these enterprises have access to credit? If yes, from where?
- What is the level of cultural diversity based on dimensions such as gender, race, and ethnicity, in small business enterprises?

3.3 CONCLUDING REMARKS

Following from the problems identified in this chapter as contributing factors or as causes of small business failure in Mafikeng and Mmabatho area of the North West province, it is quite clear that these small businesses need to be facilitated in every way possible in order to be able to impact positively to the economic growth involving an increase in job creation to the province.

In aid to finding out the impact of the problems identified, the questions arising from the primary problem definition, as well as from the secondary problem definition will be answered in chapter 5, after having collected and analyzed the raw data from a sample representative of the small businesses in the focal area (Mafikeng and Mmabatho) of the province. In the same chapter, the results or findings of the research study will be presented and interpreted.

CHAPTER 4: RESEARCH METHODOLOGY AND ANALYSIS

4.1 INTRODUCTION

In Chapter 2, the various aspects of entrepreneurship and small businesses were discussed. The chapter explored the effects of lack of entrepreneurial and managerial skills on small businesses. The factors of small business performance were highlighted.

This chapter describes in detail the research methodology employed to answer the research questions posed in the introduction chapter. A thorough methodological foundation directs the whole study with respect to its planning, organising, analysing and interpretation of data to ensure the validity and reliability of all recommendations and conclusions made from the research.

The chapter discusses different research methods to justify the preferred method chosen to investigate the problem.

4.2 METHODOLOGICAL PARADIGM

A paradigm is seen as a basic orientation to theory and research according to Creswell (in Saunders et. al, 2000) identifies three approaches to research, namely: deductive approach, inductive approach, and a combination of inductive and deductive approaches.

Deductive approach

This approach is one where the researcher proceeds from general rules of logic. It enables the researcher to organise grounds into patterns that provide conclusive evidence for the validity of a conclusion (Palys, 1997). Further it can organise what is already known, and can point out new relationships as one proceeds from the general to the specific but it is not sufficient as a source that entails truth. The deductive approach entails the development of a conceptual and theoretical structure prior to its testing through empirical observation. It begins with an abstract conceptualisation and then moves to testing through application of theory so as to create new experiences or observations.

Inductive approach

An inductive approach focuses on developing premises that are true. One must begin with true premises in order to arrive at true conclusions (Palys, 1997). According to the authors, the task of a researcher is to interpret and analyse gathered data with the aim of formulating a theory. In this approach, theory follows data not vice versa as in the deductive approach.

4.3 RESEARCH DESIGN

A research design is a general plan of how the research objectives that have been set will be achieved. It should contain the sources from which data is to be obtained and consider the constraints which the researcher will inevitably have. There are three main research strategies as identified by Saunders et al. (2000). These are:

A case study

A survey, and

An experiment

A case study is the development of detailed, intensive, knowledge about a single “case” or a small number of related “cases” (Robson in Saunders, et. al. 2000). For example, a case study explores and probes in depth the circumstances of an organisation. The survey method is usually associated with the deductive approach. Surveys involve the collection of data from a sample preferably in a highly economical way. An experiment, according to Saunders et al. (2000) is a classical form of research that owes much to the natural sciences, although it features strongly in Social Sciences research, particularly Psychology. It typically involves:

- the definition of a theoretical hypothesis
- the selection of samples of individuals from known popularities
- allocation of samples to different experimental conditions
- introduction of planned change on the variables
- measurement on a small number of the variables and,
- control of other variables

The survey method of research design was selected and used in this research over the other two methods. A survey uses the organisational context in search of pure hard facts

unlike experiments which involve the allocation of samples to different experimental conditions or introducing planned changes on random variables.

There are two types of sampling designs. These are probability sampling, which is based on the concept of random selection - a controllable procedure that assures that each population element is given a known non-zero chance of selection, and non probability sampling, which is arbitrary and subjective, that is each member does not have a known non-zero chance of being included in the selected sample.

4.3.1 DATA COLLECTION

Sampling method

The sampling method used in this research is *stratified random sampling*. The population is stratified into various clearly recognizable non-overlapping sub-populations according to particular independent variables that are associated with the variable being studied (that is, the dependent variable). The researcher should identify the various strata according to one or more independent variables and should draw a random sample from each separate stratum.

In this case stratified sampling was done where the stratifying variables were the size (number of full time employees) and area (Mmabatho and Mafikeng). Businesses were divided into strata that were more homogeneous as far as the above-mentioned variables were concerned. As a result a representative sample size of 50 SMMEs for the study was

drawn. Stratification increases the precision of estimates. It also ensures that every important part of the population is adequately represented in the sample, hence guarantees a better average representation of the population in the sample. The size of the sub-samples drawn from each stratum was taken in proportion to the size of the stratum (proportional stratified sampling) and simple random sampling was done within strata to select businesses that were included in the sample and interviewed. This was done for proper statistical inference to be done on the data set.

Population

The target population covered all formal and non-formal SMMEs in the Mafikeng and Mmabatho area of the North West province. The sampling frame (200) that was used came from the Central Region Entrepreneurial Support Centre database and a census of SMMEs in the area was done for businesses that were not listed.

To collect data from the selected samples from the strata, several methods are available to researchers. These data collection methods are discussed below.

4.3.2 METHOD OF DATA COLLECTION

The methods of data collection can be divided into two approaches according to Cooper & Schindler (1998:295). The authors argue that one can observe conditions, behaviour, events, people or processes (behaviour approach) or one can communicate with people about various topics (communication approach). The observation and communication approaches are discussed in details below.

According to Cooper & Schindler (1998:370) the observation approach of research qualifies as a scientific enquiry when it is conducted specifically to answer a research question. It is systematically planned and executed, uses proper controls and provides a reliable and valid account of what happened. The authors argue that many academics have a limited view of observation, relegating it to a minor technique of field data collection, thereby ignoring its potential for forging decisions and denying its historic stature as a creative means of obtaining primary data. Besides, collecting data usually observation, involves listening, reading, smelling and touching.

