

**THE DEVELOPMENT OF SMALL, MEDIUM AND
MICRO-ENTERPRISES (SMMEs) IN THE
LIMPOPO PROVINCE**

MALUTA JERRY NETSHANDAMA

B.Com (Accounting), HED (University of Limpopo), Advance Certificate
programme in Taxation (University of Pretoria)

Dissertation submitted in partial fulfillment of the requirements for the
degree of

MASTER OF BUSINESS ADMINISTRATION

at the North – West University

Supervisor: Dr. S.P. van der Merwe

November 2006

Potchefstroom

ABSTRACT

The study is based on the development of Small, Medium and Micro-enterprises (SMMEs), in the Limpopo Province, Vhembe district.

The purpose of the study is to investigate, give appropriate advice and make recommendations to entrepreneurs who are in (SMMEs), on how they can develop and grow their businesses, and access information and support from the SMME agencies within their districts in Limpopo Province in order to create more sustainable jobs for the Limpopo entrepreneurial community.

The study also encourages entrepreneurs to continue investing in our country South African in particular Limpopo Province in order to alleviate poverty and unemployment amongst South Africans. To have sustainable growth in the SMMEs so that more job opportunities could be created and entrepreneurs earn sufficient return on their investment.

The empirical research conducted in Limpopo Vhembe district was done in order to assess the actual picture of SMMEs in the district and to establish whether development of Small, Medium and Micro-enterprises exist or is taking place in the local district municipalities where local entrepreneurs operate their business activities.

It was through the empirical research where the researcher wanted to establish whether the SMME agencies in Limpopo were working properly with local entrepreneurs and all relevant stakeholders in the SMME. Interviews were conducted with the officials of different SMME agencies in the Vhembe district to try and find what exactly they are going to train and develop rare skills within the local entrepreneurs and co-operatives.

DEDICATIONS

I dedicate this to the memories of my beloved late brother Nkhetheni Johannes Netshandama and my grand mother Tshinakaho Netshandama.

AKNOWLEDGEMENTS

I would like to convey my sincere gratitude to the following people who supported me during the completion of this mini-dissertation:

- The Almighty, who gave me wisdom and strength to complete this dissertation.
- My wife, Ndazana, who gave me moral support throughout my MBA studies and tolerated me spending long hours not being at home.
- My supervisor, Dr. S.P. van der Merwe, for his patience, wisdom and guidance.
- Antoinette Bisschoff for reviewing my mini-dissertation and helpful pointers that she made.
- My sister, Takalani, who helped me with all the technical side of the mini-dissertation.
- Christine in the Potchefstroom library of the University of North – West for being of help at all times.
- The members of the Centurion study group, for their support during our three years of studies.
- D.K. Nethengwe, LIBSA's official and former official of LIMDEV, for his valuable inputs in this mini-dissertation.

TABLE OF CONTENTS

	PAGE
List of Acronyms	xi
CHAPTER 1: NATURE AND SCOPE OF STUDY	1
1.1 INTRODUCTION	1
1.2 PROBLEM STATEMENT	2
1.3 OBJECTIVES OF THE STUDY	3
1.3.1 Main objective	3
1.3.2 Sub-objectives	3
1.4 SCOPE OF THE STUDY	4
1.4.1 Geographical	4
1.4.2 Field of study	4
1.5 RESEARCH METHODOLOGY	4
1.5.1 Literature study	4
1.5.2 Empirical study	5
1.6 LIMITATIONS OF THE STUDY	5
1.6.1 Limited geographical scope	5
1.6.2 Limited sample size	5
1.7 LAYOUT OF THE STUDY	6
CHAPTER 2: LITERATURE REVIEW ON ENTREPRENEURSHIP, SMME CATEGORIES AND ITS CLASSIFICATIONS	8
2.1 INTRODUCTION	8
2.2 DEFINITIONS	8
2.2.1 Entrepreneurship	8
2.2.2 SMME categories and its classifications	10

CONTENTS (CONTINUED)

2.3	POVERTY ALLEVIATION	16
2.4	ECONOMIC GROWTH	17
2.5	SUMMARY	18

CHAPTER 3: LITERATURE REVIEW ON SOUTH AFRICAN BUSINESS ENVIRONMENT

3.1	INTRODUCTION	19
3.2	POLITICAL FACTORS	20
3.3	ECONOMIC FACTORS	20
3.4	SOCIAL FACTORS	21
3.5	TECHNOLOGICAL FACTORS	22
3.6	LEGISLATIVE FACTORS	23
3.7	ENVIRONMENTAL FACTORS	24
3.8	SOUTH AFRICAN ECONOMY	25
3.9	LIMPOPO PROVINCIAL ECONOMY	27
3.10	SUMMARY	37

CHAPTER 4: EMPIRICAL RESEARCH RESULTS AND DISCUSSION

4.1	INTRODUCTION	39
4.2	OBJECTIVES	39
4.3	SAMPLE AND PROCEDURE	40
4.4	RESEARCH INSTRUMENTS AND DESIGN	40
4.5	RESEARCH FINDINGS	41

CONTENTS (CONTINUED)

4.5.1 Biographical data	41
4.5.1.1 <i>Highest level of education attained</i>	43
4.5.1.2 <i>The reason for starting a business</i>	44
4.5.2 Entrepreneurial business information	45
4.5.2.1 <i>Employees of the business</i>	45
4.5.2.2 <i>Monthly turnover rate generated</i>	46
4.5.2.3 <i>A true statement about the entrepreneur</i>	46
4.5.2.4 <i>Professional bookkeeper in the employ of the entrepreneur</i>	48
4.5.3 Entrepreneur's resources	50
4.5.3.1 <i>Place where the business is operated</i>	50
4.5.3.2 <i>Funding the start-up business</i>	51
4.5.3.3 <i>Banking times in a week</i>	52
4.5.3.4 <i>Types of banking facilities</i>	53
4.5.3.5 <i>Banking facilities to the disposal of a business</i>	54
4.5.4 SMME support agencies	55
4.5.4.1 <i>Knowledge of SMME support agencies in the district</i>	55
4.5.4.2 <i>SMME business support agencies</i>	56
4.5.4.3 <i>SMME agencies</i>	57
4.6 SUMMARY	58

CONTENTS (CONTINUED)

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS	60
5.1 INTRODUCTION	60
5.2 CONCLUSIONS ON THE EMPIRICAL STUDY	60
5.2.1 Conclusions on biographical information	60
5.2.2 Conclusions on entrepreneurs' information	61
5.2.3 Conclusions on entrepreneurs' business information	62
5.2.4 Conclusions on entrepreneurs' resources	62
5.2.5 Conclusions on SMME support agencies	62
5.2.6 The impact that survivalist enterprises and malls in rural townships have on the development of these micro and very small enterprises	63
5.2.7 What are the challenges faced by SMME enterprises and agencies?	63
5.3 RECOMMENDATIONS	64
5.3.1 Recommendations on entrepreneurs	64
5.3.2 Recommendations on Limpopo provincial government's Department of Economic Development, Environment and Tourism and Limpopo SMME agencies	64
5.4 ACHIEVING THE OBJECTIVES	66
5.5 FURTHER RESEARCH	66
5.6 SUMMARY	67
REFERENCES	68
ADDENDUM A	72
ADDENDUM B	74

CONTENTS (CONTINUED)

LIST OF FIGURES

Figure 1.1: Study layout	6
Figure 3.1: Provincial contribution to national GDP: 2002	29
Figure 3.2: Limpopo dependency ratios per district	32
Figure 4.1: Biographical data of the entrepreneurs	42
Figure 4.2: Highest level of education attained	43
Figure 4.3: Reason for starting a business	44
Figure 4.4: People employed by the business	45
Figure 4.5: Turnover rate generated per month	46
Figure 4.6: True statement about the entrepreneur	47
Figure 4.7: Separate business banking account	48
Figure 4.8: Professional bookkeeper	49
Figure 4.9: Knowledge of business tax matters	50
Figure 4.10: Place where the business is operating	51
Figure 4.11: Funding the start-up business	52
Figure 4.12: Banking times in a week	53
Figure 4.13: Banking services used by entrepreneurs	54
Figure 4.14: Banking facilities that a business use or have	55
Figure 4.15: Knowledge of SMME support agencies in the Vhembe District	56
Figure 4.16 SMME business support agencies	57

CONTENTS (CONTINUED)

LIST OF TABLES

Table 3.1: Employment and unemployment by labour skill category: 2000	26
Table 3.2: Depiction of the labour skill index: 2001	30
Table 3.3: Depiction of the Dependency Index	31
Table 3.4: Level of employment by district: 2003	34
Table 3.5: Number of people in poverty: 1998 and 2003	35
Table 3.6: Human development index for 1998 and 2003	36
Table 3.7: Gini-coefficient: 1998 and 2003	37

LIST OF ACRONYMS

ANC – African National Congress
AZAPO – Azanian People's Organization
BEE – Black Economic Empowerment
BBBEE – Broad-Based Black Economic Empowerment
COSATU – Congress of South African Trade Unions
DA – Democratic Party
DTI – Department of Trade and Industry
DBSA – Development Bank of Southern Africa
GDP – Gross Domestic Product
LIMDEV – Limpopo Economic Development Enterprise
LIBSA – Limpopo Business Support Agency
LIMAC – Limpopo Manufacturing Advisory Centre
IDC – Industrial Development Corporation
NEPA – Ntsika Enterprise Promotion Agency
NEDLAC – National Economic Development and Labour Council
NSBC – National Small Business Council
GEAR – Growth, Employment and Redistribution Strategy
PAC- Pan African Congress
RDP – Reconstruction and Development Programme
SEDA – Small Enterprise Development Agency
SARS – South African Revenue Services
SACP – South African Communist Party
SARB – South African Reserve Bank
WPA – White Paper
LGDS – Limpopo Growth and Development Strategy

CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

Pre-1994, South Africa experienced economic hardships because of the policies the government of the day followed. Most of the international companies left the country because of the pressure they were receiving in the international arena for doing business in apartheid South Africa. Although the creation of homelands was in a way an effort to make the rural provinces economically viable, it did not help develop small business activities and create jobs (Lewis, 2001: i).

The government created development corporations in each homeland to try and support development of small business in the homelands, but no significant development was achieved. The general economic activities were very low and as a result the country was not receiving enough foreign currency. Therefore South Africa incurred a huge deficit in its balance of payments. Since 1994, the new democratic government came into being; we have seen the introduction of different programmes like Growth Employment and Reconstruction (GEAR) to revive the economic activities in the new South Africa (Lewis, 2001:4).

Programmes like the Reconstruction and Development Programme (RDP) were introduced to try and reconstruct and develop the imbalances of the past in the economy through various government projects like housing (White Paper SA, 1995:7). Small, Medium and Micro Enterprises (SMME) were seen as an important vehicle to drive development and sustain economic development in the new South Africa. The Department of Trade and Industry was tasked with the responsibility to take forward the small business initiatives (Lewis, 2001:3).

All nine provinces through the provincial Department of Trade and Industry carried the mandate to develop Small, Micro and Medium-Sized enterprises (SMMEs). One major problem that is hampering development of small business in the rural provinces is the high rate of illiteracy amongst potential entrepreneurs. The government, through the support of local communities is putting resources in place to address this problem.

1.2 PROBLEM STATEMENT

South Africa's high levels of unemployment and the indisputable relationship between unemployment and poverty dictated to the South African government that job creation should supersede poverty alleviation, not as a national objective, but as an SMME objective.

Von Broembsen (2005:53) argues that job creation is in itself the most effective, sustainable strategy, within the context of SMME policy, which could alleviate poverty and reduce inequality. Von Broembsen (2005:53) further states that at present, considerable resources are spent on programmes that support poverty alleviation, despite the fact that it was not envisaged by the White Paper to be the key objective of SMME development, and if poverty alleviation were included as an SMME objective, it would be at the expense of job creation, as few necessity enterprises create jobs.

The scarcity of public resources available for SMME support constitutes a fundamental constraint upon all support policies. The majority of SMMEs are black-owned survivalist enterprises who are not developing into small and medium enterprises (Von Broembsen, 2005:52).

Some factors contributing to this (especially in the Limpopo Province) are because of the following:

- Limpopo Province is largely rural and the rate of unemployment is very high compared to other provinces.
- Many businesses are informal, because of the low level of skills and illiteracy.
- Most of the entrepreneurs do not have access to information and their infrastructure is under developed.

1.3 OBJECTIVES OF THE STUDY

1.3.1 Main objective

The main objective of this study is to investigate, give appropriate advice and make recommendations to entrepreneurs who are in Small, Medium, Micro and Survivalist Enterprises (SMMEs), on how they can develop and grow their businesses, and access information and support from the SMMEs agencies within their districts in Limpopo Province in order to create more sustainable jobs for the Limpopo entrepreneurial community.

1.3.2 Sub-objectives

To achieve the main objective, the following research questions will be addressed:

- What impact does illiteracy have in the development of entrepreneurs in the SMMEs?
- What impact did the successful merging of the three Provincial Development Corporations have on the development of SMMEs and the establishment of Small Enterprise Development Agency, Khula Enterprise Finance Limited, Limpopo Business Support Agency and other Small Business Support Agencies in the province?

- What impact is the mushrooming of survivalist enterprises in rural Limpopo and the mushrooming of malls or shopping complexes in the local towns have in the development of SMMEs?
- What role do municipalities play in SMME development through their Local Economic Development (LED)?
- What impact does poverty and unemployment have on SMME development?
- To obtain comments and recommendations from respondents with regard to the development of SMMEs in the province.

1.4 SCOPE OF THE STUDY

1.4.1 Geographical

The study is limited to the development of SMMEs in Vhembe district, in the Limpopo Province. The empirical study is based on responses obtained from SMME agencies and SMME entrepreneurs who allowed the researcher to interview them and to complete a questionnaire.

1.4.2 Field of study

The field of study evolves around Entrepreneurship and SMME Development in the Limpopo Province. The study investigates the factors which cause entrepreneurs to establish informal businesses (survivalists) and the reason why they do not grow to become Small and Medium Enterprises.

1.5 RESEARCH METHODOLOGY

1.5.1 Literature study

Literature on the development of SMMEs, Entrepreneurship development, the South African business environment, the South African economy, the Limpopo provincial

economy and their definitions and concepts are explored in the review. A search for the most recent literature was obtained from dissertations, journals, textbooks, newspaper articles and current Limpopo Business news official newsletters from the Limpopo Business Support Agency.

1.5.2 Empirical study

The empirical research was done through the analysis of quantitative data. The questionnaire and interviews were drafted and conducted by the author and were in line with the research objectives. The questions in the questionnaire were carefully selected and drafted. The contents of the questionnaires were evaluated in terms of the non ambiguity, relevance, general validity and interpretation. Every precaution was taken to ensure that the questions were understood in order to obtain good quality answers.

1.6 LIMITATIONS OF THE STUDY

1.6.1 Limited geographical scope

The study is only focused on a specific geographical area: Vhembe district in Limpopo Province. This is a limitation in the sense that the findings of the study cannot be taken as a general representation of the effect of the development of SMMEs within all the districts in Limpopo Province and within the whole of South Africa.

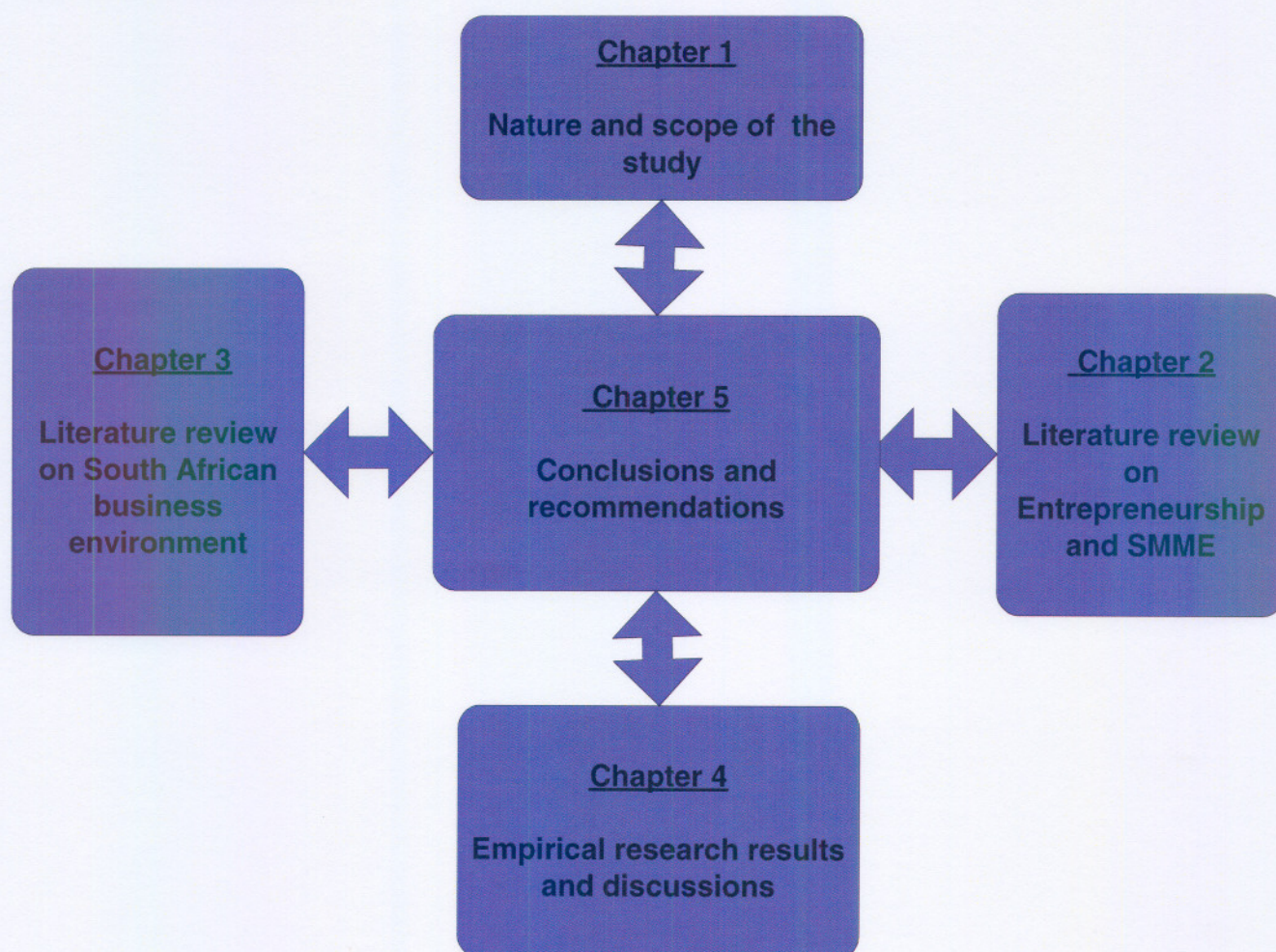
1.6.2 Limited sample size

The study focused on the views of only 26 SMMEs entrepreneurs and 4 agency officials in the Vhembe district due to time constraints. A larger sample could have given a better insight to the study.

