

**FACTORS AFFECTING THE SUSTAINABILITY OF SME IN THE
MANUFACTURING SECTOR OF GABORONE, BOTSWANA**

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DECLARATION

I, Mmoloki C. Baleseng, declare that this mini-dissertation is my original work and that all sources have been accurately acknowledged. This document has not previously been submitted, in its entirety or in part, at any other university in order to obtain an academic qualification.

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Abstract

Contemporary business environment is hastily changing worldwide and prompting enterprises to change their way of doing business, failing which they run the risk of being knocked out of the market in which they operate. Quite a number of nations, more especially developing ones, are still being faced with a daunting task of reducing their high levels of poverty and unemployment. The significant role that is played by Small and Medium Enterprises (SMEs) became the centre of attention for many nations worldwide because of their ability to stimulate economic development through the reduction in poverty, creation of job opportunities and generally contributing remarkably to the Gross Domestic Product (GDP).

However, despite the positive roles and remarkable contributions made by SMEs globally, they still have an alarming failure rate, even though there are numerous government initiatives and support schemes to empower them to be competitive and sustainable. Hence the motivation behind this study was to investigate the factors that affect the sustainability of SMEs in the manufacturing sector of Gaborone, Botswana and also to find out the factors that can equip SME owners to remain competitive in the manufacturing sector in Gaborone and eventually to cover all other areas in the economy of Botswana.

For the same reason, the study was piloted in the city of Gaborone, Botswana with a total population size of 100 SMEs. However due to the vastness of the area and convenience purposes the sample size of this study was 80 SMEs of which were drawn from the database extracted from Gaborone City Council. Furthermore the approach that was followed in this particular study was mostly quantitative and partially qualitative. The technique applied was a standardized closed-ended interview and partially open-ended questions. The design of the questionnaire was made simple in such a way that the questions do not consume the precious business time of the respondents. In addition, the data that was collected was analysed using a statistical package for social sciences where tables, cones, bar/pie charts were utilised for ease of interpretation of the data.

The findings of the data collected revealed that SMEs lacked financial support, managerial, marketing and financial skills in order for them to be competitive and sustainable. They also revealed that the government of Botswana was not doing enough in terms of the sustainability of SMEs in Gaborone as most of the respondents were complaining about the rigidity of the government laws and regulations pertaining to SMEs.

It is therefore, anticipated that the outcome of this study would benefit SME owners of Gaborone area in that they will be knowledgeable on the factors that affect their enterprises not to be sustainable and remain competitive in the manufacturing sector.

Keywords: Economic Development, Developed & Developing Countries, Poverty & Unemployment Reduction, SMEs, Manufacturing sector, Gaborone.

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LIST OF ACRONYMS

ALDEP:	Arable Land Development Planning
BDC:	Botswana Development Corporation
BDS:	Business Development Services
BEDU:	Botswana Enterprise Development Unit
BNYC:	Botswana National Youth Council
CEDA:	Citizen Entrepreneurial Development Agency
EDD:	Economic Diversification Drive
EU:	European Union
FAP:	Financial Assistance Policy
GDP:	Gross Domestic Product
JAB:	Junior Achievement Botswana
LEA:	Local Enterprise Authority
MSMED:	Micro, Small, and Medium Enterprises Development
OECD:	Organisation for Economic Co-operation and Development
SBC:	Small Business Council
SEDCO:	Small Enterprise Development Corporation
SMEs:	Small and Medium Enterprises
SMMEs:	Small Medium and Micro Enterprises
SPSS:	Statistical Package for Social Services
UN:	United Nations
YGF:	Youth Grant Fund

CHAPTER 1: Introduction to the Research Problem

1.1 Introduction

Due to a contemporary highly competitive environment, most governments have seen increasing awareness and recognition of the role played by Small and Medium Enterprises (SMEs) and their contribution to the economy Hlatshwako, (2012:iv). Botswana is no exception to the above stated phenomena. According to the Guidelines for registration of Micro & Small Businesses, (2013:3), it has been established that the major advantages of SMEs emanate from the fact that they have the potential for innovation, flexibility, low start-up costs, rapid development, and the distribution of risk. In addition, these enterprises provide a solution not only to the general unemployment situation, but also to employment problems of special population groups such as women and the youth.

Furthermore, Ongori (2009:81) substantiated this by stating that SMEs are often credited as agents of innovation, agents of alleviating poverty, economic growth, wealth creation and employment creation. It is therefore on this note that SMEs are generally regarded as the cornerstone of economies in both developed and developing countries. SMEs are regarded as the major driver of the economy and a source of employment opportunities. In addition, in its quest to enlarge and further develop the SME's and the manufacturing sector, the government of Botswana has for a long time been evidenced by the formulation and implementation of different policies (Sentsho, Maiketso, Sengwaketse, Ndzinge-Anderson & Kayawe, 2007:43). According to the Botswana Confederation of Commerce Industry & Manpower Report (2010), these policies mainly focused on diversifying the economy away from their established industries of beef and diamonds to broaden the economic base in anticipation of the decline in diamond production from 2020 onwards.

It is on this basis that the Botswana Government established schemes and institutions which were meant to achieve and support industrial development and establishment of SMEs through the implementation of the formulated policies mentioned previously. These schemes include among others the introduction of Botswana Enterprise Development Unit (BEDU), Financial Assistance Policy (FAP) which was later on replaced by Citizen Entrepreneurial Development Agency (CEDA) due to SMEs failure, Small Medium and Micro Enterprises (SMMEs), Arable Land Development Planning (ALDEP) as well as Local Enterprise Authority (LEA) (Sentsho et al., 2007:43).

Equally important is worth noting that SMEs create substantial job opportunities as they use relatively labour-intensive technologies, hence employing more people per unit of investment as compared to large businesses, hence, a given amount of money will create more jobs if it is spread over a large number of SMEs than if it is focused on few large companies (Temtime & Pansiri, 2004:18). Furthermore, according to Temtime & Pansiri, (2004:14), large businesses normally tend to produce an elite number of high-income earners whereas SMEs produce a significantly large number of relatively low-income earners. The development of SMEs would therefore help provide income opportunities to a large number of people. Consequently, SMEs contribute significantly to the provision of productive employment opportunities, the generation of income and, eventually the reduction of poverty (Jasra, Khan, Hunjra, Rehman & Azam, 2011:275).

Despite the positive roles and contribution made by SMEs globally and to the economy of Botswana, the SMEs have an alarming failure rate, hence the motivation for investigating the factors that affect the sustainability of these SMEs in Gaborone, Botswana.

1.2 Problem Statement

Quite a number of studies including among others; Sentsho et al., (2007), Zindiye, (2008), Ongori, (2009), and Wiese, (2014) have acknowledged that SMEs are the backbone of economic development worldwide. As such their development is of major importance if the economy of a nation is to improve (Hlatshwako, 2012:3). In view of this, as is the case with most countries, the Botswana government has come up with some initiatives that are aimed at developing the small manufacturing sector. In spite of these attempts, SMEs are still faced with challenges and other factors that make them difficult to grow and be sustainable.

For the same reason, according to the (Government of Botswana White Paper No.1, 1999), it has been identified that SME failure rate in Botswana is very high despite the government's provision for funding. Gagoitseope and Pansiri (2012:52) shared the same sentiments, namely that there has been a worrisome lack of significant growth in SME development in Botswana, notwithstanding numerous government support schemes that have been established in the past. It is therefore, on this note that this study seeks to investigate and identify factors that affect the sustainability of SME's in the manufacturing sector in Botswana specifically in Gaborone.

1.3 Research Questions

This study seeks to address the following critical questions:

- What are the factors that affect the sustainability of SMEs in the manufacturing sector in Gaborone?
- What are the factors that can help enhance SMEs to remain competitive in the manufacturing sector?
- What are SMEs?
- What is the current state of affairs regarding SMEs performance in Gaborone?
- What are the types of SMES operating in Botswana?
- How supportive are the institutions in Gaborone towards SMEs enhancement and empowerment?
- What are the policy reform needs needed to mentor and promote development of SMEs nationally?

1.4 Research Objectives

The main purpose of this study is to investigate factors affecting the sustainability of SMEs in the manufacturing sector in Gaborone, Botswana. In addition, there are some other objectives:

1. To find out factors affecting and contributing toward the failure of these small & medium enterprises;
2. To find out factors that can equip SME owners to remain competitive in the manufacturing sector in Gaborone and eventually to cover all other areas in the economy of Botswana.

1.5 Significance of the Study

It is anticipated that the outcome of this study would benefit SME owners of Gaborone area in that they will be informed on how to acquire the skills that will help them sustain their establishments to remain competitive in the manufacturing sector. Institutions that are responsible for uplifting the SMEs development in the economy of Botswana would also benefit in that they would be advised on factors that enhance SMEs development. Scholars would also benefit because they can use this study as a basis for ongoing investigation.

1.6 Research Methodology

The main objective of this study was to find out the factors that affect sustainability of small and medium enterprises in the manufacturing sector of Gaborone. This section therefore will highlight in a nutshell the techniques that will be applied in chapter 3 of this study of the research methodology and they include among others; research design, research methods, target population, sampling strategies, data gathering techniques, data analysis and ethical considerations.

1.6.1 Research Design

Basically the research design outlines the master plan of action to be followed in order to realise the research objectives. This is achieved through the methods and procedures for collecting and analysing the required information (Zindiye, 2008:16).

1.6.2 Research Methods

There are quite a number of research strategies that can be applied within the research methods. A survey was applied to address the objectives of this study. Hence, mainly quantitative approach was wholly applied in this study and qualitative approach partially followed. Quantitative is numerical in nature, that is it is obtained by assigning numerical values to responses whereas qualitative is contextual, that is it is obtained from field notes, videotapes and audiotapes.

1.6.3 Target Population

A total of 100 SMEs were targeted to complete the research questionnaire. However, due to the vastness of the area and for the purpose of convenience, the target population for the sampling size of this study was 80 SMEs which were selected from the database of the operating manufacturing industry stored at the Gaborone City Council.

1.6.4 Sampling Strategies

There are quite a number of sampling methods that can be used in order to arrive at a sound and meaningful conclusion of the study objective. For the purpose of this study, the researcher applied the simple random sampling method. According to Oladele (2014:28), the simple random sampling method involves randomly selecting the required number of subjects for the sample from a list of the entire population.

1.6.4 Data Gathering Techniques

Because this study was mainly quantitative and partially qualitative, the technique applied was a standardized closed-ended questions and partly open-ended questions. The design of the questionnaires was made simple in such a way that the questions do not consume the precious business time of the respondents. The questionnaires included variables on:

- Personal characteristics — requesting them to give their demographic profiles on indicators such as age, gender, education, business size, type of business and number of employees; and
- A 6-point Likert-type scale ranging from 1(strongly agree) to 5(strongly disagree) was designed and used to assess respondents' motives.

1.6.5 Data Analysis

Data was analysed using statistical package for social sciences where descriptive statistics such as tables, cones, pie and bar charts were used to assist in the analysis of data because they are effective illustrations of depicting relations and trends.

1.6.6 Ethical Considerations

Before conducting the questionnaires, respondents consent were sought. This included briefing the respondents about the research objectives and roles of the respondents and how they were going to benefit from the research. Respondents were assured about the degree of confidentiality in the information that they dispensed.

1.7 Research Outline

CHAPTER 1 — Introduction to the Research Problem.

This chapter outlined the research problem of this study, research questions, objectives and the significance of the study.

CHAPTER 2 — Literature Review.

The chapter emphasised the definitions, role, characteristics, types, factors affecting sustainability and competitiveness of SMEs.

CHAPTER 3 — Research Methodology.

The chapter focused on the research philosophy, design, methods, target population, scope of the study, sampling strategies, validity and reliability, data gathering techniques, reliability of the results and ethical considerations.

CHAPTER 4 — Presentation and Discussion of the Findings.

The results and discussion of the findings obtained during the research were presented in this chapter. The presentation and discussion was based on the results obtained on each of the research questions posed at chapter one of this study.

CHAPTER 5 — Conclusion and Recommendations.

The chapter incorporates the conclusions on the findings of the study. Recommendations were highlighted and finally an area for further research in relation to SMEs was also highlighted.

CHAPTER 2: Literature Review

2.1 Introduction

The rapidly ever-changing contemporary business environment is causing large operations worldwide to either outsource their operations or run the risk of being kicked out of business, hence prompting nations to re-strategize their way of doing businesses in order to remain sustainable and competitive in the global market (Hlatshwako, 2012:iv). Africa is described as the poorest continent and it is consequently faced by the daunting challenge of reducing its high levels of poverty (Okpara, 2011:156). According to Okpara (2011:157), small businesses play a significant role in improving economic conditions and poverty issues in Africa since they have generally been regarded as the driving force of economic growth and poverty reduction.

In addition, manufacturing is extremely important for the modernization of any country. It is the main activity that split the developed world from the developing one (El-Khasawneh, 2012:328). Hence, SMEs are being considered as engines of economic growth worldwide. According to Jasra et al., (2011:274), one of the most important roles of SMEs in this context includes poverty alleviation through job creation. For the same reason, the developed as well as developing countries are taking extreme benefits from SMEs and they are capable to accelerate the economy of any country. Substantively, Abor & Quartey, (2010:218) stated that they are often described as efficient and prolific job creators, the seeds of big businesses and fuel of national economic engines.

Furthermore, the existence of Small Medium Enterprises (SMEs) came to the centre of attention and importance to many nations. In many countries, SMEs dominate the economy and their contribution to the national economy is being acknowledged worldwide (Hlatshwako, 2012). This sector has been recognised to play a pivotal role in addressing economic growth in various economies through job creation, alleviation and poverty reduction and generally enhancing the welfare and livelihood of the less privileged and average citizens. Equally important there are fundamental gaps between high and low income groups, hence SMEs exist as a facilitator in filling these gaps (Hlatshwako, 2012). For the same reason according to Ayyagari, Thorsten & Demirguc-Kunt, (2007:415) SMEs foster economic growth and job creation which results in the reduction of poverty.

2.2 Current state of affairs regarding SMEs performance in Botswana

Since its independence in 1966, the government of Botswana has been reliant on the production and manufacture of diamonds and beef products in order to sustain its economic growth. However as early as 1982, this changed as the government chose to pursue a policy of economic diversification. Their dependence on diamonds and beef has limited benefits for the majority of people in the country who are not able to find employment in these sectors, but it is also hard to achieve economic growth through primary export-led growth (Sentsho et al., 2007:10). It was on this note that the government identified SMEs as having the potential for economic diversification and since then it has always been considered essential to development in Botswana because it is expected to play a significant role in economic development in economic diversification as well as creation employment opportunities.

However, inspite of this recognised importance, the performance of SMEs in the Botswana economy, especially when it comes to manufacturing for export has been very limited (Sentsho et al., 2007:10). According to Sentsho et al. (2007:10), the performance of SMEs in Botswana's economy is hampered by various factors including the following:

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

2.3 Definitions of Small Medium Enterprises

The definition of SMEs has been observed not to be standard from country to country; hence the concept differs in different parts of the world; however there are some criteria used which is deemed to be more or less similar. According to (Hlatshwako, 2012:11), the term SME is used to describe a certain group of enterprises and the way in which they operate; and these enterprises have certain characteristics and structures that distinguish them from other organisations. Moreover, despite the differences in defining the SMEs globally, employment is the most common basis for definition (Ayyagari et al., 2007:416).

2.3.1 SME Definition – Internationally

The European Commission (2005) defined SMEs according to the following three criteria: staff headcount, annual turnover and annual balance sheet. Table 2.1 illustrates the definition of SMEs as per the European Commission (2005).

Table 2.1: Defining SMEs in Europe

ENTERPRISE CATEGORY	HEAD COUNT: ANNUAL WORK UNIT	ANNUAL TURNOVER	ANNUAL BALANCE SHEET TOTAL
Micro	<10	≤ €2 million	≤ €2 million
Small	< 50	≤ €10 million	≤ €10 million
Medium-sized	< 250	≤ €50 million	≤ €43 million

(Source: adapted from the European Commission: User Guide and Model Declaration, 2005:11.)

In Canada a company is "small" if the number of employees is not more than 50 employees for a service company, or not more than 100 employees for a goods producing company and above these sizes, and up to 500 employees, a firm is considered medium-sized (Ali, 2003:33).

In India SMEs are defined in accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. The Micro, Small and Medium Enterprises (MSMEs) are classified into two categories of which are manufacturing and service enterprises. The Manufacturing Enterprises are defined in terms of investment level in plant and machinery whereas the service enterprises are defined in terms of investment in

equipment (Singh, Khamba & Nanda, 2015:151). Table 2.2 illustrates the definition of SMEs as per the Indian MSMED Act.

Table 2.2 Defining SMEs in North India

CLASSIFICATION	MANUFACTURING ENTERPRISE	SERVICE ENTERPRISES
Micro	Rs. 2.5 million / Rs. 25 lakh	Rs. 1 million / Rs. 10 lakh
Small	Rs.50 million / Rs. 5 crore	Rs. 20 million / Rs 2 crore
Medium	Rs 100 million / Rs 10 crore	Rs. 50 million / Rs 5 crore

(Source: Indian Micro, Small, and Medium Enterprises Development Act, 2006)

Zindiye (2008:55) provides the Zimbabwean definitions as described in Table 2.3.