According to Saunders et al. (2000:218), observation involves a systematic observation, recording descriptions, analysis, and interpretation of people's behaviour. They advise that if research questions and objectives are concerned with what people do, an obvious way in which to discover about a phenomenon is to watch them do it.

The *communication approach* involves questioning or surveying people and recording their responses for analysis. The great strength of questioning as a primary data collecting technique is that it does not require a visual or other objective perception of the information sought by the researcher. Abstract information of all types can be gathered by questioning another. According to Cooper & Schindler (2001:295), there is not much that can be learnt about opinion, attitudes, intentions and expectations of others except by questioning. The authors argue that questioning is more economical and efficient than observation. A few well chosen questions can yield information that would take much

more time and effort to gather by observation. The communication approach has its weaknesses too (Cooper and Schindler, 1998:295). The quality and quantity of information secured depends on the ability and willingness of respondents to co-operate. This unwillingness to co-operate may be due to people failing to see any value in participation. They may view the interview as potentially embarrassing or intrusive. Even if the respondents do participate (Cooper and Schindler, 1998:295), they may not have the knowledge sought or even have an opinion on the topic of concern. However, too often, they feel obliged to express some opinion even if they do not have one. In such cases it is difficult for the researcher to know how true or reliable the answers are. The respondent may intentionally mislead the researcher by giving false information which is difficult for the researcher to identify.

From this study, the communication approach was used since the research objectives require gathering of information about opinions, attitudes and expectations of the members of the target population. This information would be difficult or even impossible to obtain through the observation approach.

The common types of data collection methods include personal interviews, mail interviews and telephone interviews and observation. Each of these techniques is discussed below as follows:

I. Personal Interviewing

According to Cooper and Emory (1995), this is a two-way conversation initiated by an interviewer to obtain information from a respondent. The respondent is asked to provide information and receiving any immediate or direct benefit from this cooperation. But this technique has its advantages and disadvantages, discussed below as stipulated by Cooper and Emory (1998):-

Advantages are:

- The greatest value of the personal interview method lies in the depth of information and detail that can be secured. It exceeds the information obtained from telephone and self-administered studies.
- The interviewer can also do more things to improve the quality of information received than with the other methods.
- Interviewers can note the conditions of the interview, probe with additional questions, and gather supplemental information through observation.
- Interviewers also have more control than with other kinds of interrogation. They can pre-screen to ensure the correct respondent is replying and they can set up and control interviewing conditions.
- Interviewers can also adjust to the language of the interviewee because they can observe the problems and effects the interview is having on the respondent.

Disadvantages are:

- Costs are particularly high if the study covers a wide geographical area or has stringent sampling requirements.
- Many people have become reluctant to talk with strangers or permit visits in their homes.
- Interviewers are reluctant to visit unfamiliar neighbourhoods alone, especially for evening interviewing.
- Lastly, the results of personal interviewing can be affected adversely by interviewers who alter questions asked or in other ways bias the results.

II. Telephone Interviewing

Cooper and Emory (1995) maintain that a telephone can be helpful in arranging personal interviews and screening large populations for unusual types of respondents. Studies have shown that making prior notification calls can improve the response rate of mail surveys. Telephone interview makes its greatest contribution in survey work. But, like personal interviewing, telephone interviewing has its own advantages and disadvantages, which will be discussed below (Cooper and Emory, 1995):

Advantages are:

- It offers moderate costs. Much of its savings comes from cuts in travel costs and administrative savings from training and supervision.
- When calls are made from a single local, the researcher may use fewer yet more skilled interviewers.

- Telephones are especially economical when call-backs to maintain probability sampling are involved and respondents are widely scattered.
- Long-distance service options make it possible to interview nationally at a reasonable cost.
- With widespread use of computers, telephone interviewing can be combined with immediate entry of the responses into a data file by means of terminals, personal computers, or voice data entry.
- Compared to other modes of survey, telephone use brings a faster completion of a study, sometimes taking only a day or so for the fieldwork.
- When compared to personal interviewing, it is also likely that interviewer bias, especially bias caused by physical appearance, body language and actions of an interviewer, is reduced by telephone use.

Disadvantages are:

- Respondents must be available by phone
- Because some households move each year there are always many obsolete numbers and new household for which numbers have not yet been published
- Some household phones are unlisted.
- A limit on interview length, but the degree of this limitation depends on the respondent's interest in the topic
- It is not possible in telephonic interview to use maps, illustration, some other visual aids, complex scales, or measurement techniques
- The response rate in telephone studies is lower than face-to-face interviews

- Public reaction to investigative reports of wrongdoing and unethical behaviour within telemarketing activities place an added burden on the researcher trying to convince a respondent that the phone interview is not a pretext for soliciting contributions or selling products
- Telephone survey can result in less thorough responses and those interviewed by phone find the experience to be less rewarding to them than a personal interview
- Respondents report less rapport with telephone interview than with personal interviews.

III. Mail interview or Self-Administered surveys

According to Cooper and Emory (1995), self-administered questionnaire has become ubiquitous in modern living. Usually a short questionnaire is left to be completed by the respondent in a convenient location.

Questionnaires can be delivered by postal services, facsimile or a courier service. Computer-delivered self-administered questionnaires use organisational intranets, internet or online services to reach their respondents. Self-administered surveys also have their advantages and disadvantages which are discussed below (Cooper and Emory, 1995):-

Advantages are:

- Mail surveys typically cost less than personal interviews, the costs are generally in the same range as telephone, although in specific cases either

may be lower.

- The more geographically dispersed the sample, the more likely that mail will be the low-cost method because it is often a one-person job.
- Respondents who might otherwise be inaccessible can be contacted when the researcher has no specific person to contact – say in the study corporations – the mail survey often will be routed to the appropriate respondent.
- Respondents can take more time to collect facts; talk with others or consider replies at length than is possible with the telephone, personal interviewing or intercept studies. These are typically perceived as more impersonal, providing more anonymity than the other communication modes, including other methods for distribution self-administered questionnaires.

Disadvantages are:

- There is a non-response error

Major limitations concern the type and amount of information that can be secured.