1.7 LAYOUT OF THE STUDY

The study is divided into four chapters. The chapter layout is presented in figure 1.1:

Figure 1.1: Study layout



A brief overview of the chapters is given below:

Chapter 1: This chapter gives the nature and scope of the study. It covers the introduction, the problem statement, the objective of the study, scope of the study, research methodology and limitations of the study.

Chapter 2: This chapter reviews the study's literature and cover definitions of the terms and concepts pertaining to Entrepreneurship, Entrepreneurial activities and SMME categories and its classifications, poverty alleviation and economic growth.

Chapter 3: The review in this chapter looks at the South African business environment, the South African economy and the Limpopo provincial economy.

Chapter 4: This chapter deals with empirical research conducted with SMMEs and SMME agencies, which contains the results and analysis of the quantitative study. The chapter includes a description of the research methodology followed in conducting the empirical study, the design of the questionnaire, the selection of the sample, an analysis of the results and a discussion of the research findings at the end of the chapter.

Chapter 5: This chapter discusses the conclusions and recommendations on the research findings. The chapter also discusses the SMMEs' developmental success, limitations and problems encountered in the study and makes suggestions on further research in the study.

CHAPTER 2

LITERATURE REVIEW: ON ENTREPRENEURSHIP, SMME CATEGORIES AND ITS CLASSIFICATIONS

2.1 INTRODUCTION

The literature review covers definitions of Entrepreneurship, Entrepreneurial activities and SMME categories and its classifications.

The aim of this literature study is to correctly define entrepreneurship according to different authors and to categorize and classify SMME according to its size and diversity. A brief overview of poverty alleviation will be discussed and the economic growth according to Limpopo Growth and Development Strategy (LGDS).

2.2 DEFINITIONS

According to Kambikambi (2003:10), in order to minimize ambiguity, words and concepts used in the literature review, it is important that the words and concepts are defined correctly as words mean different things to different people.

2.2.1 Entrepreneurship

According to Timmons and Spinelli (2004:47), entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced. It results in the creation, enhancement, realization and renewal of value, not just for owners, but for all participants and stakeholders.

Entrepreneurship can occur – and fail to occur – in firms that are old and new, small and large, fast and slow growing, in the private, not-for-profit, and public sectors, in all

geographic points, and in all stages of a nation's development, regardless of politics (Timmons & Spinelli, 2004:47).

Nieman *et al.* (2003:3), argues that most entrepreneurial activity takes place in Small, Medium and Micro Enterprises (SMMEs). Entrepreneurs intend to grow their businesses and are responsible for growth and job creation in the economy. Although entrepreneurs mostly own their businesses, they can also be part of a team owning a business, or in large corporations or firms, or even in the public sector. SMMEs form 97,5 per cent of all businesses in South Africa.

They generate 34,8 per cent of the gross domestic product (GDP), contribute to 42,7 per cent of the total values of salaries and wages paid in South Africa, and employ 54,5 per cent of all formal private sector employees (Nieman *et al.*, 2003:3)

Nieuwenhuizen *et al.* (2003:1), defines an entrepreneur as a person who identifies the need and develops a method of meeting the need. The method usually leads to the creation or expansion of a small business enterprise. The relationship between an entrepreneur and a small business enterprise is that an entrepreneur plans, establishes and is responsible for healthy development and growth of the enterprise.

Kuratko and Hodgetts (1998:30), defines an entrepreneur as one who undertakes to organise, manage, and assume the risk of a business. He is an innovator or developer who recognizes and seizes opportunities, converts those opportunities into workable/marketable ideas, adds value through time, effort, money, or skills, and assumes the risk of the competitive marketplace to implement these efforts.

2.2.2 SMME categories and its classifications

According to the White Paper (SA, 1995:7-8) based on size and diversity the policy stances in the White Paper accounts for the following four categories:

- Survivalist enterprises – activities performed by people who are unable to find a paid job or get into an economic sector of their choice.
- Micro-enterprises – very small business, often involving only the owner, some family member(s) and at most one or two paid employees.
- Small enterprises – constitute the bulk of the established business, with employment ranging between 5 and 50. The enterprises will usually be owner-manager or directly controlled by owner-communities.
- Medium enterprises – this employs between 51 and 200 employees and a turnover of 5 million rand per annum.

May *et al.* (1998:3) defines 'inequality' in terms of being the opposite of 'equality', a state of organisation that enables or gives equal access to resources and opportunities to all members.

The National Small Business Act divides SMMEs into the following categories (refer to Table 2.1).

Table 2.1: Categories of SMMEs

Category of SMME	Description
Survivalist enterprises	<p>Operates in the informal sector of the economy.</p> <p>Mainly undertaken by unemployed persons.</p> <p>Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive.</p> <p>Little capital invested, not much assets.</p> <p>Not much training.</p> <p>Opportunities for growing the business very small.</p>
Micro enterprises	<p>Between one to five employees, usually the owner and family.</p> <p>Informal – no license, formal business premises, labour legislation.</p> <p>Turnover below the VAT registration level of R 300 000 per year.</p> <p>Basic business skills and training.</p> <p>Potential to make the transition to a viable formal small business.</p>
Very small enterprises	<p>Part of formal economy, use technology.</p> <p>Less than 10 paid employees.</p> <p>Include self-employed artisans (electricians, plumbers) and professionals.</p>
Small enterprises	<p>Less than 100 employees.</p> <p>More established than very small enterprises, formal and registered, fixed business premises.</p> <p>Owner managed, but more complex management structure.</p>
Medium enterprises	<p>Up to 200 employees.</p> <p>Still mainly owner managed, but decentralised management structure with division of labour.</p> <p>Operates from fixed premises with all formal requirements.</p>
<p>Note: Women represent approximately 56 percent of the survivalist company category, 38 percent of micro-enterprises with no employees, and 15 percent of micro-enterprises with 1 – 4 employees.</p>	

Source: National Small Business Act (102/1996).

Small business can also be divided between established formal SMMEs (mainly white and some Indian ownership) in predominantly urban settings and the emerging SMME

economy (mainly African and Coloured) situated in the townships, informal settlements and rural areas. According to the White Paper (SA, 1995:11), by far the most people are active in the informal sector where they have little institutional support.

According to Rogerson (2001:1) the following official definitions as applied in South Africa's national white paper on small business, the term 'established' SMME refers to an enterprise that is owned and managed by white entrepreneurs and the term 'emerging' SMME refers to an enterprise that is owned and managed by black entrepreneurs.

Rogerson (2001:2) further states that established manufacturers represent a mix of formal small and medium sized enterprises whereas the group of emerging manufacturers is largely comprised of small enterprise and a segment of micro-enterprise.

Levitsky (1996:19) indicated that the reservoir of knowledge and experience in technology, management and marketing skills that could be of help to SMMEs is to be found in various elements of the business community and beyond. Private consultants, however, target larger enterprises or public bodies as their potential clients and provide less help to small business because of the high consultancy costs that SMMEs cannot afford (Levitsky, 1996:19).

In terms of contribution to national economic growth and employment creation, it is clear that the majority of South Africa's SMMEs are micro- and survival enterprises with no signs of enterprise growth (Rogerson, 2004:770). It has been argued that current national support programmes offer little in the way of support for survivalist enterprise, women entrepreneurs and rural SMMEs.

For groups of survivalist enterprises at the coalface of poverty alleviation, the most effective level of policy intervention and support is at the local level rather than the national scale of government (Rogerson, 2004:771).

For groups of urban survivalist enterprises, the local economic development activities of local government can exert a profound impact on the economic health of these kinds of enterprises and on the wider coping strategies of poor households (Rogerson, 2004:771).

According to the DTI (2002:6) the establishment of formal markets, appropriate policies towards land-use zoning and improved infrastructure provision, among others, are key issues for local government intervention that can impact positively on the workings of survivalist informal enterprise and enable a contribution to poverty alleviation.

The gains to poor women street traders of a changing policy environment represent documented examples of how the poor can be a little less poor, and how informal enterprises of South Africa's SMME economy can contribute to poverty alleviation DTI (2002:6). The importance of local government as a key to SMME development is now officially recognised by the DTI (2002:7).

The weight of government support has focused on formal small and medium-sized enterprises with a corresponding relative neglect of survivalist informal enterprise. With a policy and support emphasis on issues of maximising growth and competitiveness, it is argued that as a product of the conflicting policy objectives for the SMME economy, the opportunities and potential for supporting poverty alleviation have been overlooked (Rogerson, 2004:772).

As emphasised, 'determining clear priority groups is urgent, be it targeting of more efficient promotion activities towards the more productive SMMEs, or to better assist survivalist, mainly black-run endeavours' (Berry *et al.*, 2002:97).

The importance of the role of SMMEs in local economic development (LED), and their potential to increase employment and generate income, is well established facts (Liedholm *et al.*, 1994:5).

Visagie (1997:7) argues that successful entrepreneurs will have to be technology oriented and willing to adapt to the changing environment and they will have to think and operate globally with a transactional economy; they must be able to locate various phases of the firm's activities in different countries. Visagie (1997:7) further states that due to the dynamics of marketing, the entrepreneur will have to be a person capable of developing clear marketing visions, and to adapt; the entrepreneurs must build continuous process improvement into the culture of the business.

In a changing environment, innovation is a key survival strategy. Technology and markets will change so frequently that the only way to compete will be through continuous innovation. Rogerson (2004:766) found that the availability of infrastructure services is often directly linked to the location of business.

The SMMEs located to urban centres often have better access to services compared to those in poorer areas and necessary services for business survival and growth include access to water, electricity, serviceable roads, telecommunications, postal services and protection from crime (Rogerson, 2004:772).

Rural entrepreneurs often compete within a small location, specifically with relatively low –income clients, where fewer customers may afford products. Larger, more developed markets may be situated at prohibitive distances from the entrepreneur's home, and the entrepreneur's proximity to both buyers and suppliers constraints business performance (Rogerson, 2004:773).

Lack of own transport markedly increases the transaction costs for enterprises based in remote rural areas or at large distances from main roads. An examination of issues surrounding SMME competitiveness and support needs is particularly relevant in light of the new challenges posed to SMMEs by a changed trade policy regime in South Africa which is marked by a shift away from protectionism to an open trading environment (Rogerson, 2004:774).

Rogerson (2004:770) continues to state that in South Africa, the rural SMME sector tends to be massively retail dominated, and consist of mostly survivalist activities that typically suffer from low levels of productivity, inefficient and outdated technology, and limited access to credit, information and training opportunities. The rural SMME sector also tends to lack diversity, and individual enterprises often operate in overtraded markets.

The development of a technology-mediated communications network of SMME support service institutions (and maybe even SMMEs themselves) could help rural SMMEs overcome some of the constraints that relate to their geographic isolation (Rogerson, 2004:770).

Employment creation among owner-managed firms is highly skewed towards a relatively small number of firms. The level of educational attainment of the entrepreneur is by far the best predictor of the job creation potential of a firm (Von Broembsen, 2005:29). It is estimated that the South African economy has shed more than a million jobs since 1990 (Msomi, 2000: 1).

The important contribution that SMMEs can make to employment and income generation is increasingly being recognised around the world and in South Africa, this contribution is increasingly being more important, due to the fact that the non-agricultural formal sectors shed more than a million jobs between 1990 and 2001.

According to the Small Business Project (1999:10) South Africa's formation of clusters has been hampered by the absence of support firms, weak research and development capabilities, and ineffective training, design and consultancy services.

According to the Small Business Project (1999:11) states that the SA SMME sector, such as grassroots ignorance about basic business acumen and skills; that many SMMEs are low-value survivalist enterprises with little or no chance of growth and job

creation; the presence of labour legislation discouraging SMMEs from hiring staff by raising the nuisance value of firing staff, black empowerment at the exclusion of capable and productive white SMME entrepreneurs; and not enough done at youth to foster entrepreneurship.

2.3 POVERTY ALLEVIATION

According to May *et al.* (2005:3) poverty is characterised by the inability of individuals, households or communities to command sufficient resources to satisfy a socially accepted minimum standard of living. Poverty is perceived by poor South Africans themselves to include alienation from the community, food insecurity, crowded homes, usage of unsafe and inefficient form of energy, lack of jobs that are adequately paid and /or secure, and fragmentation of family.

May *et al.* (2005:4) defines poverty as the inability to attain a minimum standard of living, measured in terms of basic consumption needs or the income required to satisfy them.

According to the Limpopo Growth and Development Strategy (2005:17) the demographic and economic profile of the province suggests that urgent programmes of action against poverty are required and these include the following:

- Redirecting the current poverty alleviation and eradication interventions to target income-generation and job-creation as primary objectives, within the context of linkages with other provincial development programmes;
- Establishing a dedicated institutional structure for poverty eradication. This requires a suitable organisational structure with a longer-term identity and authority;
- To identify, describe and concentrate on provincial poverty pockets for maximum impact. This implies that programmes such as broad-based black economic

empowerment, land reform and SMME development are required to facilitate the economic participation by all.

In this context one should take cognisance of the large number of women, the low level of skills and the high dependency ratio as well as the fact that the population of the province is relatively young and characterised by a declining life expectancy;

To work towards an integrated land-use plan that takes cognisance of various environmental and development factors such as the severe and widespread land degradation in the province (also compared to that of the other provinces) and water availability and distribution.

The Limpopo Growth and Development Strategy (2005:18) further states that improved quality of life is linked to the ability of people to acquire goods and services arising from such development and improved quality of life means that the elimination of poverty and unemployment, improved life expectancy, and improved access to basic services and reduce dependency ratio in the context of a growing economy.

2.4 ECONOMIC GROWTH

The Limpopo Growth and Development Strategy (2005:27) highlights that growing the economy to create jobs and wealth is a necessary condition towards the sustainable development in Limpopo and the importance of creating jobs and wealth from the fact that it impacts directly on the quality of life, self-reliance, the distribution of resources and empowerment.

It further suggests that priority attention should be given to improve access to technology and knowledge-based activities, with the aim of enhancing competitiveness and the provincial government shall enhance traditional constituency of manufacturing activities by creating incentives for these activities.

The Limpopo Growth and Development Strategy (2005:27) emphasizes that it is essential to unlock the knowledge in tertiary institutions within the province and establish a centre of excellence, an important intervention in the form of policies to address issues relating to intellectual property and indigenous knowledge systems.

2.5 SUMMARY

It is important to define concepts that will be constantly used in the study for clarity purposes. The categories and classification of Small, Medium and Micro-enterprises is the core of the entire study.

The reader should have insight on each of the different categories of SMME according to size and diversity. Limpopo Province is largely characterized as rural and poor compared to other provinces in South Africa. A definition of poverty alleviation was an important part of the study and economic growth according to Limpopo's Development Strategy.

CHAPTER 3

LITERATURE REVIEW ON SOUTH AFRICAN BUSINESS ENVIRONMENT

3.1 INTRODUCTION

According to the White Paper (SA, 1995:11) the National Party government pre-1994 had dedicated support institutions to give business advice and to supply finance to small businesses. The Development Bank of Southern Africa (DBSA) and Industrial Development Corporation (IDC) were used as wholesale financiers to the homelands' established Development Corporations and all that relates to agriculture were funded through the Land Bank. There was also the Small Business Development Corporation (SBDC) that was also functioning as financier to small business in towns and cities and was also giving advisory services (White Paper SA, 1995:11).