Table 2.3 Defining SMEs in Zimbabwe

DEFINITION	REFERENCE	DESCRIPTION
A	Government of Zimbabwe (2000a)	The government of Zimbabwe defines a small enterprise as one that employs not more than 50 people with assets of less than Z\$3.0 million, and acting as a registered entity. Medium enterprises are employing up to 75 and 100 people with a capital base of between Z\$7 million to Z\$12 million.
B	Ministry of Small and Medium Enterprise Development in Zimbabwe (2002)	A registered enterprise with employment levels ranging from 30 to 70 employees and depending on the type of industry will be referred to as a small or medium scale enterprise.
C	Small Enterprise Development Corporation (SEDCO) of Zimbabwe (2004)	An SME is an enterprise employing not more than 75 people with a fixed asset base not exceeding Z\$500 000.

The South African context defines an SME using the number of employees, the annual turnover and the gross assets (Wiese, 2014:12) and Table 2.4 below summarises the broad definition of SMEs in South Africa:

Table 2.4 Defining SMEs in South Africa

ENTERPRISE SIZE	NUMBER OF EMPLOYEES	ANNUAL TURNOVER	GROSS ASSETS (excluding fixed property)
Small	Fewer than 50	Less than R2m to R25m depending on the industry	Less than R2m to R4.5m depending on the industry
Medium	Fewer than 100 to 200, depending on the industry	Less than R4m to R50m depending on the industry	Less than R2m to R18m depending on the industry

(Source: Mahembe, 2011:25)

2.3.2 SME Definition – Botswana

Accordingly, the Botswana Government defined SMEs in terms of the number of workers employed and annual turnover (sales). Table 2.5 summarises the definition of SMEs in Botswana:

Table 2.5 Defining SMEs in Botswana

ENTERPRISE	NUMBER OF EMPLOYEES	ANNUAL TURNOVER
Micro	< 6	≤ BWP100 000.00
Small	< 25	BWP100 001.00 – BWP1 500 000.00
Medium	< 100	>BWP1 500 001.00

(Source: Adapted from Guidelines for registration of Micro & Small Businesses, 2013:3.)

According to the (Guidelines for registration of Micro & Small Businesses, 2013), micro enterprises are those that employ less than 6 employees including the owner and have an annual turnover of up to BWP100 000.00; small-scale enterprises employ less than 25 employees and have an annual turnover of BWP100 0001.00 to BWP1 500 000.00; medium enterprises employ less than 100 employees and have an annual turnover of over BWP1 500 001.00. Furthermore, the registration/licensing of small and medium scale manufacturing activities has since been decentralised to local authorities in accordance with the Industrial

Development Act of 2006, which means that a trade license is required to operate within the borders of the Republic of Botswana.

2.4 Characteristics of Small and Medium Enterprises

SMEs in developed and developing countries are characterised by the same features, but the requirements and the remedies emanating from those characteristics are of unique features. According to Moaisi (2005:17), policy interventions that were applied in the developed countries may not always be applicable to the situations in the developed countries. However, despite the unique policies and interventions applicable to the SME's sector around the globe, they do share the following common characteristics:

2.4.1 Management and Ownership

According to Moaisi (2005:19), most SMEs both in developed and developing countries are manned and owned by their owners. Again the decision making and the way the business should function, its growth and sustainability lies upon the owners. Moreover, SME owners or managers with more experience (managerial, sector or previous SME experience) tend to have more growth potential than SMEs with a lack of experience (Wiese, 2014:36).

2.4.2 Financial Resources

Financial resources are the means needed to start-up, run and operate the business sustainably and profitably. Hence, the lack of financial resources inhibits SME's success and competitiveness in their sector more especially in developing countries. Lack of financial resources is often reported as the major obstacle and funding is therefore a limiting factor experienced by SMEs in developing countries (Millicent & Reginald, 2014:61). Moreover, financial institutions find it difficult to provide funding to SMEs because most of the small businesses do not have assets to secure collateral securities (Moaisi, 2005:18). However, according to (Wiese, 2014:37), the ultimate source of finance was gained through spouse/partner salary, government pension, income from another job, and family contributions.

2.4.3 Products

According to Moaisi (2005:20), SMEs are generally characterised by producing and selling small quantities of homogeneous products at reasonable prices in a localised area. Moaisi

(2005:20) contends that, there is a wide spread duplication of products manufactured to increase the supply. Project diversification is sometimes a constraint or non-existent; in some cases this is due to lack of project ideas.

2.4.4 Markets

Entry to SMEs markets has few barriers hence anyone can enter and exit the market as he/she pleases. There are therefore no regulations that control entry and exit of these types of enterprises. The markets are also generally characterised by low supply of goods and services of which at times are of low quality hence unable to meet the market demand. According to Moaisi (2005:21), failure to meet the market demand is generally linked to lack of knowledge of the available market opportunities, especially in developing countries. Contrary to this claim, Seiche (1995) contended that it is not always lack of demand or a matter of mismatch of supply and consumer preferences, but the problem is lack of purchasing power in the population.

2.4.5 Technology

Business owners, more especially in urban areas, tend to apply convenient and affordable technology that is user friendly to their day to day running of their businesses (Moaisi, 2005:21). Globalisation and technological changes are at the least of the owners' concern. Conversely, owners of SMEs in rural areas hardly use technology to operate their enterprises. A more labour intensive approach is applied to satisfy their markets and stay in business. For the same reason, according to North and Smallbone (1993), remote rural SMEs appear more labour intensive, less involved in externalising production and more focused on consumer markets than their urban counter-parts. Consequently a lack of application of technologically advanced tools proves to hamper on SMEs sustainability and competitiveness.

2.4.6 Age and Education

According to Woldle, Leighton and Adesua (2008:6), the influence of the age of the owner/manager advocates for the younger owner/manager on the fact that the younger owner/manager has the necessary motivation, energy and commitment to work and is more inclined to take risks whereas the older owner/manager is likely to have reached his/her initial aspiration. Hence, younger owner/manager are more likely to sustain and grow their ventures than their older counterparts.

Educational background of owner/manager is widely believed to be a key source of firm innovative efforts because his/her attained education level is attributed to cognitive ability, capacity for information processing, tolerance for ambiguity and propensity or receptivity to innovation (Umidjon, Shuhua, Jayathilake & Renyan, 2014:13). The fact that the owner/manager has a higher education degree or even a postgraduate degree stimulates the growth of the business, thus having an impact on both survival and growth. Conversely owner/managers of SMEs who has degrees generally achieve lower rates of growth than those less well educated (Woldle, Leighton & Adesua, 2008:6).

2.4.7 Gender and Number of years in Business

According to (Woldle, Leighton & Adesua, 2008:6), research on gender of owner/manager tends to focus on the male owner/managers, as the proportion of firms owned by men exceeds those owned by women with most studies reporting that failure rates for female owned firms are higher than those for male. Reasons for this include limited access to finance, stringent collateral requirements, women's double duties.

Firm age effect to propensity of innovations and sustainability yields different empirical results. Researchers have ascertain that entrant firms tend to present higher probability of innovation hence becoming more sustainable while the older firms tend to show lower innovative probabilities and thus being less competitive and ultimately being kicked out of business (Umidjon, Shuhua, Jayathilake & Renyan, 2014:13).

2.5 Types of SMEs operating in Botswana

According to Mwobobia (2012) there are three main types of SME's operating in Botswana, and these are;

- The *sole-proprietor* is a business run and controlled by one person.
- The *partnership* exists when two or more, but to maximum of 20 people, agree to carry on a business together in order to make profit for their joint benefit. Each partner must contribute something such as money or property to the resources of the business.
- The *private company* defines a limited company as one whose financial liability is limited to the amount of money put by the shareholders.

2.6 The Role of SMEs in Economic Growth and Development

2.6.1 Introduction

SMEs are well renowned in developed and developing countries for their significant role in stimulating and supporting economic growth through the creation of employment opportunities, reduction in poverty and contributing immensely to the Gross Domestic Product (GDP). However despite their remarkable contribution, Bannock (1981) reiterated that, SME's contributions in the economy varies from nation to nation and reflects the cultural background of different countries.

2.6.2 The Role of SMEs Internationally

According to (Silivestru, 2012:143), at European Union's (EU) level, SMEs represent 99% of all registered companies and they are the biggest sector of the EU economy with 20 million enterprises employing around 87 million people. Hence SMEs produce considerably more than half of EU's GDP. Similarly in Iran, small and medium sized units comprise more than 99% of the country's enterprises of which these units include more than 63% of employment population in industrial part and their contribution to the economy is about 51 to 52% (Lotfizadeh & Shamsi, 2015:255).

Furthermore, in the United States small businesses are regarded as the economic engine of the United States economy contributing 99.7% of employer firms (Corner, 2013:1). Equally important according to (Uma, 2013:120), in India the SME sector has been remarkable in the industrial development of the country contributing 40% share in the industrial production of which 35% of the total manufactured exports are directly accounted for by this sector. In addition in terms of employment generated, this sector is next only to Agriculture employing approximately 14 million people and overall the small business sector has done quite well and has enabled the country to achieve considerable industrial growth and diversification (Uma, 2013:120).

The significant role played by SMEs in Africa is no different to the one in developed countries. Likewise in the rest of the world, Swaziland's SMEs play an important role in job creation, poverty alleviation and the economic development of the country and this is manifested by the amount they contribute to the employment and GDP of the country (Hlatshwako, 2012:17). Similarly in its endeavour to enhance its economic growth, the

Zimbabwean economy on the one hand has also shifted the focus to the SME sector as the potential for investment and for making a meaningful contribution to employment opportunities.

Equally important is the fact that in the past the Zimbabwean government experienced a macro-economic meltdown that resulted in a 50% decline in economic growth, 60% formal unemployment rate, 60% closure in factories and a near 100% decline in foreign currency reserves (Zindiye, 2008:62). In its quest to counteract this macro-economic meltdown, the Zimbabwean government found it necessary to identify SMEs as the engine for national growth and a vehicle for economic development since SMEs contribute more than 50% of the GDP of the country (Zindiye, 2008:62). Furthermore, according to (Zindiye, 2008:63), small businesses are the primary employment — creating sector for the Zimbabwean economy responsible for the livelihood of millions of Zimbabweans as they employ the largest number of people which result in them having disposable income that enable them to purchase goods and services that they need for their day-to-day survival.

Likewise, in the past the South African government did not give adequate support to the SMEs. However, this changed in the 1990’s when the South African government realised how these small businesses were efficiently and effectively contributing to the South African economy as whole (Wiese, 2014:16). The South African government then initiated small business support programmes aimed at enhancing, developing and promoting SMEs. SMEs in South Africa contribute between 32 to 57% of the GDP and provide approximately 61% of the country’s employment figure (Wiese, 2014:15). Table 2.6 shows the SME economic contributions to the South African economy overtime.

Table 2.6 SME Economic Contributions in South Africa (1997–2012).

YEAR	CONTRIBUTION FOR GDP	JOB CREATION	REPRESENTATION OF TOTAL BUSINESS
1997	32.00–42.00%	62.00%	99.30%
2001	36.00%	56.00%	97.65%
2006	40.00–50.00%	More than 50.00%	91.00%
2012	57.00%	61.00%	91.00%

(Adapted from sources: Falkena (2001:42), Lloyd (2002:21&23), Von Ketelhodt and Wöcke (2008:4), Fatoki and Odeyemi (2010:128), Ahiawodzi and Adade (2012:39))

Table 2.6 above indicates that the contribution to GDP increased from 1997 to 2012. Bouri, Breij, Diop, Kempner, Klinger and Stevenson (2011:13) believed that an increase in SME growth has a direct effect on GDP growth due to increased value, output and profits,. The percentage of jobs created by the SME sector stayed more or less the same, ranging from 50 to 62% during the years under review. The SME sector in South Africa represented over 90% of total businesses since 1997, yet with a slight decrease. In 1997, the SME contribution to GDP, job creation and the representation of total businesses was higher than the years to follow. (Thomas, 2000:43) stated that prior to the 1994 political election in South Africa, SME support policies had little importance for the government and small business development did not receive the necessary attention.

2.6.3 Role of SMEs in Economic Growth and Development of Botswana

Due to today's highly competitive environment, most governments have seen increasing awareness and recognition of the role played by Micro and Small scale Enterprises and their contribution to the economy. Botswana is no exception to the above stated phenomena. According to the Republic of Botswana Budget Speech (2015), the government of Botswana is committed to creating a favourable environment for the development of the small, medium and micro enterprises (SMMEs) as part of the citizen empowerment in the country and also to make them prosper and expand to meet the challenges of the competitive global economy.

In addition according to (Pansiri & Temline, 2008:251), the promotion of SMEs in Botswana is as old as the country as an independent state. Furthermore, to date the current unemployment rate and real GDP stands at 19.8% and 4.9% respectively (Republic of Botswana Budget Speech, 2015). As a matter of fact a key instrument for job creation in Botswana's economy is through its Economic Diversification Drive (EDD) and since its inception in 2010 it has been facilitating employment generation business opportunities by promoting the consumption of local products produced by Small ,Medium and large enterprises.

Equally important is the fact that since the inception of the EDD programme, a total of BWP 13.3 billion worth of goods and services were recorded of which the value of BWP 590.5 million were from small and medium enterprises for the years 2010/2011, BWP 1.8 million for 2011/2012 and 2012/2013 and 2013/2014 recording BWP 2.3 billion (Republic of Botswana State of the Nation Address, 2014). In addition over one thousand enterprises have

so far been registered under the EDD programme, which has contributed to the employment of 28 000 Batswana (Republic of Botswana State of the Nation Address, 2014). Without reservation the SME sector has always been considered essential to development of Botswana because it is expected to play a significant role in economic diversification, employment creation, income generation and poverty alleviation (Sentsho et al, 2007:38).

Moreover the declining job opportunities in the South African mines for people from Botswana, the prevalence of low-skill and unskilled labour force in the economy, and the tendency of the government to reduce its role as primary employer made the promotion of SMEs as a primary source of employment creation as well as generation and distribution of income (Temtime & Pansiri, 2004:18). The major advantages of the SME sector lie in their potential for innovation, flexibility, low start-up costs, rapid development, and the distribution of risk (Guidelines for registration of Micro & Small Businesses, 2013:3). These enterprises provide a solution not only to the general unemployment situation in Botswana, but also to employment problems of special population groups such as women and the youth. Hence, the increasing awareness and recognition of the role played by SMEs and their contributions to the economy has been and is still acknowledged by the government of Botswana.

2.7 Botswana Government's Initiatives in support of SMEs development

The importance of the role played by SMEs in the economy of Botswana has never been underestimated. Hence, the importance of SMEs in industrial development strategy has been recognized since the 1970's by the Government of Botswana through the design and implementation of a variety of SME policies and programmes (Muranda, Mphela & Nyakudya, 2011:76). These policies and programmes were primarily initiated to achieve and financially support potential entrepreneurs to start their own small businesses and to mentor and promote development of SMEs nationally. These programmes included among others the introduction of the Botswana Development Corporation (BDC) in 1970, The Financial Assistance Policy (FAP) in 1982, The Citizen Entrepreneurial Development Agency (CEDA) in 2001, the Small Business Council (SBC), Local Enterprise Authority (LEA) in 2003 and Youth Grant Fund (Muranda et al., 2011:76). Details of these programmes are elaborated as follows:

2.7.1 Botswana Development Corporation (BDC)

According to the BDC website (www.bdc.bw), BDC was established in 1970 to be the country's main agency for commercial and industrial development. The Government of Botswana owns 100 percent of the issued capital of the corporation. The corporation was mandated to assist in the establishment and development of commercially viable businesses in Botswana, provide financial assistance to investors with commercially viable projects, support projects that generate sustainable employment for Botswana and add to the skills of the local workforce and encourage citizen participation in business ventures. Furthermore, BDC supports the development of viable businesses which perform one or more of the following functions: use locally available resources, produce products for export or to substitute imports, foster linkages with the local industry and contribute to the development of Botswana's resources and overall economy. BDC also provides loans of not less than BPW500,000 for medium- to large-scale businesses and gives a grace period of 1–2 years based on the implementation plan, which determines the initial lead times, establishment and training. BDC also plays an advisory role to its business clientele (Sentsho et al, 2007).

2.7.2 Financial Assistance Policy (FAP)

The FAP was established in 1982 with the objective to provide financial support in the form of grants to SMEs that could produce manufactured products for both local and foreign markets. According to (Valentine, 1993:10), FAP was also mandated to facilitate rapid industrialization; to assist in diversifying the economy away from dependence on large-scale mining and non-cattle and non-traditional agricultural projects; to assist in diversifying the economy across regions, away from the major urban and peri-urban areas, and promote rural industrialization; to promote sustained employment of unskilled labour and assist in addressing Botswana's employment problem; to promote the acquisition and upgrading of the skills of Botswana citizens through training and to assist in the promotion of citizen participation in the ownership of productive assets.

However, due to the limited citizen entrepreneurship and direct foreign investment as well as an increase in rent-seeking activities that accompanied FAP, the country's diversification efforts into manufacturing were generally not successful (Gagoitseope & Pansiri, 2012:52). As a result of SME failure, the National Conference on Citizen Empowerment of July 1999 and the Fourth FAP Evaluation Report suggested a change in the government incentive

policy, which resulted in the creation of Citizen Entrepreneurial Development Agency (Gagoitsepe & Pansiri, 2012:52).

2.7.3 Citizen Entrepreneurial Development Agency (CEDA)

The Citizen Entrepreneurial Development Agency (CEDA) was established by the Government of the Republic of Botswana to provide financial and technical support for business development with a view to promote viable and sustainable citizen owned business enterprises. CEDA was incorporated as a company limited by guarantee in 2001 and commenced operations in June 2001. The company was established in response to a recommendation made by the National Conference on Citizen Economic Empowerment (NCCEE) held in July 1999, in order to introduce the professional management of the Government financial assistance initiatives and to streamline the numerous projects providing similar schemes. The Agency is established to address the need for coherent and holistic support for the development of small, medium and large scale enterprises through the soft window and package offered through the subsidiaries. CEDA offers funding for capital expenditure, stock or working capital in new and existing business ventures. It also offers training and mentoring for new and seasoned entrepreneurs and business advisory services to entrepreneurs in various skills as identified through the needs assessment that is conducted during project monitoring (CEDA, 2011).

