

**FINANCE AVAILABILITY FOR SMALL AND MEDIUM ENTERPRISES IN
THE TOURISM SECTOR IN BOTSWANA: THE CASE OF GABORONE
AND ITS ENVIRONS**

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**Mini dissertation submitted in partial fulfillment of the requirement for the
degree of Masters in Business Administration in the Graduate School of
Business and Government Leadership at the North - West University,
Mafikeng campus**

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November 2010

DECLARATION OF ORIGINALITY

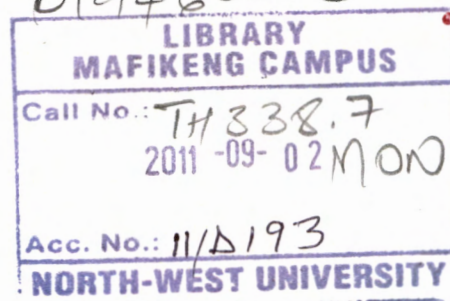
I, Leseka Monamo, declare that this dissertation is my own work and has never been submitted in any form for another degree at any university or other institute of tertiary education. Information derived from the published and unpublished work of others has been acknowledged in the text and a list of references is given in the reference list. This dissertation shall not under any circumstances be presented to any other institution for an award of any degree.

Leseka Monamo

Signature

25/03/11

Date



ACKNOWLEDGEMENTS

I would like to thank my dad, mom, brothers and sisters for always being there for me; caring, loving and understanding.

Further appreciation goes to Professor S.M. Kapunda, in his capacity as supervisor for this dissertation, my gratitude for his guidance, patience and support. He gave priority to my project, even if advice was needed on short notice.

I also thank all 2009/2010 MBA colleagues who made learning part-time an enjoyable experience, especially Kutlwano Mukokomani for his uncompromising support.

I would like to thank all my friends who encouraged and supported me during my study and who contributed to the success of this study.

Lastly I thank all the respondents who took their time to complete and return the questionnaires

DEDICATIONS

I dedicate this dissertation to mom and dad for having continuously giving support during my studies and to my nieces; Samantha, Atlang, Tiny, Tumisang, Lethabo and Mmabatho. This is for you girls.

ABSTRACT

The aim of this study was to investigate the availability for finance on Small and Medium Enterprises (SMEs) in the tourism sector. Specific objectives of the study were to examine the problems related to financing of SMEs in Botswana; to examine gender in the ownership of SMEs in the tourism factor especially in guest houses and lodges; and to formulate recommendations to financial institutions and SMEs in the tourism sector.

Data was collected using the survey approach. Guest house and lodge owners from Gaborone, Molepolole, Mochudi and Ramotswa were used as respondents in the survey. They were requested to complete a questionnaire on their views of finance availability for SMEs in the tourism sector. A statistical package, Statistics Package for Social Sciences version 17.0, was used to generate frequency tables and histograms to facilitate the data analysis and discussion of findings.

The findings of the study revealed that SME financing is more readily available from government funded institutions like the Citizen Entrepreneur Development Agency (CEDA) than from institutions like commercial banks which require collateral, among other things, in order for an entrepreneur to source finance. This is a problem for SMEs who need funds from such institutions. The findings also revealed that many Batswana are involved in the tourism industry although the larger group consists of male dominated SMEs. The majority of SME owners who participated in the study are male who are also of prime age, above 36 years, with women having a less active participation in the tourism sector. The youth and women are relatively few. The majority of SME owners who participated in this study felt the government must do more in terms of availing non-financial assistance to them. They cited advice on business plans and financial skills training as some of the efforts the government can assist with. The author concluded by providing further recommendations.

Key words: Finance Availability, SMEs, Botswana.

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ACRONYMS

BEDIA: Botswana Export Development and Investment Authority

BIDPA: Botswana Institute for Development Policy Analysis

CBNRM: Community-Based Natural Resource Management

CBT Community Based Tourism

CEDA: Citizen Entrepreneurial Development Agency

LEA: Local Enterprise Authority

FAP: Financial Assistance Policy

GDP: Gross Domestic Product

ICT: Information Communication Technology

NDP 9: National Development Plan 9

NDP 10: National Development Plan 10

SMME: Small Micro and Medium Enterprises

WTO: World Tourism Organisation

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CHAPTER 1: INTRODUCTION

1.1 BACKGROUND INFORMATION

Botswana is a relatively flat country with gentle undulations and occasional rocky outcrops. Botswana's dry physical environment and poor soils account for its varied population distribution. The population is concentrated in the south eastern parts of the country suitable for arable production due to relatively more favourable climatic and soil conditions. The natural beauty of Botswana is found in its wilderness, wildlife and cultural diversity. It includes range and arable land, a large wildlife population, and a variety of minerals. Some of the last great populations of wild animals left in Africa are found in Botswana; they constitute a tourist attraction that has yet to be fully exploited (Republic of Botswana, 2002b). More importantly, they make an important contribution to the subsistence of the country's economy. Large areas of the country are designated as National Parks and Game Reserves.

The tourism industry has a lot of potential with regard to the entry of Small and Medium Enterprises into the market. The World Tourism Organisation (2001) cited this industry as the fastest growing industry in the world. Women entrepreneurs occupy the largest share of SMEs at micro level (Republic of Botswana, 1998:2a). SMEs have to overcome a lot of challenges in terms of penetrating the tourism industry. This sector has not been penetrated much by Botswana in general and by women in particular. At the moment women are mostly involved in craft making and selling and not in the actual running of lodges or guest houses. The tourism sector is currently dominated by foreign investors who have managed to capture this niche in terms of land leases, facilities like lodges and have access to vast sums of capital (Republic of Botswana 1990:4).

1.2 STATEMENT OF THE PROBLEM

The government of Botswana is grappling with high levels of unemployment, which currently stands at 7.5% (Republic of Botswana, 2010b). The untapped tourism sector can help to both diversify the economy and create employment for Botswana. The Tourism Policy of Botswana is intended to provide Botswana with genuine opportunities for investment and employment, including employment in jobs with favourable career prospects. The other problem currently

being experienced is that foreign tourist resort operators are reluctant to employ Batswana for management positions even those with a potential for promotion. There has also been a limited opportunity for Botswana citizens to acquire shares in the tourism industry. Batswana have consequently perceived tourism as an industry dominated by expatriates that makes little if any contribution to the nation and provides few attractive career or investment prospects (Republic of Botswana 1990:10).

The government of Botswana has over the years come up with a variety of funding schemes like FAP, and CEDA to deal with financial problems which were prohibiting Batswana from venturing into businesses specifically in the tourism industry. CEDA has also developed a mentoring branch which assists with the training and mentoring of those who have just received loans from the agency. In the last four years, the Local Enterprise Authority (LEA) was created to deal with issues like promotion of a culture of entrepreneurship among Batswana and the sustained growth of the SME sector (Republic of Botswana 2009:155). LEA focuses on the development of SMEs in among others tourism, agriculture, manufacturing and services.

About 51% of LEA's current clients are in the agricultural sector, followed by manufacturing which accounts for 22%, with the remaining quarter shared between services (18%) and tourism (9%). LEA supports small businesses with credit and finance facilitation, market access, training and business planning. This study will investigate the extent to which women have access to funding through these government initiated schemes like FAP, CEDA and LEA. Kapunda and Mmolawa (2007), Cheston (2004), Counts (2004) and Rutashoba (1998) argue that if more women are provided access to finance then the effort will have the "multiplier effect" since women tend to spend more of their income on family welfare and their profits on further investment and trade. These are interesting findings because currently investment in tourism has been cited as standing at only 9% in Botswana and further involvement of Batswana women would increase the level of investment in the tourism sector.

The findings of the research will give more directions on the current situation with regard to funding of women in SMEs in the tourism sector by agencies like CEDA and their support by institutions like LEA. The findings of the research will be able to inform on the extent of funding for SMEs and in particular show its application to women in Botswana SMEs. At the moment there is very little research on financing of women who are involved in SMEs venturing into

tourism. This research will help to contribute to the problem of the scarcity of research and help to fill the gap in this field.

1.3 OBJECTIVES OF THE STUDY

The general objective of this study is to examine the availability of funding sources for the tourism sector in Botswana.

Specific objectives are:

- To examine the problems related to financing of SMEs in Botswana.
- To examine gender wise the ownership of SMEs in the tourism sector especially in hotels, guest houses and lodges.
- To formulate recommendations to financial institutions and SMEs in the tourism sector.

1.4 SIGNIFICANCE OF THE STUDY

The results will attempt to bridge the gap of scarce literature on SME tourism in Botswana, especially those focusing on the tourism sector. The study will also be useful input for policy makers and researchers who have a keen interest in tourism. In addition it will enhance the minimal literature available on women and their role in SMEs and the economy of Botswana.

1.5 FORMAT OF THE STUDY

The study is divided into 6 chapters:

Chapter 1: Background, Objectives and Significance of study

Chapter 2: Overview of SMEs and Botswana's economy

Chapter 3: Literature Review covering both the theoretical and empirical literature

Chapter 4: Discusses the research methodology and the specific methods used to gather the empirical information

Chapter 5: Presents the research findings.

Chapter 6: Conclusions and recommendations of this research study are discussed in this chapter.