In Limpopo there were three development corporations namely the Venda Development Corporation (VDC), Giyani Development Corporation (GDC) and Lebowa Development Corporation (LDC). In 1994 the three development corporations were successfully merged to form one development corporation, the Northern Province Development Corporation (NPDC) now Limpopo Development Enterprise (official newsletter of LIMDEV). In 1995 the Government of National Unity through the Department of Trade and Industry (DTI) drafted a White Paper on National Strategy for the development and promotion of small business in South Africa (SA, 1995:3).

The government realized that through the SMMEs creation of jobs and poverty alleviation amongst South Africans could be achieved. The government through the DTI established support institutions to help small business with finance and business advice, Ntsika Enterprise Promotion Agency (now Small Enterprise Development Agency), a

non-financial support agency, and Khula Enterprises Finance Limited, a wholesale mobilization and credit guarantee institution.

3.2 POLITICAL FACTORS

The first democratic election in South Africa was on the 27th of April 1994. Every South African who was 18 years old, who registered to vote was given a chance to cast his/her vote for his/her party of choice. The African National Congress (ANC) led by party president Nelson Mandela was elected into office and the Government of National Unity was formed, where almost all parties were invited to participate in the governance of the country.

This political process saw the first black president in South Africa. Through the policy of Reconstruction and Development Programme (RDP), the ANC-led government wanted to develop a medium-term vision for the new democratic South Africa. The RDP outlined a detailed plan to reduce poverty and inequality emphasizing both economic growth as well as efforts to improve service delivery and human resource delivery for previously disadvantaged groups. The RDP was initially designed as a separate institutional structure, with a national RDP ministry (located in the president's office) initiating research and designing projects, which were then implemented by provincial structures. The Reconstruction and Development Programme was a major part of the ANC election campaign in 1994, which then became the official Government of National Unity Policy Framework.

3.3 ECONOMIC FACTORS

Since 1994, South Africa has been confronted with the dual challenges of reintegration into the global economy, as well as positioning itself to realize the high expectations associated with the new democratic order (Rogerson, 2004:765). In order to attain the objectives of economic growth through competitiveness on the one hand, and employment generation and income redistribution on the other hand, policy attention has

increasingly focused on the promotion of the country's Small, Medium and Micro Enterprises (SMME) economy (Rogerson, 2004:765).

According to the White Paper (SA, 1995:9) it has been the new government's first priority to develop and implement policies on SMMEs in order to address the challenges of sustainable development, poverty alleviation, job creation and the enhancement of national economic growth.

The White Paper (SA, 1995:3) as the country's first SMME policy framework that was informed about the peculiarities of South Africa's SMME economy, combines South African and international arguments in favour of SMME promotion, but due to the lack of domestic policy experience – largely relies on international 'best practice' with regard to policy objectives and the design of the support framework (Kesper, 2000:19). During 1994 – 2003, the government's focus on the SMME economy was derived from a conceptualization of at least three key roles for SMMEs in reconstruction.

This relates SMMEs as agents of employment promotion, redistribution and the improvement in global competitiveness (Rogerson, 2004:765). In terms of contribution of national economic growth and employment creation, it is clear that the majority of South Africa's SMMEs are micro – and survivalist enterprises with no signs of enterprise growth (Berry *et al.*, 2002). It has been shown that the most dynamic group of SMMEs and those most responsible for new employment are medium size and this represent only the smallest segment of South Africa's SMME economy as a whole, and yet remains the axis for higher competitiveness.

3.4 SOCIAL FACTORS

In the pre–1994 regime the old age pension grant for white South Africans was much more than that of black South Africans because of the policies of the apartheid government; the democratic government came with legislation to make sure that old age pensioners are paid the same amount irrespective of colour or creed. In per capita

terms South Africa is an upper – middle – income country, but despite this relative wealth, the experience of most South African households is of outright poverty or of continuing vulnerability to being poor (May *et al.*, 1988:2).

According to May *et al.* (1998:3) the distribution of income and wealth in South Africa is among the most unequal in the world and many households still have unsatisfactory access to education, health care, energy and clean water. This situation is likely to affect not only the country's social and political stability, but also the development path it follows: countries with less equal distributions of income and wealth tend not to grow as rapidly as those with more equitable distributions (May *et al.*, 1998:2).

According to Lewis (2001:3) GEAR strategies advocated a social agreement to facilitate wage moderation, underpin accelerated investment and employment of people and enhance public service delivery.

Most of the poor live in rural areas; while 50 per cent of the population of South Africa in rural areas contains 72 per cent of those members of the total population who are poor. Poverty is distributed unevenly among the nine provinces, the provincial poverty rate are highest for the Eastern Cape (71 per cent), Free State (63 per cent), North West (62 per cent), Limpopo Province (59 per cent) and Mpumalanga (57 per cent), and lowest for Gauteng (17 per cent) and Western Cape (28 per cent) (May *et al.*, 1998:5).

May *et al.* (1998:5) highlights that there is a very strong correlation and standard of living: the poverty rate among people with no education is 69%, compared with 54 per cent among people with primary education, 24 per cent among those with secondary education, and 3 per cent among those with tertiary education.

3.5 TECHNOLOGICAL FACTORS

The South African labour market is characterized by an oversupply of unskilled workers and a great shortage of skilled workers. During the apartheid era, due to sanctions,

companies were frozen into their relative competitive position by South African isolation from international research and development.

Because of the change South Africa necessarily has to steal a march on competitors by upgrading and improving technology to add to the changing environment of business (Visagie, 1997:664). For both the poorly educated rural unemployed and the poorly educated urban unemployed, strong growth in labour – intensive employment, support for informal sector activities and intensive education and training may be required to integrate them into the job market (May *et al.*, 1998:13).

May *et al.* (1998:13) further stressed that those young unemployed graduates with no labour market experience, need more skills training and assistance with job search may be the most appropriate solution. Education and training policies need to fill the growing ‘skills gap’ of the labour force to improve their employability and productivity. The provision of a comprehensive Information and Communication Technology (ICT) can be an important component of any growth and development strategy.

Rogerson (2004: 766) states that the mobile communication industry is the Internet and Cellular telephone, and the mobile communications industry in South Africa has seen one of the fastest rates of growth in the world. MTN and Vodacom Cellular networks are increasingly servicing many rural areas in the province on a ‘pay – as – you – go’ basis.

The bulletin ‘On line’s’ latest statistics clearly indicate that the key to real success and progress for Small, Medium and Micro Enterprises (SMMEs) in South Africa is the implementation of Information Technology (IT) in the individual business set – up.

3.6 LEGISLATIVE FACTORS

The apartheid government led by National Party leader FW de Klerk unbanned all the political parties in South Africa, i.e. African National Congress (ANC), Pan African Congress (PAC), Azanian Peoples Organisation (AZAPO), South African Communist

Party (SACP) and Congress of South African Trade Unions (COSATU) to name but a few.

The National Party further released all the political prisoners including the leader of the ANC, Nelson Madiba Mandela. After the 1994 elections, the Reconstruction and Development Programme (RDP) became the official government policy to redress the imbalances of the past regime.

The constitutional assembly was established headed by Cyril Ramaphosa and Roelf Meyer to draft the first democratic constitution of the new South Africa. In order to stimulate economic activities in the new South Africa, the Government of National Unity developed a White Paper on Promotion of SMMEs in 1995. In 1995, faced with external pressures and instability in the Rand, and concerns over the commitment to sound macro policies, the government introduced the GEAR (Growth, Employment and Redistribution) macro framework (Lewis, 2001:3).

To restore confidence and enhance credibility, the GEAR built upon (rather than revised) the strategic vision set out in the RDP by committing government to specific macro targets, and including a phased fiscal deficit reduction plan that was deliberately more ambitious than its predecessor (Lewis:2001:4). To address the labour issues in a more balanced way, the government through its National Economic Development and Labour Council (NEDLAC) formulated the Labour Relations Act of 1995.

3.7 ENVIRONMENTAL FACTORS

South Africa's new industrial policy framework describes Small, Medium – sized and Micro Enterprises (SMMEs) as important for the economic growth path. The failure rate among small businesses remains as high as 80 per cent (Business Africa, 2001:4). There are various factors like illiteracy amongst most of the rural entrepreneurs which hampers good managerial know – how and environmental factors like HIV and AIDS, crime, globalisation, inflation and high interest rates.

Lewis (2001:5) highlights that at some point in 1997 the prime interest rate was very high at a rate of 23,5 per cent which makes it very difficult for the entrepreneurs to operate their businesses successfully. The researchers warn that SMMEs will face a growing competition as South Africa is increasingly integrated into the global, electronic economy. It is estimated that SMMEs account for almost 50 per cent of formal employment in the South African economy and 37 per cent of Gross Domestic Product (GDP).

3.8 SOUTH AFRICAN ECONOMY

The most pressing problems facing South Africa today is the absence of sustained economic growth and job creation, which are essential to reduce poverty and improve living conditions. The transition to multi-racial democracy in 1994 posed difficult political, social, and economic challenges, and South Africa's noteworthy achievements in surmounting these challenges have been widely recognized (May *et al.*, 1998:1).

The government of National Unity inherited an economy in disarray and faced with external pressures and questions over credibility, and was forced to concentrate on macro policy concerns, especially the establishment of a credible and prudent fiscal stance, efforts to reduce inflation, and the needed reunification of dual exchange rate system (May *et al.*, 1998:1).

Lewis (2001:5) states that the introduction of the GEAR policy has restored the macro foundations for sustainable growth and government has reduced the fiscal deficit and government dissavings, shifted spending to human capital development and poverty alleviation, and forced inflation to drop down to a single digit in years. The GEAR package of policies forecasted that growth will accelerate to six percent by 2000, with job creation reaching 400 000 jobs annually.

Compared to these targets, South Africa's economic performance has been disappointing: GDP growth has remained low, formal employment continues to fall, and the key objectives of poverty reduction and improved service delivery remain largely unmet (May *et al.*, 1998:11). According to May *et al.* (1998:11) overall unemployment is estimated at 36 percent (see table 3.1 below for a more complete examination of the definition, level and composition of South African unemployment).

Table 3.1: Employment and unemployment by labour skill category: 2000

Category	Labour supply (thousands)	Employment (thousands)	Unemployment (thousands)	Unemployment rate (percent)
Highly skilled labour	1350	1350	0	0.0%
Skilled labour	3495	2928	567	16.2%
Semi-skilled and unskilled labour	7359	3669	3690	50.1%
Informal labour	2547	1491	1053	41.3%
Total	14751	9441	5310	36.0%

Source: South Africa CGE model based on statistics provided by Quantec Research. (2000:12)

Table 3.1 above, gives a clear picture of semi-skilled and unskilled labour that represents half of the workforce, but two-thirds of the unemployment. Informal labour (which has similar skill characteristics to the semi-skilled and unskilled group) accounts to 40 percent of total unemployment. The unemployment rate among skilled labour is substantially lower, but not zero.

According to the Statistics South Africa Labour Survey (2006:17), South Africa's economy has created 658 000 new jobs between September 2004 and September

2005. This represents a marked increase of 5,7 percent to 12,3 million formal sector jobs following sluggish growth in previous years. The increase in the year at the end of September 2004 was only 1,9 percent, while over a longer period, from September 2001 to September 2005, job gains in the labour market were just over one million (1 120 000). Despite this growth in employment, an increase in the country's economically active population meant South Africa's unemployment rate was virtually unchanged at 26,7 per cent in September 2005, as against 26,2 per cent in September 2004.

According to Statistics South Africa (2006:25), there was also an increase in the number of South Africans actively seeking employment, accompanied by a fall in the number of disadvantaged work-seekers (those not actively seeking jobs) from 3,9 million in September 2005. Statistics South Africa's figures show that South Africa's labour market is becoming increasingly skills-oriented and of 1,12 million jobs created between September 2001 and September 2005, 28 percent were in the more skilled occupations.

3.9 LIMPOPO PROVINCIAL ECONOMY

According to the Limpopo Growth and Development Strategy (Limpopo, 2005), South Africa's Gateway to Africa, the Limpopo province borders Botswana to the West, Zimbabwe to the north and Mozambique to the east. Its Southern borders are shared with Mpumalanga, Gauteng and North West Province of South Africa. Limpopo Province is predominantly rural and poverty levels differ from one district to another and there are six districts namely; Capricorn, Vhembe, Mopani, Bohlabela, Sekhukhune and Waterberg (LGDS, 2005:1).

The Limpopo province is one of South Africa's most deprived areas, and its personal income per capita is only some 38 percent of South Africa's average, the lowest of all nine provinces. The province has experienced faster than average economic growth in the agriculture, power, tourism and mining sectors (Limpopo Local Economic Programme).

The following sectors hold significant economic potential for future growth in the province:

Agriculture: Vhembe, Mopani, Bohlabela and Waterberg districts have strong potential in agriculture, due to their good vegetation and adequate rainfall. There is high potential for cash crops, animal breeding and forestry.

Tourism: All six districts have potential in the tourism industry. Numerous destinations are found throughout the province, which are rich in natural heritage and game parks.

Mining: Sekhukhune, Mopani, Vhembe, and Waterberg districts are rich in mineral deposits. A number of mining activities are already taking place in these districts, namely coal, platinum, copper, chrome.

According to the Provincial Growth and Development Strategy (LGDS, 2005:12) the challenge that the province faces is how to support growth in these sectors in a way that maximizes the development impact and addresses the high levels of poverty in the province. The reduction of unemployment through the stimulation of the local economy has become the central policy objective of the provincial government through its LGDS and its vision 2020 economic policy.

The economy of Limpopo Province continues to grow at a rate that by far surpasses the national one, at an average of 4 percent gross domestic product per region. Its contribution has had a profound impact in terms of the economic growth and development of the entire country.

The economic growth rate in Limpopo has accelerated considerably and Limpopo has become known as the fastest growing provincial economy in the country (LGDS, 2005:12).

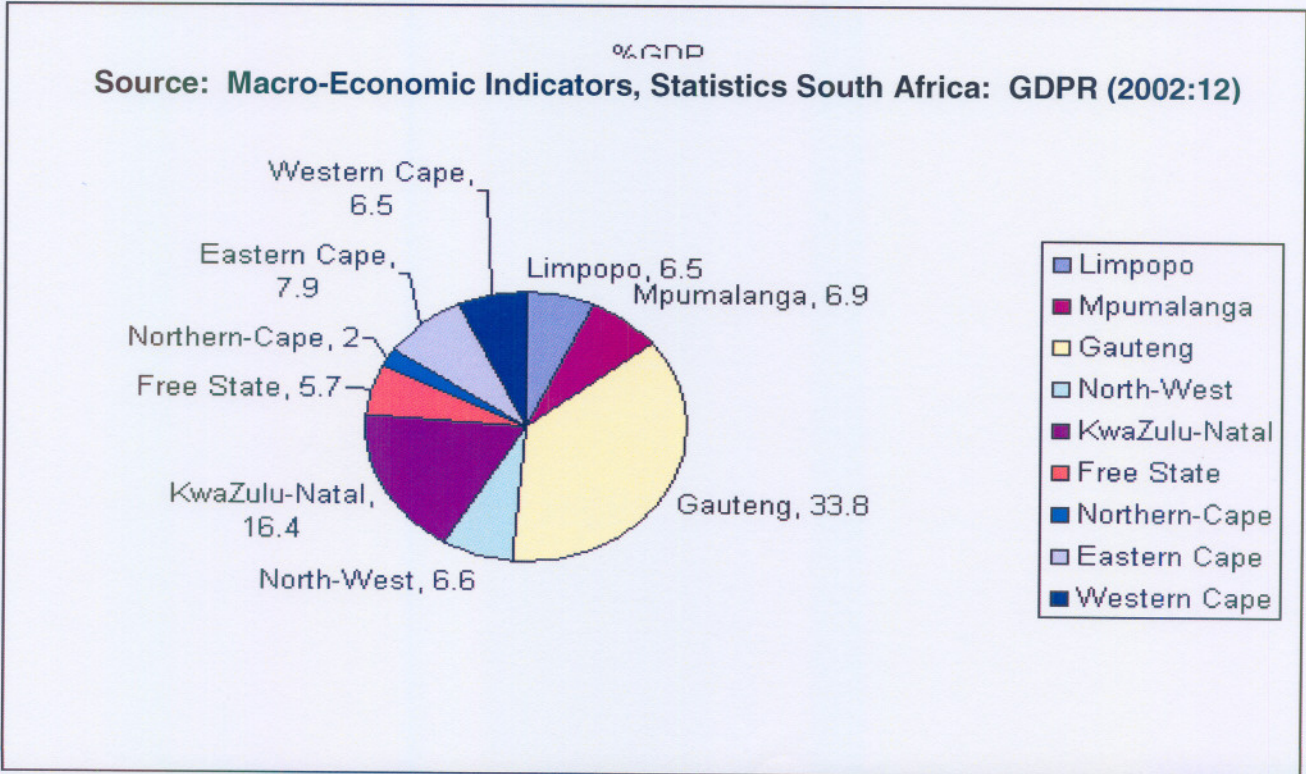
Mining, Tourism and Agriculture have been identified as the main driving forces for economic development and prosperity together with their associated manufacturing industries.