2.7.4 Small Business Council (SBC)

The Small Business Act was enacted in 2003 and was to act as an advisory body to the Minister of Trade and Industry at policy and programme-formulation levels. Its functions cover the crucial issues concerning the SMMEs, including assistance in start-up processes, improvement of business skills, improvement of access to financial resources, entrepreneurship development, monitoring and mentoring of businesses, simplification of the regulatory framework, development of capacity to export, and promotion of linkages between SMMEs and larger businesses and between SMMEs and government, especially through the procurement of goods and services produced by the SMMEs (Sentsho et al., 2007:43).

2.7.5 Local Enterprise Authority (LEA)

The Local Enterprise Authority (LEA) was established by the Small Business Act, Number 7 of 2004 as a Statutory Authority of the Government of Botswana. LEA is a co-ordinated and

focused one-stop shop Authority that provides development and support services to the local industry needs of SMMEs, encompassing training, mentoring, business plan finalisation, market access facilitation, and facilitation of technology adaptation and adoption. In pursuit of economic diversification the LEA's Mission is to promote and facilitate entrepreneurship and enterprise development in Botswana through targeted interventions (LEA, 2012).

In addition, part of LEA's strategy is to encourage businesses to use locally available natural resources and raw materials, within the manufacturing, tourism and agricultural sectors. Also the authority endeavours to build competencies in quality and efficiency, and to encourage import substitution and export oriented products and services (LEA, 2012). According to Sentsho et al. (2007), as part of its mandate, LEA will coordinate all institutional activities relating to SMMEs in order to improve their impact and reduce wasteful duplication of efforts currently in place. In order to achieve this, LEA hopes to collaborate with all the institutions that are engaged in activities that assist SMEs with entrepreneurial and business development. These include relevant government ministries and departments, the Small Business Council, and other relevant SMME associations.

2.7.6 Youth Grant Fund (YGF)

Another incentive that the Government of Botswana has put in place in pursuit of supporting potential local entrepreneurs and developing economic diversification was that of the youth grant scheme. According to the Youth Development Guidelines (2010), this fund is aimed at empowering youth to own businesses and create sustainable employment opportunities for young people through the development of sustainable projects. In addition, the objectives of this scheme include: promoting active participation of youth in the socio-economic development of the country, encouraging the out-of-school, marginalised and unemployed youth to venture into sustainable and viable income-generating projects, to promote the development of competitive of sustainable and growth oriented citizen owned youth enterprises, to reduce rural-urban migration by making it attractive to start growth orientated enterprises at rural areas and to create sustainable employment opportunities for young people through the development of sustainable projects.

The youth grant scheme also provides entrepreneurial training, monitoring and mentoring services to the beneficiaries of the programme, and it is expected that this support will equip young people with the requisite skills for running businesses, thereby enhancing the prospects

of success of the programme. Training, monitoring and mentoring under the Fund will be rationalized with other training programmes provided by Government institutions, including Local Enterprise Authority (LEA), Junior Achievement Botswana (JAB), Botswana National Youth Council (BNYC) and the private sector to avoid duplication of efforts (Youth Development Guidelines, 2010).

Despite the problems that the SMEs encounter to perform outstandingly, SMEs in Botswana generally have a lot of institutional support that allows them to be competitive both locally and internationally. However, this support is limited by a lack of proper coordination, which has in some cases resulted in duplication of efforts and hence wastage of both the financial and human resources that the sector needs for its growth and development (Sentsho et al., 2007).

2.8 Factors that affect the sustainability of SMEs - Internationally

The SMEs have been believed as very important in accelerating the economic development of a country and that is why its role is becoming increasingly prominent throughout the world (Jasra et al., 2011:279). However, despite the significant role that they play in economic development globally, there are some factors that hinder them to perform and remain sustainable in the markets in which they operate from. These factors may vary from country to country depending on the size and environment in which SMEs operate. According to Natarajan and Wyrick (2011), some of the major factors in the United States that affect SMEs in implementing sustainable practices include: financial strength, technological expertise, availability of information, legislation, consumer pressures, and organizational culture. In Iran, some of the factors that have been identified to be impeding on SMEs performance and sustainability were lack of innovation, marketing capabilities, manager's education and experience.

Furthermore, manufacturing enterprises in developing countries face a set of challenges. One of the main challenges is the competition, especially with manufacturers from countries with emerging economies such as Chinese, Indian and Brazilian (Organisation for Economic Co-operation and Development (OECD), 2009). According to El-Khasawneh, (2012:331), the challenges that affect SMEs performance and sustainability in Egypt, Jordan, Saudi Arabia, Syria and UAE are: market size constraint, governance and regulatory barrier, subsidy and protectionism regime, political and economic climate, innovation culture, international and

national standards, financial constraints, local advantage content and education language barrier.

In addition, inherent challenges identified as being prevalent to the small business sector in a land-locked country like Swaziland includes: ease of doing business, creating infrastructure and practices to foster business, exports seriously threatened by changes in global trade and regional trade liberalization, sharply rising international food and energy prices, shrinking demand for exports, the impact of HIV and AIDS, failure to maximise opportunities for regional and global trade, poor linkages to markets and to the value chain, rural roads not being maintained making it difficult for SMEs to access markets for their products and obtaining the required inputs, access to finance and markets, poor management and high dependency on external suppliers (Hlatshwako, 2012).

On the one hand, the most important constraining factors for entrepreneurial activity in South Africa were identified to be among others; lack of financial support, stringent government policies and programmes, lack of education and training, research and development transfer, lack of commercial and professional infrastructure, market openness, cultural and social norms, perceived population composition and political, institutional and social context (Wiese, 2012:40). According to Zindiye, (2008:86-90), the Zimbabwean SME sector is also facing a number of challenges which impair their growth and development. These challenges include among others: lack of transport, inadequate equipment, insufficient resources, lack of the human resources skills, marketing skills, financial management skills, bad publicity in the western media and fuel shortages.

2.9 Factors that affect the sustainability of SMEs in Gaborone, Botswana

Botswana, like other nations, is no exception to the factors that affect the sustainability of SMEs in the manufacturing sector. SMEs are indeed affected and influenced by a number of constraints that impede them to be sustainable and competitive enough in the market in which they operate. SMEs in Gaborone suffer from obstacles encountered in financing, managerial skills, marketing skills, access to land, procurement processes, excessive government laws and regulations, customer relationship, socio-economic issues, technological changes, and clear vision and mission. These factors are elaborated as follows:

2.9.1 Financing

SMEs are faced with a challenge of accessing financial means to get their businesses off the ground and make them grow and be sustainable. This is a daunting task for a lot of SMEs, particularly during the start-up stages. According to Hlatshwako, (2012:21), a number of studies have shown that access to capital is a major challenge as SME's are generally faced with difficulties in obtaining credit or equity. A number of SMEs in Gaborone have been cited as having difficulty in accessing credit from financial institutions due to lack of collateral for repayment of loans and this therefore hinder their new establishments or furthering their expansion and growth. Some get the opportunity to be funded by financial institutions like CEDA, however they reiterate that the funding is too little or under financed resulting in limitations to even purchase stock or machinery for their businesses.

2.9.2 Managerial Skills

Poor management has been claimed by many researchers to be the major cause of SMEs failure. According to Bekele and Worku (2008:549), studies conducted on SMEs in various parts of the world show that managerial skills and business knowledge are important factors that promote the survival of small enterprises and enable them to remain competitive in the global market economy. Most SMEs in Gaborone are family-owned businesses; hence qualifications to run the business are not a prerequisite. Family members transfer the knowledge of operating the business on a daily basis. Thus they rely on past experiences and gut feeling to run their businesses. However, since local skilled manpower is a challenge other SMEs do hire expatriates to run their establishments, which do not lead to transfer of skills and knowledge. There is also no strict accountability. Limited financial and human resource skills can result in hasty decisions and limited growth and sustainability.

2.9.3 Marketing Skills

Marketing activities such product/service marketing, marketing research and information and promotion impact negatively on the performance of SMEs due to lack of marketing skills by SMEs owners. Most of the SMEs operating around the globe tend to have less marketing and technical resources, do less market research, possess fewer incentive and reward programmes, lack presence in large readily accessible markets and have less well-recognized brands (Hayami, 2009). Most SMEs in Gaborone lack marketing skills such as market surveys or analysis hence they rely on their immediate daily community demands. However,

if the marketing analysis is done it is done on a limited scale because of scarce resources. Because SMEs at times compete for the same customers with large enterprises, sometimes it is difficult for SMEs to secure markets for their products. Hence resulting in obsolete inventory and ultimately leading to collapse of the business ventures.

2.9.4 Access to Land

Generally land in Botswana is a challenge. Ideally land in Gaborone is demarcated according to residential, industrial and commercial plots. So according to the Industrial Development Act (2006;12), manufacturing enterprises are required to operate their enterprises in industrial areas. SMEs in Gaborone therefore find this as a challenge because even if they were to set up their business ventures in industrial sites, the challenge would still be transport as they will be sourcing their raw materials far from the suppliers, hence impacting on their profits. In addition, mobilising their customers to the industrial site is also a challenge because customers often claim that the businesses are far hence demanding discounts to compensate for the money they used to travel to the industrial site and this impact on the survival, growth and profits of the SMEs. Because land is a challenge in Gaborone some business owners rent out their outlets at high prices per square metres and this also hinders growth and sustainability of SMEs as most of their returns goes to the rent hence affecting profit margins (CEDA Report, 2014).

2.9.5 Procurement Processes

SMEs are still finding it difficult to secure their manufactured products with local markets. Seemingly, locals still prefer to purchase their products in the neighbouring countries due to the quality of the products produced internationally (CEDA Report, 2014). Hence SMEs do not get the support and encouragement they deserve from locals, as currently Botswana are not consuming locally produced goods and services i.e. local authorities imports goods of similar qualities to those produced locally from neighbouring countries. Similarly local tendering processes put SMEs in compromising position as preference is given to large and already established enterprises. This therefore negatively affects the cash flows of the SMEs due to stock which is not purchased locally (CEDA Report, 2014).

2.9.6 Excessive Government Laws and Regulations

The legal framework is also not favourable to the SMEs in Botswana due to emergence of globalisation and international treaties. Acquiring a trading license is a challenge for SMEs because they are subjected to the same trading license requirements as large enterprises, i.e. SMEs are required to pay the same trade license fees as large enterprises no matter how small the business might be and also to go through the same environmental assessment as big ones (Motlhanka & Mapfaira, 2013). Other government laws and regulations that negatively impact the sustainability of SMEs include: political instability (which subject SMEs to comply with new trading laws and regulations when there is regime change), market policy, taxation policy, price control and regulation and deregulation of some industries. Import substitution policy also puts SMEs in a compromising position because instead of locals and local authorities supporting them by buying locally manufactured goods, they rather opt to buy imported goods and services (CEDA Report, 2014). This negatively affects cash flows of SMEs, resulting in them being kicked out of business.

2.9.7 Customer Relationship

This means establishing coherent relations with consumers by keeping their records, following-up on behaviour patterns, knowing what they want and improving knowledge of their characteristics. SMEs in Gaborone have a clear understanding of the important role played by establishing customer relationships. However, the trade-off between perceived cost of establishing the relationship and the possible economic benefits of the relationship seems unclear (Temline & Pansiri, 2004:22). This results in a loss of market niche and ultimately affects SME growth, profitability and sustainability.

2.9.8 Socio-Economic issues

Socio-economic issues include cultural, demographic changes in the external environment affecting SMEs performance. Whereas economic issues on the other hand include inflation, recession, interests, exchange rates and market size (Temline & Pansiri, 2004:22). Recent recession which affected countries globally has also impacted on SMEs operations because they had to buy raw materials from their suppliers at higher prices than usual resulting in them escalating their manufactured products as well to the end consumer. Since prices are higher than expected, consumers resort to other markets selling similar products at cheaper prices like those in the neighbouring countries where the exchange rate of currency is weaker.

This is a challenge to SMEs in that goods are not purchased leading loss of profits and growth in the market. HIV and AIDS scourge and prevalence of crime also impact negatively on the performance and sustainability of SMEs (Zindiye, 2008).

2.9 Technological Changes

According to (Reginald & Millicent, 2014:62), businesses in the 21st century are operating in rapidly changing environments characterized by high technological advancements which therefore require SMEs to continuously improve their products and services to match the changing needs of the customers. SMEs are facing challenges brought about by changes in technological environment; hence they are failing to keep abreast of these changes. Large businesses, because they have the advantage of being technologically advanced, end up poaching the SMEs market niche and resulting in SMEs being kicked out of the game. Failure not to employ the latest technology means producing at higher cost than do competitors in the market thus, eventually exiting the market due to tough competition.

2.10 Clear Vision and Mission

A vision is a dream or mental image of a desired future whereas a mission is a direction-setting guidance and serves as the conscience of the organisation (Lazenby, 2014:29,35). Quite a number of SMEs lack a clear vision and mission for their business ventures. Operations are conducted on a gut feeling and previous experience. Hence a motto that says, 'as long as there is money coming in to run the business on a daily basis and put food on the table', and that is the ultimate existence of most SMEs. There is also duplication of activities on daily basis among the SME sector without any future prospects and this results in poor planning coupled with limited managerial capability of which consequently affect SMEs sustenance and growth (Moaisi, 2005:30).

2.10 Factors that can help enhance SMEs remain competitive in the manufacturing sector

Competitiveness is considered by all countries to be a prerequisite for maintaining high levels of income and employment. Greater competitiveness allows developing countries to diversify away from dependence on a few primary-commodity exports and move up the skills and technology ladder (United Nations (UN) Report, 2005). SMEs are therefore important agents of development throughout the globe. It is thus imperative that nations promote their SME

sector since they play a crucial role in maintaining high employment and income generation and is therefore critical for achieving sustainable growth. In order to get governments to focus on both macro and micro policies, particularly for SMEs, the case must be made for supporting SMEs to enhance their contribution or increase their competitiveness. The following factors can help enhance SMEs remain competitive:

2.10.1 Exports

Because of the significant contribution they make to economic development of a country, governments must provide SMEs with support that enables them to export globally a variety of goods that they manufacture. This will expand their domestic base and sustain their competitiveness coupled with rising incomes (UN Report, 2005:7).

2.10.2 SMEs Access to Business Development Services (BDS)

According to the UN report (2005), over the past decade governments and international donors have increasingly turned their attention from merely offering financial assistance to providing business development services (BDS) for SMEs, recognizing that financial support alone is not enough for achieving sustained competitiveness. BDS are all types of SME support services, including training, consulting, technical and managerial assistance, marketing, physical infrastructure and policy advocacy. BDS interventions are specifically aimed at helping small enterprises to overcome market imperfections and inadequate access to technology, as well as to operate more competitively and with greater efficiency in domestic and global markets. Most SME owners lack quite a number skills needed to effectively and efficiently run a business, hence equipping them with BDS will help them acquire the necessary skills needed to run a prosperous business venture.

2.10.3 SMEs' access to finance

According to the UN report (2005), finance has been identified in many business surveys as the most important factor determining the survival and growth of SMEs in both developing and developed countries. Despite the importance of SMEs to the economies of both developing and developed countries, they have traditionally had difficulty in obtaining formal credit or equity. Commercial banks and investors have been reluctant to service SMEs, citing SMEs as high-risk borrowers because of insufficient assets and low capitalization. Governments of developing countries should therefore motivate entrepreneurs by

guaranteeing such high-risk loans in which the feasible idea is used as the collateral and once financial institutions feel their loans are guaranteed, that will transform their business mind set and these countries will witness leapfrog phenomena in entrepreneurial knowledge-based industries (El-Khasawheh, 2012:339).

2.10.4 Access to technology

Contemporary business environment requires the application and incorporation of new technological tools and management practices in order to remain competitive and sustainable. Since the 1970's, manufacturing production has become extremely complex and knowledge-intensive as investments in intangibles such as research and design, software, design, engineering, training, marketing and management come to play a greater role in the production of goods and services (UN report, 2012). Governments should therefore expose SMEs to technological advances and management practices in order to align them with contemporary trends so that they globally compete effectively and efficiently and remain sustainable.

2.10.5 Introduce a globally competitive regulatory framework and improve performance of government bureaucratic processes

SMEs are unable to potentially deliver to their utmost best due to stringent administrative and regulatory barriers provided by governments hence in order to enable them to deliver optimally governments should remove this administrative and regulatory barriers to new firm entry and growth and also speed up business set up processes. In addition, governments should relief resource and cost burdens associated with compliance for SMEs and not treat SMEs and large enterprises as if it is one sector thus differentiating processes and procedures associated with the two sectors (Motlhanka & Mapfaira, 2013). Moreover governments should reduce regulatory burden faced by Manufacturing SMEs by developing differentiated tax policies for relatively new firms as well as for large enterprises.

2.11 Summary

Defining SMEs across regions is a daunting task, hence it has generally been accepted that there is no uniformity in defining the sector globally. Despite the differences, employment is the most common basis for defining the SME sector. The existence of SMEs came to the centre of attention and importance to many nations because they play a pivotal role in

addressing economic growth in various economies through job creation, alleviation and poverty reduction and generally enhancing the welfare and livelihood of the less privileged and average citizens.