CHAPTER 2: OVERVIEW OF SMEs, FINANCE AND TOURISM IN BOTSWANA

2.1 INTRODUCTION

In this chapter the role of Small and Medium Enterprises (SMEs) in Botswana's economy is reviewed, as well as the influence of financing of SMEs in the tourism sector. In addition availability across gender is discussed including the different challenges that are faced by women in the business.

2.2. THE ROLE OF SMEs IN ECONOMIC DEVELOPMENT

It is indisputable that SMEs constitute the bulk of enterprises in all economies of the world. In most countries SMEs are the backbone of their economies. They not only provide employment and therefore income opportunities to a large number of people, but also are at the forefront of technological innovation and export diversification, as well as encouraging entrepreneurship, and reduction of poverty. Regardless of the size of the economy, the growth of SMEs is becoming increasingly crucial to economic growth (Kayanula and Quarty, 2000; Mead and Liedholm, 1998; Fischer, 1995). Hence, research in the field of SMEs has expanded rapidly over the past two decades (Stevenson and Jarillo, 1990; Landström and Johannisson, 1998). With the new knowledge about the contribution SMEs make to the total employment (Birch, 1979; Davidsson et al., 1994, 1996) and the decreasing number of employees within the larger companies due to downsizing, many policymakers see SMEs as imperative in the creation of new employment and business opportunities (Storey, 1997).

Botswana like most countries has realised the importance of SMMEs in fostering economic growth and in creating jobs. This has led to the introduction over the last two decades of targeted financial support, as well as advisory programmes to help Botswana establish their own enterprises.

One of the ways that has been identified to have potential for economic diversification is the development of SMEs. This motivation comes from the fact that it has now been established globally that SMEs are a major source of entrepreneurial development and industrial development as well as economic growth, and hence employment creation for poverty reduction.

Recent years have seen increasing attention focused on the SME sector, in both developed and developing countries. In many countries, small business support has itself become a remarkable growth industry, consuming a lot considerable amounts of public and private finance. Many entrepreneurs have received assistance from such programmes, in the form of advice, training, finance, technical assistance, premises and so on, and many different types of institutions, agencies, associations, organisations and individuals. This is potentially an important source of employment generation. At the same time, the growth of SMEs reflects economic change: the declining importance of centralised mass production, along with technical change, the growth of Information and Communication Technology (ICT) and the growth of the service sector, has in some industries favoured the flexibility and specialisation that small firms can offer.

2.3 SMEs AND FINANCING

As the major concern, financing has been identified in many studies as the most important factor determining the survival and growth of SMEs in both developing and developed countries. Access to financing allows SMEs to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness and that of a nation as a whole (Apeis & Rispo, 2004). However, contrary to these, SMEs are regarded by creditors and investors as high-risk borrowers due to insufficient assets and low capitalization, vulnerability to market fluctuations and high mortality rates. Also information asymmetry arising from SMEs, which whereby one party often does not know enough about another party to make accurate decisions, and a lack of accountability records, inadequate financial statements or business plans make it difficult for creditors and investors to assess the credit-worthiness of potential SMEs' proposals (Guo, 2002).

The private commercial banks typically pay higher interest rates on deposits than state institutions, and they charge higher loan rates than the state banks and concentrate on the SMEs market, but the question is are the SMEs really benefiting from commercial banks lending (Tay, 2006). As a result, the issue of SMEs' development ranks high among the priorities of socio-economic development, given the growing need for employment creation and poverty alleviation. Hence, there is also an urgent need to create a strong competitive SMEs sector that is able to play a leading role in the development process, in order to be able to face the various challenges posed by global economic development. It is within this context that SMEs

development has become of focal attention for governmental as well as non-governmental institutions across the world.

There is an unambiguous imbalance in terms of the participation of women and in firm ownership, despite some initiatives that have been put in place to encourage their participation. This scenario is expected to worsen in that - with the termination of FAP - the affirmative action initiatives in women's favour have been reduced. This calls for the need to devise deliberate strategies aimed at developing, promoting and nurturing entrepreneurship among women. Currently, the main problem women face in Botswana is lower participation in SMEs and access to finance (European Bank for Reconstruction and Development, 2004). The Bank further observed that women stood to benefit more if they were targeted as a specific group when it comes to access to finance.

The problem of women's participation in SMEs is rooted in the minor role they play in SME ownership. This means that they have very little power in making decisions on behalf of SMEs. This bias towards women exists despite initiatives made by institutions like the Women's Affairs Department. Other cultural practices also placed women in Botswana on the fringes of participation in business or access to finance, for example the old Marriage Act (Republic of Botswana, 2009a) which required that a married woman could only make a loan application with the consent of her husband. However, the recent amendment of the Marriage Act gives women equal powers with men, which is hoped will have a positive impact in terms of ensuring the improved participation of women in business.

It is these biases against women which give finance houses a negative opinion on them when it comes to accessing financial assistance with them (Kapunda, Maghembe and Shunda, 2007). Their findings are supported by those of Eurochambres (2005) where women entrepreneurs stated that the main challenge they faced in creating and developing their business was financial. Rating systems used by financial institutions in Canada favour men at the expense of women. In the end women do not bother themselves as far as approaching financial institutions is concerned (Eurochambres, 2005). It should, however, be noted that some steps have been made to give women an equal footing with men when it comes to sourcing of finance to start-up or boost a business (CEDA, 2007).

2.4 IMPORTANCE OF TOURISM

Tourism continues to be the fastest growing industry in the world. According to the World Tourism Organisation, (WTO, 2001), world tourism grew by an estimated 7.4% in 2000, its highest growth rate in almost a decade, and almost doubled the increase in 1999. Botswana's tourism industry also experienced favourable growth both in terms of arrivals and receipts during the above mentioned period. Arrivals grew by 18% while revenue increased by approximately 26% (WTO, 2001). It is in light of these positive trends that the government of Botswana came up with strategies to increase the involvement of Botswana in tourism through a variety of schemes. In 2000 the Botswana Tourism Development Programme was completed with the mandate of tourism product development and diversification, citizen/community involvement in the tourism industry, tourism awareness, education and training. As a result the Botswana Tourist Board was established, whose mandate was to effectively market and promote Botswana as a tourist destination. Specific marketing and promotion strategies included:

- Mobilising and encouragement of citizens and local communities to fully participate in the economic life of the country's tourist sector;
- Providing business management and technical skills as well as other support services Botswana critically need to successfully start and run their businesses; and
- Diversification of Botswana's tourist source markets, including the development and promotion of tourism in the domestic and regional markets.

The mobilisation and encouragement of citizens and local communities was spurred by the development and approval by Botswana Parliament of the new Industrial Development Policy whose cornerstone was the diversification of the industrial base of the country. One such diversification strategy was the assistance to small to medium enterprises with business growth. A policy on Small, Medium and Micro Enterprises (SMME) was approved by the Botswana Parliament with the objectives of; fostering citizen entrepreneurship and empowerment; promoting SMME exports; achieving economic diversification; encouraging the development of a competitive and sustainable SMME community; and promoting efficiency in the delivery of services (National Development Plan 9:116).

Tourism is often perceived as an easy way to generate income without putting in much effort. In practice it is not that easy. To run a successful tourism enterprise one needs to make

substantial investments. One needs to be part of a network and possess business management and marketing skills. In Botswana, tourism was almost non-existent at the time of independence in 1966, however by 2006; it had grown to be the second largest economic sector contributing 5% to Botswana's gross domestic product (GDP) (Gaolathe, 2006). In 2000, the total visitor arrivals in Botswana were 1,424,669 of which 81,632 of them were eco-tourists and visited national parks, game reserves, archaeological sites and other wildlife areas (Botswana Government, 2003).

While tourism development in Botswana is on the increase, a number of studies (e.g. Fidzani et al, 1999; NWDC, 2003; Kgathi et al, 2005) have found that most of the people in tourism areas live in 'human poverty'. According to United Nations definitions, human poverty is a composite measure of life span, health, knowledge, economic provisioning and degree of social inclusion (UNDP, 2005). This poverty has created conditions of overharvesting of natural resources by local communities. In the late 1980s an approach to involve local communities in natural resource conservation through tourism development was adopted by the government to try and curb this problem. The approach has come to be known as Community-Based Natural Resource Management (CBNRM) and eco-tourism is embedded in this approach. This basically means there is a thin line between CBNRM projects and eco-tourism.

The government of Botswana has created schemes to diversify the economy beyond diamond mining in the last two National Development Plans. The Government has pursued low-volume high-cost tourism. This is elaborated in the Botswana Tourism Master Plan (Republic of Botswana 2000) and the Botswana National Eco-tourism Strategy (Republic of Botswana 2002a). Apart from the outstanding wildlife and wilderness in the north of Botswana, the country offers undiversified natural tourist attractions. The limited level of development of the tourism sector suggests that there may be under-utilized potential.

Tourism has the potential to attract more foreign exchange into the economy. This will increase the government's revenue in turn. Tourism can also help to improve the lives of Botswana through employment creation and other activities like cultural performing arts, and this industry can help to positively portray the country's image abroad.

The government has come up with strategies which involve SMEs in trying to utilise the largely untapped potential in the industry. Key to this strategy is through community/citizen participation

initiatives. The plan indicates that the diversification of the product base in rural and remote areas will support the active participation of communities in tourism, thus creating possibilities for employment and income. It will also open up opportunities for Botswana to increase their participation in the productive ownership and management of SMME tourism enterprises.