According to a discussion document released by Statistics South Africa, the contribution from Limpopo to the national economy has been increasing steadily from 5,7 percent in 1995 to 6,5 percent in 2002 (Stats SA Discussion Paper, Nov 2002: 20); however, job creation, diversification and poverty reduction, the situation still needs to be improved by taking advantage of opportunities on the ground.

The annexure below depicts the provincial contribution to national GDP: 2002:

The provincial contribution to the national GDP of South Africa shows that Limpopo is standing at the third from the bottom compared to the other provinces in South Africa on what it contributes towards the national GDP. It is 6,5 per cent higher than Northern Cape at 2,0 per cent and Free State at 5.7 respectively.

Figure 3.1: Provincial contribution to the national GDP: 2002



number two in all the district of Limpopo Province, with 3, 98 per cent, Capricorn being the highest one with 4, 66 per cent.

According to the Limpopo Growth and Development Strategy, Sekhukhune district has the least number of highly skilled individuals, namely 2, 5 per cent of its economically active population. The fact that the province has an extremely low skills base reduces its ability to innovate, to be economically productive and to implement productive ventures.

It is a matter of fact that the skills level of the population in the province need to be improved and also that the province should attract highly skilled individuals to relocate to the province. The Limpopo Province is faced with key developmental challenges of unemployment, highly dependency ratios, poverty, skewed distribution of resources, equity and illiteracy.

Table 3.2 Depiction of the labour skill index: 2001

	Unskilled	Semi-skilled	Skilled	Highly-skilled	Total
	Ratio out of 100 within District				
Sekhukhune	26,81	52.71	18.07	2.41	100
Boblabela	25.02	54.58	17.35	3.04	100
Mopani	25.59	52.43	18.40	3.58	100
Vhembe	18.40	54.81	20.14	3.98	100
Capricorn	20.39	53.60	23.35	4.66	100
Waterberg	20.39	54.08	21.75	3.77	100
Average	22.88	53.7	19.84	3.57	100

Source: Development Index Framework: Limpopo (2001:11)

THE DEPENDENCY INDEX

The Limpopo Growth and Development Strategy (2005:14) states that the emergence of a strong factor driven economy characterizes the growth phenomenon that has been unable to create the much needed jobs in the province. The challenge is to transform the economy which depends on the primary sector activity to the one driven by the services and manufacturing sector despite the marked improvement in economic growth rate of the province. The employment growth rate is generally low especially in Bohlabela and Sekhukhune and these districts are economically the weakest, but have large populations.

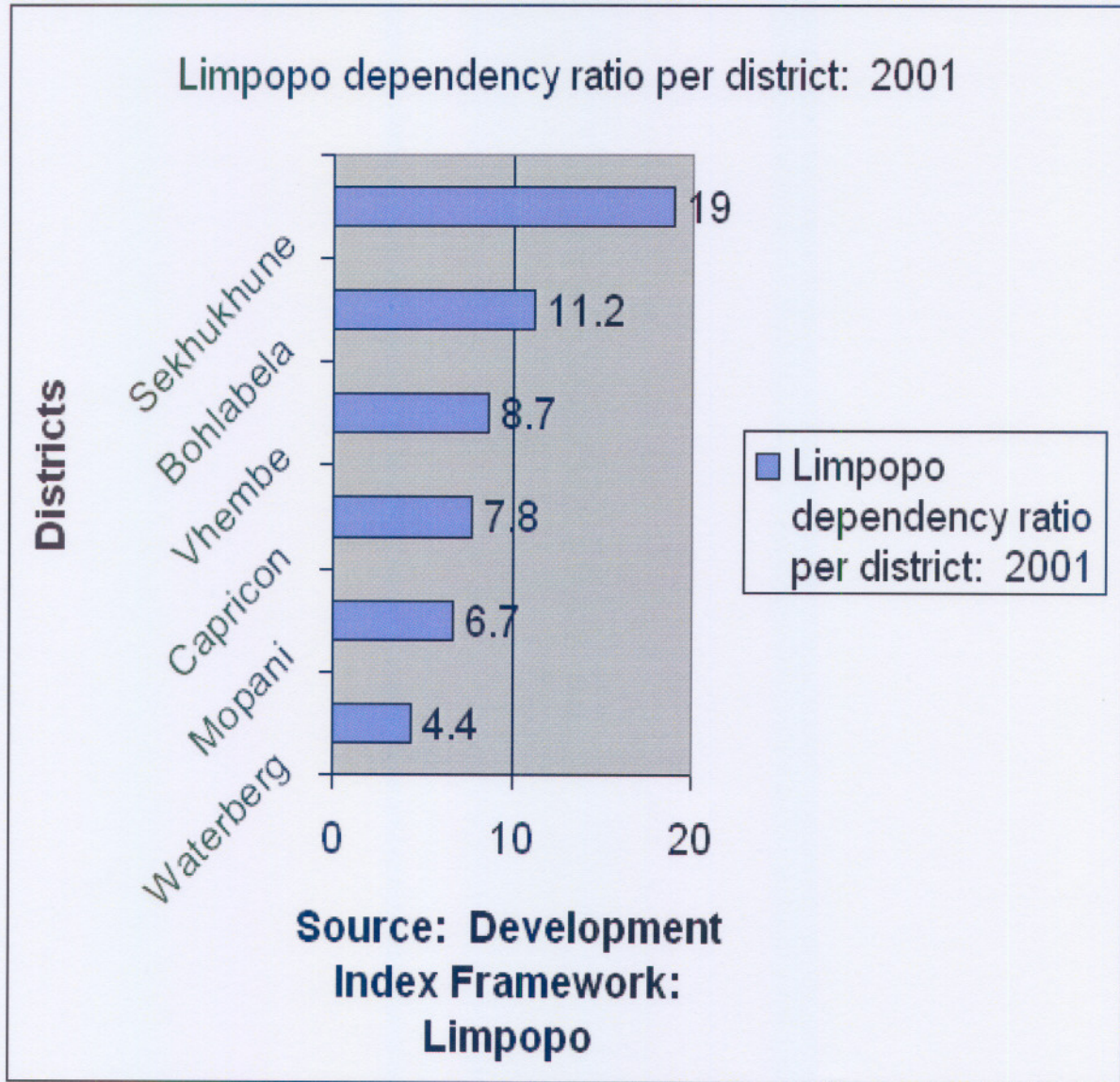
This gives rise to a very high dependency ratio in both these districts, namely 11 and 19 respectively, and such high dependency index stunts domestic investment and lowers the quality of life of the populace.

The Dependency Index measures the average number of persons that are dependent on one economically active person in an area (which includes the economically active unemployed person). The most favourable dependency index refers to the number of people in the area that will be dependent on one person in the economically active age group if all of the latter were employed (Provincial Growth and Development Strategy, 2005:14). The actual Dependency Index refers to the number of people that are dependent on one person who is actually employed at the time.

Table 3.3 Depiction of the Dependency Index

	1996	2001
Potential Dependency Index	2.39	2.31
Actual Dependency Index	9.44	9.39

Figure 3.2 Limpopo dependency ratios per district



Source: Development index framework: Limpopo (2001:15)

The unemployment rate, according to the expanded definition, is also the highest in these two districts, namely 56,9 percent in Bahlabela and 69,4 per cent in Sekhukhune. The Limpopo Growth and Development Strategy (2005:14) states that the emergence of a strong factor driven economy characterizes the growth phenomenon that has been unable to create the much needed jobs in the province.

The challenge is to transform the economy which depend on the primary sector activity to the one driven by the services and manufacturing sector despite the marked improvement in economic growth rate of the province. The employment growth rate is generally low especially in Bohlabela and Sekhukhune and these districts are economically the weakest, but have large populations.

This gives rise to a very high dependency ratio in both these districts, namely 11 and 19 respectively, and such high dependency index stunts domestic investment and lowers the quality of life of the populace.

The Dependency Index measures the average number of persons that are dependent on one economically active person in an area (which includes the economically active unemployed person). The most favourable dependency index refers to the number of people in the area that will be dependent on one person in the economically active age group if all of the latter were employed (Provincial Growth and Development Strategy, 2005:14). The actual dependency index refers to the number of people that are dependent on one person who is actually employed at the time.

THE LEVEL OF EMPLOYMENT BY DISTRICT

According to table 3.3 below, the Limpopo Growth and Development Strategy (2005:15) unemployment rate, according to the expanded definition, is also the highest in these two districts, namely 56,9 per cent in Bohlabela and 69,4 percent in Sekhukhune during 2003. This compares very favourably with that of Waterberg's 31,2 per cent and Mopani's 41,8 per cent, which is very high in any case.

The difference between the restricted and expanded definitions of unemployment is that the expanded definition includes the disillusioned or discouraged jobseekers, while the restricted (or official) definition excludes them, since they are considered voluntarily unemployed. Therefore, the growth rate in the expanded definition is considerably higher than that on the restricted definition (Limpopo Growth and Development Strategy, 2005:15).

Table 3.4: Level of employment by district: 2003

Item	YR	Capricor	Bohlabel	Mopan	Sekhukhune	Vhembe	Waterberg	Province
Economically active population (number)	1998	219167	144410	214298	124303	271454	187933	1161565
	2003	277590	183759	270004	157591	343649	235505	1468098
Employment (number)	1998	118380	45673	129871	27459	123271	135804	580457
	2003	128818	57863	150274	34075	134466	169595	675092
Unemployment (%) (expanded)	1998	46	55.7	39.6	68.1	49.3	30.1	46.6
	2003	50.7	56.9	41.8	69.4	53.1	31.2	49.3

Source: Development Index Framework: Limpopo

NUMBER OF PEOPLE IN POVERTY IN THE PROVINCE

It should therefore come as no surprise that Sekhukhune and Bohlabela districts are areas with the highest number of people in poverty as per table 3.5 below. The overall level of poverty in the province has declined marginally from 62, 4 percent to 60 percent (Provincial Growth and Development Strategy, 2005:16).

The number of people in poverty represents the percentage of people living in households with an income less than the poverty income. The poverty income is defined as the minimum monthly income needed to sustain a household and varies

according to household size; the larger the household the larger the income required to keep its members out of poverty.

Table 3.5: Number of people in poverty: 1998 and 2003

District	1998	%	2003	%
Capricorn	588 345	60.9	680 216	65.3
Bohlabela	490 526	66.5	448 503	56.5
Mopani	554 706	61.4	537 737	55.5
Sekhukhune	534 206	70.4	545 362	67.2
Vhembe	720 434	60.9	786 842	62.0
Waterberg	380 348	55.4	373 800	50.8
Province	3 268 566	62.4	3 372 479	60.0

Source: Global Insight Southern Africa: (2004:16)

HUMAN DEVELOPMENT INDEX

Table 3.6 below depicts the provincial Human Development Index (HDI), which is a composite, relative index that attempts to quantify the extent of human development. It has improved slightly from 0.46 to 0.49 over the period 1998 to 2003. This improvement is mainly because of the high average annual economic growth rate of 4 percent over the period. Despite this growth and improvement the HDI is, still the lowest among all the provinces of the country, and this is a clear indication towards the need to develop the economy of the province.

The Human Development Index (HDI) is based on measures of life expectancy, literacy and income. It is thus seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in the life of the community and to have sufficient resources to obtain a decent living. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0.

Table 3.6: Human development index for 1998 and 2003

Province	1998	2003
Western Cape	0.57	0.58
Eastern Cape	0.62	0.64
Northern Cape	0.59	0.61
Free State	0.60	0.63
KwaZulu_Natal	0.62	0.64
North West	0.56	0.59
Gauteng	0.60	0.60
Mpumalanga	0.61	0.63
Limpopo	0.60	0.63
South Africa		

Source: Global Insight Southern Africa (2003:17)

GINI-COEFFICIENT

The Gini-coefficient table 3.7 below serves as an indicator of income distribution, for the Limpopo province does not significantly differ from those of other provinces. Nevertheless, the distribution of income is still highly skewed and would require specific interventions that would contribute towards broad-based economic participation by all, that would strengthen the various development linkages in the economy.

The Gini-coefficient is a summary statistic of income inequality, which varies from 0 (in the case of perfect equality where all households earn equal income) to 1 (in the case where one household earns all the income and other households earn nothing). In practice the coefficient is likely to vary from approximately 0.25 to 0.70.

From this brief overview it should be evident that, by and large, the majority of the people of the province are unemployed, unskilled or semi-skilled and still live in poverty and this poses significant socio-economic challenges.

Table 3.7: Gini-coefficient: 1998 and 2003

Province	1998	2003
Western Cape	0.57	0.58
Eastern Cape	0.62	0.64
Northern Cape	0.59	0.61
Free State	0.60	0.63
KwaZulu Natal	0.62	0.64
North West	0.56	0.59
Gauteng	0.60	0.60
Mpumalanga	0.61	0.63
Limpopo	0.60	0.63
South Africa		

Source: Global Insight Southern Africa (2003:17)

3.10 SUMMARY

To achieve the objectives of economic growth through competitiveness on the one hand, and employment generation and income redistribution as a result of this growth on the other, the SMME economy has been actively promoted since the new government came into being. SMMEs are expected to function as a driving force in both the social and economic transition (White Paper, SA, 1995:5)

In line with the objectives of economic policy, growth in employment can be enhanced through government support to SMMEs. Small, Medium and Micro Enterprises have a potential to contribute to rapid employment creation, while survivalist activities (as a result of enforced self-employment) constitute the vast majority of South African SMME

economy and grow in number but not in size. The White Paper (SA, 1995:3) states that SMMEs represent an important vehicle to address the challenges of job creation, economic growth and equity in South Africa.

The White Paper (SA, 1995:9) states that throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. Government is of the view that, with the appropriate enabling environment, SMMEs in South Africa can make an important contribution on the country's economy. Stimulation of SMMEs must be seen as part of an integrated strategy to take this economy to a higher road, on which our economy is, diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes.

It has emerged from the literature reviews that most of the successful entrepreneurs are likely to have had more education and training and those entrepreneurs with greater human capital in terms of education and/or vocational training, are better able to adapt their enterprises to the constantly changing business environment. Training provides the opportunity for entrepreneurs to develop their management skills.

CHAPTER FOUR

EMPIRICAL RESEARCH RESULTS AND DISCUSSION

4.1 INTRODUCTION

The empirical research conducted in Limpopo Vhembe District was done in order to assess the actual picture of SMMEs in the district and to establish whether development of Small, Micro and Medium enterprises exist or is taking place in the local district municipalities where local entrepreneurs operate their business activities.

It was through the empirical research where the researcher wanted to establish whether the SMME Agencies in Limpopo were working properly with the local entrepreneurs and all relevant stakeholders in the SMME. Interviews were conducted with the officials of different SMME Agencies in the Vhembe District to try and find out what exactly they are doing to train and develop rare skills within the local entrepreneurs and co-operatives.

According to the Limpopo Business Support Agency (LIBSA), it has absorbed all existing service centres which had been originally established as local business service centres. LIBSA has offices in all District Municipalities of Limpopo and it is intending to establish offices in all local municipalities. The agency has training, mentoring and incubation programmes for local entrepreneurs in the province and so far they are the pioneering agency in South Africa that is offering non-financial services too in the manner it is doing.

4.2 OBJECTIVES

The objectives of the empirical study are as follows, namely to:

- investigate what level of education do these entrepreneurs have
- investigate the main reason why people are in business

- investigate whether these businesses are operated professionally and whether they have professional bookkeepers
- investigate the impact that survival enterprises and malls have in the development of formal businesses
- identify whether these entrepreneurs have knowledge of how his business should pay tax
- find out how these entrepreneurs funded their operations when they started their businesses
- find out whether entrepreneurs in Vhembe District Municipality know of the SMME support agencies and what type of service will they require from these agencies
- find out what these agencies are doing to develop and stimulate entrepreneurial development in the Limpopo Province in particular Vhembe District
- find out from entrepreneurs what kind of help do they want from SMME support agencies

4.3 SAMPLE AND PROCEDURE

The sample was chosen from entrepreneurs in the Vhembe District and Limpopo SMME support agencies that are found in Vhembe District. The focus was on survivalists, micro and very small enterprises that are in the majority in the Vhembe District. A sample of 30 entrepreneurs including interviews conducted with the SMME agencies that are found in the Vhembe District were chosen and given explanatory research questionnaires to fill in.

4.4 RESEARCH INSTRUMENTS AND DESIGN

The quantitative empirical research was done by analysis of quantitative data and was collected using both primary and secondary data collection methods. Data was collected in two ways, through interviews with SMME agency officials and through explanatory research questionnaires and some official newsletters of the Limpopo

Business Zone (LIBSA, LIMDEV and LIMAC). The response received from the questionnaires and interviews conducted were used to compile the research results.

A sample of explanatory research questionnaires and the structured interview questions are attached to this study as ADDENDUM A and B.