Without reservation the SME sector has always been considered essential to development of Botswana's economy in that it plays a significant role in economic diversification, employment creation, income generation and poverty alleviation. Recognising the important role that the SME sector plays in the economic development of Botswana, the government decided to put in place a number of initiatives to support SMEs development and these included BDC, CEDA, SBC, LEA and YGF.

However, despite their significant contribution to economic development of the country, SMEs are affected by some obstacles that impede them to be sustainable in accelerating the economic development. These are financing, managerial skills, marketing skills, access to land, procurement processes, excessive government laws and regulations, customer relationship, socio-economic issues, technological changes and clear vision and mission. On the contrary, there are some factors that can help enhance SMEs to remain competitive in the manufacturing sector. These include exports, SMEs access to finance, SMEs access to Business Development Services, access to technology, introducing a globally competitive regulatory framework and improving the performance of government bureaucratic processes.

CHAPTER 3: Research Methodology

3.1 Introduction

Research is an important exercise because it helps us to investigate and find out things we did not know about before. Business research is concerned mainly with understanding the business environment and the nature of organizations and this involves gathering information, analysing it and interpreting the findings so that an informed decision can be deduced. The research findings can be used to recommend solutions to specific problems for a specific company or industry (Bryman & Bell, 2007). Research helps organizations by providing relevant information which then helps in improving performance and ultimately resulting in enhanced sustainability. In addition, businesses get an opportunity to update themselves on current market trends thus they are able to formulate strategies that will help them to stay competitive and successful in the marketplace (Hair, Celsi, Money, Samouel & Page, 2011).

Research methodology is significant in the scope of work of the research in that it specifies the sampling design and sampling method to be utilised. The researcher defines the target population and provides reasons for selecting a specific sampling method. Furthermore, the researcher then identifies the data collection methods to be administered in order to meet the research objectives. This could range from self-administered questionnaires, interviews, surveys, structured observation and participant observation. After administering data collection the researcher now has to identify a suitable method for analysing and interpreting the data and the rationale for selecting and using a particular data analysis method. Ultimately the researcher identifies significant methodology or implementation problems such as sampling errors, response and non-response errors and the constraints of cost and time (Cooper & Schindler, 2003:663; Wheather & Cook, 2000:195).

It is therefore, against this background that this study was conducted with the hope that it will add to the body of knowledge in the field of research by investigating the factors that affect the sustainability of small medium enterprises in the manufacturing sector. In order to achieve the study's objectives, a sample of SMEs was drawn and a structured questionnaire applied to them in order to derive the required information to address the objectives of the study. This involved sampling, the setting of structured questions and pre-testing them, data collection and analysis.

3.2 Aim of the Study

The significant role that SMEs play in economic development of a country has been well acknowledged worldwide. Through the various stakeholder engagement and government initiatives, SMEs have been granted the support needed to empower and develop SMEs sustainability. However despite these various government interventions to assist SMEs development, there still exist some challenges that hinder their sustainability. The manufacturing sector of SMEs in Botswana is not an exception to the above-stated phenomenon. The Government of Botswana has since considered the essential contribution played by the manufacturing sector of SMEs in the economic development of the country through job creation and poverty alleviation. Hence the introduction of government incentive schemes aimed at encouraging the development of the manufacturing sector.

The major objective of this study was to investigate the factors that affect the sustainability of SMEs in the manufacturing sector in Gaborone, Botswana. In this chapter, the Research Process Model is employed to guide the execution of the chapter and it consists of 5 sections: Research Philosophy, Research Design, Research Methods, Target Population and Sampling Strategies. The chapter ends with a discussion on the validity, reliability and ethical considerations adhered to by this research and its associated methodology. The Research Model is depicted and elaborated below:

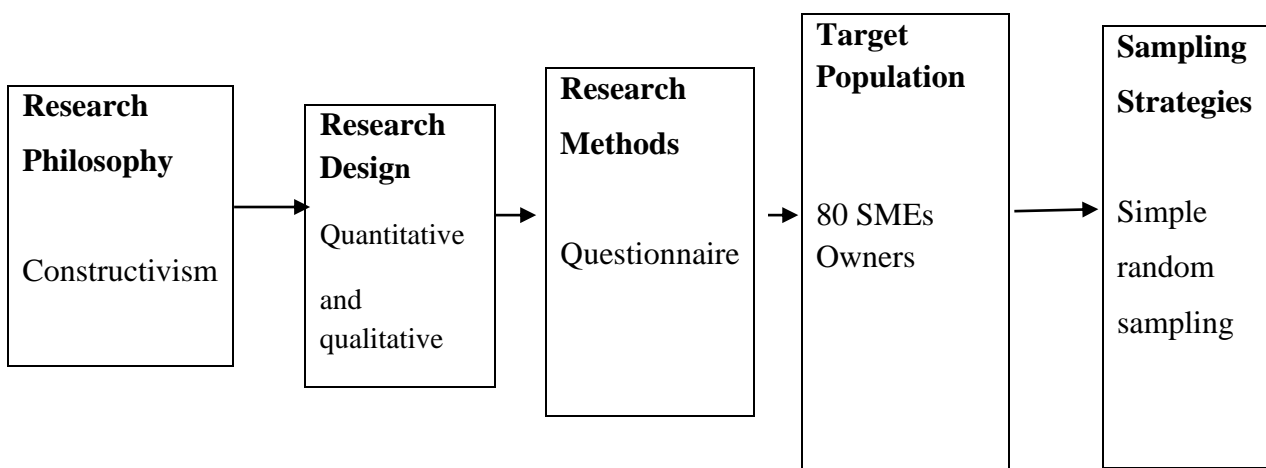


Figure 3.1 The Research Process Model Employed in this Study

3.3 Research Philosophy

Creswell (2014:6) said that there are four paradigm models as depicted in Table 3.1.

Table 3.1 Paradigm Models

Post positivism	Constructivism
<ul style="list-style-type: none"> • Quantitative research approach • Numeric measurement and statistics • Emphasis is on objectivity • Instrument: closed-ended questionnaires and researcher not involved 	<ul style="list-style-type: none"> • Interpretivistic by nature, taking after a qualitative approach • It endeavours to fathom the subjective ramifications of the estimations and experiences of individuals • Open-completed questionnaires in gatherings secure information from individuals • Researcher accumulates data him/herself
Advocacy/critical or transformative theory	Pragmatism
<ul style="list-style-type: none"> • Typically a subjective research approach • Concentrate on social equity and plans for change and strengthening • Takes a position concerning issues in the public arena • Often makes political level headed discussions 	<ul style="list-style-type: none"> • Not focused on one and only research system, but rather uses all accessible • Blended system methodology: joining quantitative and qualitative • Uses all roads to take care of the issue

(Source: Creswell, 2014:6)

Creswell (2014:6) stated that **constructivism** is interpretivistic by nature and it endeavours to understand the subjective meanings of the feelings, while the researcher gathers information him/herself. The approach followed is a qualitative research. However, it will be wrong to say that only qualitative methods are used in this paradigm. Mixed research and quantitative methods are also used, when necessary. Hence, this study, even though is based on a **constructivism** paradigm, quantitative and partial qualitative approaches were applied.

Questionnaires consisting of both closed-ended and open-ended questions were completed by SME's in Gaborone to assemble data. This therefore means that research questions were flexible and responding to change.

3.4 Research Design

Research design can clearly be distinguished into two main categories; these are qualitative and quantitative approaches. Qualitative research includes an “array of interpretive techniques which seeks to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (Cooper & Schindler 2006:196). According to (Tustin, Ligthelm, Martins & Van Wyk, 2005:89), quantitative research on the other hand generally involves the collection of primary data from large numbers of respondents with the intention of projecting the results to a wider population. In addition, commonly applied techniques include among others surveys and telephone. The primary data so collected is then quantified by applying a statistical analysis tool that analyse the data needed to provide an informed decision making based on the results of a representative sample of the entire population.

This study therefore, applied wholly quantitative approach and partially qualitative since a survey was conducted as part of the data collection method of which it is a component of a quantitative research approach. Data collection procedures for the quantitative research method are more stable, formal and defined, whereas with the qualitative approach some aspects of the study design are more flexible, informal and undefined.

Furthermore, the quantitative approach is numerical in nature and for the purpose of analysing data can rely on using a statistical tool such as statistical package for social service (SPSS) as opposed to the qualitative approach which is contextual in nature. The study design is subject to statistical assumptions and conditions in the quantitative approach, whereas the study design in the qualitative approach is iterative, meaning that data collection and research questions are adjusted according to what is acquired.

3.5 Research Methods

There are quite a number of research strategies that can be applied within the research methods and a survey, which falls within these methods was applied to address the objectives of this study. According to Churchill (1998:201), a questionnaire is a booklet of a structured

standardised procedure, pre-coded and containing open-ended questions at times that are used to collect information from the respondents who record their own answers. Similarly, Tustin *et al.* (2005:385), described a questionnaire as a structured sequence of questions designed to draw out facts and opinions and which provides a vehicle for recording the data. Basically it can be deduced from the above authors that a questionnaire is an instrument with quite a number of questions that are used to draw opinions from respondents in order to make an informed decisions about the behaviour or pattern of the entire population. Below is a brief discussion on the different types of questions that can be posed to respondents;

- **Closed-ended questions**—with these types of questions the respondent’s answers are limited to a fixed set of responses. There are three types of closed-ended questions and these are; Yes/No questions where the respondent answers with a ‘yes’ or ‘no’ type of answer; Multiple choice questions where the respondent has to select an option from quite a number of available options; and scaled type of questions where the responses are graded on a continuum. Examples of scaled type of questions are Likert scale, semantic differential scale and rank-order scale.
- **Open ended questions**—here the respondents clearly and freely state their opinion(s) in their own words without being impeded by choice from a fixed set of possible options. These types of questions are also very flexible and the variation in response may be very vast. Examples of open-ended questions include among others; thematic appreciation test, story completion and completely unstructured.

For the purpose of this study, the researcher applied questionnaires because it was economical to do so and also the application of questionnaires enabled the respondents to remain anonymous and be truthful with the information that they furnished.

3.6 Target Population

The target population will be the 80 sampled SMEs that will be discussed in the next sections.

3.6.1 Scope of the Survey

The scope of the survey for this study covered aspects in the areas of the survey area and survey population and these are discussed.

3.6.2 The Study Area

The study covered SMEs in the manufacturing sector of Gaborone, Botswana which was adhering to the definition of SMEs that were adapted from Guidelines for registration of Micro & Small Businesses in Botswana as specified in Chapter 2, page 10 of this study. Gaborone is the capital and largest city of Botswana with a population of 231 626, about 10% of the total population of Botswana which is about 2 000 000 (Statistics Botswana, 2011). Gaborone is situated between Kgale and Oodi Hills, on the Notwane River in the southeastern corner of Botswana, and shares border with South Africa which is about 15 kilometres. The target for the population of study is both male and female. The map in Figure 3.2 depicts the area of study.



(Source: Adapted from www.google.co.za)

Figure 3.2 Area of study

The private sector economy of the city is mostly dominated by both the manufacturing and service industries of which approximately 6% is provided for by the manufacturing sector as formal employment. The manufacturing sector in the city of Gaborone is responsible for producing a wide range of commodities ranging from the following categories; textiles, food processing, metals and metal products, carpentry, glass works, automotive products, clothing, ice, chemicals, plastics, and printing of paper and clothes.

3.6.3 Survey Population

According to Wheather & Cook (2000:201), the term ‘survey population’ is described as the list of population elements from which the sample will be drawn. The survey population for this study was obtained from Gaborone City Council under the Ministry of Local Government. All the various Councils around the country, through the Ministry of Local Government, are responsible for registering, licensing and monitoring of all businesses in the country. The councils are also responsible for maintaining and updating all licensed business registers within their jurisdiction in Botswana. The database which is computerised was obtained from the Gaborone City Council and was classified according to type of business, license number, company/business name, plot number, unit number, trading name, location, date registered, contacts, employee size, and the annual turnover in sales. The register revealed that there were 100 SMEs in the manufacturing sector of Gaborone that adhere to the definition of SMEs discussed earlier in chapter 2, page 10.

3.7 Sampling Strategies

According to Cooper and Schindler (2003:179), sampling is the procedure by which some elements of a given population are selected as representative of the entire population. When sampling is done and even after selecting a representative of the entire population, the researcher should be able to draw sound conclusions about the entire population.

3.7.1 Simple Random Sampling

There are quite a number of sampling methods that can be used in order to arrive at a sound and meaningful conclusion. For the purpose of this study, the researcher applied the simple random sampling method. Oladele, (2014:27-28) described the simple random sampling method as a method by which each member of the population under study has an equal chance of being selected and the probability of a member of the population being selected is unaffected by the selection of other members of the population. Thus, each selection is entirely independent of the next. Additionally, the simple random sampling method involves selecting at random the required number of subjects for the sample from a list of the entire population.

The researcher used a computerised random number generator to select the 80 respondents from the population size of 100. As a result of the whole, sampling was not done at the researcher’s discretion and thereby bias was eliminated.

3.7.2 Sample Size

Martins (1999:262) contends that the correct sample size in a study is dependent on the purpose of the study and the nature of the population under scrutiny. However, a sample size of 30 is considered by many to be sufficient as a minimum number of cases if a statistical analysis of the data is to be applied. The following formula was used for the calculation of the sample, since it was relevant to studies where a probability sampling method were used (Roberts-Lombard, 2006:87):

$n \geq N/[1+(Nd^2/10\ 000)]$, where:

N = Total population

d = error estimate with a confidence interval of 95%

n = sample size

Application:

$n \geq 100/[1+(100(5)^2/10000)]$

$n \geq 80$

3.8 Organisation of the Survey

This section mainly focused on the significance of designing a questionnaire, the type of questions to be used, either open-ended or closed-ended type of questions, and also the motivation for pre-testing the questionnaire.

3.8.1 Questionnaire Design

Considering the importance of appearance and layout of the questionnaire to the respondents, the questionnaire was designed in a simplistic manner in order to allow respondents to answer freely in a relaxed atmosphere. In addition, special attention was also given to the layout of the questionnaire to ensure that it addressed the objectives of the study and to draw the opinions and perceptions of the small business owners. The questions that were applied in the questionnaire included the Yes/No questions, multiple choice questions, the five point Likert scale type of questions and the open-ended questions. The use of Yes/No and multiple choice questions were used because there were easy and not time consuming to the respondents as

there was only one possible answer. These are also easy to code and analyse, since the responses are predetermined.

The five point Likert scale type of questions, on the other hand, were used because it eliminates response bias among the respondents, makes the response items standard and comparable amongst the respondents and also responses are easy to code and analyse directly from the questionnaires (Cant, 2003:113). The open-ended questions were used to draw opinions and perception from the respondents on what the Botswana government can do to assist SMEs enhancement and sustainability. Only two open-ended questions were used because open-ended questions are more time consuming and this may result in non-response errors. They are also more difficult to code and analyse as the responses are not predetermined. Below is a sample of the questionnaire that was used:

Section A: Biographic details – consisted of three questions requiring personal details of small business owners.

Section B: Status of the enterprise – this part of the questionnaire had eight questions and was addressing the status of the enterprise as per the requirements from the Ministry of Trade and Industry. Among the eight questions, one was a qualitative type of question since it was an open question requiring business owners to state the type of products they were manufacturing.

Section C: Factors affecting SMEs sustainability – this section had four questions addressing issues ranging from factors affecting SMEs sustainability, SMEs competitiveness to Institutions' and Botswana government support to SMEs. Among the four questions, one was a qualitative type of question since it was an open question requiring business owners to state their opinion about what assistance the government can provide to enhance SMEs sustainability.

The questionnaire proved to be a useful tool. In some cases when the researcher introduced himself and the purpose of the survey, the respondents attempted it at once and returned it on the spot. Whereas in some cases the respondents requested that they are allowed some time to have a look at it at their convenience when they would be able to give their attention more fully, since as small business owner-managers they are always busy with the daily operations of the business.

3.8.2 Pre-testing

According to Roberts-Lombard (2002:132), pre-testing refers to the testing of the questionnaire on a small sample of respondents similar to those who will be targeted in the actual survey. This is done in order to identify and eliminate questionnaire problems. Ideally all the aspects of the questionnaire are tested during pre-testing, including wording sequence and layout. This will help to reduce misinterpretation of key terms that will result in distortion of the whole meaning of the question. The questionnaire was pre-tested in a pilot study involving SMEs in the manufacturing sector of Lobatse, Botswana, a town that is nearby the capital city of Botswana. The reason for conducting a pilot study was to find out the time it takes for the respondents to complete the questionnaire, content validity, and to identify problem areas so that if there are any the questionnaire can be refined and be ready for the actual survey.

The pre-test of the questionnaire under study revealed that some of the respondents did not understand some of the concepts of the questions and this was rectified by simplifying the terms to the questions in a manner that could be understood by the respondents so as to avoid confusion when conducting the actual survey.

3.9 Validity and Reliability of the Questionnaire

According to Dzansi (2005:188-189), a researcher can use his own judgment to determine if the instrument meets the required standard. Hence for the purpose of this study, the researcher applied his own judgment in collaboration with other previously published studies to determine if the research instrument meets the required standard. In addition, the sample size from the entire population was considerable and sizable enough not to warrant testing. Furthermore, the use of a sample size calculator used in this study aided in determining the margin of error to be allowed. With a sample size of 80, the margin of error of 5% was chosen. Kumar (2005:168) argued that findings based upon larger samples have more certainty than those based on smaller ones. Hence accuracy of the findings is achieved through larger sample size as opposed to smaller ones.