2.5 CONCLUSION

This chapter has examined the role of SMEs in Botswana's economy as well as the influence of finance on SMEs in the tourism sector. In addition availability across gender is discussed including the different challenges that are faced by women in the business.

CHAPTER 3: LITERATURE REVIEW

3.1 INTRODUCTION

This chapter reflects the literature reviewed for this study. It covers both theoretical and empirical aspects of the literature review.

3.2 THEORETICAL LITERATURE REVIEW

3.2.1 SMALL AND MEDIUM ENTERPRISES

There are no standard definitions of small, medium and micro enterprises as they vary from one country to another. These variations depend largely on the size of the economy and the levels of development. The only common considerations are that annual turnover and number of workers are generally used to categorise SMEs. There is a general agreement that a strict definition is not really important except when an eligibility threshold is required to process various incentive and other promotional and assistance schemes. In both developed and developing countries, governments have emphasised the contribution that small business entrepreneurs can make to fundamental development objectives such as creating local employment opportunities meeting the needs of local markets, reducing dependence on imports and introducing competition into the economy.

The SME sector is extremely diversified. There is the micro-enterprise which is made up of entities which employ one or two persons, including the owner. Small enterprises on the other hand have a broader scope and operate on a more structured basis. Medium-sized firms tend to have a more outlooking approach to market their products and look beyond the country's borders to market their products and services.

In Botswana, Micro, Small and Medium enterprises are officially defined as:

- (i) **Micro enterprises:** less than six workers including the owner and an annual turnover of less than P60 000. As stated in the Task Force Report, there are approximately 50 000 micro-enterprises currently operating in Botswana. Approximately 70% are located in rural areas. Some 65% are involved in trading, 25% in manufacturing, and 10% in other sectors. Approximately 75% of these businesses are owned by women, lack formal registration and operate from residential properties.
- (ii) **Small enterprises:** less than 25 employees and an annual turnover of between P60 000 and P1 500 000. According to the Task Force Report, there are at present 6 000 small enterprises active in Botswana, of which about 80% are located in urban areas. Approximately 40% of small enterprises are in the service sector, 20% in manufacturing, 16% in retailing, 10% in transport/distribution, 6% in construction and 8% in agriculture.
- (iii) **Medium enterprises:** less than 100 employees and an annual turnover of between P1 500 000 and P5 000 000. The SMME Task Force Report stated that there are approximately 300 medium-size enterprises currently operating in Botswana, with the majority involved in some form of manufacturing. Many medium sized businesses have no particular need for government assistance, but others face constraints which could be alleviated through targeted support measures.

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In this study, small enterprises is used to refer to both micro and small enterprises while medium enterprises are used as defined in the official definition provided above.

3.2.2 TOURISM

The World Trade Organisation defines tourism as activities of persons travelling and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. Foreign investment in tourism is highly valued and should be encouraged to promote local tourism ownership and entrepreneurship. This can be achieved through an increase in tourism investment and the expansion of small businesses. The existing financial institutions such as CEDA should establish financing and technical support for tourism

enterprises, as currently the financial institutions do not support tourism related business strongly.

Over the past few years, however, the government has seen the importance of investing in other sectors such as Agriculture and Tourism. The aim is to assist these sectors and others to play a more significant role than they are currently doing towards the economy of the country. In the review of NDP 10, the Ministry of Lands and Housing did not only advocate for land for agriculture BUT also reserved land for tourism for it to promote diversification and employment creation. Suitable sites for cultural, photographic and heritage tourism will continue to be identified and set aside in NDP 10.

In addition to this it has been realised that for a country such as Botswana to achieve its national objective of sustainable economic growth, economic diversification and employment and citizen empowerment, there has to be a greater number of entrepreneurs and successful enterprises than we currently have. A significant hindrance to the success of Small and Medium Enterprises in Botswana is, among others, finance. A number of research interventions have been conducted on the importance of access to finance by small business owners on a global level. The role of finance has been viewed as a critical element for the development of small and medium scale sized enterprises.

3.2.3 INVESTMENT IN HOTELS

Tourism is a demand driven market in an interactive way, where it is the tourists who, to a certain degree, decide the tourism trends, although the tourism industry itself is a good deal responsible for the direction that tourism flows will take. Other competitive factors are more destinations specific, like the presence of natural and cultural resources, the existence of human resources and financial and technical infrastructures; as well as a government policy framework for tourism, a thriving private sector that provides primary services to the tourism industry, consolidated private-public partnerships, widespread good governance principles, among others. In this sense, governments, more than the industry, create the basis for the competitiveness of the respective national tourism sectors on the world market, maintaining and enhancing the natural and built assets which attract visitors and guaranteeing visitors' safety.

Thus an appropriate policy framework is crucial to create the conditions for a sustainable tourism development in the long run – sustainable in economic, social and environmental terms (republic of Botswana 2000, 2002a, 2002b).

For example, the prices of resorts and/or hotels in Africa have a price limit for their competitiveness, since the weight of the airfare, given poor airline infrastructures in Africa, is very high. This determines bottlenecks on the supply side of pricing policies as well as a tendency to move away from mass tourism, although there have been and there are still African countries with high tourism arrivals, which are considered mass tourism destinations. The existence of bottlenecks on pricing policy as well as a deliberate choice to protect and limit the negative effects of tourism on the natural assets/environment on which it is built, give rise to a policy choice by African countries in favour of sustainable tourism.

Yet the most important aspect is that whether mass or sustainable tourism is identified, the economic cross-sectoral nature of the tourism industry is similar. This can be explained by the fact that tourism expenditures have a flow-through or catalytic effect on the economy in terms of production as well as employment. This process originates a demand for local suppliers of consumer intermediate goods depending on the level of economic development and capital equipment. The supply of such goods can stimulate the development of small businesses as well as create links with the informal sector.

It has also targeted the less developed Southern regions, in spite of the limited availability of creditworthy investments and firms, and a certain resistance of small businesses to participate in mutual guarantee schemes. In Botswana concessions could either be granted to private entrepreneurs or to the communities who occupy the land. These communities could manage the land themselves or sub-lease it on a negotiated basis to private operators. Various conditions are negotiated upfront, such as concession fees, local community benefits, local employment ratios, environmental management measures, lodge design principles, etc. and concessionaires are evaluated during the course of their concession term with regard to the fulfillment of these conditions and overall management practices. It has also catalysed a number of community tourism ventures and partnerships between private lodge operators and communities, which have redistributed tourism benefits and job opportunities to local communities in these rural areas.

3.2.4 GENDER AND BUSINESS (SMEs)

Kapunda *et al* (2007a) argue that providing financial services to women brings about the multiplier effect since women spend their income on family welfare and the profits put on further investment and trade. On the other hand In June 2008, Equity Bank launched a branch to cater specifically for women in the SME sector, though male applicants who meet the requirements will also be considered. The Economic Commission for Africa (2010:44) examines how the skills of women entrepreneurs can be enhanced to facilitate their effective participation in regional and international markets. Cook & Nixon (2007) in Kapunda (2007a) argued that there is no gender bias since women scored significantly higher than men in presenting plans to judges at a panel review therefore women are more likely to get loans than men. The priority status that the regulations grant to some categories of firms (those of industry, trade and services, those guaranteed by MGIs, those owned by women, micro firms, startups) are in fact so broad as to be tantamount to covering the vast majority of potential demand. There is no attempt to reach those small firms that are mostly constrained in financing their investment projects, because of the risk element involved.

3.3 EMPIRICAL LITERATURE REVIEW

3.3.1 SMEs in AFRICA

The role of SMEs has been shown to be important in Africa (Kapunda *et. al* 2007b) like in other continents. SMEs comprise over 90% of African business operations and contribute to over 50% of Africa employment and GDP. The success of such institutions varies across the continent with two extremes (some flourishing while others quickly go into bankruptcy). Some African states like South Africa and Mauritius are flourishing due to modern financial systems and government policies in place that support private enterprises (Kauffman 2005) while in some areas SMEs fail because of political instability for example, Democratic Republic of Congo or strong dependence on a few raw materials in Gabon and Chad.

Tourism SMEs in South Africa has distinctions between predominantly white owned SMEs which operate and the emerging black-owned tourism economy which is a mix of formally registered micro enterprises and informal tourism entrepreneurs. Another significant element of

differentiation in terms of tourism SME development relates to the differences in challenges that relate to SMEs operating in different sub sectors of Southern African tourism. A recent study in South Africa showed a difference between challenges confronting SMEs in community based tourism (CBT) are marked different to those that relate to business tourism SMEs.

Several common challenges facing SME development in tourism as a whole in South Africa have been isolated. A number of key issues have been identified which relate to market access and marketing; business management skills; access to ICT and infrastructure; skills and training; finance; regulation and inadequate institutional support. In both the accommodation and tour operations sectors of tourism, large enterprises typically aim for volume and their dominance has the effect of crowding out the operation of smaller enterprises. As a result, SMEs tend to focus on specialised market segments of tourism (Kaplan 2004; Rogerson 2004, 2008). In accommodation, for example, SMEs dominate the bed-and-breakfast economy, the supply of backpacker accommodation and the guest house sub-sector.

From existing research from South Africa it has become clear that tourism SMEs are not homogenous group enterprises and that distinctions must therefore be drawn between the challenges and support needs of different categories of tourism. One important line of differentiation is observed between groups of established, almost predominantly white-owned SMEs which operate a host of different establishments such as travel, tourism and touring companies, restaurants, small hotels, self catering and the emerging black-owned tourism economy which is a mix of formally registered enterprises and informal enterprises.