Kahn and Cannel (in Saunders et al. 2000:264) define an interview as a purposeful discussion between two or more people. They categorize interviews as:

- Structured interviews
- Semi-structured interviews
- Unstructured interviews

Structured interviews use questionnaires based on predetermined and standardised or identical set of questions, usually with pre-coded answers. In semi-structured interviews, however the researcher has a list of themes and questions to be covered although some questions may be omitted in some interviews depending on the flow of the conversation (Saunders et al 2000:246). Unstructured interviews on the other hand are informal. They can be used to explore in depth a general area in which the researcher is interested. There is no predetermined list of questions to work through although the researcher needs to have a clear idea about the aspects he/she wants to explore.

A questionnaire is a document, which contains a set of pre-determined questions to be posed to survey respondents. There are various types of questionnaires: self-administered questionnaires (like in the mail survey), on-line questionnaires (in computer surveys), postal questionnaires (mail survey), delivery and collection questionnaires, interview-administered questionnaires (in personal interview surveys), telephone questionnaires and structured interview questionnaires.

Primary data were sought for this study. The data were gathered through questionnaires. The questionnaires were distributed to owners and managers of the sampled Small, Micro and Medium Enterprises in the Mafikeng and Mmabatho area. To start with, a census of all SMMEs in Mafikeng and Mmabatho area was conducted to list all small businesses in general, which made up the sample frame. Secondly, stratified sampling was done to select 50 SMMEs for the study. The stratifying variables were: area (Mafikeng, Mmabatho) and size of the business in terms of the number of workers employed. Type

of business would also have made a good stratifying variable but the fear was that not enough businesses in a particular sub-group would have been obtained. So, the sample size was 50. A larger sample size would have been better but the size was limited by the survey costs both in terms of time and money. A structured questionnaire was employed.

Questionnaire relevance

The questions that were asked in the questionnaire had to be relevant in terms of the study's goals and to the individual respondents' situation. In the interests of being unambiguous and precise and pointing to the relevance of the issues, the researcher used short and precise questions. The questions were easy to be read quickly and to be understood thereby putting the respondents at ease to provide answers. These questions included open-ended, multiple choice, dichotomous, scaled-response, closed questions, ranking questions as well as free choice questions. Closed questions served a multiple purpose namely:

- To simplify the communication of the information due to the respondents expected level of education;
- To make the answering of the questions less time consuming, and
- To make the analysis process less complex due to time constraints.

The problem with closed questions is that the researcher limits the respondent only to those possible answers listed by him or her in the questionnaire. Open-ended questions accommodated those respondents with unique experiences or situations they were in.

Respondents were given freedom to express themselves according to their experiences. The questionnaire consisted of three sections. Section A of the questionnaire consisted of questions on entrepreneurial information, personal questions as well as human capital. Section B, included business activity including the legal framework of the business and section C had questions on factors of entrepreneurial environment.

Covering Letter

The influence of the covering letter on response rates has received almost no experimental attention, although it is considered the integral part of the mail survey package. It is therefore the most logical vehicle for persuading individuals to respond (Cooper and Emory, 1995).

The covering letter was attached to all questionnaires. The main purpose was to: identify the person conducting research; explain why the study is important and should be conducted; and stipulate why it is important that the respondent should complete the questionnaire.

Other reasons why a covering letter was attached to the questionnaire were to explain the estimated timing for completing the questionnaire, the focus of the questions, to request the respondents to be honest and critical in selecting the best answer and to assure them that their responses were strictly confidential. To ensure good responses and valid results, follow ups were also made.

Follow ups

According to Cooper and Emory (1995) follow ups are a reminder and are very successful in increasing response rates. Since each successive follow up produces more returns, the very persistent researcher can potentially achieve an extremely high response rate should the potential respondents not return their questionnaires. Receiving a follow-up letter might encourage them to do so.

In this project participants were followed up telephonically and personally to remind them to complete the questionnaires.

4.3.3 DATA ANALYSIS

Descriptive Data analysis

Descriptive statistics (summary of raw data) was done. The descriptive statistics method of analysis was the most appropriate data analysis technique, since the questionnaire consisted of questions of the descriptive type of data analysis. A computer-aided statistical analysis was employed. The SPSS programme was used to compute the results of the study. Average values were calculated in terms of arithmetic mean, median or mode. Variability of the data was given in terms of standard deviation. The data entailed statistics like frequency distribution and tables and charts or histograms and bar diagrams/graphs (depending on the nature of the data and outcome of the study) as described below.

Frequency distribution or frequency table

A frequency distribution is a summary table in which the data are arranged into conveniently established numerically ordered class groupings or categories (Berenson & Levine, 1996). Frequencies are generally obtained for nominal and demographic variables such as age, years of service, education and others. Alternatively, a frequency table or frequency distribution is an arrangement of data by classes together with the corresponding class frequencies. The classes are a sequence of intervals defined by lower and upper limits.

The class frequency is the number of observations whose values lie between the lower and upper limits; the class limits may be included. The problem with a frequency table is that by grouping the data like this, much of the original detail is lost. The advantage of the frequency table is that one obtains a clear "overall" picture of the data by summarizing discrete or continuous data into class intervals each with corresponding frequencies. In this study, the frequencies of the respondents' biographical data and some other data are depicted in a summary table.

Histogram

A chart or a histogram is a graphical representation of a frequency distribution.

A histogram is a set of rectangles with bases on a horizontal (x) axis, with centers at the class marks and base lengths equal to class interval sizes. The areas of the rectangles are proportional to class frequencies. If all the class intervals have equal sizes then the heights of the rectangles will also be proportional to the class frequencies.

The bar graph

When the data is discrete a bar graph may be used. For example, the following bar graph depicts the data for tiller counts in plots of oats. Note that the number of tillers cannot be figures such as 1.5 or 3.2. The number of tillers can only be whole numbers such as 0; 1; 2.