Moreover, published masters and doctoral theses in the fields of Entrepreneurship and Small Business Management proved that the use of different types of questions does not affect the validity and reliability of the questionnaire. For instance, Dzansi (2005) carried out a doctoral study on the social responsibility of SMEs and used different types of questions ranging from

open-ended, multiple choice, to close-ended on the questionnaire and the research instrument was considered valid. In another study carried out by Fatoki (2006:111-114), questions ranging from open-ended, multiple choice to close-ended were used in his research study of the impact of debt usage on profitability in small manufacturing businesses. Therefore, Fatoki's questionnaire was tested for reliability and found to be reliable.

Consequently, since the above studies applied the same questions in their questionnaires, the current study's questionnaire can be considered valid to gather data and relevant as a measuring tool to meet the research objectives.

3.10 Data Gathering Technique

This part of the study focuses on the use of personal interviews as a data gathering technique as well as the rationale for using a covering letter to explain the purpose of the study to the respondents.

3.10.1 Personal Interviews

Personal interviewing involves asking questions and thereby retrieving answers from the participants in a study. Hence, it is a two way communication. Interviewing can take the form of face-to-face interviews with each individual or face-to-face group interviews. All these forms can be mediated through the use of telephones or other electronic devices. The greatest value lies in the depth of information and detail that can be secured. Personal interviews however, far exceeds the information secured from telephone and self-administered studies via intercepts and surveys. With personal interviews the interviewer can also do more things to improve the quality of information than with the other methods (Du Plessis, 2015:2; Cant, 2003:82-87).

Personal interview was applied in this study to ensure that quantity and quality of data gathered is magnified. Additionally, to ensure that when respondents seek clarity pertaining to the survey, clarification is given promptly and the interviewer is expected to probe for answers and gather information by observation.

3.10.2 Covering Letter

A covering letter from the Graduate School of Business and Government Leadership of North West University, Mafikeng campus, was used to furnish the respondents with information required for the motivation, cooperation and success of the study survey. The letter explained

the aim of the study and assured respondents that the information they furnished will be used specially for academic purposes. Confidentiality of the information will be an important consideration and observed. Before the respondents could complete the questionnaire, they were furnished with the covering letter so that they could familiarise themselves with the content and the researcher immediately clarified any problems. The benefits to the respondents on completing the questionnaire were highlighted. The questions were basically trying to address the problems that they encounter with their manufacturing businesses.

3.11 Data Analysis

According to Cooper & Schindler (2003:87), data analysis involves the reduction of accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. Furthermore, it also includes the interpretation of research findings in light of the research questions, and determines if the results are consistent with the research objectives. For the purpose of this study, a focus on this section of data analysis will be on editing, coding and processing of data.

3.11.1 Editing of Data

Editing involves a thorough and critical examination of the completed questionnaire, in terms of compliance with the criteria for collecting meaningful data, and in order to deal with questionnaires not duly completed (Cooper & Schindler, 2003:236). Basically editing entails detecting data errors, adhering to the minimum quality standard, ensuring the data is as accurate as possible and that the research questions have been addressed within the objectives and aims of the study.

3.11.2 Coding of Data

According to Cooper & Schindler (2003:456), answers are coded by assigning numbers or other symbols. Responses can be grouped into a limited number of classes and categories for the purpose of analysis. The classification of data into limited categories is necessary for efficient analysis. Therefore for the purpose of easy analysis, all the questions in the questionnaire were systematically arranged.

3.11.3 Processing of Data

A statistical package for social service (SPSS) was used to process the data collected. SPSS is an integrated set of modules used for manipulating, analysing and presenting data in the form of tables, pie charts and graphs to ultimately aid making informed decisions.

3.12 Reliability of the Results

The reliability of the results focuses on sampling, response and non-response errors as these are the major types of errors in research that can affect the validity of the results.

3.12.1 Sampling Error

According to Babbie (2007:196), sampling error refers to the difference between the estimate derived from a sample survey, and the true value that would result if the whole population was tested under the same conditions. In this study, sampling errors were minimised in the survey by using a large sample size of approximately eighty percent (80%) of the population. A large sample size is more representative of the entire population.

3.12.2 Response Error

Response errors result when the researcher or respondents bring about inaccurate estimates. For instance, the respondent may choose to furnish incorrect information when answering the question or the researcher may have erroneously made a mistake in designing the questionnaire (Cooper & Schindler, 2003:332). This study made sure that the above did not happen by personally interviewing the owners of the business so that the required data is appropriately furnished and also by vigilantly designing and pre-testing the questionnaires.

3.12.3 Non-Response Error

According to Loubser (1999:286), non-response error is an error caused by failure to contact all members of a sample and or failure of some contacted members of the sample to respond to all or a specific part of the questionnaire. Personal interviews were conducted in this study, which kept non-response errors to a minimum. Where it was deemed appropriate, business owners were contacted telephonically in an effort to follow-up on the response of the questionnaire. However those who refused to cooperate in administering the questionnaire were promptly replaced by other SMEs in the population in order to adhere to the requirement of a total of 80 respondents for the sample size.

3.13 Ethical Considerations

Before administering the questionnaire, the consent of the respondents was requested. This included briefing the respondents about the research objectives, their role as respondents and how they were going to benefit from the research. Respondents were assured about the confidentiality of the information that they provide.

3.14 Summary

Business research is concerned mainly with understanding the business environment and the nature of organizations and this involves gathering information, analysing the data and interpreting the findings so that an informed decision can be deduced. Equally important is that its aim is to obtain a better understanding of a phenomenon and to find solutions to a specific problem. It is against this background that this chapter discussed the research methodology applied in finding the solution to objectives and aims of this study. Because the research methodology applied in this study was mostly quantitative approach, an in depth emphasis was given as to why the research approach was chosen. Particular attention was also given to the quantitative methods of data collection, analysis and reliability of the results. The errors that can affect the reliability of the results were briefly highlighted and the techniques used by the researcher to minimise such errors were also discussed in nutshell.

In the next chapter the results of the research will be discussed and analysed with particular emphasis on the responses of the respondents to the questions in the questionnaire.

CHAPTER 4: Presentation and Discussion of the Findings

4.1 Introduction

In this chapter the results of this study are presented and discussed based on the responses obtained to each of the research questions posed in chapter one of this study. Descriptive statistics such as tables, cones, pie and bar charts were used to assist in the analysis of data because they are effective illustrations of depicting relations and trends.

Demographic Factor 1: Gender of the respondents

Information on the gender of the respondents is provided in Table 4.1.

Table 4.1 Responses on the gender of respondents

Gender	Frequency	Valid Percentage (%)
Male	54	67
Female	26	33
Total	80	100

The information presented in Table 4.1 is statistically depicted in a pie chart in Figure 4.1

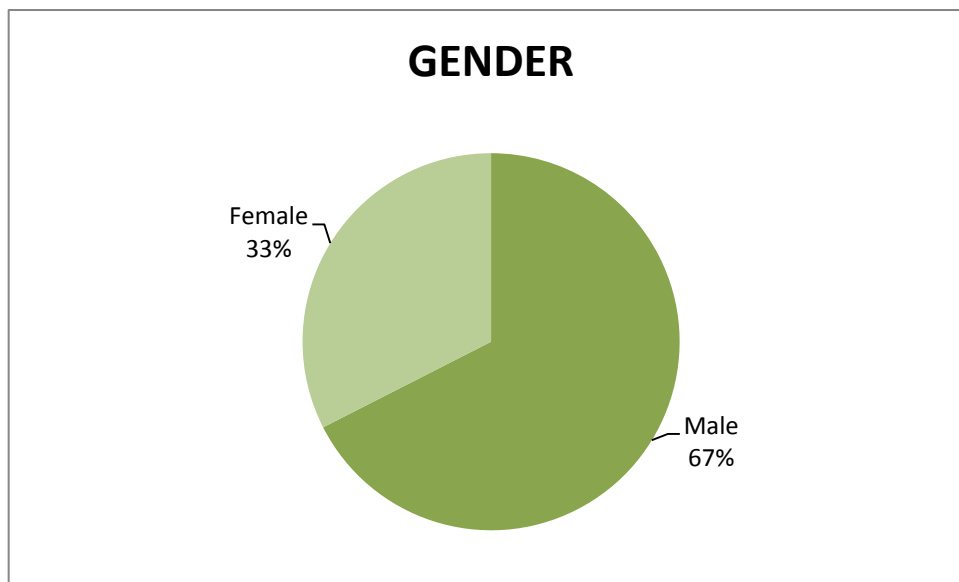


Figure 4.1 Responses on the gender of respondents

Comment

In this study sixty seven (67%) of the participants were male, whilst 33% are female. This result reveals that more men are highly engaged in their own ventures than females. This

could be pointing out the reality that customarily men are the providers for their households; they have to ensure that they take care of their families. According to Woldle, Leighton and Adesua (2008:6), research on gender of owner/manager tends to focus on the male owner/managers, as the proportion of businesses owned by men exceeds those owned by women with most studies reporting that failure rates for businesses owned by females are higher than those for male. Reasons for this include limited access to finance, stringent collateral requirements, women’s double duties.

Demographic Factor 2: Age of the respondents.

This information is crucial to assist the researcher to know whether the participants are youthful or elderly.

Table 4.2 Responses on the age of respondents

Age	Frequency	Valid percentage (%)
Under 20 years	0	0
21–30 years	10	13
31–40 years	26	33
41–50 years	28	35
Over 50 years	16	20
Total	80	100

The information presented in Table 4.2 is statistically illustrated as cones in Figure 4.2.

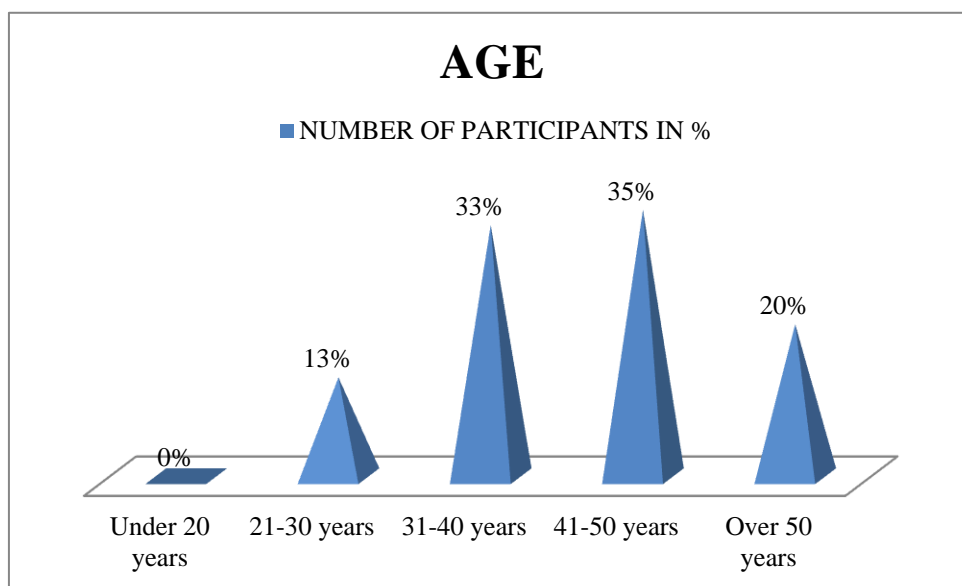


Figure 4.2 Responses on the age of the respondents

Comment

35% of respondents are in the (41–50) age category and 33% of respondents are found in the (31–40) age cohort. 20% of respondents are over 50 years while 21–30 years, the respondents sum up to 13%. Under 20 years, there were no respondents found. According to Woldle, Leighton and Adesua (2008:6), the influence of the age of the owner/manager advocates the younger owner/manager because the younger owner/manager has the necessary motivation, energy and commitment to work and is more inclined to take risks, whereas the older owner/manager is likely to have reached his/her initial aspiration. Hence, younger owners/managers are more likely to sustain and grow their ventures than their older counterparts.

Demographic factor 3: Qualification level of respondents

The information of schooling qualification is summarised in Table 4.3.

Table 4.3 Responses on the qualification of respondents

Qualification	Frequency	Valid percentage (%)
High School	15	19
Diploma	21	26
Degree	21	26
Masters	12	15
PhD	0	0
Others	11	14
Total	80	100

The information regarding the schooling qualification of the respondents is statistically represented in Figure 4.3 below.

Comment

26% of the respondents are in possession of a diploma or degree (26%), whereas 15 % of the respondents have masters degree. 19 % of respondents went up to high school level, 14 % of respondents have attained other qualifications. The result displays that majority of respondents are satisfactorily educated. The bulk of respondents are university graduates, armed with diplomas, degrees or masters qualifications. Education is very critical because it is a key to success. Educational background of owners/managers are widely believed to be a key source of innovative efforts because his/her attained education level is attributed to

cognitive ability, capacity for information processing, tolerance for ambiguity and propensity or receptivity to innovation (Umidjon, Shuhua, Jayathilake & Renyan, 2014:13).

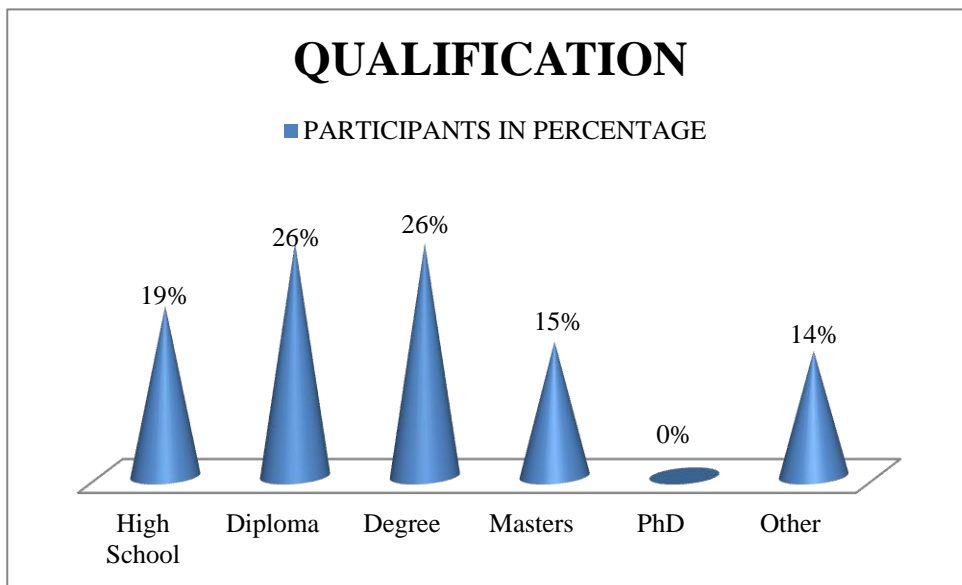


Figure 4.3 Responses on the qualification of the respondents

Section B: Status of the enterprise

Question 4: Indicate the number of employees working in your business?

The information on number of employees working in the business is presented in Table 4.4.

Table 4.4 Number of employees working in the business

Number of Employees	Frequency	Valid percentage
0–10	36	45
11–20	11	14
21–30	10	12
31–50	8	10
51–100	10	13
101–200	4	5
Over 200	1	1
Total	80	100

The information on the number of employees of the respondents is statistically presented in Figure 4.4.

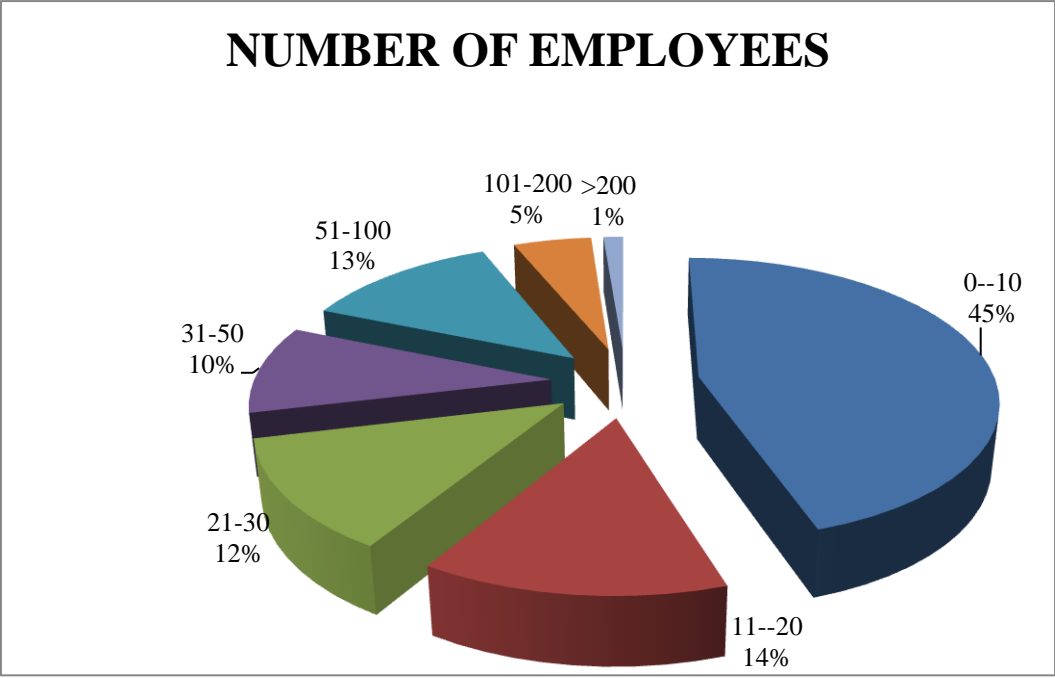


Figure 4.4 Number of employees working in businesses.

Comment

The bulk of respondents totalling to 45% are having (0–10) number of employees, followed by 14% of respondents with the bracket of (11–20) number of employees. The business that have between (51–100) are 13%, while between (31–50) number of employees amount to 10% and 12 % are business with between (21–30) number of employees. This actually signalled that in Botswana most of the businesses are still small or rather emerging.