Although Tanzania is bountifully endowed with natural resources including good arable land, water, minerals, fish, forests, and good sites for tourism, such resources are hardly exploited to the full benefit of the people at both the micro and the macro levels. The lack of means to exploit these resources has been identified as one of the major stumbling blocks to the development of the country. At the micro level, however, the people are not able to exploit the resources for both the lack of knowledge as well as the means. Although several credit schemes have now emerged to provide the means for the small enterprises to conduct their businesses, there is a general consensus that the loan size, the interest rates and the general loan conditions are not conducive to making any meaningful investment, especially in technology. Moreover the government policies for the small-scale enterprises have not been effective to stimulate rapid growth in the sector. Above all, Tanzania is now transforming itself from the state controlled

economy to a market economy and the relevant policies addressing the problem are fairly recent (United Republic of Tanzania, Ministry of Industry and Trade Small and Medium Enterprise Development Policy 2002).

The small-scale entrepreneurs are mostly affected in that their businesses do not get full access to the requisite financial resources for their technological advancement which can make them competitive regionally and globally. They are also affected for a lack of business cooperation with larger firms from both outside and inside the country. As a result the service providers of the small scale entrepreneurs such as farmers, transporters, machine and tools shops of micro-credit providers are also affected by having low volume business.

MFIs which cater for the credit schemes of the SMEs are also affected by the high interest rates offered by the commercial banks from where they sometimes borrow money. The Tanzania government has changed its role from controlling the economy to facilitation, while the private sector is encouraged to participate actively in economic ventures. The main government role with respect to the small and medium enterprises development therefore includes:

- Provision of necessary infrastructure for the development of the small-scale enterprises.
- Setting up institutions which support the activities of the small-scale enterprises.
- Ensuring equal access to employment - access to employment for women, youth and the disabled.
- Put in place incentive structures for cooperation and linkages between large and small-scale industries.

For appropriate discharge of its role, the government through its ministries and departments has formulated a number of policies in favour of the development of the small and medium enterprises.

3.3.2 GENDER WISE CASE OF SUCCESS AND FAILURES IN SOUTHERN AFRICA

Reports exist of entrepreneurs who misuse funds to fund their private activities like the purchase of expensive luxury vehicles and houses to the detriment of their businesses (Republic of Botswana Government, 2009b). Such entrepreneurs' businesses eventually collapse. As a

result of low patronage on the part of the consumers, sales and profits of small business in Botswana have been declining, while the market share is stagnant or also declining.

An investigation of such problems is important because such an investigation will lead to a systematic identification of such problems and lead to suggestions as to what can be done to improve the management of small-scale enterprises in Botswana.

Kapunda and Mmolawa (2007) argued that the main problem of SME owners in creating and developing their own businesses is financial. They further asserted that on the gender front providing financial services to women brings about the 'multiplier effect' since women tend to spend more of their income on family welfare and their profits on further investments and trade.

According to Rutashobya (1998) entrepreneurs with a high level of formal education and great experience are more likely to embark on large projects. Such projects are likely to perform well in terms of employment, profitability and trade. Based on the findings of April/May 2007 Survey Data carried out in Botswana by Kapunda *et. al* (2007) it has been revealed that SMEs are faced with a number of problems in addition to access to affordable sources of funds. The study revealed that female business owners strongly agreed that funds were a big problem unlike for their male counterparts. More so 12.2% of male respondents and 28.6% of female respondents strongly agreed that too much competition was a problem. The results showed that female owned SMEs suffer more from acute competition than those of their male counterparts. This phenomenon was explained by the fact that female SMEs tend to engage in businesses such as hair salons, food vending and cloth retailing that require a relatively small amount of start-up capital and are easy to copy.

In order to alleviate the problem of too much competition, SMEs are advised to form cooperative groups so that they can pool resources and work together toward looking for external markets. SMEs are also advised to produce and market goods that can be exported to other countries, rather than to depend on the domestic market. As explained above the lack of markets appears to be a significant problem since the survey showed that 28.5% of females compared to 18.4% of males agreed that lack of markets hinder their success even though most of the businesses owned by females gained a lot of profits, unlike those of their male counterparts. Investors need clear and full information in order to be able to make informed decisions on whether to lend

money or not therefore women scored significantly higher than men in presenting their business plans to judges at a panel review. As a result women were more likely than men to get loans.

Technology is very important when it comes to SMEs, thus it makes them competitive. Martin and Wright (2005) cited in Kapunda et. al (2007) have explored how information and communication technologies and the internet offered women opportunities to develop as entrepreneurs and innovators. Therefore the use of ICT is very convenient for female SME owners as they could operate from home, combining business and performing home and family duties. Traditionally SMEs in Southern Africa has been hampered by the existence of stringent foreign exchange regulations, limited governmental agency support, and domestic market focus by SME management, and a relatively low quality standard in terms of products and production technology compared with foreign competitors.

3.3.3 THE CASE OF BOTSWANA

Botswana like other developing countries sees its SMEs being predominantly owned by citizens, whereas larger firms are often foreign or government owned. The development of the SME sector therefore involves the economic empowerment of citizens. The SME sector is not well documented, so there is uncertainty over the number of SMEs in existence in Botswana and the sectors economic importance. Although the need to encourage small business survival and growth is self evident, there are no simple formulae for doing so. One of the major problems faced by small businesses in Botswana is that markets are very small (Andrew,1995). In comparison with many other free enterprise countries, the public sector in Botswana is very large. It is, however, estimated that SMEs account for 15-20% of the GDP and 50% of private sector employment. What is known is that they do not have a good record of growth and sustainability.

However, in spite of this recognised importance, the performance of SMEs in the Botswana economy, especially when it comes to manufacturing for export, has been very limited. This SME study, which covered a sample of 142 SME firms countrywide, indicates that the role and contribution of SMEs to the economy of Botswana is still very small. In particular, the study indicates that SMEs' contribution to the economy is still hampered by, among others:

- Lack of information on SME programmes due to inadequate publicity of available SME programmes;
- Lack of effective implementation of programmes that are meant to support SME activities;
- Inadequate institutional support such as the administrative bottlenecks SMEs encounter when they register as companies, the need for SMEs to come to Gaborone for registration, and the general high cost of factory shells for business operations;
- The limited commercial bank financial support for SMEs which makes them solely dependent of government for support;
- The inherent government procurement policy bias towards large firms limits SMEs opportunities for business development;
- SME lack of access to reliable and bigger markets which is due to their inability to produce larger outputs and thus satisfy large domestic and foreign markets unless they are organised into clusters.

In addition to an assessment of the performance of SMEs and the problems they face, this study assessed whether SMEs in Botswana have the institutional support that allows them to be competitive both domestically and internationally. Ironically, the results indicate that SMEs in Botswana generally have a lot of institutional support. However, this support is limited by a lack of proper coordination, which has in some cases resulted in duplication of efforts and hence wastage of both the financial and human resources that the sector needs for its growth and development.

To realise SMEs' full potential as engines of growth it is important to create a favourable environment that allows them to expand and prosper. The government of Botswana has taken some initiatives to develop the SME sector. Some of the notable measures that government initiated are the Financial Assistance Policy (FAP) and the Citizen Entrepreneurial Development Agency (CEDA). FAP provided start-up grants and business support. When it was terminated, government established CEDA to provide start-up capital through interest-subsidised loans.

Also, the Policy on Small, Micro and Medium Enterprises (SMMEs) of 1999 identifies the needs, constraints and challenges of SMMEs and provides policy interventions for facilitating a conducive environment for them to operate successful businesses.

An alternative approach to this problem is to build closer links between large and small businesses. The object active of this so called 'commercial linkages' is to educate small business owners in the standards and contracting procedures of larger organisations, and to promote awareness of the sourcing potential presented by smaller firms (Andrew , 1995).

Botswana has experienced rapid economic growth over the years, which has generally been driven by the primary sector namely mining and cattle rearing. Because of this, manufacturing in general, - SMEs particularly – contributed very little to the country's economic growth and development. It should be noted, however, that despite the high interest rate spread in Botswana, the Citizen Entrepreneurial Development Agency provides loans to enterprises at rates between 5% and 7.5%. These subsidised rates are much lower than the lending rates of commercial banks.

It is, however, encouraging to note that the Local Enterprise Authority (LEA) has now been created. LEA's mandate is to consolidate all the activities of the various institutional support organs (government, parastatals, private sector and civil society) for SMEs with a view to create a supportive financial, legal and regulatory environment for the successful operation of SMEs. Consequently, there is now hope that SMEs will grow and play a significant role that they potentially have for the economy of Botswana (BIDPA, 2009:12).

Despite the high costs and delays in starting a business in Botswana, it is encouraging to note that the government is committed to removing impediments to private sector development. The government conducted a number of comprehensive reviews and developed new policies, legislation and regulations with a view to creating a supportive business environment. One of these initiatives was the review of the Industrial Development Act in order to simplify licensing procedures for, among others, manufacturing. The Companies Act was also reviewed to simplify the registration of companies, with new regulations being finalised for their implementation to start in April, 2006. Also, the implementation of new regulations for the Trade Act has commenced.