A bar graph

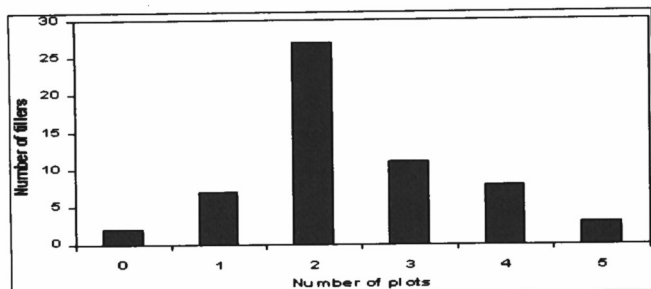


Figure: Frequency bar diagram of the number of tillers in 58 oats plots

(Data: 0 – 2; 1 – 7; 2 – 27; 3 – 11; 4 – 8; 5 – 3)

For the bar graph the bar width is not important, only the bar length (height) is used to indicate the number of plots.

4.4 SUMMARY

The research design for the study has been discussed in this chapter. The personal interviewing method was employed to collect the data. The descriptive data analysis technique, which includes frequency distribution were also discussed. The next chapter deals with data analysis and presentation of the results.

5.1 INTRODUCTION

In this chapter, a presentation of the results pertaining to the objectives listed in chapter 2 is done by using tables, pie charts and bar graphs for more clarity. Interpretations of the results are also given. Section 5.2 presents the results and section 5.3 concludes with a summary.

A random sample of 50 entrepreneurs was supposed to be used in the study but because some of the selected respondents could not be reached for the interviews, and others did not respond on time, a sample size of 36 was realized.

5.2. RESULTS AND INTERPRETATION

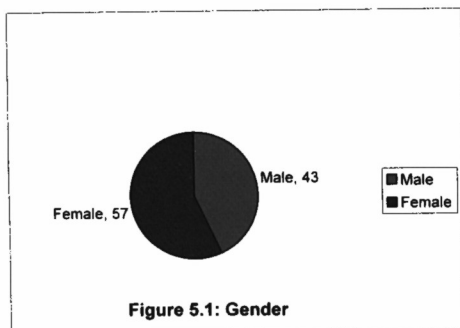
The sample included 15 (43%) males and 20 (57%) females. The results indicate that 21 (60%) of the sampled businesses employ less than or equal to 5 people and 14 (40%) employ between six and twenty people. Figures 1 and 2 illustrate these findings more clearly.

5.2.1. Results regarding the demographic information of entrepreneurs or business owners in the Mafikeng and Mmabatho area of the North West province.

Table 5.1 and figure 5.1: Results on the gender of entrepreneurs

Gender	Frequency	Percent
Male	15	43
Female	20	57
Total	35	100

* 1 missing – one interviewee did not respond to this question.



According to table 5.1 and figure 5.1, 43% of entrepreneurs are male and 57%, the majority are female. This implies that there are more female entrepreneurs than male entrepreneurs in the Mafikeng and Mmabatho area.

Table 5.2 and figure 5.2: Results regarding the race of entrepreneurs

Race	Frequency	Percent
Black	25	69
Coloured	2	6
White	8	22
Other	1	3
Total	36	100

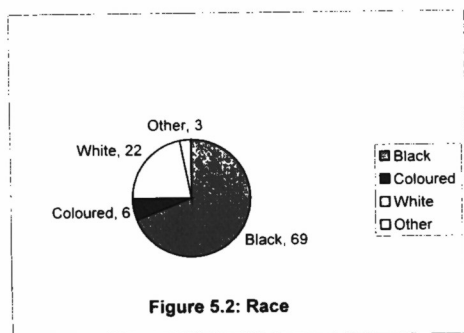
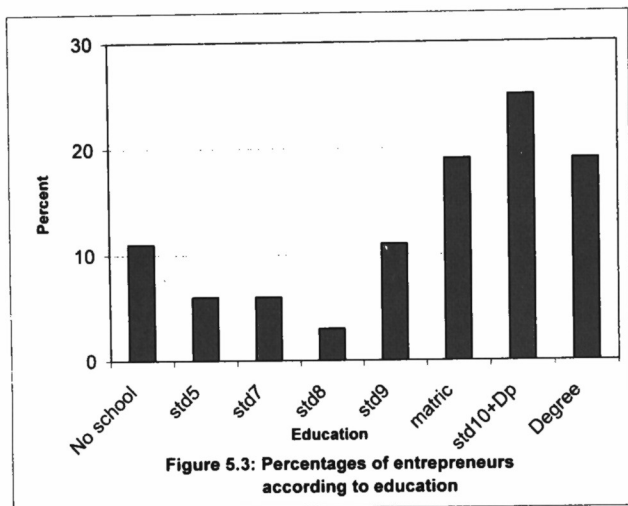


Table 5.2 and figure 5.2 indicate that the majority of entrepreneurs are black (69%) in the Mafikeng and Mmabatho area, which is not surprising. These are followed by white entrepreneurs (22%). The large percentage of black entrepreneurs in the area may be due to the fact that the population of North West Province is predominantly black.

5.2.2 Results regarding the human capital consideration of the entrepreneurs/ owners of small businesses in the Mafikeng and Mmabatho area of the North West province.

Table 5.3 and figure 5.3: Results regarding the distribution of people according to education levels

Education level	Frequency	Percent	Cumulative frequency
No schooling	4	11	11
Std 5	2	6	17
Std 7	2	6	23
Std 8	1	3	26
Std 9	4	11	37
Matric (Std 10)	7	19	56
Matric + Diploma	9	25	81
Degree (e.g. BCom, LLB)	7	19	100
Total	36	100	



The results in table 5.3 indicate that relatively many entrepreneurs (11%) did not go to school, but of those who went, most of them went beyond standard 9. Out of the 36 entrepreneurs who participated in the survey, 13 (37%) have their education levels below matriculation (standard 10), which is a terrible situation – and this does not augur well for a potentially successful business. Figure 5.3 demonstrates this more clearly.