Question 5: Number of years in business

The information of number of years in business is summarised in Table 4.5.

Table 4.5 Number of years in business

Number of years in Business	Frequency	Valid percentage (%)
Less than 3 years	12	15
More than 3 years but less than 7 years	16	20
More than 7 years but less than 15 years	30	37
More than 15 years	22	28
Total	80	100

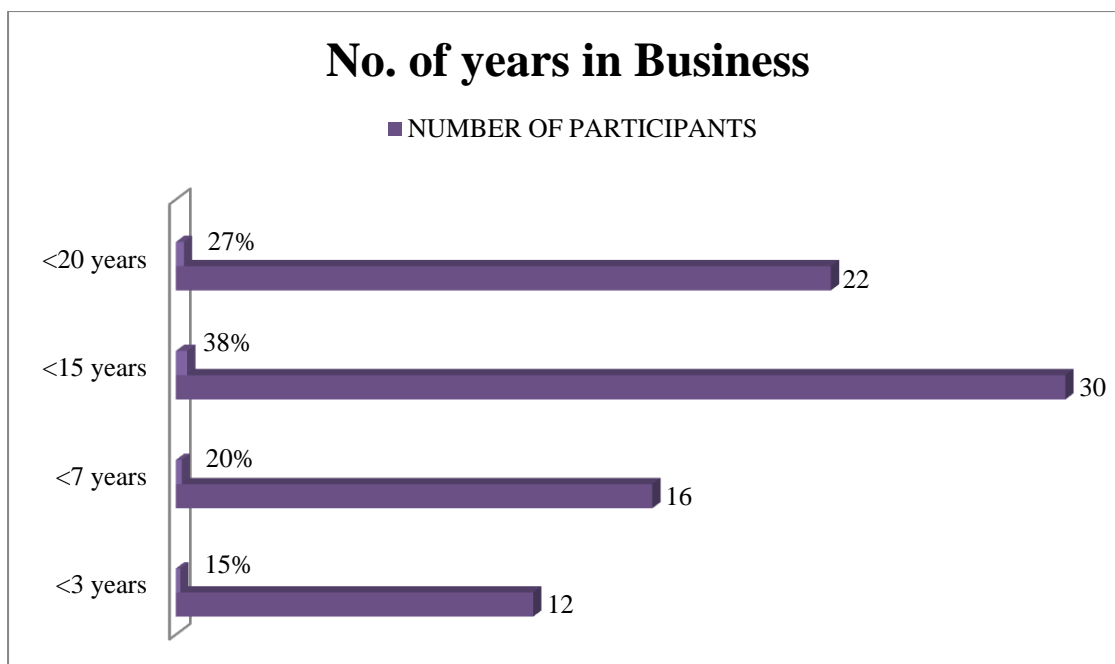


Figure 4.5 Number of years in business

The information of number of years in business is statistically represented in Figure 4.5.

Comment

Thirty eight percent (38%) of respondents have owed their businesses for the past 15 years, while twenty percent (20%) of businesses of respondents are in existence for more than seven years. Twenty seven percent (27%) of respondents are having more than 20 years operating their businesses and only (15%) of respondents' businesses are roughly three years old. The result basically indicates that most of the SMEs are stable and surviving in Botswana.

Question 6: What is the turnover of your business below?

The information regarding the turnover of businesses is tabulated in Table 4.6.

Table 4.6 Turnover of the business

Number of years in Business	Frequency	Valid percentage (%)
Less than BWP 100 000.00	22	28
Between BWP 100 0001.00 and BWP 1 500 000.00	37	46
Over BWP 1 500 0001.00	21	26
Total	80	100

Comment

Forty six percent (46%) of respondents’ business are profiting between BWP 100 1001.00 and 1 500 000.00, while (26%) of respondents make more than BWP 1 500 001.00. Twenty eight percents (28%) of respondents are receiving just less than BWP 100 000.00. This outcome reveals that most of the businesses are viable and enjoy support from the clients.

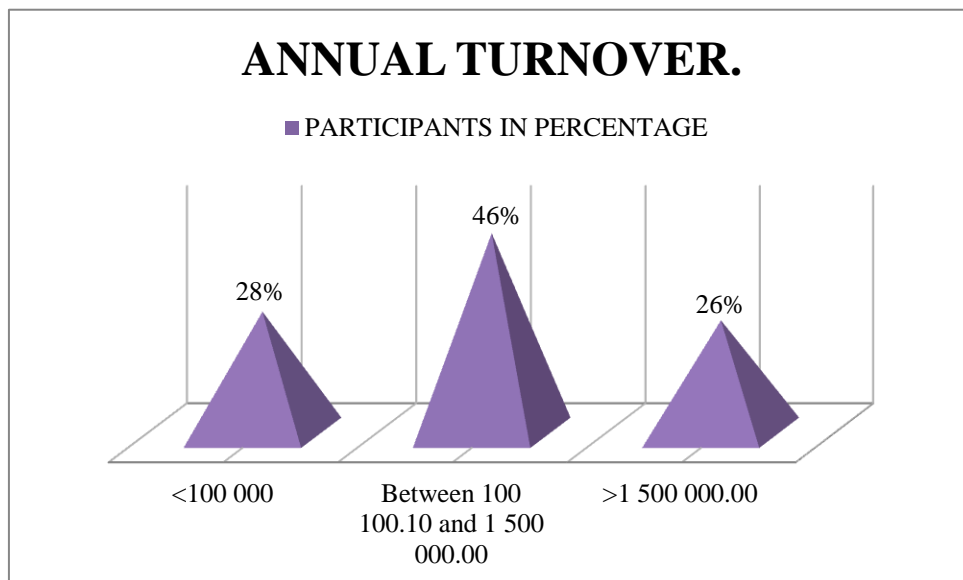


Figure 4.6 Turnover of businesses

Question 7: Products manufactured

Question 7 below inspects the products manufactured by the respondents. The information is essential in order for the researcher to know the kinds of products manufactured by the respondents.

Table 4.7 Products manufactured

Products Manufactured	Frequency	Valid percentage (%)
Cements, Stock bricks, blocks and paving bricks	5	6
Garment, clothing, African and German attire	30	37
Aluminium products	3	4
Stationery	7	9
Fibre glass	1	1
Cigarette Manufacturer	1	1
Ice cubes	7	9
Canopies	1	1
Plastics	2	3
Cleaning chemicals	5	6
Furniture	9	11
Purified water	5	6
Animal Supplements	1	1
Electric cables	1	1
Bread and Confectionery	2	3
Total	80	100

The information on products manufactured is statistically shown in Figure 4.7.

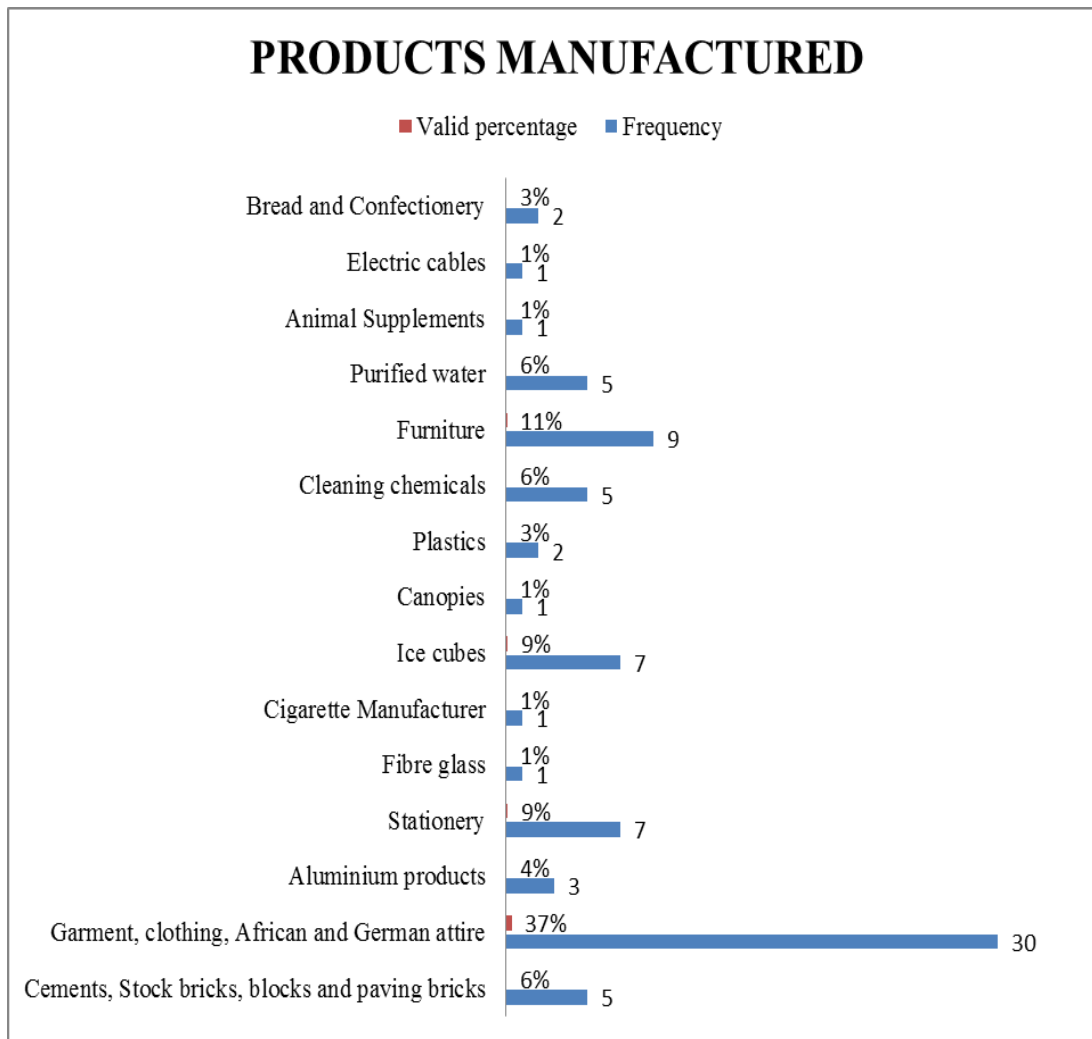


Figure 4.7 Products manufactured

Comment

Majority of products manufactured are small quantities, as displayed from Table 4.7, where by thirty seven percents (37%) of respondents’ deals with Garment, clothing, African and German attire, whereas eleven percent (11%) of respondents construct furniture. Nine percent (9%) of respondents deals with stationary, followed by nine percent (9 %) of respondents who manufacture ice blocks.

As discussed by Moaisi (2005:20), SMEs are generally characterised by producing and selling small quantities of homogeneous products at reasonable prices in a localised area. Equally important according to Moaisi (2005:20), since their products are produced in smaller quantities there is a wide spread of duplication of products manufacturing to increase the supply and in some cases this is due to lack of project ideas. Furthermore in other cases project diversification is either a constraint or non-existent.

Question 8: Is the business formally registered?

Table 4.8 beneath present the information on the percentage of the business in the study which are formally registered.

Table 4.8 Formally Registered businesses

Formally Registered Businesses	Frequency	Valid percent (%)
Yes	80	100
No	0	0
Total	80	100

The information in Table 4.8 is illustrated by the column, in Figure 4.8.

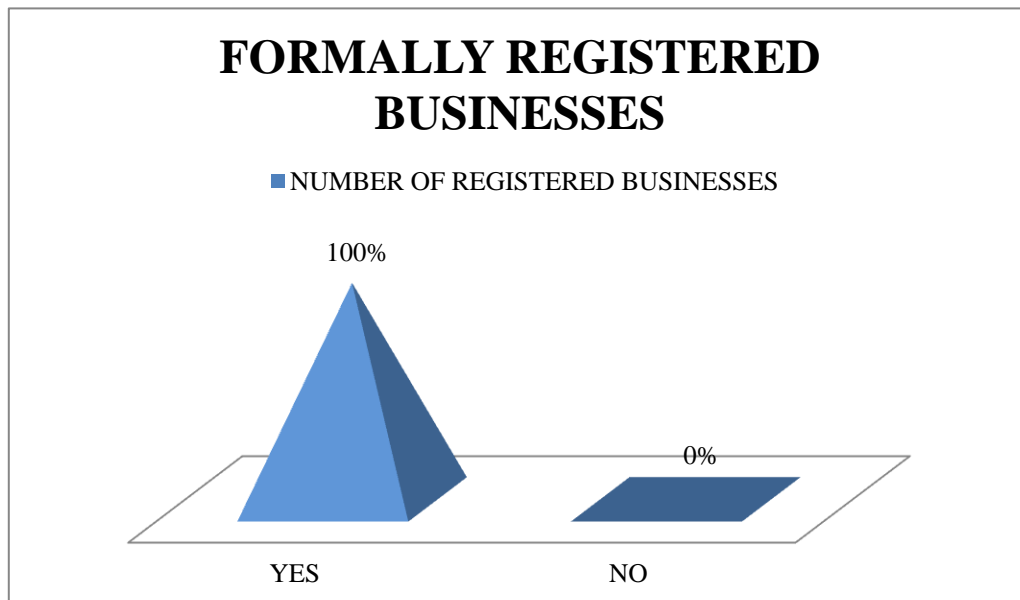


Figure 4.8 Formally Registered Businesses

Comment

Hundred percent (100%) of all the businesses belonging to the respondents are registered, while none (0%) is unregistered. This end result means that bulk of respondents are complying with the registration related legislation in Botswana.

Question 9

Table 4.9 disseminates the information on fractions of the business that are self managed.

Table 4.9 Business currently managed

Business Managed	Frequency	Valid percentage (%)
Self Managed	70	88
Appointed Manager	10	12
Other	0	0
Total	80	100

The information of how the businesses are currently managed is graphically depicted in Figure 4.9.

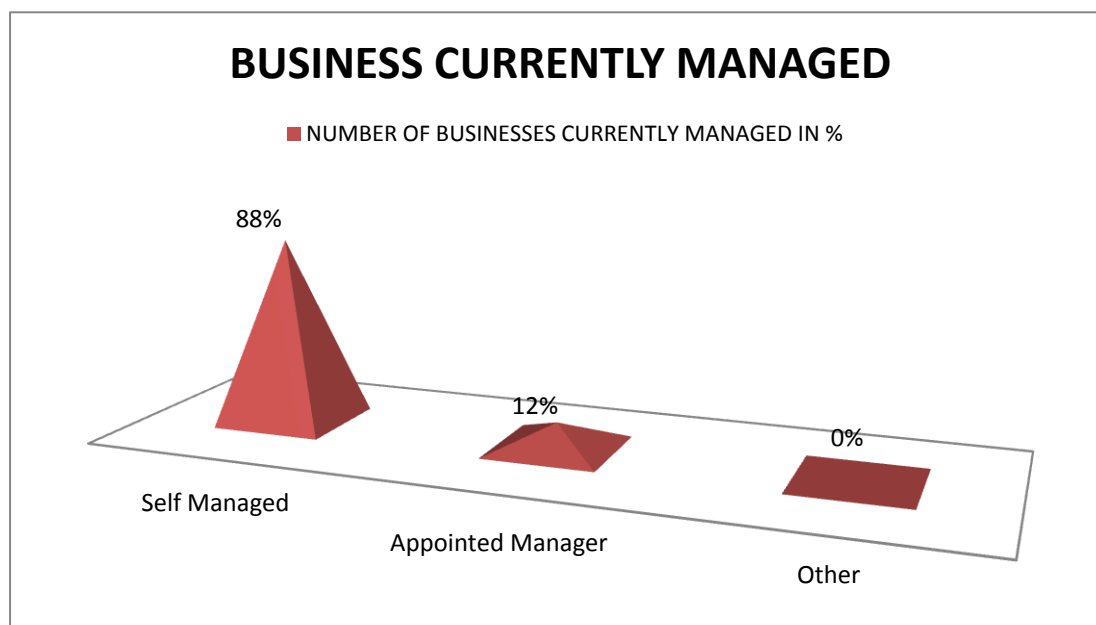


Figure 4.9 Business Currently Managed

Comment

Eighty eight percent (88%) of respondents are self-managing their businesses, whilst only 12% of respondents have appointed managers to manage the business on their behalf. Moaisi (2012) alluded that most SMEs both in developed and developing countries are manned and owned by their owners not employees. Again the decision making and the way the business should function, its growth and sustainability lies upon the owners. In addition, according to (Wiese, 2014:36), SME owners or managers with more experience (managerial-, sector- or previous SME experience) tend to have more growth potential than SMEs with a lack of the aforementioned.

Question 10: Indicate how the business was financed.

The information on how the business was financed during the start up is loaded in Table 4.10.

Table 4.10 How the business was financed

Business Financed	Frequency	Valid percentage (%)
Investors	12	15
Family loan	8	10
Business/Bank Loan	16	20
Private Savings	42	53
Other	2	3.0
Total	80	100

Figure 4.10 clarifies the information in percentage on how the business were financed during the start up.