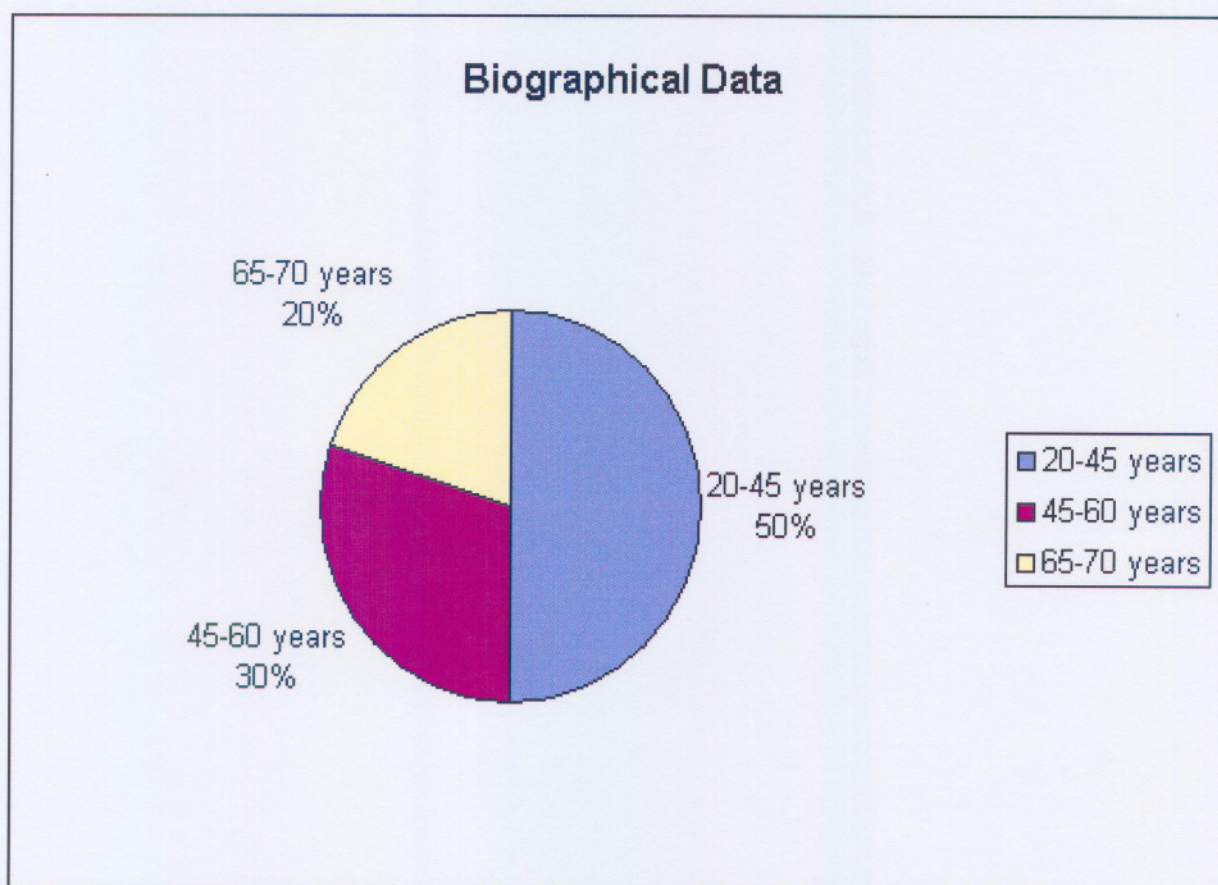
4.5 RESEARCH FINDINGS

The quantitative research results of the study were summarized as follows:

4.5.1 Biographical data

The average age of the entrepreneurs is between 25 years old and 50 years old. Most of the entrepreneurs are young and economical active, and between 50 years old and 60 years old represent mostly survivalist's enterprises that are run by illiterate adults who are in informal businesses in order to support their households. Growth in this category will only exist through the establishment of co-operatives.

Figure 4.1: Biographical data of the entrepreneurs

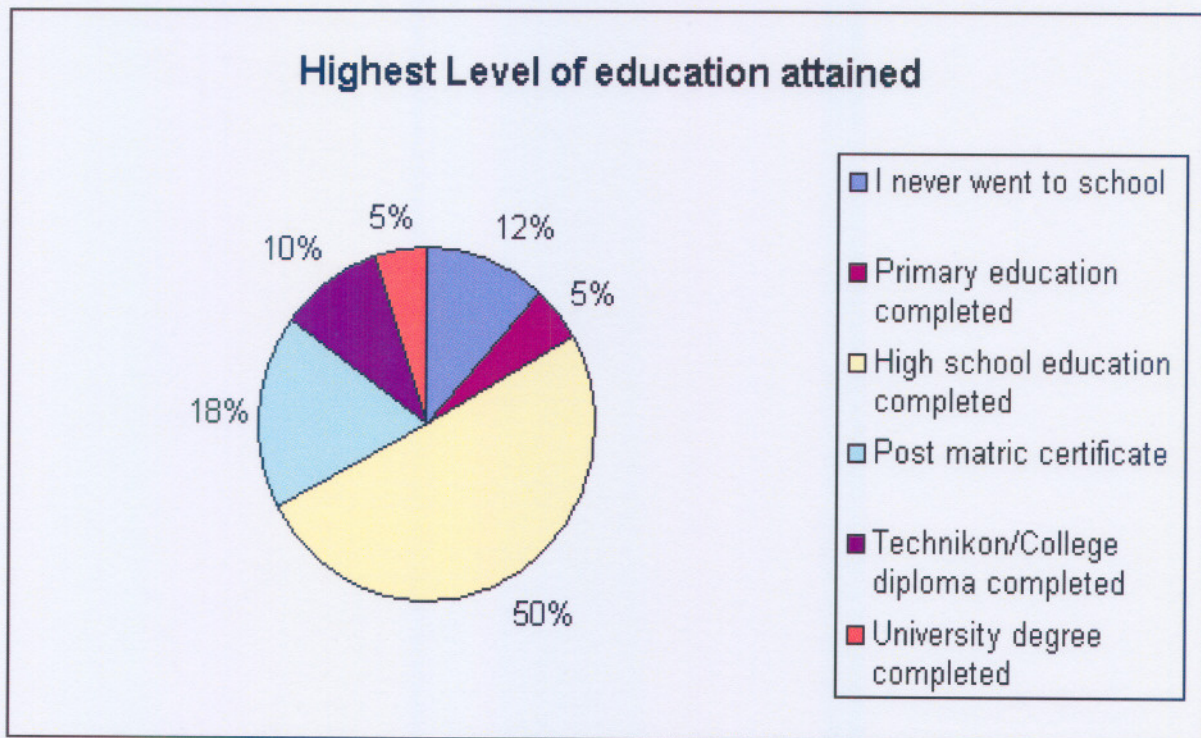


The responses of the entrepreneurs are as follows: 50 percent of all entrepreneurs that were interviewed are older than twenty but younger than 50 years old. These are entrepreneurs who are still economically active; 30 per cent of the entrepreneurs are in the age bracket of 45 but not older than 60. This group of entrepreneurs still contributes significantly to the economic activities of the province. The last group of survivalist entrepreneurs is between 65 years old and 70 years old. This group is composed mostly of illiterate adults who are operating the informal businesses which are not likely to graduate into small businesses.

4.5.1.1 Highest level of education attained

Figure 4.2 shows the highest level of education of each of the interviewed entrepreneurs. 50 percent of the entrepreneurs interviewed had completed their high school education, 18 per cent of them have a post matric certificate, and 10 per cent have a College or Technikon diploma completed. 5 per cent of them have completed their University degree, 5 per cent have only a primary school education and those who did not go to school at all are 12 per cent of the total sample. From these responses the majority of entrepreneurs in Vhembe district could still be trainable for them to be able to grow their business into small enterprises.

Figure 4.2: Highest level of education attained



4.5.1.2 The reason for starting a business

Figure 4.3 show that the majority of the entrepreneurs (60%) started their business ventures because of unemployment circumstances that they find themselves in. A total of 5 per cent of the entrepreneurs started their business ventures because they saw an opportunity and decided to exploit the opportunity. 35 per cent of the very small entrepreneurs indicated that they took over family businesses that used to be operated by their parents.

It is evident that in 60 per cent of these entrepreneurs, most of them may leave their businesses if a job opportunity comes their way. The 35 per cent could also join in if an opportunity for a job arises, only the 5 per cent are in business because they want to be there and they know what they want to achieve in their venture.

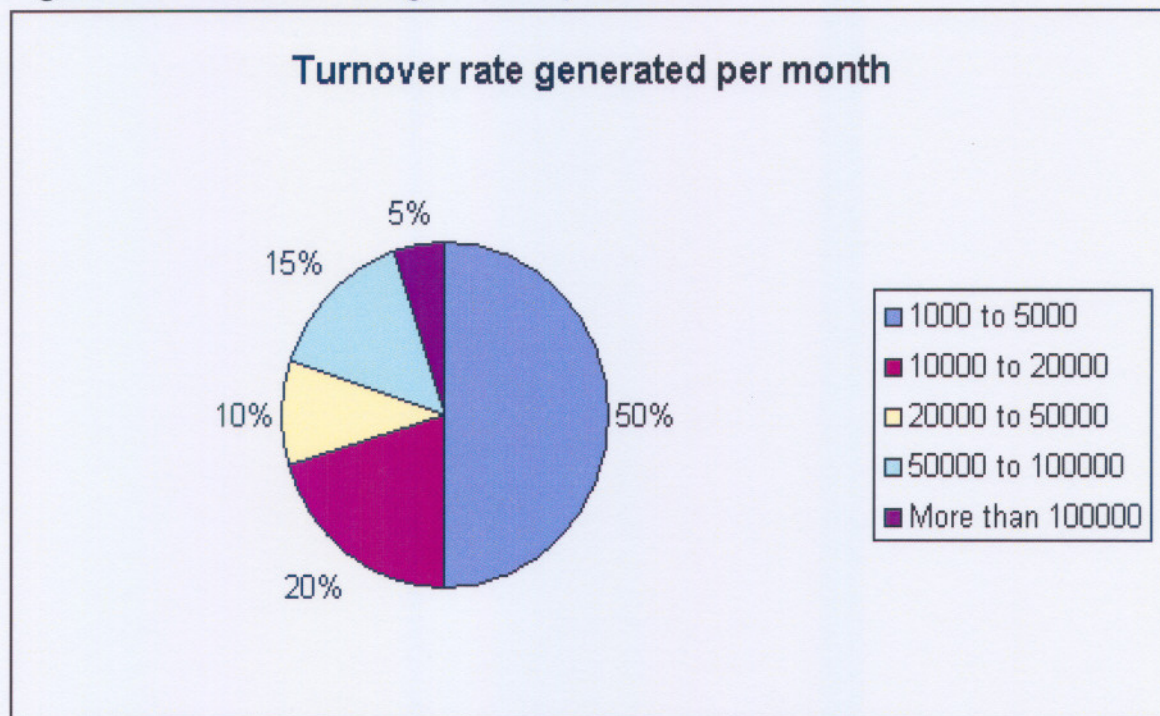
Figure 4.3 Reason for starting your business



4.5.2.2 Monthly turn overate generated

In figure 4.5, the responses show that 50 per cent of all entrepreneurs who participated in the study are operating the survival enterprises looking at the turnover rate of their businesses. 20 per cent of these entrepreneurs are in the micro enterprises, 10 per cent are in the very small enterprises, 15 per cent are in the small enterprises and only 5 per cent are in the medium enterprises.

Figure 4.5: Turnover rate generated per month

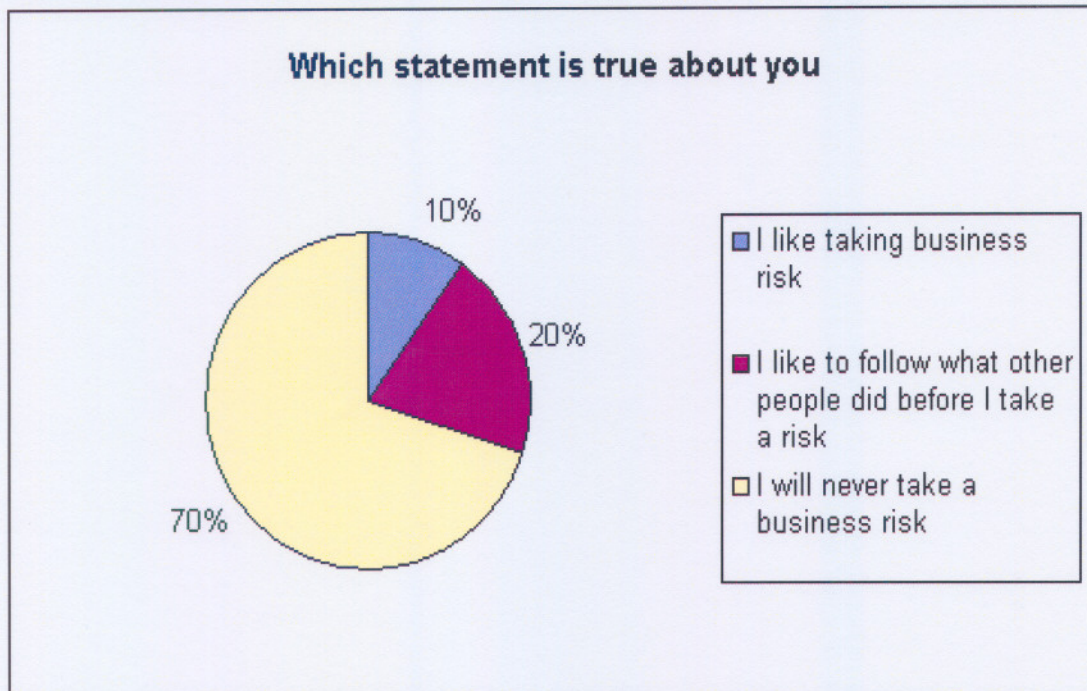


4.5.2.3 A true statement about the entrepreneur

According to figure 4.6, 70 per cent of entrepreneurs responded and said they will never take a business risk, which indicates that they are not real entrepreneurs because entrepreneurs take business risks from time to time depending on the opportunity available. 20 per cent said they would rather follow what other people have done

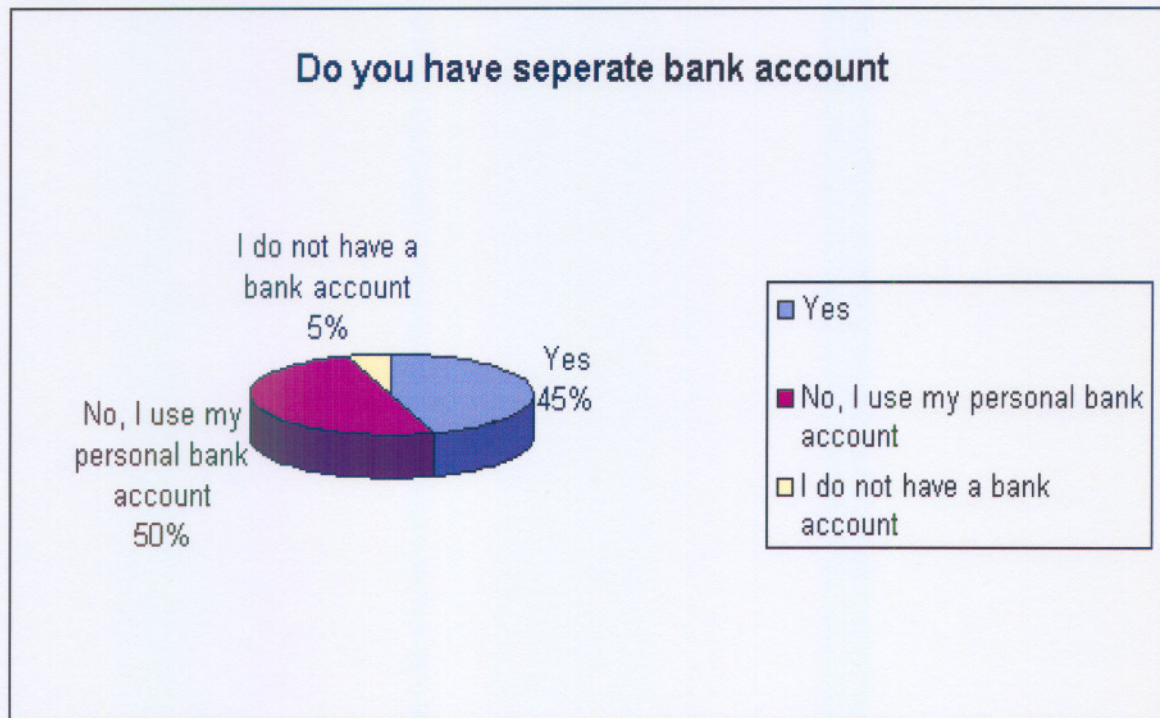
before. A total of 10 per cent of all the entrepreneurs interviewed showed that they are determined business people because they indicated that they like taking risk.

Figures 4.6: True statement about the entrepreneur



In figure 4.7 below, entrepreneurs' response with 50 per cent of them saying they use their personal account for both personal and business banking. 45 per cent of the entrepreneurs say they have a separate banking account for their business and 5 per cent of entrepreneurs indicated that they do not have any bank account at all. It means that 45 per cent of the entrepreneurs are operating their business professionally and the remaining 55 per cent are not, which suggest that they are all survivalist entrepreneurs because no such turnover is generated in a month.