Table 5.4: Results on whether entrepreneurs are acquiring or have acquired any entrepreneurial, management or financial skills

Answer	Frequency	Percent
Yes	8	22
No	28	78
Total	36	100

The respondents were asked whether they were acquiring or had acquired any entrepreneurial, management or financial skills. According to table 5.4, only eight (22%) answered in the affirmative and 28 (78%) have not acquired these skills. This implies that a large number of entrepreneurs (78%) do not have the necessary business skills to run their businesses.

Table 5.5: Results on whether entrepreneurs have ever received training to run (manage) their businesses

Answer	Frequency	Percent
Yes	7	19
No	29	81
Total	36	100

According to table 5.5, only seven (19%) of entrepreneurs answered “yes” and 29 (81%) answered “no” to the question, “Have you ever received training to run (manage) your business?” This means that a large number of entrepreneurs (81%) in Mafikeng and Mmabatho area have never received any training to run their businesses.

Two of the seven entrepreneurs received training in business management (6%), one in Law (3%), (LLB), three in entrepreneurship (8%) and one in tailoring and fashion designing (3%). This indicates that the majority of entrepreneurs did not receive proper training to run their type of business.

Table 5.6: Results regarding the courses that were done in training by entrepreneurs

Course	Frequency	Percent
Management	5	31
Technical	0	0
Accounting/Book keeping	2	12.5
Both Management & Accounting/Book keeping	2	12.5
Other	7	44
Total	16	100

It is possible that the respondents did not understand well the question on what courses they did, because when they were asked whether they had ever received training to run their businesses, only 7 (19%) of the 36 respondents gave a positive answer but when they were asked to name the courses they studied in their training 16 (44%) mentioned the courses. Table 5.6 indicates that most of the entrepreneurs who received some training to run their businesses received management training (31), as one single course.

Table 5.7: Results on whether the entrepreneurs/ owners have previous experience in their type of business

Answer	Frequency	Percent
Yes	20	57
No	15	43
Total	35	100

According to Table 5.7, 57% of the entrepreneurs had previous experience in the businesses they were running.

Table 5.8: Results on the form of experience received in table 5.7 above

Form	Frequency	Percent
Did you work for this business?	11	38
Did you work for another business?	12	40
Were your parents in this business?	5	17
Did you work and learn at home?	11	38
Were you self-employed?	11	38

Table 5.8 shows the forms in which the previous experience took place. In most cases, the entrepreneurs had previous experience in the form of working for another business (40%), working for a similar type of business (38%), working and learning at home (38%) and being self-employed (38%).

5.2.3 Results regarding the entrepreneur / owner's business activity

Table 5.9 and figure 5.4: Results regarding the type of business of entrepreneurs /business owners

Type	Frequency	Percent
Manufacturing	5	14
Cleaning	2	5.5
Textile	4	11
Stationary	2	5.5
Computer services	1	3
Maintenance & Repair services	3	8
Catering services	2	5.5
Consulting services	2	5.5
Funeral services	2	5.5
Other (e.g. whole sale)	11	30.5
Stationary & Computer services	1	3
Stationary, Computer services, maintenance & Repair services	1	3
Total	36	100

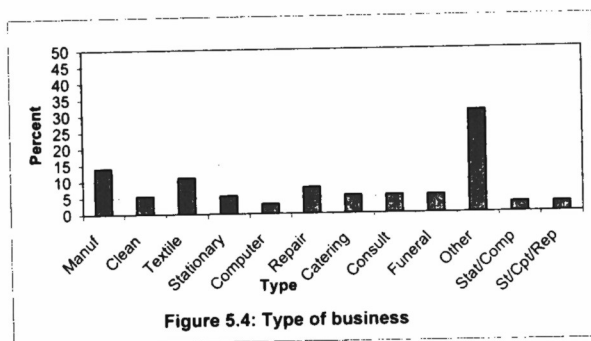


Table 5.9 shows that most of the SMMEs in the area are of types: manufacturing (14%), textile (11%), maintenance & repair services (8%) and other types (30.5%). Figure 5.4 demonstrates this more clearly.

Table 5.10: Results on whether the enterprises have access to credit and the source

Answer	Frequency	Percent
Yes	15	44
No	19	56
Total	34	100

* 2 missing— meaning that two interviewees did not respond to this question

Table 5.10 indicates that many entrepreneurs (56%) do not have access to credit facilities, and of the 44%, who have, 73% have source of credit as the bank. Others did not mention their source of credit.

5.2.4 Legal framework and support systems of the business enterprises

From the sampled 36 SMMEs, 29 (83%) were registered at either the Registrar of Companies, Commissioner of Unemployment Insurance or Commissioner of Workmen's Compensation's Offices. This implies that the majority of SMMEs in Mafikeng and Mmabatho area (83%) are registered with government.

When the respondents were asked whether they were experienced entrepreneurs (that is, whether they had received some formal training related to business management) or not, 15 (43%) said "yes" but 20 (57%) said "no". This may indicate that the majority of the owners of the SMMEs in Mafikeng and Mmabatho area (57%) are lacking business management skills – which is compatible with the answers to the question whether the entrepreneurs, in general, would be interested in an entrepreneurial advisory centre or not. The respondents overwhelmingly voted for the idea; 28 (82%) said "yes" and only 6 (18%) said "no".

5.2.5 Factors of entrepreneurial environment

The following is the list of constraints of the small businesses in the Mafikeng and Mmabatho area.