One can safely say that SMEs are weak in Africa because of the normally small local markets, underdeveloped regional integration and very difficult business conditions, which include poor infrastructure, inadequate financial systems and unattractive tax charges. As a result many

SMEs opt to stay small and informal. It can also be concluded that most of Africa's SMEs have little access to finance which hinders their emergence and ultimately their growth.

Regarding SMES tourism research little has been done, especially on the point of view of small business in Botswana, but a review of the advertising trends in the local print and electronic media suggests that small businesses are not taking advantage of marketing strategies available to them. The current trend is only well established in big businesses, government departments and parastatals which are reaping profits through embracing and appropriately using marketing strategies such as advertising, sales promotion, public relations, customer care and use of new technologies.

The potential for SMEs for community-based-tourism was highlighted by the business industry supply chain by the findings that nearly 70% of event venues indicated that they support SMEs a lot, or some 60% indicating that they would like to do more. The support and opportunities of SMEs relate to purchasing goods and services from them as well as provision of training and mentoring to SMEs. As a whole it was concluded that 'venues' and planners would like to support SMEs to a greater extent (Rogerson 2008). Nevertheless, given their general lack of understanding of SMEs support may not be as effective as it could be.

3.4 CONCLUSION

This chapter focused on the review of literature starting with some further definition of terms and theoretical concepts. Discussions further focused on tourism and SMEs, investment in hotels, SMEs in Africa and gender wise case of success and failures in Southern Africa. Finally literature dealt with a specific focus to Botswana. Unlike the cited studies, this study focuses on finance availability in the SME tourism and also provides feedback on the nature of gender ownership of SMEs in the sector. The results can advise the government and financial institutions of what more can be done to support SMEs in the tourism sector of Botswana.

CHAPTER 4: METHODOLOGY

4.1 INTRODUCTION

The purpose of this research was to gain an insight on availability of finance on SMEs in the tourism sector. This chapter outlines the research design and methodology was used in this research. It explains the rationale behind the methodology, i.e., how data was collected and analysed

4.2 RESEARCH DESIGN

The researcher used a survey approach to design the study. According to Galliers (2001:12) surveys enable the researcher to obtain data about practices, situations or views at one point in time through questionnaires or interviews. Quantitative analytical techniques were then used to draw inferences from this data regarding existing relationships. The use of surveys permitted a researcher to study more variables at one time than is typically possible in laboratory or field experiments, whilst collecting data about real world environments. A key weakness is that it is very difficult to realise insights relating to the causes of or processes involved in the phenomena measured. There are, in addition, several sources of biases such as the possibly self-selecting nature of respondents, the point in time when the survey is conducted and in the researcher him/herself through the design of the survey itself.

According to the objectives of this research, the researcher intended to investigate finance availability on SMEs growth in the tourism sector with particular emphasis on women entrepreneurs. In order to extract as much information for this survey a research instrument (a questionnaire) was designed and administered to owners of small businesses in Gaborone and its vicinity. According to Legotlo (1998:46), a questionnaire is a key data collection device. As stated earlier, this instrument was validated through statistical means.

4.3 HYPOTHESES

The study proposed to test the following hypotheses:

- Funds availability is a significant problem for SMEs.
- SMEs ownership is dominated by men.

4.4 SAMPLING TECHNIQUE

In this study, a list of all lodges and guest houses which are open to tourists were drawn from the Botswana Telecommunications Corporations Directory. Simple random sampling was then used to select 30 lodges and guest houses from that list. Currently there are over 400 lodges and guest houses operating in Botswana (Republic of Botswana 2010a). These formed the population of the study. Out of these 30 lodges and guest houses based in Gaborone were selected.

Sampling is the process of selecting a representative part of a complete coverage of the total population is seldom possible and all the members of the population interest cannot possible be reached. If it was theoretically possible to identify contact and study the entire relevant population, time and cost considerations usually make this prohibitive undertaking population for the purpose of determining parameters or characteristics of the whole population. Coldwell and Herbst (2004) argue that the main reasons for sampling are:

- Economy
- Timelines
- The large size of many populations
- The inaccessibility of some of a particular population; and
- Accuracy

Cooper and Schindler (2006) contend that the tests of a sample design are how well it represents the characteristics of the population it purports to represent. The sample must be valid. In support of the above random sampling as a probability sampling technique was used in this study. Random sampling allows each member of the target group an equal opportunity of being selected in the sample. Sampling is efficient and precise when it comes to data collection. Samples can be studied more quickly than target populations and they are also less expensive to assemble. Sampling is efficient that resources that might go into collecting data on an unnecessarily large number of individuals or groups can be spent on other activities like monitoring that quality of data collection (Fink, 2005).

4.5 THE QUESTIONNAIRE

For the purpose of this study, a questionnaire was employed. According to Coldwell and Herst (2004) a questionnaire is used to quickly and or easily get information from people in a non threatening way.

PILOT STUDY

Before the final questionnaire was distributed a pilot study was conducted to test ensure that the questionnaire was unambiguous, had simple and easy to understand questions and would be completed within a reasonable time.

In this study, a pilot study was done on 5 SMEs in Gaborone. The respondents managed to complete all the questions with assistance from the researcher within the average of ten minutes, which was the recommended time for the exercise. The researcher felt that some certain questions needed to be re-arranged based on the response rate from the respondents.

FINAL QUESTIONNAIRE

The final questionnaire was distributed and collected from small-scale business owners over a period of two weeks. Self-administered questionnaires were given to the respondents with the expectation that each person would be able to read and understand the questions, possess the knowledge and willingness to answer them, and would take the time to do so. According to Mutchnick and Berg (2006), self-administered questionnaires may be completed by individuals who are alone or in groups (Mutchnick and Berg, 2006). A mailed questionnaire provides the researcher with the means of containing a large number of respondents over an extensive geographical area in a fairly inexpensive way. In order to motivate respondents in mailed surveys, researchers must write interesting and convincing cover letters. One of the most difficult aspects of a mailed questionnaire is obtaining a large enough return rate to make the study meaningful. Response rates from an initial mailing may well be below 50%.

Although the researcher confined the collection of survey data to the questionnaire, other methods could also have been considered. However, their disadvantages as instruments for data collection far outweighed their advantages.

Advantages of a questionnaire

The advantages of using a questionnaire include the following:

- can be completed anonymously
- inexpensive to administer
- easy to compare and analyse
- can be administered to many people
- researcher can get a lot of data
- many sample questionnaires already exist.

Disadvantages of a questionnaire

The disadvantages of using a questionnaire include the following:

- researcher might not get careful feedback
- wording can bias client's response
- questionnaires are impersonal
- in surveys, many need sampling experts
- do not get full and complete story.

4.6. VALIDITY

Validity refers to the extent to which a test measures exactly what needs to be measured. A questionnaire was used it covered a representative sample of the universe of SMMEs in the Gaborone area and its vicinity (Golafshani, 2003).

4.7 RELIABILITY

Reliability is concerned with the accuracy and precision of a measurement procedure. The researcher believes that a questionnaire is appropriate for this research as it gives consistent results (Golafshani, 2003).

4.8 DATA COLLECTION

Data collection is the gathering of data that may range from a simple observation at a single location to a survey of multinational corporations in different parts of the world. For purposes of this study, a questionnaire was used to collect data from SMEs in Gaborone city and its vicinity.

This study used a pilot questionnaire covering five hotels, lodges in Gaborone. The final questionnaire was prepared after taking into consideration of the weaknesses of the pilot field study.

4.9 DATA ANALYSIS

A statistical package (SPSS version 17.0) was used to generate reports which were used for the purpose of data analysis. Descriptive statistics were used to analyse data from the study. That information was presented in the form of tables, graphs, percentages and actual frequencies.

The findings of this study are presented in tabular form, charts, and graphs and in qualitative form. Tables were used to group and organize data so that it becomes manageable and easy to interpret. The use of tables made the displaying of summarized information accurately and concisely effective. Effective presentation of visually stimulating information is made through the use of graphs.

4.10 ETHICAL CONSIDERATIONS

Prior to the dissemination of the questionnaires during the study, the confidentiality and anonymity of the respondents were assured. The respondents were given an option to leave out their names.

Research ethics refers to the appropriateness of the behaviour in relation to the rights of those who become the subject of the researcher's work or are affected by the work. Potential ethical issues will be recognized and considered from the outset of the research and be one of the criteria against which the research proposal is judged. Social research constitutes an intrusion into peoples or organisational lives. Certain research requires that people or organisations reveal personal or privileged information that is unknown to their friends and associates and/or the general public. The following ethics were considered: confidentiality, consent of the respondent, protection of the participants, giving advice and data protection.