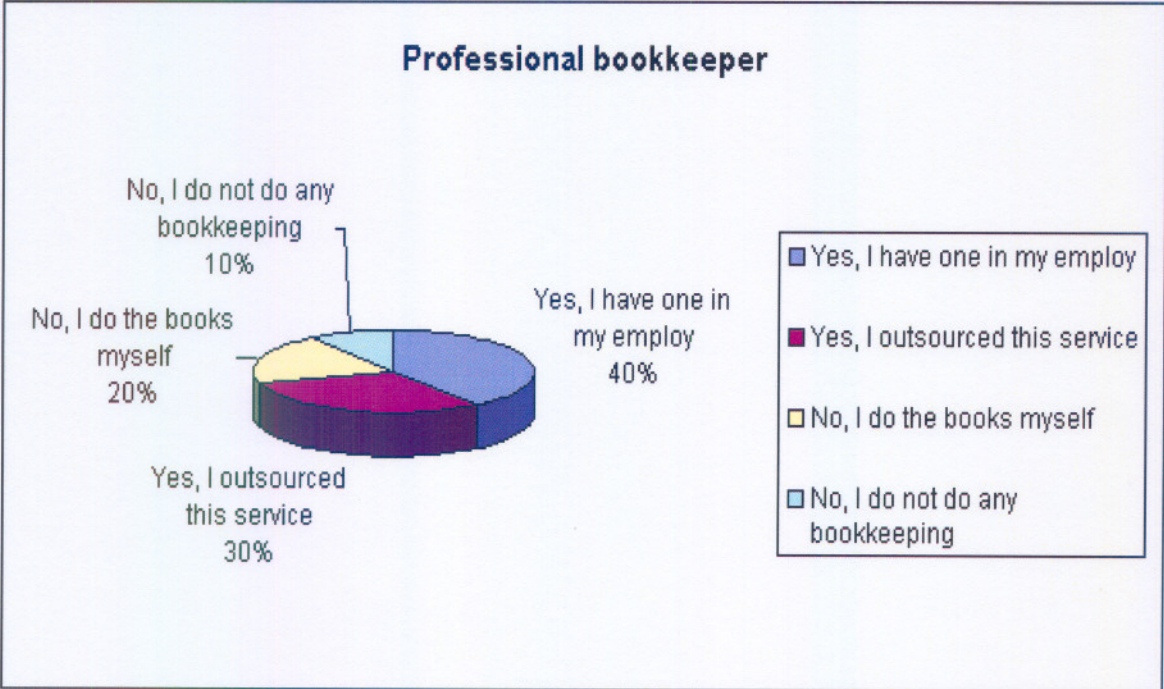
Figure 4.7: Separate business banking account



4.5.2.4 Professional bookkeeper in the employ of the entrepreneur.

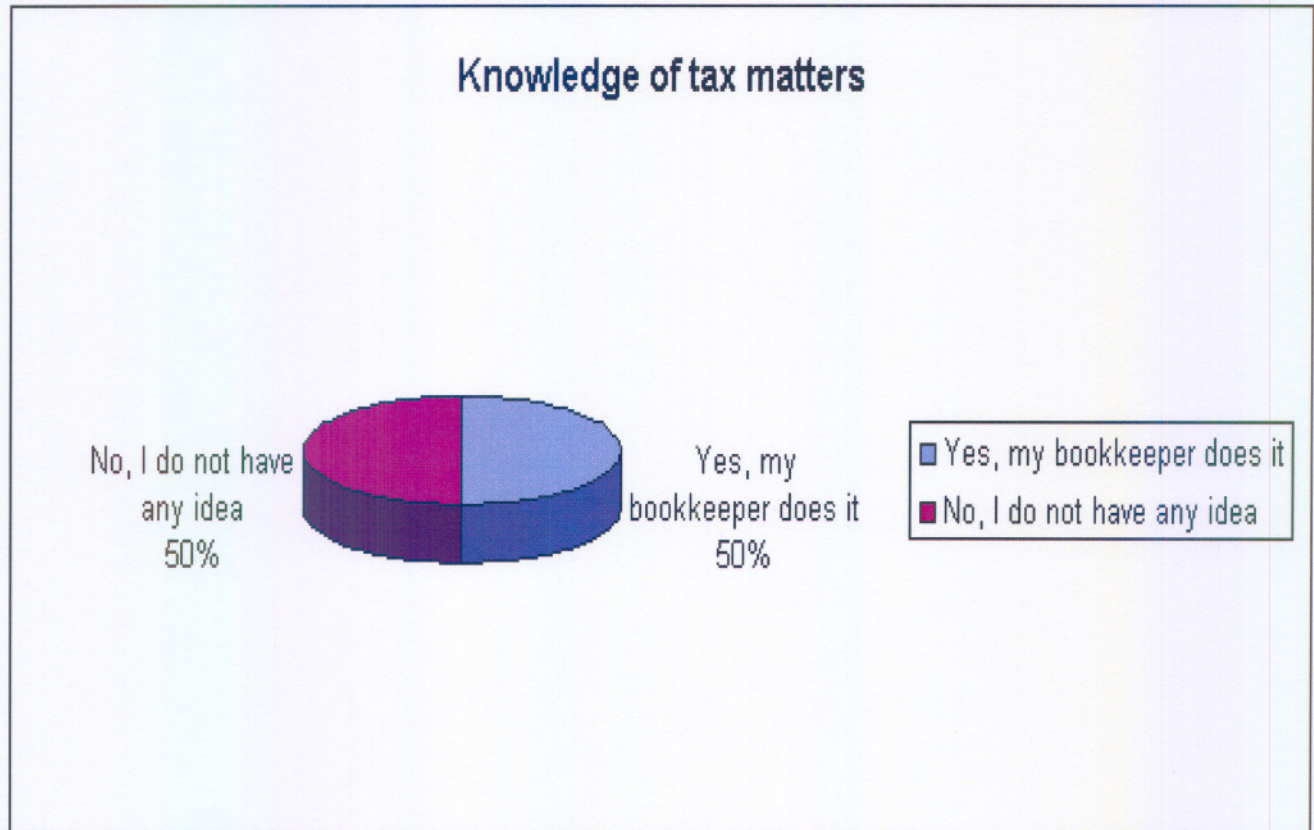
Through figure 4.8, entrepreneurs' responses indicated that 40 per cent of them have a professional bookkeeper in their employ, 30 per cent have outsourced this service, 20 per cent do their own bookkeeping and 10 per cent do not do any bookkeeping. The entrepreneurs who have a professional bookkeeper or have outsourced this service are running their businesses professionally and the 10 per cent are entrepreneurs who are in the informal businesses.

Figure 4.8: Professional bookkeeper



In this figure 4.9 entrepreneurs' responses show that 50 percent of the entrepreneurs have an idea through their bookkeeper about tax matters and that it is the bookkeeper who prepares these financial statements for tax purposes. Equally another 50 per cent of entrepreneurs said that they do not have an idea about how their businesses should pay tax. These are those businesses that are falling under informal businesses or survival enterprises.

Figure 4.9: Knowledge of business tax matters

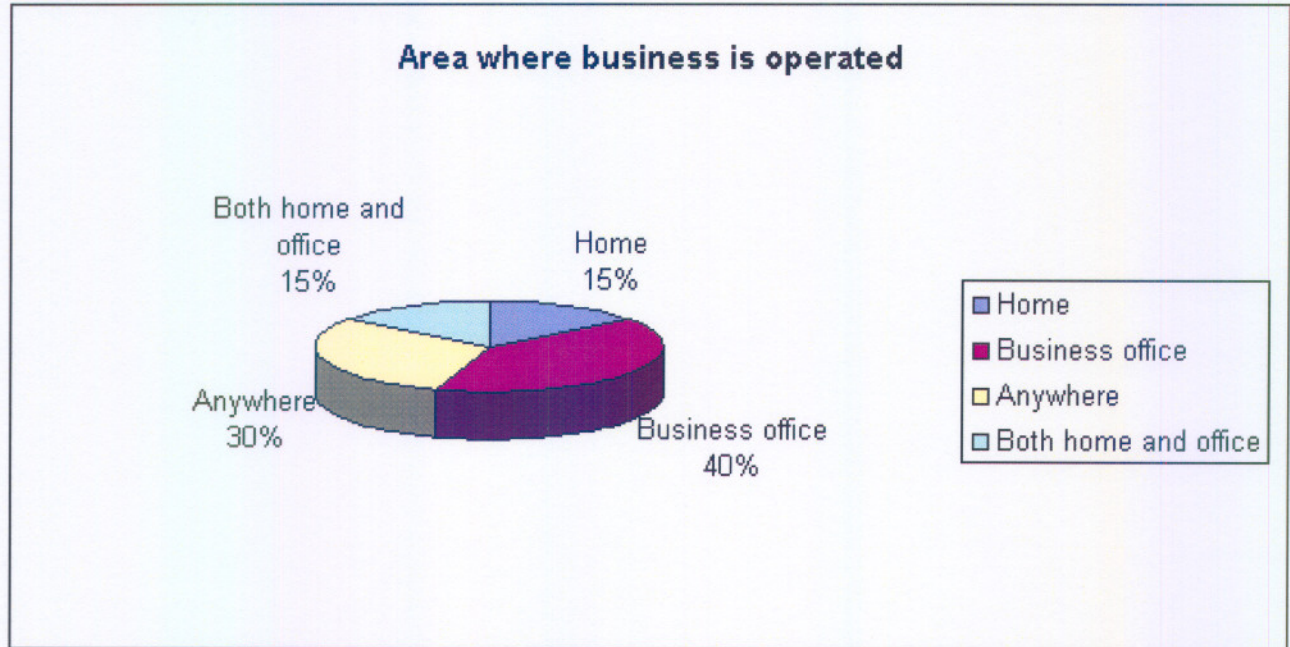


4.5.3 Entrepreneurs' resources

4.5.3.1 Place where the business is operating

Entrepreneurs' responses as per figure 4.10 are as follows: A total of 40 per cent of the entrepreneurs are operating from their business offices, 30 per cent of them operate their businesses anywhere, and it means that they do not have a particular office to operate from.

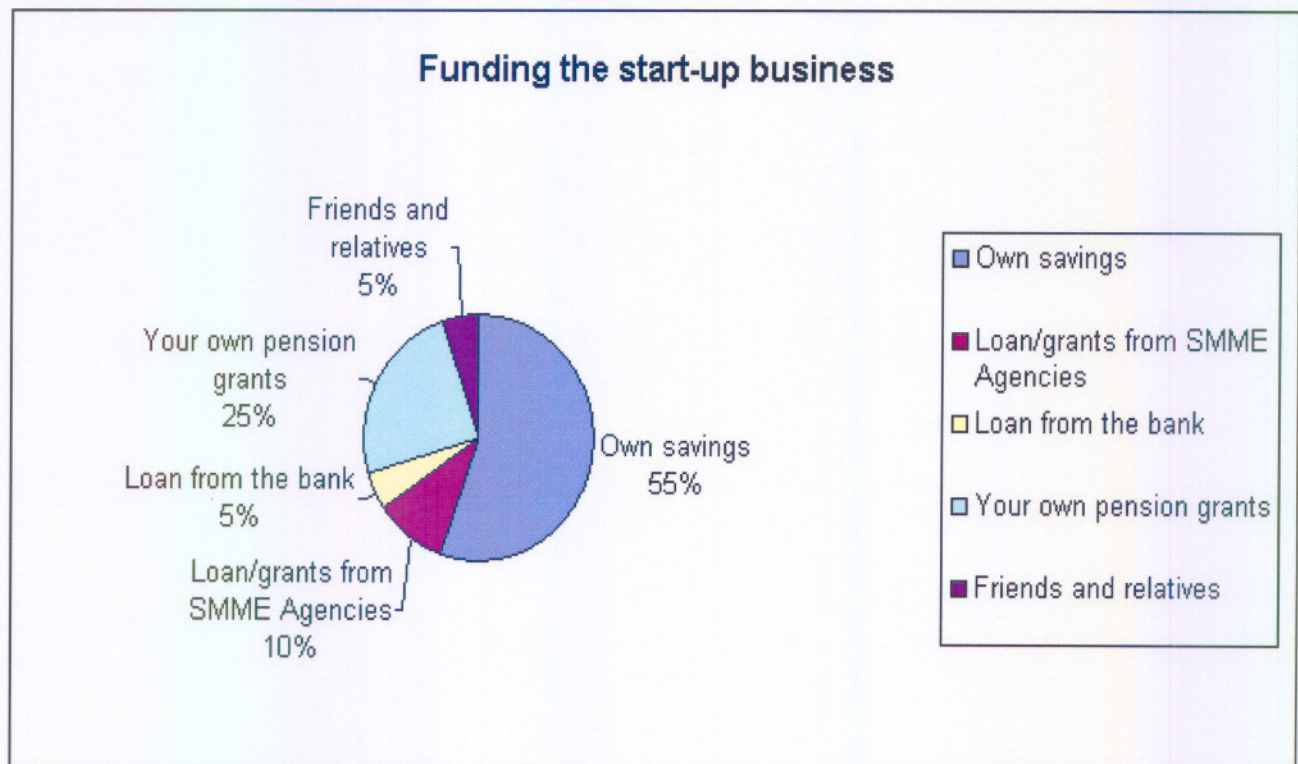
Figure 4.10: Place where the business is operating



4.5.3.2 *Funding the start-up business*

More than 55 per cent of all businesses who participated in the study were funded through own savings because most of the entrepreneurs do not have enough collateral needed to secure sufficient capital for the business to operate smoothly (see figure 4.11 below). Businesses that were financed through loan grants from SMME agencies were only 10 per cent, 5 per cent were financed from bank loans, 25 per cent out their own pension grants and 5 per cent from friends and relatives.

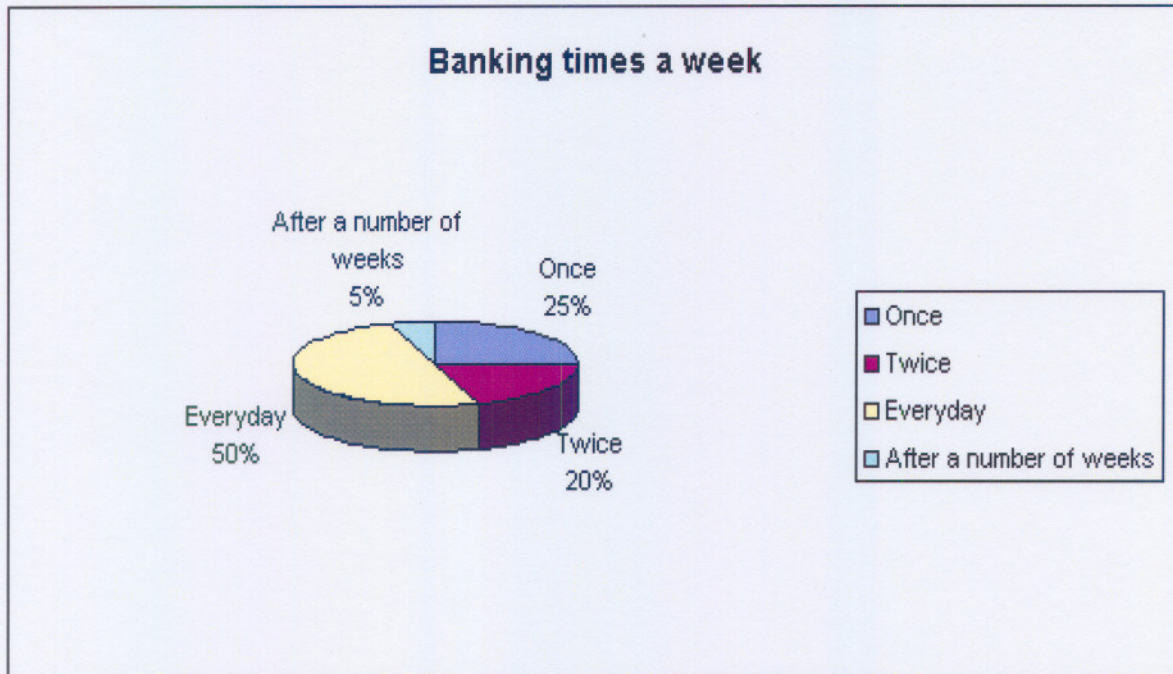
Figure 4.11: Funding the start-up business



4.5.3.3 Banking times in a week

Figure 4.12 states that 25 per cent of the entrepreneurs bank once a week, 20 per cent of them bank twice weekly, 50 per cent of these entrepreneurs bank everyday and only 5 per cent bank after a number of weeks.