Table 5.11: Results on the Constraints facing SMMEs in the Mafikeng and Mmabatho area

Constraint	Not important	Moderately important	Important	Very important	Critical	Total
Lack of proper capital	8 (25%)	3 (9%)	5 (16%)	8 (25%)	8 (25%)	32
Lack of access to credit	7 (21%)	4 (12%)	7 (21%)	7 (21%)	8 (24%)	33
Lack of demand for products/services	7 (22%)	7 (22%)	8 (25%)	3 (9%)	7 (21%)	32
Lack of support services	4 (12.5%)	5 (16%)	10 (31%)	7 (22%)	6 (19%)	32
Lack of materials	7 (22%)	6 (19%)	6 (19%)	6 (19%)	7 (22%)	32
High operating costs	2 (6%)	4 (12.5%)	8 (25%)	8 (25%)	10 (31%)	32
High rentals	2 (6%)	5 (16%)	5 (16%)	7 (22%)	13 (41%)	32
Poor sales	4 (12%)	6 (18%)	8 (24%)	6 (18%)	9 (27%)	33
Intense competition	4 (12%)	3 (9%)	5 (15%)	12 (36%)	9 (27%)	33
Poor business management	7 (22%)	5 (16%)	6 (19%)	4 (12.5%)	10 (31%)	32

The respondents were asked to rate the possible factors adversely affecting their businesses. Table 5.11 demonstrates that the critical constraints of the SMMEs in the area according to the entrepreneurs are: high rentals of the business premises (41%), high operating costs (31%), lack of access to credit (24%), poor sales (27%) and poor business management (31%).

Table 5.12: Results on the distribution of Annual revenue by the business enterprises

Annual Revenue	Frequency	Percent
Below R10 000	8	38
Between R10 000 and R50 000	3	14
Between R50 000 and R100 0000	3	14
Above R100 000	7	34
Total	21	100

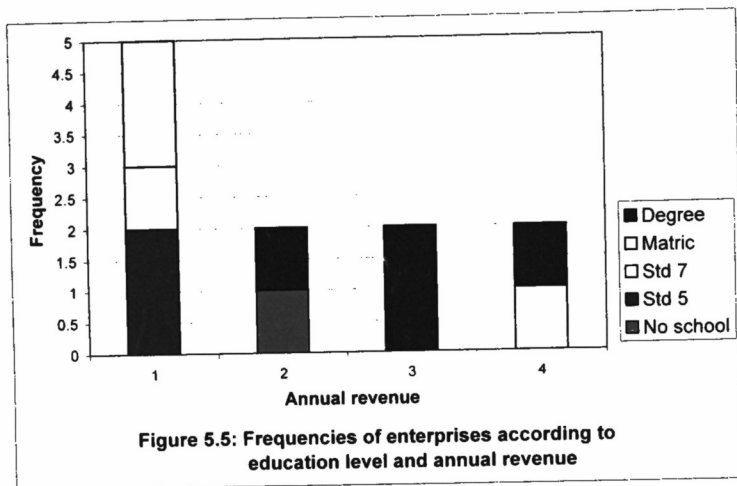
* Missing 15—meaning that fifteen interviewees did not respond to this question

According to table 5.12, the annual revenue of most businesses is “below R10 000” (38%) followed by “above R100 000” (34%).

Table 5.13 and figure 5.5: Frequencies according to education level and annual revenue

Education level	Annual revenue				Total
	<R10 000	R10 000 – R50 000	R50 000 – R100 000	Above R100 000	
No schooling	0	1	0	0	1
Std 5	2	0	0	0	2
Std 7	1	0	0	0	1
Std 8	0	0	0	0	0
Std 9	0	0	0	0	0
Matric	2	0	0	1	3
Matric + Dip/Cert.	0	0	0	0	0
Degree		1	2	1	4
Total	5	2	2	2	11

* Missing 25—meaning that twenty five interviewees did not respond to this question



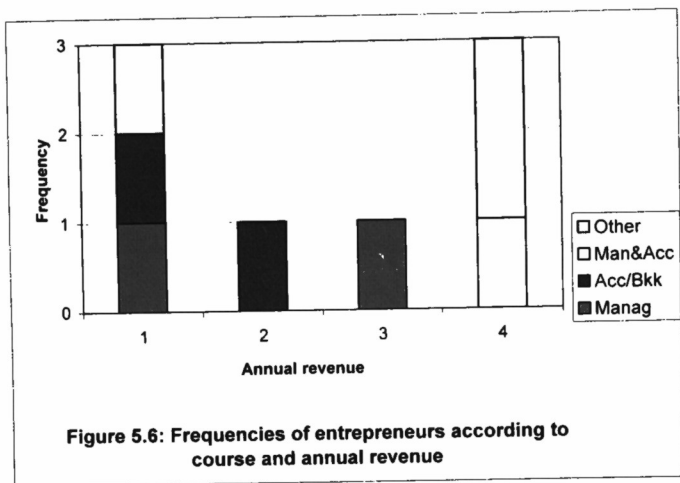
Note: 1 = below R10 000, 2 = between R10 000 and R50 000, 3 = between R50 000 and R100 000 and 4 = above R100 000.

Table 5.13 and Figure 5.5 indicate that there is a positive relationship between education and businesses' earnings. For example, on average, the owners of the businesses earning between R50 000 and R100 000 are university degree holders, and people owning the businesses earning over R100 000 are of matric or a university degree whereas, those with the annual revenue of below R10 000 are of standard 5, standard 7 or matric.

Table 5.14 and figure 5.6: Frequencies of entrepreneurs according to educational Courses done and annual revenue of the business

Course	Annual revenue				Total
	<R10 000	R10 000 – R50 000	R50 000 – R100 000	Above R100 000	
Management	1	0	1	0	2
Technical	0	0	0	0	0
Accounting/Book keeping	1	1	0	0	2
Management & Accounting	0	0	0	1	1
Other	1	0	0	2	3
Total	3	1	1	3	8

* missing 28 – meaning that twenty eight interviewees did not respond to this question



Note: 1 = below R10 000, 2 = between R10 000 and R50 000, 3 = between R50 000 and R100 000 and 4 = above R100 000.

Table 5.14 and Figure 5.6 were used to explore or investigate the relationship between the course studied and annual revenue of a business. The relationship is not clear. Seemingly, more observations were needed for the analysis and a further study is recommended.

5.3 SUMMARY

This chapter has presented the results of the study with the help of tables, pie charts and bar graphs. The results have also been interpreted. These results will be used to provide answers to the research questions, highlighted in chapter 3, which follow from both the primary and secondary research problems. The answers to the questions will be given in chapter 6.