CHAPTER 5: DISCUSSION OF FINDINGS AND ANALYSIS OF DATA

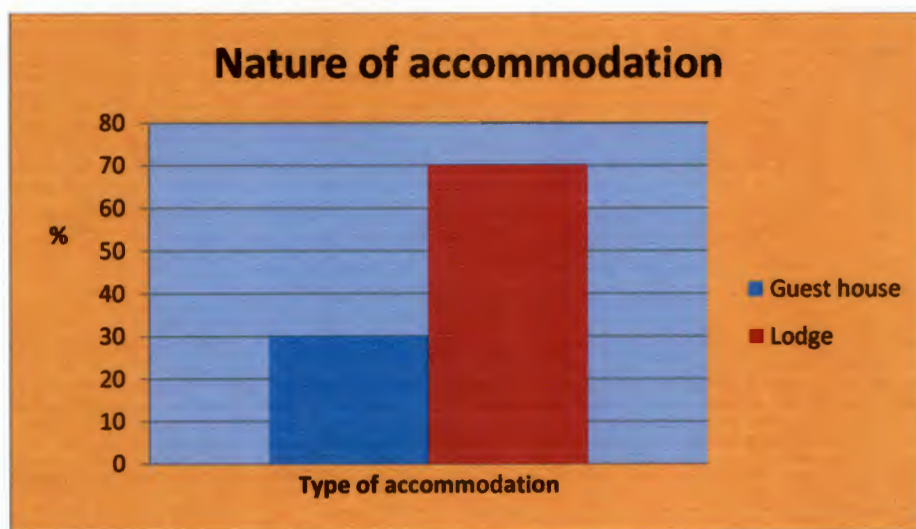
5.1 INTRODUCTION

This section focuses on the analysis of data and discussion of findings based on the summaries extracted from the statistical package SPSS. Frequency tables were used in the discussions and histograms were used to compliment the frequency tables in instances where the researcher felt pictorial illustrations would bring more vivid impressions. In cases where histograms are used see Appendix A for original data and tables.

5.2 BACKGROUND FINDINGS

TYPES OF ACCOMMODATION

Figure 1: Nature of accommodation

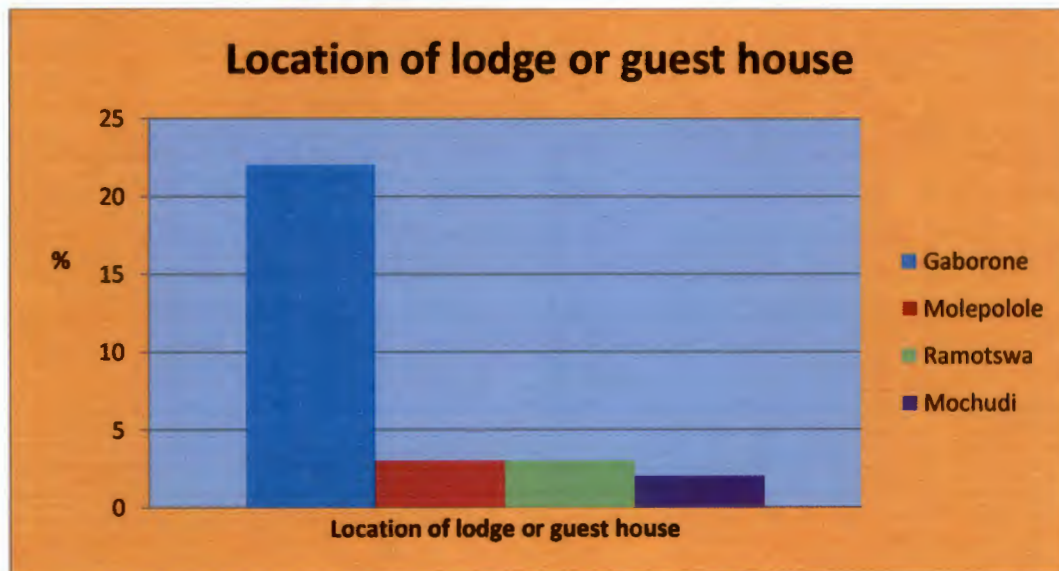


The graph above reveals that the majority of accommodation (70%) consisted of lodges and the rest (30%) consisted of guest houses.

LOCATION OF LODGE/GUEST HOUSE

The findings in Figure 2 show that the majority of lodges (73%) are based in Gaborone with Molepolole and Ramotswa at 10% each. Mochudi had 7% of the lodges which participated in this survey.

Figure 2: Location of lodge/guest house

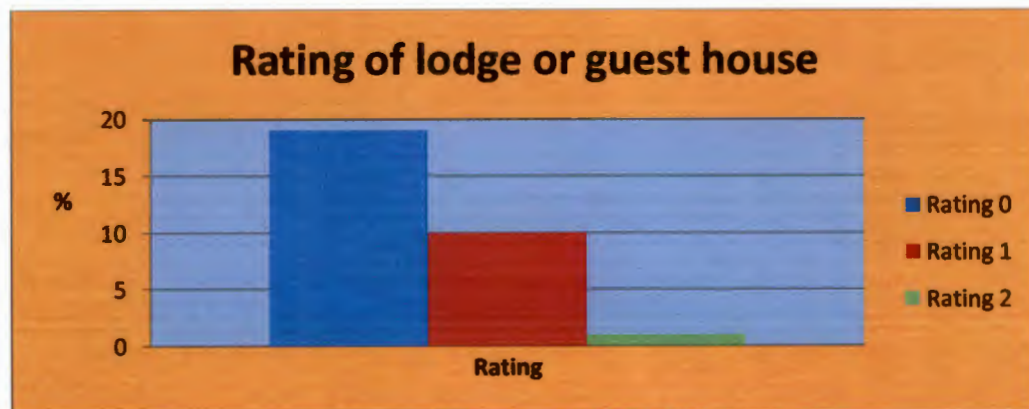


NWU
LIBRARY

ACCOMMODATION RATING

The findings in Figure 3 show that 63% of the lodges/guest houses had a rating of 0, 33% had a rating of 1 and 3% had a rating of 2.

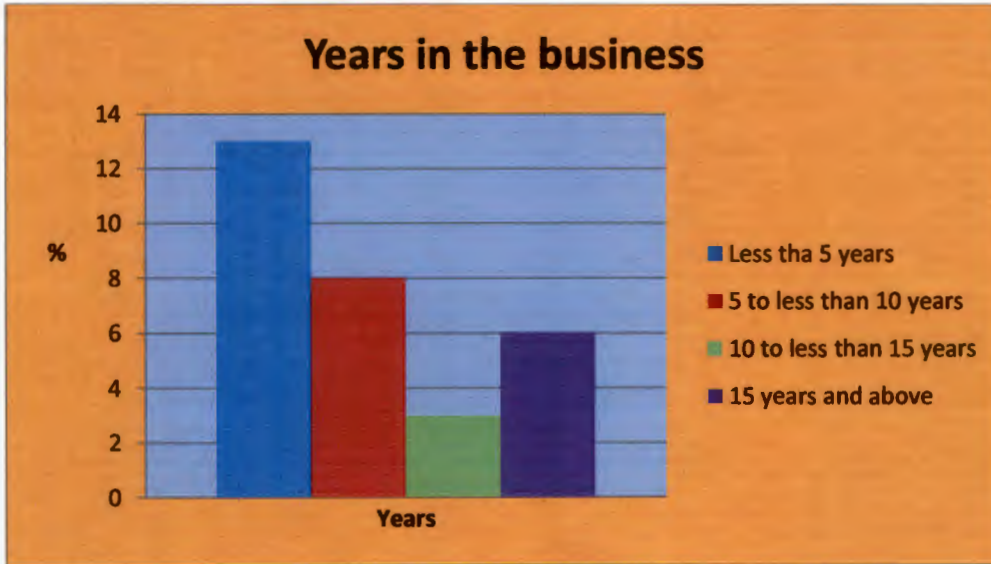
Figure 3: Accommodation rating



YEARS IN BUSINESS

Figure 4 shows that the majority of lodge/guest house owners had less than 5 years in their business, 27% had 5 to less than 10 years, 10% had 10 to less than 15 years and 20% had 15 years and above in the business.

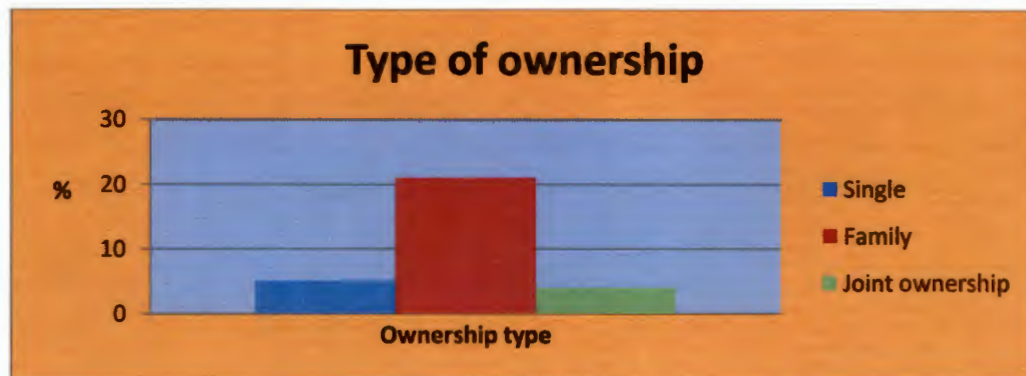
Figure 4: Years in the business



TYPE OF OWNERSHIP

The findings below show that 17% of respondents were single business owners, 70% were family owners and 13% were in joint ownership.

Figure 5: Type of ownership



GENDER OF COMPANY OWNER

Table 1 below shows that females owned 30% of guest houses/lodges and males owned the rest (70%).

Table 1: Gender of company owner

Gender of owner	Frequency	% Frequency
Female	9	30
Male	21	70
	30	100

NATIONALITY OF OWNER

Table 2 findings show that Batswana owned 83% of the guest houses/lodges and foreigners owned the rest (17%).