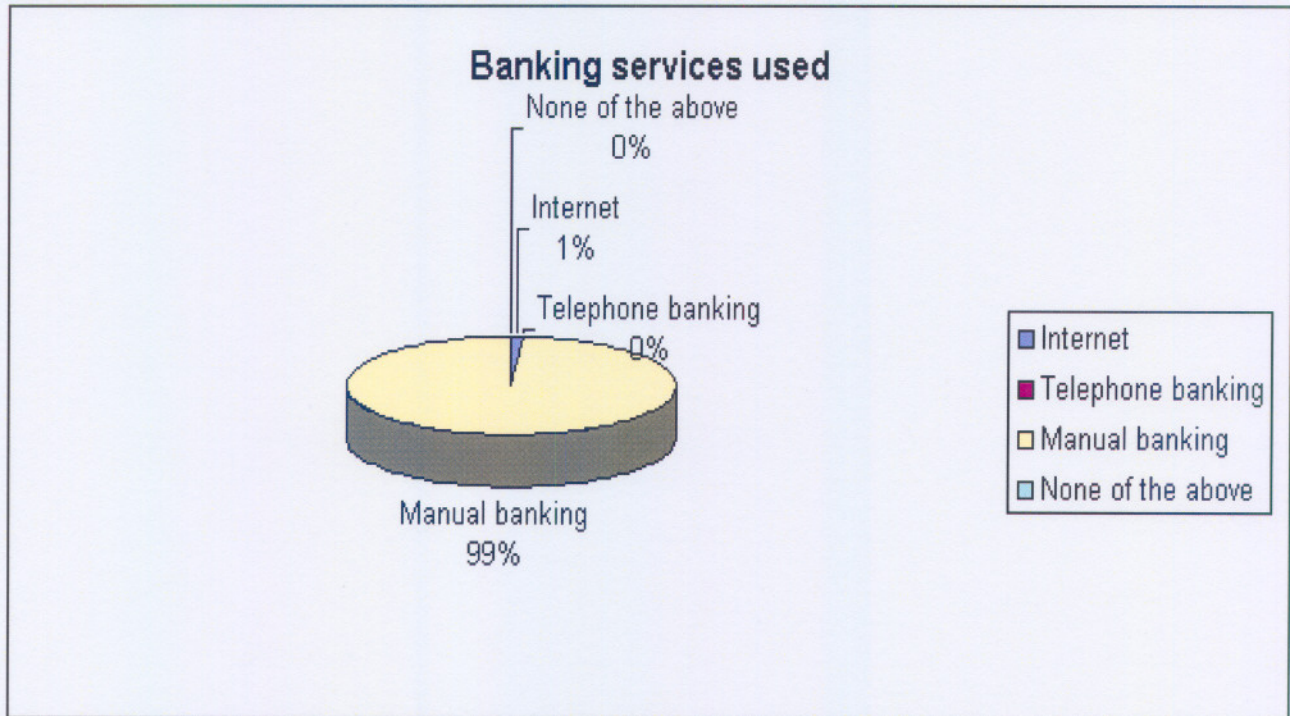
Figure 4.12: Banking times in a week



4.5.3.4 *Types of banking facilities*

In figure 4.13, the majority of entrepreneurs, i.e. 99 per cent, use manual banking and they bank on average after two days. There are no businesses in the Vhembe district that are using telephone banking, 1 per cent of the businesses in the district use internet banking facilities.

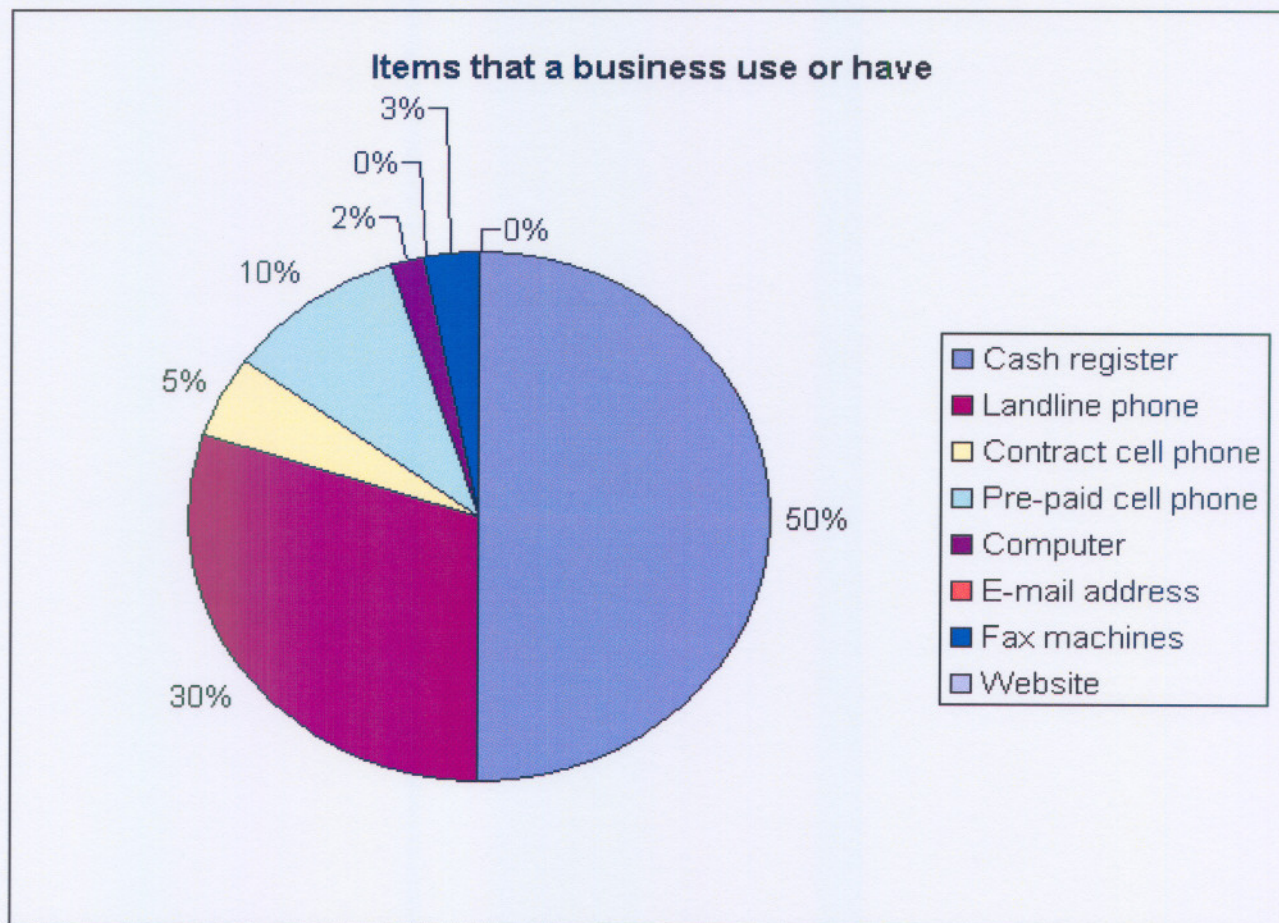
Figure 4.13: Banking services used by entrepreneurs



4.5.3.5 Banking facilities at the disposal of a business

The responses as reflected in figure 4.14, states that 50 per cent of all businesses in Vhembe district use a cash register, 30 per cent have access to the use of landline phone, 10 per of the entrepreneurs use pre-paid phones, 5 per cent have contract cell phones, 2 per cent of the businesses use computers. E-mail facilities are almost non existent because it shows 0 per cent, the use of fax machines is 3 per cent and websites are also non existent.

Figure 4.14: Banking facilities that a business use or have

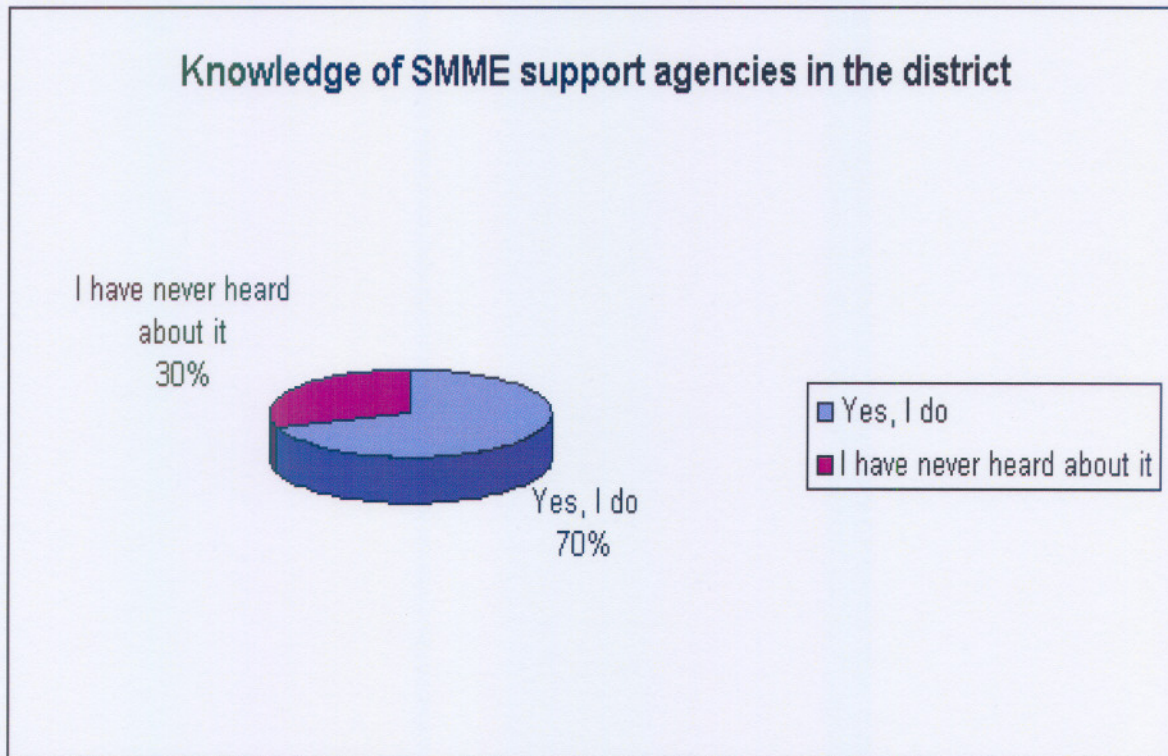


4.5.4 SMME support agencies

4.5.4.1 Knowledge of SMME support agencies in the district

Responses from figure 4.16 show that 70 per cent of the entrepreneurs know one or all SMME support agencies that are available in the Vhembe district. Only 30 per cent of the entrepreneurial community is ignorant about these SMME support agencies.

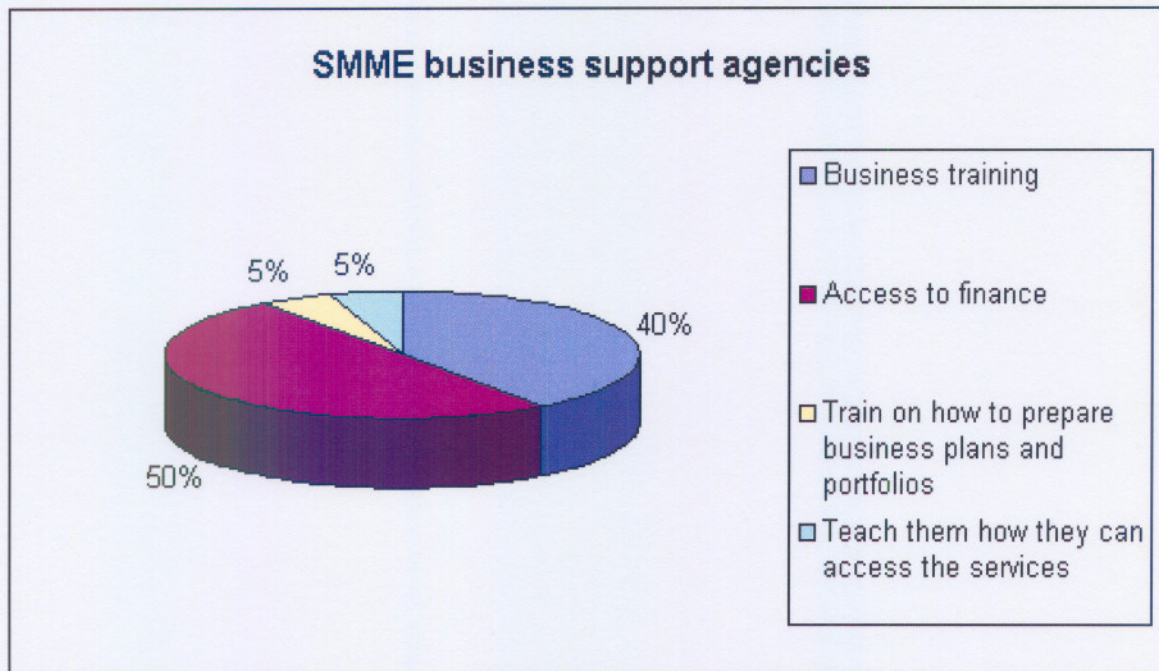
Figure 4.15: Knowledge of SMME support agencies in Vhembe district



4.5.4.2 SMME business support agencies

Figure 4.17 reflects the needs of the entrepreneurs in the Vhembe district from the SMME support agencies. 50 per cent of all entrepreneurs cited access to finance as a priority for them, 40 per cent say they need business training like bookkeeping. 5 per cent say they need to be trained on how to prepare business plans and business portfolios and taught how they can access the services of these SMME support agencies.

Figure 4.16: SMME business support agencies



4.5.4.3 SMME agencies

The establishment of other agencies besides the Development Corporation has brought some advantages to the Limpopo business communities. Limpopo Business Support Agency (LIBSA) a non-financial services agency brought the value adding services to SMMEs and co-operatives, which is called the business incubation programme. The programme is vital for business survival especially in the first year of business inception.

It focuses on core business, inculcating the entrepreneurial culture in the lives of entrepreneurs and encourages the application and use of business principles. LIBSA's Business Incubation Centres accommodate various enterprises like hairdressing salons, welding services, carpentry and many more, and its initiative is making business to be sustainable and viable.

LIBSA's Business Incubation Programme has training, monitoring, counseling, evaluation and linkages to markets. The Training division of LIBSA is the support system for incubates, whilst business development units identifies SMMEs and Co-operatives who are eligible for the incubation programme. It has contracted the Mine Workers Development Agency (MDA) in Jane Furse to manage its incubation centre. The incubates are being trained on general business management, taught technical skills by experts from industry, taught how to comply to legislation such as registration of business, tax compliance and all laws governing SMMEs, so that when they finish the programme they will be equipped to manage and sustain their businesses.

LIBSA's business development unit continues to monitor business and businesses that have their own premises are incubated in their own buildings and are taken care of by its Business Development Officers. LIBSA says that it has on average 70 businesses on each incubation centre and this number includes businesses being incubated and those that are incubated in their own premises.

Facilitation of business registration is showing an increase on a continuous basis, because in the month of January 2006, it successfully registered 171 businesses, most of which were operating informally and through this intervention, they are able to access business support services from both government and other business agencies.

4.6 SUMMARY

The majority of survivalist enterprises have been forced by unemployment to start their informal businesses which they are operating. These survivalist entrepreneurs can leave their current business ventures if they are able to find a decent employment that can generate income for their families. The local municipalities have not as yet embarked on the Local Economic Development (LED) that government is promoting nationally.

A few community based projects are effectively running smoothly like the energy centre at Tshandama village, where the Mutale local municipality co-ordinated the project with SASOL and Tshandama community to establish an energy centre where Diesel, Petrol, Paraffin and gas are being sold. More initiatives are needed to establish community based projects or co-operatives that will generate a number of jobs to the local communities. There has to be a link between the local municipalities Local Economic Development (LED) and the SMME agencies like LIBSA, LIMDEV and LIMAC, in order to establish offices in the local municipalities where local entrepreneurs will be able to access services offered by these agencies.

The business incubation programme of Limpopo Business Support Agency plays the most important role in supporting, sustaining and development of these businesses that are undergoing an incubation programme. The business incubation programme is needed in each local municipality in the Limpopo Province in order to meet the growth and development strategy of the province.

Most of the SMME enterprises are operating their businesses in a manner that is not acceptable, looking at the way business should be run, but more training in order to enhance their skills is needed and thus where an agency like LIBSA should play a role. The integration of SMME services and establishment of offices in the local municipalities or co-ordination between these SMME agencies will help create sustainable jobs for the local communities.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The conclusions and recommendations will be drawn up based on the literature review and the findings of the empirical study done. The evaluation will be done to determine whether objectives of the empirical study were achieved and recommendation for future research will be made.

Recommendations were drafted after challenges facing the Vhembe district were carefully considered and they also include initiatives that could be implemented for the benefit of all the districts in Limpopo province.

5.2 CONCLUSIONS ON THE EMPIRICAL STUDY

The following conclusions have been reached on the basis of the empirical research findings contained in the study. An empirical study was undertaken using twenty – six entrepreneurs from Vhembe district and four SMME agencies. The conclusions are drawn based only on the findings as analyzed in chapter 3.

5.2.1 Conclusions on biographical information

The majority of young entrepreneurs in the district are men - very few women entrepreneurs are found in these ventures. The reason why there are only a few women is because entrepreneurship involves taking many risks and many women are reluctant to operate in that environment. Young females prefer to be employed rather than start a business.

The majority of females in the survivalist businesses are illiterate adults who are in these ventures because it helps them support their families through what they get from these businesses.

5.2.2 Conclusions on entrepreneurs' information

Most of the entrepreneurs between the ages of 25 to 50 found in the Vhembe district have completed matric and many of them have a post-matric certificate. High unemployment has forced many of these survivalist entrepreneurs to start their own informal small businesses in order to support themselves through the income they generate.

Lack of proper business training of these entrepreneurs is hampering their entrepreneurial development. Projects like business incubation are highly needed if these entrepreneurs are to be trained properly in order to improve their business skills and its sustainability in the near future.