The results presented in this chapter give clear indications on the policy implications to be drawn from the study. It has been indicated in the results that the majority of businesses in the Mafikeng and Mmabatho area fall within the category of micro enterprises (businesses employing between one and 5 people), represented by 60% of the sampled businesses and 40% fall within the medium category, where these businesses employ between six and twenty people. Table 5.2 and figure 5.2 indicated that businesses in the area are dominated by black entrepreneurs (which is not surprising). It has also been established that the majority of the businesses are involved in "other" types (30.5%) of business sectors e.g. whole sale and general dealers, other than the ones listed in table 5.9 and figure 5.4, followed by the manufacturing sector, represented by 14%. 78% of the entrepreneurs have not acquired any entrepreneurial, management or financial skills (table 5.4). This is not a good indication because it shows a gap that needs to be addressed in order to ensure the success or sustainability of SMMEs in the area.

Table 5.10 has indicated that 56% of businesses do not have access to credit facilities. This can be a huge constraint to businesses and can lead to a business failure. This has

also been indicated as one of the major constraints affecting the businesses in table 5.11, represented by 24%.

CHAPTER 6: DISCUSSION, CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter deals with the discussion of the results presented in section 6.2, conclusion and policy implications in section 6.3, and recommendations of the research study in section 6.4.

In section 6.2, the results presented in chapter 5 are discussed in regard to the objectives of the study. The objectives are looked at one by one and the discussion then, in a way, indicates whether a particular objective was achieved or not.

6.2. DISCUSSION OF THE RESULTS

The objectives of the study in terms of research questions are given below and answers to these, from the results are given below as follows.

Question 1

Have the managers/owners of small businesses in the Mafikeng and Mmabatho area of the North West Province received any kind of entrepreneurial and management skills?

Answer

In chapter 5 (table 5.3 and figure 5.3), it was shown that 11% of the sampled entrepreneurs did not go to school and that 45% did not go beyond standard 10. Also, it was found (table 5.4) that from the 36 entrepreneurs, only 8 (22%) are either acquiring or had acquired some entrepreneurial, management and financial skills. When they were asked whether they had ever received training to run or manage their businesses, only 7 (19%) answered in the affirmative (table 5.5). These results imply that the majority of the entrepreneurs in the area do not have the necessary entrepreneurial and management skills. This might be one of the major factors that are making SMMEs in Mafikeng and Mmabatho area to perform badly and some of them to even close down.

Question 2

Do the core staff members of these enterprises have financial skills?

Answer

When the 36 respondents were asked whether they were acquiring or had acquired any entrepreneurial, management or financial skills, only 8 (22%) said "yes" (table 5.4). This implies that the majority of the entrepreneurs and members of the top management of the enterprises in the area do not possess the necessary financial skills to run their businesses.

Question 3

What are the educational and training levels of the members of top management of the small business?

Answer

From what has been said already in the answer to the first question, it seems that levels of education and training of the members of the top management of the enterprises are generally low.

The fourth and the fifth questions will be dealt with together because they are similar as follows.

Question 4 & 5

What are the sources of finance available to these enterprises?, and the fifth one was: Do these enterprises have access to credit? If yes, from where?

Answer

Results on whether the enterprises had access to credit and on sources of finance (table 5.10), it was indicated that 56% of the businesses do not have access to credit facilities and of the 44% of those who have, 73% specified the bank as the source of credit. There is therefore room for improvement. Government should try to find means and ways of giving financial support to the SMMEs in Mafikeng and Mmabatho area as this might also be another major factor that hinders the progress of these enterprises. Other sources of finance, other than the bank, should also be sought.

Question 6

What is the level of cultural diversity based on dimensions such as gender, race, and ethnicity, in small business enterprises?

Answer

According to the results in table 5.2 and figure 5.2 a, of the 36 respondents in the sample, 25 (69%) were blacks, 8 (22%) were whites, 2 (6%) were coloureds and 1 (3%) was of "other" race. This indicates that the level of cultural diversity of the entrepreneurs in this part of South Africa is high, considering the fact that the population of North West Province is predominantly black (over 80%).

6.3 CONCLUSIONS AND IMPLICATIONS

Following from the discussions above, the implications from the results and conclusions can be drawn. It can be deduced from the results that the majority of entrepreneurs in the Mmabatho and Mafikeng area do not have the necessary entrepreneurial, management and financial skills. This can therefore, hamper the performance and growth of SMMEs in the area, which can ultimately cause these businesses to fail or to close down. It can be concluded that these skills are essential to the overall management of businesses in order to enhance their performance, and there is a need to invest in such skills. The lack of these skills can be seen as some of the most important fundamental constraints facing business enterprises in the area.

Many entrepreneurs have their educational levels below matric/standard 10. This does not reflect well on the side of the performances of small businesses in the area, because education plays a big role in the overall running of a business. A conclusion can be drawn to say that, there is a positive relationship between education and businesses' earnings as indicated in table 5.13 and figure 5.5, where businesses earning high annual revenues are those whose owners have acquired a matric or a university degree.

The majority of business enterprises in the Mmabatho and Mafikeng area are black owned, this can be supported by the fact that, the population of the North West province is predominantly black. According to the findings of the study, the majority of entrepreneurs are females. It can therefore, be concluded that small business enterprises in the area are owned by black females. This is a good reflection to the South African government's endeavour to eradicate poverty through Black Economic Empowerment (BEE), most especially the empowerment of women.

The results (table 5.10) indicated that 56% of businesses in the area do not have access to credit, this can be seen as a huge obstacle to these businesses in terms of working capital, and ability to meet their operating costs such as rentals, materials costs. This would therefore, imply that these businesses are unable to beat the competition they are faced with, from their big business counterparts. The lack of access to funds for businesses also implies that financing institutions as well as government are not doing enough to empower or to support SMMEs.