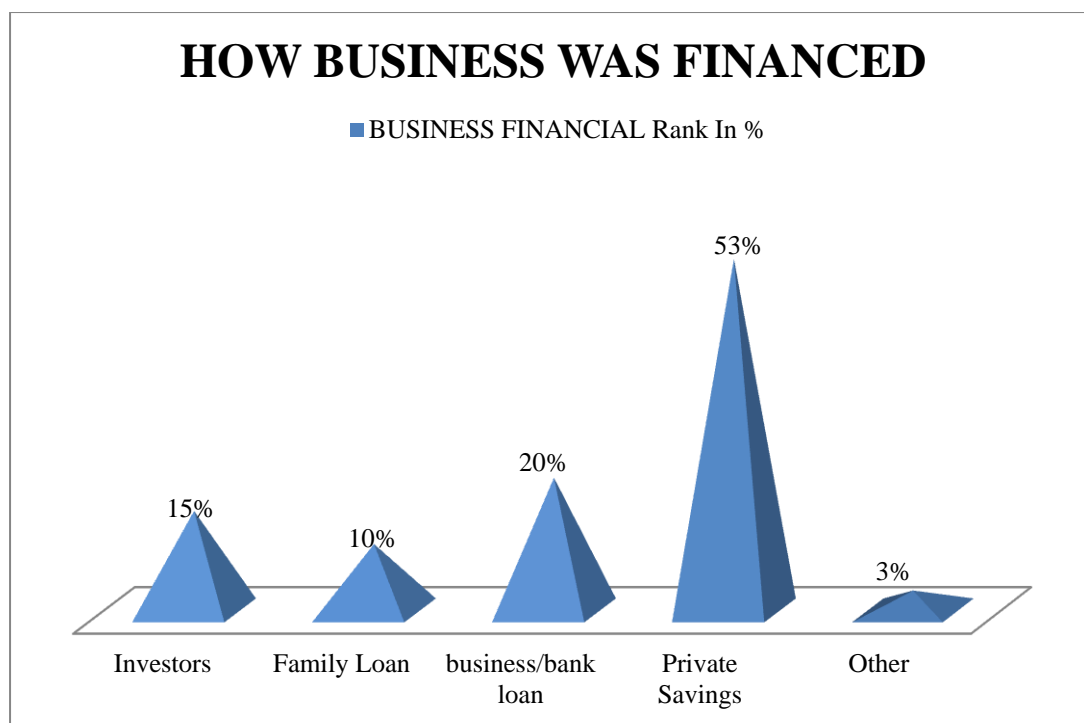


Figure 4.10 How the business was financed during the start up

Comment

(53%) of respondents utilized their private savings during the start up of businesses and (20%) acquired business or bank loans as capital to start up their business. Only (3%) of respondents applied other means to initiative their businesses, (15%) and (10%) of respondents used investors and family loans respectively. The results depicts that most of the respondents have sacrificed by saving their hard earned money with a view of starting their own ventures to provide for their families and create jobs. Lack of financial resources is often reported as the major obstacle and limiting factor that is experienced by SMEs in developing countries therefore, funding is a problem (Millicent & Reginald, 2014:61). Moreover financial institutions find it difficult to provide funding to SMEs because most small businesses do not have assets to secure collateral securities (Moaisi, 2005:18). However according to (Wiese, 2014:37), the ultimate source of finance was gained through spouse/partner salary, government pension, income from another job, and family contributions.

Question 11: Indicate the reason for starting up business

Table 4.11 gives the information in percentage on the reason for respondents to start their own businesses.

Table 4.11 Reason for starting up

Reason for starting up a business	Frequency	Valid percentage (%)
Poverty Eradication	2	3
Create Employment	37	46
To be financially independent	17	21
To earn a living	23	29
Other	1	1
Total	80	100

Figure 4.11 affords the information in percentage pertaining to the reason for starting up a business.

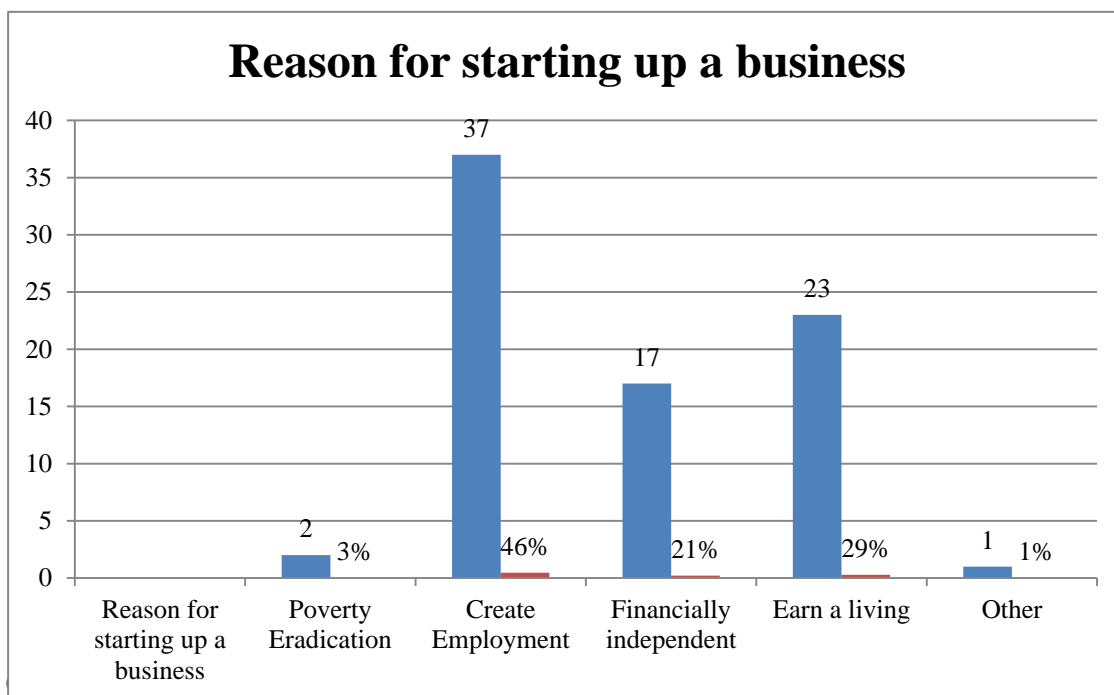


Figure 4.11 Reason for starting up business

Comment

Forty six percent (46%) emerged their own businesses with a view of creating employment, while 29% of respondents started their businesses in order to make a living. 21% of respondents reason that they have formed their own businesses due to financial independency. On one aspect 3% of respondents attributed existence of initiative to poverty eradication, on the other aspect 1% said that there are other reasons for starting up their businesses. According to Jasra, Khan, Hunjra, Rehman & Azam, (2011:274), one of the most important roles of SMEs in this context include poverty alleviation through job creation. For the same reason, the developed as well as developing countries are taking extreme benefits from SMEs and that they are capable to accelerate the economy of any country. Substantively, Abor & Quartey, (2010:218) states that they are often described as efficient and prolific job creators, the seeds of big businesses and fuel of national economic engines.

Section C: Factors affecting SME's sustainability

Table 4.12 brought to light the information about the factors affecting SME's sustainability in percentages.

Table 4.12 Factors affecting SME's sustainability

Factors affecting SME's sustainability	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Financing	58%	23%	6%	13%	1%
Managerial Skills	61%	29%	5%	4%	1%
Marketing Skills	50%	26%	15%	8%	1%
Access to land	43%	28%	9%	16%	8%
Procurement processes	33%	26%	11%	24%	6%
Excessive Government laws & Regulations	26%	23%	15%	31%	5%
Customer Relationship	53%	28%	8%	8%	3%
Socio-economic issues	28%	45%	16%	10%	1%
Technological changes	45%	28%	20%	6%	1%
Clear vision & Mission	56%	26%	13%	4%	1%

Figure 4.12 below statistically depicts the information in the visualized column, below;

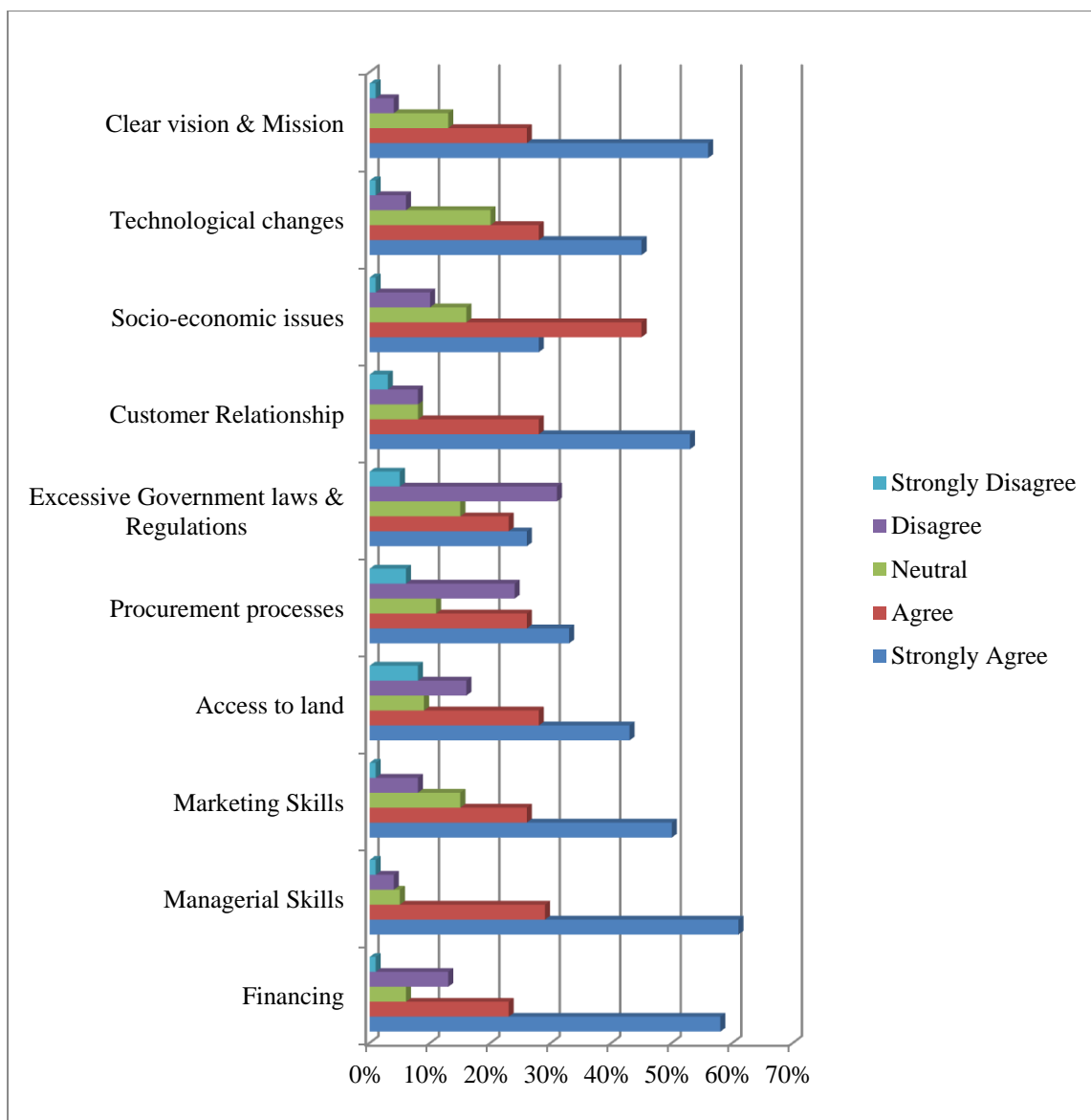


Figure 4.12 Factors affecting SME’s sustainability

Comments:

Majority of the respondents (61%) strongly agreed that managerial skills is the main factor which affects the sustainability of SME’s, followed by financial skills (58%), lack of clear vision and mission at (56%), customer relationship at (53%), marketing skills at (50%), technological changes sitting at (45%), access to land at (43%), procurement process at (33%), socio economic at (28%) and excessive government laws and regulations at (26%).

Respondents amounting to (45%) agree that socio economic issues are the critical factors affecting the sustainability of SME’s, trailed by managerial skills with (29%), Access to land at (28, equally followed by customer relationship at (28%) and technological changes also at (28%). Twenty six percent (26%) of respondents apiece also agree that marketing skills

together with lack of clear vision and mission affects the sustainability of SME's. (23%) per respondents also agree that financial skills and excessive government law and regulations negatively affect the SME's.

Some respondents were neutral in terms of the factors affecting the sustainability of SME's, (20%) of respondents mentioned technological changes, (16%) leaned towards socio economic issues, (15%) of respondents stated that marketing skills and other, (15%) neutrally ticked excessive government law and regulations as a factor. (13%) of respondents bent over lack of clear vision and mission, (9%) of respondents tipped access to land, (8%) of respondents said that customer relationship is a factor. (6%) described financing skills, while the remaining (5%) cited managerial skills as one of the factors that affects SME's sustainability.

31% of respondents disagreed that excessive government laws and regulations hinders the sustainability of SME's, while 24% of respondents disagrees that procurement processes affects the sustainability of SME's. 16% of respondents further disagreed that one of the factors that distracts the sustainability of SME's is an access to land followed by 13% of respondents who also disagreed that financing affects the sustainability of SME's. A handful of respondents amounting to 10% disagreed that socio-economic issues are the factors whereas (8%) of respondents oppose that marketing skills is one of the factor followed by another (8%) of respondents who also oppose that customer relationship is affecting sustainability of SME's. In addition, six percents (6%) of respondents disagreed that technological changes affects sustainability of SME's while 4% of respondents together with other 4% percent of respondents disagreed that marketing skills and lack of clear mission and vision respectively affects the sustainability of SME's.

This findings are in line with Bekele and Worku (2008:549) since the studies conducted by them on SMEs in various parts of the world show that managerial skills and business knowledge are important factors that promote the survival of small enterprises and enable them to remain competitive in the global market economy. Although, according to Hlatshwako (2012:21), a number of studies have shown that access to capital is a major challenge as SME's are generally faced with difficulties in obtaining credit or equity.

Question 13: Factors enhancing SME’s competitiveness.

Table 4.13 presents the information in percentage the factors enhancing SME’s competitiveness.

Table 4.13 Factors enhancing SME’s competitiveness

Factors enhancing SME’s competitiveness	Strongly agree	Agree	Neutral	Disagree	Strong disagree
Exports	70%	19%	6%	4%	1%
SMEs access to the Business Development Services (BDS)	48%	35%	11%	4%	3%
SMEs access to Finance	54%	30%	6%	9%	1%
Access to technology	50%	37%	9%	4%	0%
Globally competitive	48%	30%	16%	3%	3%

Figure 4.13 statistically depicts the information in the pictured columns.

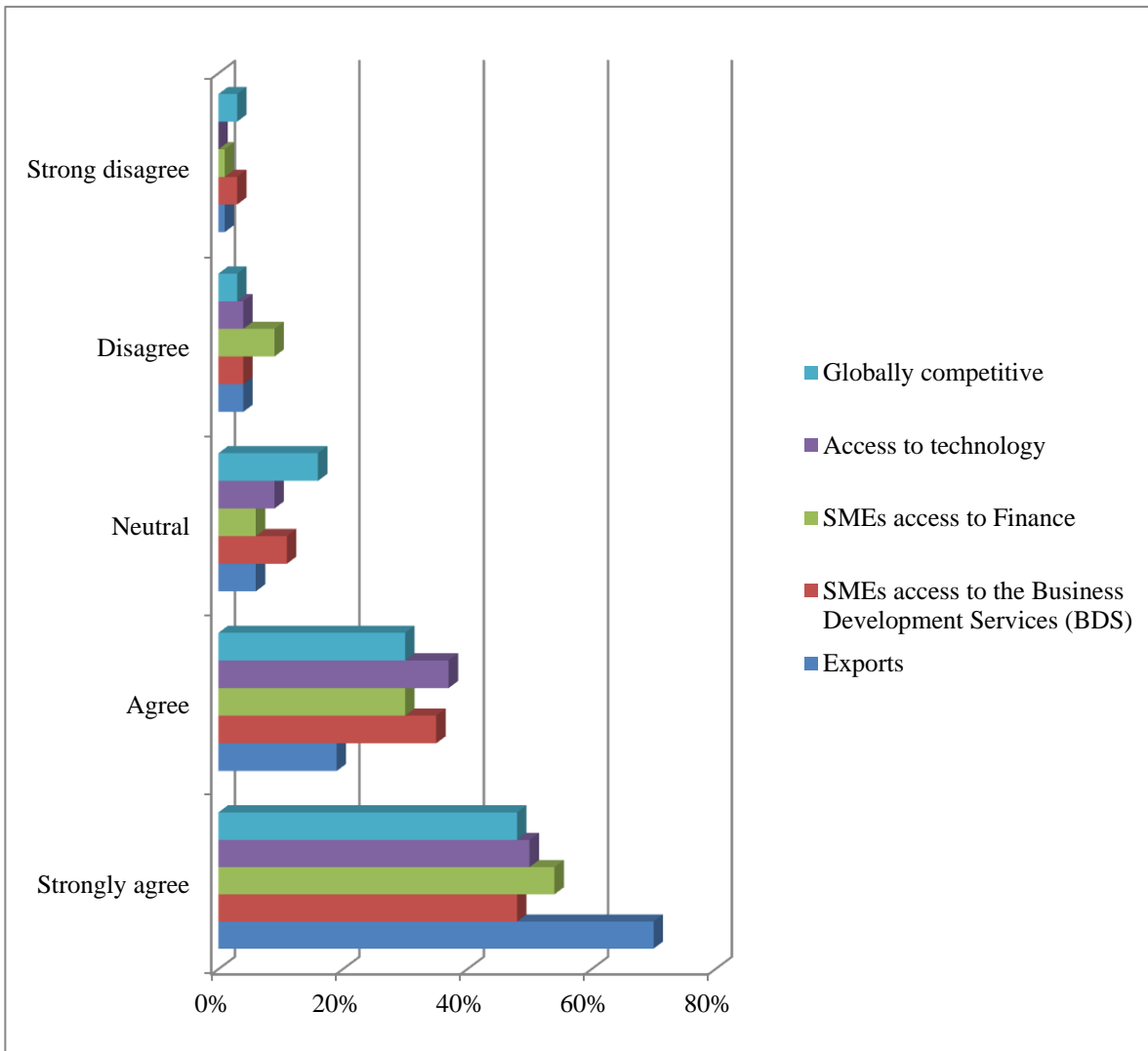


Figure 4.13 Factors enhancing SME’s competitiveness

Comments:

The majority of respondents (70%) strongly agreed that exports is one of the factors enhancing SME’s competitiveness, whilst (54%) of respondents strongly agreed that access to finance enhances the competitiveness of SME’s. Fifty percent (50%) of respondents strongly agreed that access to technology is one of the factors. Forty eight percent (48%) of respondents strongly agreed the factor is access to the business development services followed by another (48%) of respondents who said that globally competitive regulatory framework and improve performance of government bureaucratic processes enhances the competitiveness of SME’s.