Entrepreneurs who are in their fifties should be encouraged to form co-operatives in their local communities so that they could be assisted in a better way. Co-operatives amongst these informal businesses help improve the accessibility of SMME agencies support services.

The SMME agencies in the Limpopo province - in particular Vhembe district - will be able to identify training needs of the co-operatives and be able to offer these services to them with ease. It will improve their business skills that will lead to the sustainability of these co-operatives and will ultimately boost the development of SMME and the creation of more job opportunities.

5.2.3 Conclusions on entrepreneurs' business information

Informal businesses employ only one person, the owner manager of the business and generate less than R 5000 in turnover rate per month and are unprofessionally run. Registered small business in the district makes between R 10 000 and R 100 000 a month as their turnover rate. Their businesses are run professionally and more than three to ten people are employed. These entrepreneurs are aware of how their businesses should operate, but needs more support from SMME agencies in terms of access to finance and training.

5.2.4 Conclusions on entrepreneurs' resources

Lack of access to finance is a major contributor in these businesses not able to achieve the development that is required. Many of the entrepreneurs do not have a healthy credit record and as a result they cannot access financial services in the financing SMME agencies like LIMDEV or other financial institutions. Lack of enough collateral needed as security is another major obstacle in the development of SMME both provincially and nationally. Business skills training are one of the main resources needed by the local entrepreneurs to develop and grow their businesses.

5.2.5 Conclusions on SMME support agencies

The Limpopo Business Zone should encourage their affiliates which are LIMDEV, LIBSA and LIMAC to establish more offices in the local communities in order to assist local entrepreneurs more efficiently. Most of the officials are far away from the local business communities and business people cannot easily access these needed services.

Various SMME support agencies should market themselves well so that local entrepreneurs will be able to know which agency they should go to for a specific service that the agency can offer. More interaction between the SMME agencies and the local

business people should be encouraged in order to improve service delivery and boost economic development.

5.2.6 The impact that survivalist enterprises and malls in rural townships have on the development of these micro and very small enterprises

One of the entrepreneurs who are involved in the restaurant business indicated that he competes with survivalist businesses that are rendering the same service that he is rendering, but yet they do not pay tax on the income that they generate out of the sale of their products.

This exercise makes it unfair to the formal businesses, because out of the sale of the same products they are liable for Income Tax and VAT, depending on whether they qualify to pay VAT. Malls come normally with big business, and this creates a constraint because local entrepreneurs are not able to compete with these businesses due to their strong financial muscle compared to very small entrepreneurs in the local towns. When development like this happens, it kills the development of local entrepreneurs although more jobs opportunities are created.

5.2.7 What are the challenges faced by SMME enterprises and Agencies?

- A lot of entrepreneurs cannot access finance because they are not credit worthy.
- In some products that are sold by general dealers, there is stiff competition because some entrepreneurs sell products of low quality at a cheaper price.
- Entrepreneurs do not have the required business skills
- Agencies do not have enough capacity to accommodate a number of entrepreneurs who need their services.
- Access to finance, markets by entrepreneurs is still a big challenge.
- Agency services are not well co-coordinated in order to provide the entrepreneurs with a complete set of services needed for growth and development.

- Agencies' offices are still centralized in Polokwane with very few service centres available in the local communities.
- The Local Economic Development (LED) of the local municipalities has not as yet rolled out its services to help develop the local communities in the area they operate in.
- Inability to access funding for SMMEs and lack of support to SMMEs in terms of access to capital finance.
- Financial institutions are still reluctant to provide funds.
- Development of co-operatives in Limpopo suffer from poor corporate governance, poor money management and they lack business understanding.

5.3 RECOMMENDATIONS

5.3.1 Recommendations on entrepreneurs

- Entrepreneurs should be ready for change and incorporate new ways of operating a progressive small business.
- The willingness to learn new business ideas should be part and parcel of entrepreneurs' business strategy to enhance their knowledge about their businesses.
- Through the activities like the Polokwane show conducted annually during Easter, entrepreneurs should encourage schools in the province to use the opportunity for learners to be exposed to many activities taking place during the show and encourage the spirit of entrepreneurship to learners at an early age.

5.3.2 Recommendations on Limpopo provincial government's Department of Economic Development, Environment and Tourism and Limpopo SMME agencies

- The co-operatives' training and development, as well as awareness, must be intensified to ensure that more success stories can emerge.

- The integration initiatives such as the Limpopo Business Zone should be encouraged to ensure continuity in SMME support from non-finance to financial services. Limpopo Business Zone is an integrated initiative initiated by Limpopo Economic Development Enterprise (LIMDEV), Limpopo Business Support Agency (LIBSA) and Limpopo Manufacturing Advisory Centre (LIMAC).
- A healthy synergy between LIBSA training division and business development unit should always exist for the business incubation programme to be successful.
- The LIBSA business incubation programme should be established in all Limpopo district municipalities and a healthy co-operation between LIBSA and local municipalities should exist to achieve development and growth in the local entrepreneurs.
- The Business incubation programme of LIBSA is bringing confidence and hope to the SMMEs in Limpopo, and the capacity that exists should be increased to accommodate more businesses that need this service to sustain itself.
- More agencies in Limpopo should partner with local entrepreneurs to give exposure to local entrepreneurs' provincial and national access to the markets, where they can be able to sell their products and sustain their businesses.
- The Limpopo Business Zone should be enhanced and encouraged in order to get effective and efficient hassle-free services to the SMMEs in the province.
- The Business Zone initiative should result in all three agencies operating under one roof or nearer to each other in order to give entrepreneurs a complete and well integrated service.

- There should be an electronic integration of services via the three agencies' website that should be established in order to have an effective link of all services needed by SMME entrepreneurs.
- The website should also be linked to the data base for business in Limpopo.
- There should be a healthy link between all three Limpopo SMME agencies and the district and local municipalities in the entire province in order to provide much needed SMME support.
- The Limpopo Business Zone website should have an SMME data base that provides information about the SMME entrepreneurs in the province and provide comprehensive information about the services that they offer to the public.

5.4 ACHIEVING THE OBJECTIVES

The objective of the study was greatly achieved, because more entrepreneurs in the Vhembe District have been made aware of what they can do to develop their business ventures. The interaction with LIBSA, LIMDEV and Local municipalities have highlighted a need for more integration amongst the SMME agencies in order to provide a completed set of services to the local community of Vhembe District.

5.5 FURTHER RESEARCH

The South African government sees SMMEs as the correct vehicle for stimulating growth and creating new job opportunities for the local communities. That is why it is widely promoted nationally and in all nine provinces. The establishment of the Limpopo Business Zone, which is a collaboration of the three SMME agencies (LIMDEV, LIMAC and LIBSA) should be encouraged and properly researched so that it can provide a one-stop business centre.

More collaboration between SMME agencies, local municipalities and local entrepreneurs should be well researched to strengthen SMME development in the province and in the local communities. Lack of business training and access to finance is another area that needs attention and proper infrastructure should be made available to address viability of the start-up businesses.

The study was limited to Vhembe district of Limpopo province. A complete picture of SMME development could be found if it is extended to all districts in the Limpopo province.

5.6 SUMMARY

The study has highlighted a number of areas that all stakeholders in SMMEs should address in order to achieve development that is viable and sustainable. Most of the survivalist entrepreneurs should be incubated through the LISBA incubation programme that helps to develop entrepreneurial skills and to grow the small business sector in the Limpopo province.

The initiative of the Limpopo department of economic development, environment and tourism, Limpopo Business Zone, should be encouraged. It will be able to help local entrepreneurs in all the local municipal districts of the province in a more efficient and effective way.

The establishment of more co-operatives amongst the rural districts of the province should be encouraged, because through these initiatives more people are able to participate in the creation of job opportunities and to grow the economy of the districts and the province in general. Business skills training remains the greatest challenge in the province and nationally.

REFERENCES

African National Congress. 1994. The Reconstruction and Development Programme. Umanyano Publications: Johannesburg.

Berry, A., Von Blottnitz, M., Cassim, R., Kesper, A., Rajaratnam, B & Van Seventer, D. E. 2002. The economics of SMMEs in South Africa. Johannesburg: Trade and Industrial Policy Strategies.

Bourgouin, F. 2002. Information Communication Technologies and the potential for rural tourism SMME development: the case of the Wild coast. *Development Southern Africa*, 19(1). Carfax Publishing.

Business Africa, 2001. Market Pointers.

Davies, T. 2001. Enhancing competitiveness in the manufacturing sector: key opportunities provided by inter firm clustering. *CR*, 11 (2): 11p.

Dockel, J. A., & Ligthelm, A. A. 2005. Factors responsible for the growth of Small business. Bureau for Market Research, Pretoria: University of South Africa. *South African Journal*, 8(2).

Kambikambi, K. 2003. A development plan for emerging entrepreneurs in South Africa. Potchefstroom: Potchefstroom University for Christian Higher Education. (Dissertation MBA) 119p.

Kesper, A., Failing or not aiming to grow? Manufacturing SMMEs and their contribution to employment growth in South Africa.

Kuratko, D.F. & Hodgetts, R.M. 1998. Entrepreneurship: a contemporary approach. 4th ed. Philadelphia: Dryden Press.

Lewis, J. D., 2001. Policies to promote growth and employment in South Africa. The World Bank Southern Africa Department. July.

Liedholm, C., Macpherson, M & Chuta, E. 1994. *Small enterprise employment growth in rural Africa. American Journal of Agricultural Economics*, 76:1177-82.

Limpopo (South Africa). 2003. Development Index Framework. Department of Finance and Economic Development.

Limpopo (South Africa). 2005. Growth and development strategy. January.

Levitsky, J. 1996. Support systems for SMEs in developing countries. A Review. Paper Commissioned by the Small and Medium Industries Branch. (2) United Nations Industrial Developing Organization.

Luiz, J., 2002. Small business development, entrepreneurship and expanding the business sector in a developing economy: the case of South Africa. University of the Witwatersrand, South Africa: *The journal of applied Business Research*, 18(2).

Lund, F. 1998. Women urban street traders in urban South Africa: a synthesis of selected research findings. Research Findings No. 15, Centre for Social Development Studies. Durban: University of Natal.

Manning, C. 1996. Market access for Small and Medium-sized Producers in South Africa: the case of the furniture industry. Unpublished PhD dissertation. Brighton: University of Sussex.

May, J., Govender, J., Bundlender, D., Mokate, R., Rogerson, C., Stavrou, A & Wilkins, N. 1998. Poverty and Inequality in South Africa. The government of South Africa, UK

Msomi, S. New forum mooted to boost job creation. Sunday Times Business Times: 28 May.

Department for International Development, United Nations Development Programme, World Bank & Dutch government. May 1998.

National Skill Development Strategy, 2001. Department of Labour, South Africa.

Nieman, G., Hough, J. & Nieuwenhuizen, C. 2003. Entrepreneurship: A South African Perspective. 1st ed. Paarl: Van Schaik.

Nieuwenhuizen, C., Le Roux, E.E. & Jacobs, H. 2003. The entrepreneurship series: entrepreneurship and how to establish your own business. 2nd ed. Cape Town: Mills Litho.

Ntsika, 2003. Ntsika Local Business Service Centres: Success stories. Pretoria: Ntsika Enterprise Promotion Agency.

Office of the Deputy President. 1996. GEAR Macroeconomic Strategy. Pretoria.10P.

Rogerson, C.M., 1999. Small enterprise development in post-apartheid South Africa: Gearing up for growth and poverty alleviation. In King, K & McGrath, S (Eds), Enterprise in Africa: between poverty and growth. London: Intermediate Technology Publications, 83 -94.

Rogerson, C.M. 2000. SMME infrastructure and policy in South Africa. In Khosa, M (Ed.), Infrastructure mandates for change 1994 – 1999. Pretoria: Human Sciences Research Council, 175 – 96.

Rogerson, C.M. 2004. The impact of the South African government's SMME Programmes: a ten – year review (1994 – 2003). Development Southern Africa vol. 21, No.5, Carfax Publishing

Small Business Project. 1999. Clusters as a vehicle for SME development: an alternative perspective. Johannesburg.

Statistics South Africa, 2005. Statistics in brief. Pretoria.

SOUTH AFRICA. 1994. General Notice. 1994. White Paper on Reconstruction and Development. *Government Gazette*, 16085:1-82. 23 Nov.

SOUTH AFRICA. The Growth, Employment and Redistribution (GEAR) Framework. 1996. *Government Gazette*, 1-10, 14 June.

SOUTH AFRICA. Department of Trade and Industry. 1995. White Paper on National Strategy for the Development and Promotion of Small Business in South Africa. *Government Gazette*, 16317:1-35, 28 Mar.

SOUTH AFRICA. Department of Trade and Industry. 1996. National Small Business Act. *Government Gazette*, 1901:1-13, 27 Nov.

SOUTH AFRICA. Department of Trade and Industry. 2002. Review of Industrial Performance and the prospects for the short-medium term. *Government gazette*, May.

The World Bank. 2002. Global Economic Prospects and the Developing Countries. International Bank for Reconstruction and Development. Washington.

Timmons, J.A., & Spinelli, S. 2004. New Venture Creation: Entrepreneurship for the 21st Century. 6th ed. Singapore: Irwin.

Visagie, J.C. 1997. SMMEs challenges in reconstructing South Africa. Department of Industrial Sociology, Potchefstroom: Potchefstroom University for Christian Higher Education, South Africa.

Von Broembsen, M., Wood, E. & Herrington, M. 2005. South Africa. Global Entrepreneurship Monitor. South African Report. 24-43p.

ADDENDUM A

Personal Interview Conducted by MJ Netshandama on SMME Development in Limpopo Province

SMME Agencies and Providers

1. What section of the SMME does your organization service:
Survival enterprises
Micro enterprises
Small enterprises
Medium enterprises

2. What type of services do you offer these enterprises?

3. What are some of the challenges that these SMME enterprises have? And what are the challenges that you have as the Agencies towards helping these entrepreneurs and how can they be solved?

(Challenges like unemployment, poverty, illiteracy among entrepreneurs)

4. What are the strategies your agency has to drive development and create job opportunities to the local communities?

5. How do you interact with the local business communities around your district? (For example making use of some formations like Limpopo Business Support Agency (LIBSA) if its there.

6. Did successful merging of Development Corporation in Limpopo improve the development of SMME in the province?

7. What role do municipalities play in SMME development through their Local Economic Development (LED)?

8. What impact does mushrooming of Survivalist entrepreneurs in rural Limpopo and mushrooming of malls or shopping complexes in local towns have in the development of SMMEs?

9. What are the success and failures of your agency in the development of SMME and what will be the way forward?

ADDENDUM B

Quantitative Research Questionnaire

Your personal details will be kept confidential and will not be used for any purpose except for the purposes of this research.

SECTION A: PERSONAL DETAILS AND BIOGRAPHIC INFORMATION

1. Name of Business:.....

Type of Business:.....

First Names:.....

Surname:.....

Contact Numbers:.....

Business Address:.....

.....

.....

District:.....

Gender:.....

Age:.....

SECTION B: ENTREPRENEURS INFORMATION

Please mark with an X, where applicable.

2. What is your highest level of education?

I never went to school	
Primary education completed	
High school education completed (Matric)	
Post matric certificate	
Technikon/College diploma completed	
University degree completed	

3. What is the main reason for starting your business?

Forced by unemployment circumstances	
I saw an opportunity for business	
I took over the family business	

SECTION C: QUALITATIVE RESEARCH

ENTREPRENEURS' BUSINESS INFORMATION

4. How many people are employed by your business?

Only myself	
1 to 5 employees	
10 to 20 employees	
20 to 50 employees	
50 to 100 employees	
More than 100 employees	

5. How much turnover rate does your business generate in a month?

R1 000 to R5 000	
R10 000 to R20 000	
R20 000 to R50 000	
R50 000 to R100 000	
More than R100 000	

6. Which statement is true about you?

I like taking business risk	
I like to follow what other people did before I take a risk	
I will never take a business risk	

7. Do you have a separate business bank account?

Yes	
No, I use my personal bank account	
I do not have a bank account	

8. Do you have a professional book keeper?

Yes, I have one in my employ	
Yes, I outsourced this service	
No, I do the books myself	
No, I do not do any book keeping	

9. Do you have any knowledge of how your business should pay tax?

Yes, my book keeper prepares the financial statements for tax purposes	
No, I do not have any idea	

10. Which statement is correct about your business?

We plan all activities in our business and we draw budgets on a monthly basis	
We do not plan and draw budgets in our business at all	
We sometimes draw up budgets	

SECTION D: ENTREPRENEURS RESOURCES

11. From where do you operate your business?

Home	
Business Office	
Anywhere	
Both home and office	

12. How did you fund your business when you started?

Own savings	
Loan/grants from SMME Agencies	
Loan from the Bank	
Your own pension grants	
Friends and Relatives	

13. Which of the following services does your business use?

Internet banking	
Telephone banking	
Manual banking	
None of the above	

14. How often in a week to you do your banking?

Once	
Twice	
Everyday	
After a number of weeks	

15. Which of these items do you have in your business? You may tick more than one.

Cash register	
Landline phone	
Contract cell phone	
Pre-paid cell phone	
Computer	
E-mail address	
Fax machine	
Website	

19. What would be your recommended solution to the problem?

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....