6.4 RECOMMENDATIONS

In an effort to eradicate poverty in the North West province, the Small, Micro, and Medium enterprises (SMMEs) need to be assisted or empowered in ways that will enhance their performance, in order for them to be able to yield greater results in terms of growth and sustenance. In doing this, the government would have lifted a heavy burden on its hands of overcoming the high rates of unemployment in South Africa. It is therefore imperative that Government forms collaborations with business enterprises, and in doing this, they should be able to identify areas of need such as training needs, access to credit facilities, in order to come up with strategies to uplift these businesses. People with interest in pursuing these enterprises need to be encouraged, supported and motivated to acquire technical and professional skills, as well as commercial and entrepreneurial education.

The information on credit or loan financing schemes from government and financing institutions, their conditions and ways of accessing them need to be brought to the disposal of these SMMEs in the North West province.

By taking these points into consideration, sustainability to the growth of SMMEs and job creation in the North West province can be improved and ultimately achieved. It is also recommended that further research needs to be done in this research area.

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APPENDIX A

QUESTIONNAIRE

Confidential information to be used for research purposes only

A SURVEY OF THE CHALLENGES FACING SMME'S IN THE MAFIKENG AND MMABATHO AREA (NORTH WEST PROVINCE)

Graduate School of Government and Business leadership, North West University (Mafikeng Campus)

Dear respondent, you are requested to kindly complete this questionnaire. Your participation in this survey will be highly appreciated and kept strictly confidential.

Questionnaire number...

Return checked by supervisor

.....

SECTION A: ENTREPRENEURIAL INFORMATION

Demographic information

- A.1 First name of entrepreneur / business owner (optional).....
- A.2 Gender
- Male.....1
 - Female.....2
- A.3 Race
- Black.....1
 - Coloured.....2
 - White.....3
 - Indian.....4
 - Other (please specify).....5

Human capital

- A.4 What is the highest standard (class) you finished in school?
- No schooling.....1
 - Sub A/Sub B/grade 1/grade 2/Std 1.....2
 - Std 2.....3
 - Std 3.....4
 - Std 4.....5
 - Std 5.....6
 - Std 6.....7
 - Std 7.....8
 - Std 8.....9
 - Std 9.....10
 - Std 10/matric.....12
 - Diploma/Certificate with Std 9 or lower.....13
 - Diploma/Certificate with Std 10.....14
 - Other (Specify).....15
- A.5 Are you attending or have you attended any other basic education program?
- Yes.....1
 - No.....2

A.6 Are you busy acquiring or have acquired any entrepreneurial, management or financial skills?

- Yes.....1
No.....2
If 'Yes', describe the skill..... 3

A.7 Have you ever received training to run (manage) this business?

- a. name of course.....
b. How long?.....
c. When?
d. What did this training consist of?
i. Management 1
ii. Technical 2
iii. Accounting/book keeping 3
iv. Other (Specify).....4

A.8 Did you have previous experience in this business?

- Yes.....1
No.....2

A.9 If yes, for how long?(years).....

A.10 In what form did this experience take place?. **Indicate by putting a 1 if the answer to the question is a yes, and if the answer to the question is a no then put 2 in the space provided for each question.**

Yes=1 No=2

- a. Did you work for this business? ...
b. Did you work for another business? ...
c. Were your parents in this business? ...
d. Did you work and learn at home? ...
e. Were you self-employed? ...
f. Other (Specify).....

SECTION B: BUSINESS ACTIVITY

B.1 Please indicate what type of business you are involved in from the list below.

Manufacturing.....	1
Cleaning.....	2
Waste management.....	3
Textile.....	4
Furniture.....	5
Carpentry.....	6
Steel works.....	7
Printing.....	8
Stationery.....	9
Computer services.....	10
Office equipment.....	11
Agriculture.....	12
Mining.....	13
Maintenance & repair services.....	14
Security services.....	15
Catering services.....	16
Consulting services.....	17
Funeral services.....	18
Upholstery.....	19
Distribution services.....	20
Plumbing.....	21
Construction.....	22
Communication and tourism services.....	23
Other (please specify).....	

B.2 How many full-time employees are employed in your business?

Less than 5.....	1
Between 6 and 20.....	2
Between 20 and 50.....	3
Between 51 and 100.....	4
More than 100.....	5

B.3 Are your business involved in more than one business activity?

Yes.....	1
No.....	2

B.4 Did you operate any business activities during the last 12 months:

Yes.....1
No.....2

B.5 If the answer to B.4 above is yes, what was the annual revenue generated by the business?

Below R10 000.....1
Between R10 000 and R50 000.....2
Between R50 000 and R100 000.....3
Above R100 000.....4

B.6 Have any of your business activities closed down in the last 12 months?

Yes.....1
No.....2

B.7 If the answer to B.6 above is yes, what was the main reason for closing down?

Lack of business1
Lack of credit.....2
High cost of production.....3
Other (please specify).....

Legal framework and support systems

In order to determine whether your business is informal or formal (registered), you are requested to indicate whether the business was registered at either Registrar of companies, Commissioner of unemployment insurance, or Commissioner of workmen's compensation's offices.

B.8 Is your business registered at any of the above-mentioned?

Yes.....1
No.....2

B.9 Do you have access to credit facilities for the business?

Yes (Specify the source(s)).....1
No.....2

B.10 If an entrepreneurial centre would open in Mafikeng where potential entrepreneurs or entrepreneurs will be advised or given technical support on how to start a small business or how to run a small business effectively. Would you be interested in such a service?

Yes.....1
 No.....2

SECTION C: FACTORS OF ENTREPRENEURIAL ENVIRONMENT

C.1 Are you an experienced entrepreneur? (meaning that you received some formal training related to business management)

Yes.....1
 No.....2

If yes please specify.....

C.3 Below is a list of constraints (factors that might be standing in your way of success). Using a scale of 1 to 5, rate the constraints in terms of importance in the way they affect your business (in order of importance) on the right.

Where 1=Not important, 2=Moderately important, 3=Important, 4=Very important, 5=Critical, and DK=Don't know

Lack of proper working capital	.....
Lack of access to credit from financing institutions	.....
Lack of demand for products / services offered	.....
Lack of support services (e.g. training)	.....
Lack of readily available materials	.....
High operating costs	.....
High rentals (building)	.....
Poor sales	.....
Intense competition	.....
Poor business management	.....