Thirty seven percent (37%) of respondents agreed that access to technology enhances the competitiveness of SME’s even though (35%) of respondents agreed that access to the

business development services is one of the factors. Thirty percent (30%) of respondents have the same opinion that access to the business development services increase SME's competitiveness, while within the same breath other (30%) of respondents see eye to eye that that globally competitive regulatory framework and improve performance of government bureaucratic processes enhances the competitiveness of SME's.

On the aspect of neutral respondents, (16%) of respondents were neutral that that globally competitive regulatory framework & improve performance of government bureaucratic processes enhances the competitiveness of SME's, while (11%) of respondents were neutral that that access to the business development services increase SME's competitiveness. Other portion of respondents amounting (6%) leaned towards SME's access to finance followed by another (6%) of respondents who went for exports.

On other aspect, (9%) of respondents disagreed that access to finance is one of the factors that enhances competitiveness of SME's. (4%) of respondents further disagreed that exports enhance competitiveness of SME's, while other (4%) of respondents disagreed that access to the business development services increase SME's competitiveness, followed by other (4%) who also disagreed that access to technology enhance competitiveness of SME's. The last (3%) of respondents oppose that globally competitive regulatory framework and improve performance of government bureaucratic processes enhance the competitiveness of SME's.

Lastly, a small number of respondents amounting to (3%) strongly disagreed that that access to the business development services increase SME's competitiveness, while another (3%) of respondents strongly disagreed that that globally competitive regulatory framework improve performance of government bureaucratic processes enhance the competitiveness of SME's. (1%) of respondents strongly disagree that exports increase SME's competitiveness whereas another (1%) of respondents strongly disagree that access to finance enhances SME's competitiveness. None of the respondents strongly disagree that access to technology enhances SME's competitiveness.

These results are within the parameters of (UN Report, 2005:7) which stipulates that due to the significant contribution made by exports to economic development of a country, governments must provide SMEs with support measures that enable them to globally export varying goods that they manufacture hence this will expand their domestic base and thus sustain their competitiveness coupled with rising incomes. The report further reveal that finance has been identified in many business surveys as the most important factor

determining the survival and growth of SMEs in both developing and developed countries. On the one hand the UN Report (2012) argued that contemporary business environment requires the application and incorporation of new technological tools and management practices in order to remain competitive and sustainable.

Question 14: Institutions in Gaborone are supportive towards SMEs enhancement and empowerment

Table 4.14 Responses from the respondents

Institutions in Gaborone are supportive towards SMEs enhancement and empowerment	Strongly agree	Agree	Neutral	Disagree	Strong disagree
	16%	25%	19%	19%	21%

Figure 4.14 illustrates the information in percentage regarding institutions in Gaborone are supportive towards SMEs enhancement and empowerment.

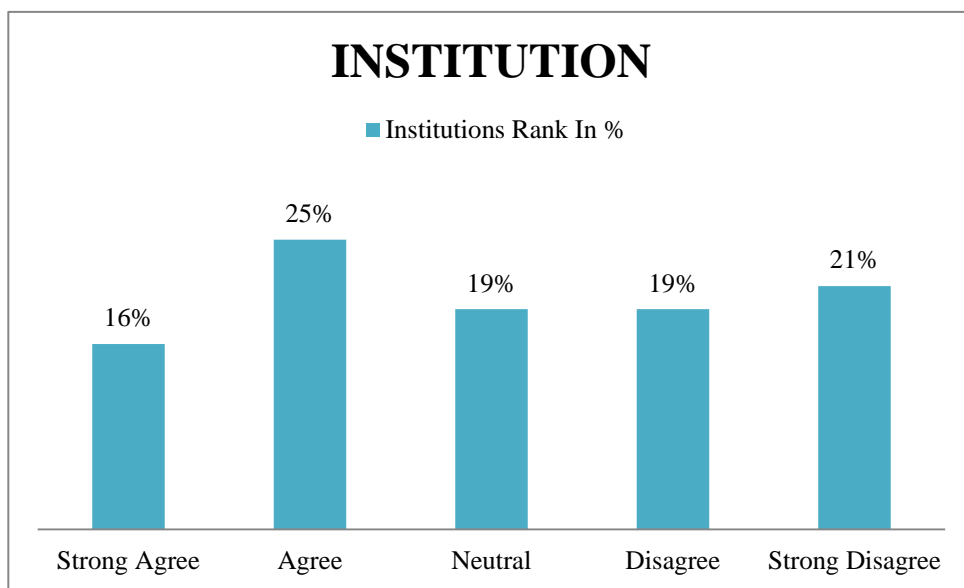


Figure 4.14 Institutions support

Comment:

(16%) of respondents strongly agree that regarding Institutions in Gaborone are supportive towards SMEs enhancement and empowerment, while (21 %) of respondents strongly disagree. (25%) of respondents agree institutions in Gaborone are supportive towards SMEs enhancement and empowerment whereas (19%) of respondents disagree. (19%) of respondents remain neutral pertaining whether the institutions in Gaborone are supportive towards SMEs enhancement and empowerment.

SMEs in Botswana generally have a lot of institutional support that allows them to be competitive both locally and internationally. However, this support is limited by a lack of proper coordination, which has in some cases resulted in duplication of efforts and hence wastage of both the financial and human resources that the sector needs for its growth and development (Sentsho et al., 2007). It is on this basis that the government of Botswana made attempts and efforts to develop SMEs and entrepreneurship to diversify the economy away from diamonds and beef industries through the introduction of policies aimed at achieving economic development and broaden economic base in anticipation of the decline in diamond production from the year 2020 onwards (Botswana Confederation of Commerce report, 2010).

Question 15 Opinion on what assistance can the government provide to enhance SMEs sustainability

Comment:

The majority of the respondents indicated that the Government should assist them with funding that will enable them to buy genuine equipment that will sustain their operations for a long time and remain competitive in the industry in which they operate. They also felt that the government should also provide them with training and workshops on managerial, marketing and financial skills for running the business of which they will acquire the skills that will enable them to be sustainable in the long run. In addition the majority of the respondents indicated that for their businesses to be sustainable and competitive the government should empower and give them priority by purchasing SME's locally manufactured goods and also put majors in place that restrict importation.

The minority of the respondents were of the view that the government should support and empower Chinese operations as much as it does to the local counterparts as this could result in more SMEs being adequately sustainable in terms of their existence and growth.

4.2 Summary

The focus of this chapter was to present the results of the interviews conducted from the survey and discuss the findings in accordance with the objectives of this study. The results revealed that more men were highly engaged in their own ventures set up than their female counterparts, with the age bracket of (41–50) years of age dominating the sector and their educational background displaying a satisfactory sophisticated educational background. The

results furthermore displayed that SMEs employing (0–10) employees hired quite a handful of employees than the other brackets and that most of the SMEs are stable and surviving in Botswana. With regard to the annual turnover and products manufactured, the results showed that most businesses were profiting between BWP 1 001 001.00 and BWP 1 500 000.00 and mostly were venturing in the clothing industry respectively.

Furthermore, the results revealed that of all the businesses surveyed all of them were formally registered in accordance with the Botswana laws and were mostly self-managed. Additionally, because the sector is renowned for its difficulty in securing funding, most of the SMEs were established from owner's private savings during their start-ups and were emerged with the view of creating employment. Equally important is that the results revealed that managerial, financial and marketing skills, technological changes, and customer relationships were key factors affecting SMEs sustainability. Moreover, the respondents strongly agreed that exports, access to finance and technology can enhance SMEs competitiveness. On the issue of institutions supporting SMEs, 41% of the respondents concurred that indeed institutions are supportive enough, whereas 40% of them were of the different view.

The following chapter will focus on the conclusion and recommendations of the study.

CHAPTER 5: Conclusion and Recommendations

5.1 Introduction

In the previous chapter the results of the research were presented and the findings thereof were also discussed in an attempt to address the objectives of the study. The main objective of this study is to find out factors that affect the sustainability of small and medium enterprises in the manufacturing sector of Gaborone, Botswana. Thus in this chapter the conclusions drawn from the research findings will be outlined, the recommendations thereof was suggested and finally recommendation for further studies also was outlined.

5.2 Conclusions

Casting sight on the findings of this research holistically and beyond statistical meanings, a dark or unfavourable picture is painted around the Botswana Government in terms of the sustainability of SMEs in Gaborone. For example most of the respondents are actually complaining about the rigidity of the government laws and regulations in relation to the SMEs. As such the results are confirming the expectation of the researcher that the SMEs in Botswana are encountering lot of problems since their inception in the early 1980's where most of them are being shut down.

SME's are mostly in existence to create employment and make the economy viable although more challenges still lie ahead. The study had defined SME's and it was discovered not to be standard from country to country hence, the concept differs in different parts of the world. However there are some criteria used which is deemed to be more or less similar of which were found to be among others number of employees and annual turnover. Furthermore the study dived deeper in the factors affecting SME's in the manufacturing sector of Botswana and captured all the aspects of substance that shape the experiences. Therefore Botswana government has to give more support to the SME's in order to enhance their sustainability, which will culminate in flourishing of small businesses.

5.3 Recommendations

- Government should offer loans to the youth so as to sustain their enterprises - this might change the current situation. Figure 4.2 shows that there were no respondents aged under 20 years, (21–30) years respondents, just sum up to a mere 13% and only 33% of respondents are found in the (31–40) age cohort, while respondents

amounting to 35 % are within the (41–50) age category. 20 % of respondents are over 50 years.

- Government should start financing SMEs and monitor them and also provide training and workshops on managerial, marketing and financial skills for running the business and solicit feedback from the end-users - this could address the finding that 53% of respondents utilized their private savings during the start up of businesses and 20% acquired business or bank loans as capital to start up their business. Only two percent of respondents applied other means to initiate their businesses, 15% and 10% of respondents used investors and family loans respectively. For the same reason, according to Ayyagari, Thorsten and Demircuc-Kunt (2007:415), SMEs foster economic growth and job creation which results in the reduction of poverty.
- Government should support SMEs by exposing them in functions such as global expositions, both locally and internationally. This might contribute towards the increase in the quantities produced. Currently the majority of products manufactured are small quantities, as displayed in Table 4.7, where by 37% of respondents' deal with garment, clothing, African and German attire, 11% of respondents construct furniture. 9% of respondents deal with stationary, followed by 9% of respondents who manufacture ice blocks.
- Government should restrict importation and empower local manufacturers and also buy from SMEs firstly as opposed to large enterprises only as this might increase the profit potential of SMEs since from Figure 4.6 a whopping 46% of respondents' business are profiting between BWP 100 1001.00 and 1 500 000.00, while 26 % of respondents make more than BWP 1 500 001.00. (28%) of respondents are receiving just less than BWP 100 000.00. This outcome reveals that most of the businesses are viable and enjoy support from the clients.
- Government should have institutions that offer technical skills - this might provide practical skills to SME's owners and employees because 19% of respondents went up to high school level and on the other side, 14% of respondents have other attained qualifications, while the respondents amounting to 52% are in possession of diploma and degree respectively whereas 15% of the respondents have masters degree.. Even though the result displays that majority of respondents are satisfactorily sophisticated, the bulk of respondents are university graduates, armed with diploma, degree and masters however technical skills are very crucial in some of these SMEs.

- Government to provide SMEs with access to industrial land and to market them abroad and should also empower SMEs by firstly purchasing from them instead of buying from large enterprises and abroad - this might see SME's growing and employing more staff and address the current situation since the bulk of respondents totalling 45% are having (0–10) number of employees, followed by 14 % of respondents with the bracket of (11–20) number of employees. The business that have between (51–100) are 13%, while between (31–50) number of employees amount to 13% of number of employees and 12% are business with between (21–30) number of employees. This actually signalled that in Botswana most of the businesses are still small or rather emerging.
- Government to provide training and workshops on managerial skills and also to assist them financially so that they can be sustainable - this might bring improvement to the current situation because from figure 4.12, majority of the respondents 61% strongly agreed that managerial skills is the main factor which affects the sustainability of SME's, followed by financial skills 58%, lack of clear vision and mission at 56%, customer relationship at 53 %, marketing at 50%.
- Government laws and regulations should be focused more toward supporting local SMEs and that is basically not the case at the moment - this might change the situation as indicated on Figure 4.12, whereby 26% of respondents strongly disagreed together with 23% respondents who also agreed that excessive government law and regulations negatively affect the SME's.
- Government should liaise with institutions like Botswana Development Corporation (BDC) to support SMEs and to make policies governing these institutions to support SMEs.
- Government should try to understand facts of international markets and measure the capacity of local market and also work within boundaries of specialities.
- Government to enhance its bureaucratic processes and limit them to a standard relevant to the SMEs environment, the situation will be maintained since from Figure 4.8, a massive 100% of all the business belonging to the respondents are registered, while none (0%) is unregistered. This end result means that bulk of respondents are complying with the registration related to legislation in Botswana.
- Government to allow foreigners who bring genuine investment to the economy to have prolonged work and residence permits. This might bring change to the current situation as portrayed in Figure 4.12 that socio-economic issues hamper SMEs

sustainability since a massive respondents amounting to 45% agreed that socio economic issues are the critical factors affecting the sustainability of SME's coupled with 28% of respondents who strongly concur that indeed socio-economic issue is a factor that affect their businesses.

- Government to support Chinese businesses as well, just like Botswana businesses and not be biased. This could result in more SMEs being adequately sustainable in terms of their existence and growth as indicated in Figure 4.5 that only 27% of the businesses were in existence for less than 20 years as opposed to 15%.

5.4 Recommendation for Further Studies

After considering the rigidity of the laws and regulations of the Botswana government pertaining to SMEs, which impede the survival and growth of SMEs, the following is a recommendation for further investigation:

- A comparative research study between Botswana and other countries which have SMEs that are performing satisfactorily.

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LIST OF ADDENDUMS

ADDENDUM I: QUESTIONNAIRE



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

FACTORS AFFECTING THE SUSTAINABILITY OF SMALL MEDIUM ENTERPRISES IN THE MANUFACTURING SECTOR OF GABORONE, BOTSWANA

Instructions

- For the Likert and multiple type questions please indicate your responses with an (X) in the appropriate box.
- For the open-ended questions express yourself freely.

Section A: Biographic details

1. State your gender below:

Male	
Female	

2. In what age group below do you belong?

Under 20 years	21 -30 years	31-40 years	41-50 years	Over 50 years

3. Indicate your educational qualification below:

High school	Diploma	Degree	Masters	PhD	other

If your answer is 'other' please specify:

Section B: Status of the enterprise

0-10	11-20	21-30	31-50	51-100	101-200	More than 200

4. Indicate the number of employees working in your business below:

5. Indicate the number of years in business below:

Less than 3 years	More than 3 years but less than 7 years	More than 7 years but less than 15 years	More than 20 years

6. What is the annual turnover of your business below:

Less than BWP 100 000.00	Between BWP 100 1001.00 and BWP 1 500 000.00	Over BWP 1 500 001.00

7. Specify products manufactured:

8. Is the business formally registered

Yes	
No	

9. Indicate below how your business is currently being managed:

Self-managed	Appointed manager	Other

If your answer is 'other' please specify:

10. Indicate below how your business was financed during start up:

Investors	
Family loan	
Business/bank loan	
Private savings	
Other	

If your answer is 'other' please specify:

11. Indicate below the reason for starting up your business:

Poverty eradication	
Create employment	
To be financially independent	
To earn a living	
Other	

If your answer is 'other' please specify:

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Section C

12. Factors affecting SME's sustainability

Answer the following questions by ranking the different options on a Likert scale of 1-5 where:

- 1. = Strongly Agree
- 2. = Agree
- 3. = Neutral
- 4. = Disagree
- 5. = Strongly Disagree

	Please rank below
Financing	
Managerial skills	
Marketing skills	
Access to land	
Procurement processes	
Excessive Government laws & regulations	
Customer relationship	
Socio-economic issues	
Technological changes	
Clear vision & mission	

13. Factors enhancing SMEs competitiveness

Answer the following questions by ranking the different options on a Likert scale of 1-5 where:

- 1. = Strongly Agree
- 2. = Agree
- 3. = Neutral
- 4. = Disagree
- 5. = Strongly Disagree

	Please rank below
Exports	
SMEs access to Business Development Services (BDS)	
SMEs access to finance	
Access to technology	
Introduce a globally competitive regulatory framework & improve performance of government bureaucratic processes	

14. Institutions in Gaborone are supportive towards SMEs enhancement and empowerment

	Please indicate below
Strongly agree	
Agree	
Neutral	
Disagree	
Strongly disagree	

15. In your opinion what assistance can the government provide to enhance SMEs sustainability?

THANK YOU FOR YOUR TIME & EFFORT IN ADDRESSING THE QUESTIONNAIRE