Table 2: Nationality of owner

Nationality	Frequency	% Frequency
Motswana	26	83
Other	4	17
Total	30	100

NATIONALITY OF MANAGING DIRECTOR

Table 3: Nationality of managing director

Nationality	Frequency	% Frequency
Motswana	25	83
Other	5	17
Total	30	100

Table 3 findings show that 83% of the lodges/guest houses are managed by Batswana and 17% are managed by foreigners.

NUMBER OF ROOMS

Table 4: Number of rooms

Number of rooms	Frequency	% Frequency
Less than 5	4	13
5 to less than 10	8	27
10 to less than 15	12	40
15 and above	6	20
Total	30	100

The findings shown in Table 4 reveal that 13% of the guest houses/lodges had less than 5 rooms, 27% had 5 to less than 10 rooms, 40% had 10 to less than 15 rooms and 20% had 20 or more rooms.

AGE OF BUSINESS OWNER

Table 5: Age of business owner

Age	Frequency	% Frequency
Below 21	0	0
21 to 25	0	0
26 to 35	0	0
36 to 45	12	40
46 and above	18	60
Total	30	100

The above findings show that 40% of SME owners were aged 36 to 45 years and 60% were aged 46 years and older.

EXPERIENCE IN BUSINESS

Table 6: Experience in business

Business experience	Frequency	% Frequency
0-5 years	4	13
6 -10 years	12	40
11-15 years	14	47
16-20 years	0	0
Other (specify)	0	0
Total	30	100

The below findings show that 13% of SME owners had less than 5 years in the business, 40% had 6 to 10 years in the business, 47% had 11 to 15 years in the business. No owner had more than 15 years in the business.

5.3 MAIN FINDINGS

5.3.1 SECURING FINANCE

Respondents were asked questions pertaining to issues of sourcing financing for their businesses. The findings show that 20% of SMEs strongly agreed that securing a loan from a commercial bank is easy, 13% agreed, 30% disagreed and 37% strongly disagreed. The findings also showed that 40% of SMEs strongly agreed that sourcing funding from CEDA is easy, 23% agreed, 17% disagreed and 20% strongly disagreed. The findings show that 10% of SMEs strongly agreed that it is possible to get a loan from a bank without collateral, 20% agreed, 33% disagreed and 37% strongly disagreed.

The findings show that 27% of SMEs strongly agreed that SMEs fail to access financing because of lack of financial skills, 40% agreed 17% disagreed and 17% strongly disagreed. The findings also show that 27% of SMEs strongly agreed that their businesses are financially sound, 27% agreed, 37% disagreed and 17% strongly disagreed. About 20% of SMEs strongly agreed that the Botswana government is doing enough to provide enough support to SMEs in terms of finance, 20% agreed, 33% disagreed and 27% strongly disagreed.

The findings show that 13% of SMEs strongly agreed that there is equal opportunity for male and female owned and operated SMEs, 30% agreed, 40% disagreed and 17% strongly disagreed. The findings also show that 20% of SMEs strongly agreed that there is enough non-financial support for SMEs, 13% agreed, 57% disagreed and 10% strongly disagreed. For details see Table 7 below.

Table 7: Securing Finance

	Strongly Agree		Agree		Disagree		Strongly Disagree	
	F	% F	F	% F	F	% F	F	% F
Securing a loan from a commercial bank is easy	6	20	4	13	9	30	11	37
Securing a loan from CEDA is easy	12	40	7	23	5	17	6	20
It is possible to get finance for a business without security or collateral	3	10	6	20	10	33	11	37
SMEs fail to access finances because of lack of financial skills	8	27	12	40	5	17	5	17
My business is financially sound	6	20	8	27	11	37	5	17
Government is doing enough to provide support SMEs in terms of finances	6	20	6	20	10	33	8	27
There is equal opportunities for male and female owned and operated SMEs	4	13	9	30	12	40	5	17
There is enough non financial support for SMEs	6	20	4	13	17	57	3	10
Total	30	100	30	100	30	100	30	100

Respondents were also asked to state their original source of finance for their business. Table 8 shows that 50% of SMEs secured start-up capital as their source of finance for their businesses, 7% used security or collateral, 13% went for in-service training on financial management and 30% obtained business advice and business plans.

Table 8: Source of income

No	Item	Frequency	% Frequency
2.1	Start-up capital	15	50
2.2	Security or collateral	2	7
2.3	In-service training on financial management	4	13
2.4	Business advice and business plans	9	30
	Total	30	100.0%

5.3.2 CAUSES OF BUSINESS FAILURE

Respondents were also asked about reasons why businesses fail. The responses and frequencies are shown in table 9 below.

Table 9: Causes of business failure

No	ITEM	YES		NO		Total
		Frequency	% Frequency	Frequency	% Frequency	
3.1	Capital	23	77	7	23	30
3.2	Access to credit	23	77	7	23	30
3.3	Demand for service/ products	18	60	12	40	30
3.4	Entrepreneurial skills	20	67	10	33	30
3.5	High operating cost	19	63	11	37	30
3.6	Lack of skilled manpower	22	73	8	27	30
3.7	Location of business	6	20	24	80	30

The above findings show that 77% of respondents identified lack of capital and access to credit as the main cause of business failure, 60% stated lack of demand for their goods and services in the market as the main cause of failure of their businesses, 60% identified lack of entrepreneurial skills as the main cause of business failure, 73% identified lack of skilled manpower as the main cause of failure of their businesses and 20% identified location of their businesses as the main cause of failure of their businesses.

5.4 RESPONDENTS' RECOMMENDATIONS

SME owners had the following to make as further comments:

- The time taken to repay the loans to CEDA should be extended, including the grace period.
- The support of SMEs must not only involve the government but other important stakeholders like commercial banks and NGOs.
- The tourism industry should avail more opportunities for women entrepreneurs.
- There should be affirmative action when it comes to financing of SMEs run by women entrepreneurs.
- The curriculum in Botswana education system should target more female participants than what is happening at the present moment.
- Vocational training colleges and mainstream educational institutions like universities should incorporate tourism courses and give more opportunities for women who may be willing to engage in tourism after finishing school or tertiary education. Currently there are gaps which need to be filled. The University of Botswana has only recently introduced a course on tourism and more needs to be done.
- The government and other stakeholders must do more to assist women entrepreneurs in rural areas since they are the least supported in terms of infrastructure and access to finance.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter gives conclusions, policy implications and recommendations.

6.2 SUMMARY OF FINDINGS

The following are the major findings:

- SMEs continue to be the backbone of economies in many countries, Botswana included, and the involvement of all groups will help to boost SMEs. Women in particular have been cited to positively contribute to the tourism sector through the reinvestment they make in the sector (Kapunda and Mmolawa, 2007).
- The majority of SMEs agreed that securing a loan from a commercial bank is not easy (67%). However, 63% agreed that securing a loan from CEDA is easy. Getting finance without collateral still remains a difficult problem as can be seen by the percentage of SMEs who admitted that it is not possible to get a loan without collateral (67%). The majority of SMEs (67%) admitted that they fail to access finance because of lack of financial skills. The majority of respondents (57%) agreed that there are not equal opportunities for women to get access to finance. The majority of SMEs (67%) agreed that there is a lack of non-financial support for them when it comes to running their businesses.
- It was also observed that old negative perceptions still exist with the mainstream commercial banks when it comes to dealing with loan applications by women.
- However, there is evidence from the findings that government efforts like CEDA and LEA are bearing fruit as far as supporting SMEs is concerned. The majority of entrepreneurs (70%) sourced funding either from CEDA or through LEA and women can take advantage of these available opportunities to create convincing business plans and venture into tourism.



- The majority of SMEs who participated in this study are male (70%). Women entrepreneurs contribute 30% in total in the sector. This means that for this research males dominated the responses. This is in line with secondary data (Kapunda *et al* 2007).
- Despite the above, women have a lot of opportunities in terms of penetrating the tourism industry because of the fact that the majority of investors and managers in the sector are Batswana (83%). Women can learn about tourism from their male counterparts with more relative ease than if the industry was foreign-dominated.
- The results from the consulted SMEs owners show that tourism industry in Botswana is male dominated. Males own and manage the majority of lodges and guest houses in Botswana. SMEs continue to be the backbone of the economy of Botswana and women have been cited as having a significant role to play in the industry. Women have been cited as having difficulties securing loans from commercial banks. However, women have also been cited as people who plough back their profits into their businesses and fend for their families more than their male counterparts.
- The overall observation is that the tourism industry in Botswana is still growing and there is a lot of untapped potential (World Tourism Authority, 2001). Proper strategies can be implemented by the Botswana government to empower women entrepreneurs to actively participate in tourism so that they can benefit from this industry.
- There is a lot of potential in the tourism industry that the government can use the tourism industry to diversify its economy. Through this diversification the Board intends to alleviate poverty and unemployment (Republic of Botswana 2002a, 2002b).
- Women can actively participate in tourism if they receive adequate financing for their businesses. Literature has stated that access to finance continues to be a problem for women who want to venture into tourism (European Bank for Reconstruction and Development, 2004). However SMEs have been associated with high-risk borrowers and as such, access to finance is very low for SMEs.

- Currently all of SMEs owners in the study are aged 36 and above (100%). This is a cause for concern since this is evidence that the tourism industry is not yet including or promoting investments and participation by the youths.

6.3 RECOMMENDATIONS

Based on the conclusions of this study, the following recommendations are made:

- Broadly speaking, SMEs should be availed a lot of funding in the form of capital, training and mentoring, loans and grants so that they can increase their current lifespan of an average of 18 months to 5 years. SMEs have been mentioned as the biggest employers and contributors to economic activities not only in developing countries but even in the developed world. If SMEs are able to stay in baseness longer then employment opportunities for citizens of Botswana would improve and SMEs would move up the ladder to become larger enterprises. This would create further employment, help eradicate poverty and improve the country's GDP.
- Finance houses like commercial banks should make funds more available for women as start-up capital or to boost existing businesses. The Botswana government can step in as surety for businesses which are run by women. At present, there is too much competition for CEDA loans and women entrepreneurs need to be covered by some form of collateral from the government.
- Ventures which have to do with ecotourism must receive more funding from the government and other agencies like CEDA and LEA. They pose less risk since ecotourism is still a growing industry with backing not just from the Botswana government but even from countries which bring the bulk of tourists to Botswana, United States, Canada, Britain, Japan and Germany. In the opinion of these countries, ecotourism does not harm the tourism industry through the killing of animals (e.g. in trophy hunting) and desecration of monuments.
- Women should receive more non-financial support in the form of assistance with business plans, financial management skills and sourcing of markets for their goods and services. Simple web pages can be created to post information on ecotourism in Botswana and to

support ventures by women in ecotourism. The government of Botswana can also assist through posting adverts like what it is currently doing on British Broadcasting Weather bulletins when it portrays Botswana as an ultimate destination for tourists who want to enjoy the sight of diverse flora and fauna in the northern parts of the country.

- Women who venture in ecotourism should form networks which have been mentioned as successful in other SMEs business efforts like farming, where they discuss common challenges, share ideas and find common markets for the products and services they offer. Ecotourism can only be successful if there is community mobilisation. A typical example is Mokolodi Nature Reserve in Gaborone where different SMEs could identify a market niche and provide tourist attractions like nature walks, bed and breakfast, and catering, among others to work hand-in-hand and create income through these networks.

6.4 SCOPE AND LIMITATION OF THE STUDY AND RECOMMENDATIONS FOR FURTHER RESEARCH

Scope of the study

The study was limited to Gaborone city and the nearby villages of Molepolole, Ramotswa and Mochudi, due to time and financial constraints and to businesses employing not more than 100 people. Furthermore, it covered investments which are normally supported by government supported institutions especially CEDA.

Limitations of the study and recommendations for further work

Due to financial and time constraints the researcher did not have adequate opportunities to fully investigate SMEs financing with regard to women entrepreneurs in particular.

The following are some of the considerations for further research:

- A comparative study can be done on other areas in Botswana so that the information provided in this research can be supplemented

- A specific gender research could be carried to further establish the participation of women in SME tourism, with a bias towards ecotourism projects.

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APPENDICES

APPENDIX A: TABLES ON FINDINGS

Table 10.: Nature of accommodation

Nature of accommodation	Frequency	% Frequency
Guest house	9	30
Lodge	21	70
Total	30	100.0

Table 11: Location of lodge/guest house

Location	Frequency	% Frequency
Gaborone	22	73
Molepolole	3	10
Ramotswa	3	10
Mochudi	2	7
Total	30	100

Table 12: Accommodation rating

Rating	Frequency	% Frequency
Rating 0	19	63
Rating 1	10	33
Rating 2	1	3
Total	30	100

Table 13: Years in business

Age of guest house/lodge	Frequency	% Frequency
Less than 5 years	13	43
5 to less than 10 years	8	27
10 to less than 15 years	3	10
15 years and above	6	20
Total	30	100

Table 14: Type of company

Type of company	Frequency	% Frequency
Single	5	17
Family	21	70
Joint ownership	4	13
Total	30	

Table 15: Gender of company owner

Gender of owner	Frequency	% Frequency
Female	9	30
Male	21	70
	30	100

Table 16: Nationality of owner

Nationality	Frequency	% Frequency
Motswana	26	83
Other	4	17
Total	30	100

Table 17: Nationality of managing director

Nationality	Frequency	% Frequency
Motswana	25	83
Other	5	17
Total	30	100

Table 18: Number of rooms

Number of rooms	Frequency	% Frequency
Less than 5	4	13
5 to less than 10	8	27
10 to less than 15	12	40
15 and above	6	20
Total	30	100

APPENDIX B: QUESTIONNAIRE

Dear Sir or Madam

RESEARCH- MASTERS IN BUSINESS ADMINISTRATION

My Name is Leseke Monamo. I am a final year student at the North West University. I am conducting research for my Masters Degree Program and would appreciate your assistance.

Could you kindly complete this short questionnaire to the best of your ability. Note that the information will be given top confidentiality. The inclusion of name of respondent is optional.

Thank you in advance

Leseke Monamo (Miss)

QUESTIONNAIRE

The questionnaire is about finance availability by SMEs in Botswana. The survey is sent to Lodge owners, Guest House owners, emerging and established business owners. The study

aims at evaluating the access to finance by SMEs. The information will be treated confidential and no direct reference will be made to you or your organization. Respondents are requested to answer all questions honestly.

SECTION A: BACKGROUND DATA

NAME OF RESPONDENT (OPTIONAL).....

HOTEL /GUEST HOUSE/.LODGE NAME:.....

LOCATION:

HOTEL RATING (STAR 1, STAR 2.....):

YEAR OF ESTABLISHMENT;.....

TYPE OF COMPANY: SINGLE/FAMILY/JOINT OWNERSHIP.....

GENDER OF COMPANY OWNER:.....

NATIONALITY OF OWNER:.....

NATIONALITY OF MANAGING DIRECTOR:.....

GENDER OF MANAGING DIRECTOR:.....

AGE OF BUSINESS OWNER:.....

EXPERIENCE OF BUSINESS OWNER:.....

NUMBER OF ROOMS:.....

TYPE OF SUPPORT FROM CEDA,
LEA.....

.....

SECTION B: MAIN QUESTIONS

1	HOW DID YOU INITIALLY FINANCE YOUR BUSINESS	
a	Own finance	
b	Bank	
c	CEDA	
d	Family and friends	
e	Government support	
f	Other (specify)	

2	HAVE YOU ACQUIRED ANY LOAN THIS YEAR FROM THE FOLLOWING?	
b	Bank	
c	CEDA	
d	Family and friends	
e	Government support	
f	Other (specify)	

2.1. WHAT WAS THE LOAN FOR?

.....

3. Kindly answer the following questions by putting a cross (X) in the appropriate box.

- Key: Strongly Agree : 4
 Agree : 3
 Disagree : 2
 Strongly Disagree : 1

	ITEM	4	3	2	1
a	Securing a loan from a commercial banks (e.g. FNB, NDB) is easy				
b	Securing a loan from CEDA is easy				
c	It is possible to get finance for a business without security or collateral				
d	SMEs fail to access finances because of lack of financial skills				
e	My business is financially sound				
f	Government is doing enough to provide support SMEs in terms of finances				
g	There is equal opportunities for male and female owned and operated SMEs				
h	There is enough non financial support for SMEs				

4. The following questions require you to put a cross (X) on the YES or NO column, to the answer that best describes your opinion. Business fails because of lack of?

No	ITEM	YES	NO
3.1	Capital		
3.2	Access to credit		
3.3	Demand for service/ products		
3.4	Entrepreneurial skills		
3.5	High operating cost		
3.6	Lack of skilled manpower		
3.7	Location of business		

SECTION C: OWN OPINION

WHAT DO YOU CONSIDER TO BE THE MAIN PROBLEM OF YOUR ENTERPRISE?

WHAT DO YOU RECOMMEND FOR FURTHER DEVELOPMENT OF YOUR ENTERPRISE?

.....
.....
.....
.....
.....

END

THANK YOU FOR YOUR COOPERATION

APPENDIX C: A LIST OF GUEST HOUSES AND LODGES USED IN THE SURVEY

GABORONE

1. Kaie Tours - 3973388/72261585
2. Kgale View Lodge - 3121755/72111011
3. Metcourt Inn - 3912999
4. Mogoditsane Motel - 3916627
5. Mokolodi Nature Reserve - 3161955
6. Morula Lodge - 3928500
7. Motheo Apartments - 3181587
8. Morning Star Motel - 3925258
9. Oasis Motel - 3928396
10. Phakalane Golf Estate Resort - 3953711
11. Planet Lodge - 3903295
12. President Hotel - 3953631
13. Riverside Lodge - 3928805
14. Roadside Lodge - 3930888
15. Sedibeng Lodge - 3186669
16. South Ring Lodge - 3185550
17. Sunbeam Lodge - 3500146
18. Super Guest House - 3182134
19. Syringa Lodge - 3190600
20. The Nest Guest House - 3915165
21. Tindi Lodge Ext 9 - 3953648
22. Tony's Service Apartments - 3950006
23. Tsodilo Lodge - 3928554
24. Windsor Inn - 3939103/3915899
25. Yarona Country Lodge – 3933680

MOCHUDI

1. Traditional Resort – 5728598
2. Rasesa Lodge - 5729327

MOLEPOLOLE

1. Lemepe Lodge – 5915099
2. Mafenyatlala Hotel – 5920522
3. Kodisa Lodge – 5906835

RAMOTSWA

1. Ramotswa Lodge 5390636
2. Baratani Lodge