

# An Investigation On The Factors Influencing The Development And Sustainability Of Small Medium And Micro Enterprises: A Case Of Polokwane City, Limpopo Province

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Abstract	Article Info
<p>Small, Medium and Micro Enterprises (SMMEs) in the world are established to improve the welfare of the economy and the people's livelihood in a particular area. Recent changes in the new democratic South Africa (SA) have led many people to start their own small businesses in the country without clear knowledge about the factors that promote and hamper the growth and development in this sector. About 85% of SMMEs fail due to poor management practices of the owners yet "there are routes to take to ensure enterprise development and sustainability". According to literature sustainability of the business is affected by the development of organisational management style and the culture that handles the challenges and opportunities that the industry encounters. This study focused on the factors that influence on the development and sustainability of SMMEs in Polokwane City, Limpopo Province.</p> <p>The aim of this study is to investigate the factors that influence the development and sustainability of SMMEs in Polokwane City.</p> <p>This is a quantitative type of research. Data was collected from eighty (80) participants using structured questionnaires.</p> <p>Findings: Most SMME owners have started their business due to lack of employment and interest in business. Market research was not conducted prior the start of the business. Other businesses survive by using strategies such as advertising, good customer relations and good management of debts.</p>	<p><b>Keywords:</b> Micro Enterprises, Economy, SMME, Market Research, Business.</p>

## INTRODUCTION

Small, Medium and Micro Enterprises (SMMEs) in the world are established to improve the welfare of the economy and the people's livelihood in a particular area (Cant and Erdis, 2005). Recent changes in the new democratic South Africa (SA) have led many people to start their own small businesses in the country without clear knowledge about the factors that promote and hamper the growth and development in this sector (Nyathi, 2008). The sector is regarded as a driving force towards economic growth and development (United Nations Economic Commission on Entrepreneurship (UNECE, 2003).

To support the above-mentioned statement, Cant and Erdis (2005) attest that SMMEs are regarded as the driving force of economic growth in both developed and developing countries as they create new industries, new markets and new jobs. In SA where the majority of the citizens' lives in poverty, the need arise for SMMEs to be established, developed and supported especially within the disadvantaged groups as a strategy for long time solution for unemployment and poverty in the economy (Nyathi, 2009). Presently in SA participation in the SMMEs sectors is considered one of the ways that true empowerment can take place as people are encouraged to grow their own businesses and thus economic wealth is distributed more evenly (Louw, 2005). Furthermore, Oni and Daniya (2012) asserts that about 85% of SMMEs fail due to poor management practices of the owners; yet "there are routes to take to ensure enterprise development and sustainability". Harvey and Brown (2006) state that sustainability of the business is affected by the development of organisational management style and the culture that handles challenges and opportunities that the industry encounter. Rogerson (2007) asserts that the factors that impact on development of SMMEs are non-existence policy frameworks in the past, critical internal constraints such as finance, marketing, infrastructure improvement, technology enhancement, business development existence of skills, existence of network of business, technical training and land tenure.

Therefore this article's objective is to investigate on the factors that influence the development and suitability of SMMEs in Polokwane City, Limpopo Province.

## RESEARCH PROBLEM

Apart from the good work that the SMMEs are doing to contribute to local economy, there are also factors that negatively influence its development and sustainability in the area of the study. SMMEs in Polokwane local municipality are surrounded by few corporate institutions that can support them financially to sustain and develop their businesses (Nyathi, 2008). The identified factors such as lack of resources and financial support are the main challenges that make SMMEs not to sustain and develop their business at a faster range. In addition, Clover and Darroch (2005) supports that South Africa's disadvantaged communities, access to finance remains limited.

Therefore, the above mentioned problem calls for the policy makers to develop a strategy that can be used to sustain and develop SMMEs in the Polokwane City. If there is no intervention to the above mentioned problem, there might be poverty, crime, unemployment and other related ills; they will escalate and cause lack of sustainability in this business sector.

## RESEARCH METHODOLOGY

Sampling is a subset or portion of a population (Cooper and Scheinclair, 2001). The sampling method used in the study is purposeful. This is in order that individuals sampled will provide relevant information regarding this investigation. The sample size of this study is eighty (80) participants; forty (40) are males and forty (40) are female respondents. They participated in the data collection through a questionnaire. The participants are sampled from the database of SMMEs in Polokwane City obtained from the Department of Limpopo Economic Development, Environment and Tourism.

## LITERATURE REVIEW

This chapter reviews the literature with regard to factors influencing the development and sustainability of the small, medium and micro enterprise internationally, nationally and in the Limpopo Province. In South Africa, although SMMEs are currently at the forefront of local economic development and are purported to resolve socio-economic problems, this sector is encountering numerous constraints, which restricts it from reaching and maintaining a competitive position in its respective industries (Cape Metropolitan Council, 2000).

The motor behind every successful SMMEs is entrepreneurship which is an undertaking in which one is involved in the task of creating and managing an enterprise for a purpose. The purpose as further stated may be personal, social or developmental. One who is involved in this task is called an entrepreneur. Also a line between an entrepreneur and business owners must be drawn. While business owners establish and manage their own enterprise for personal gains, entrepreneurs exploit ideas that create a business that benefit them, the society and act as developmental weapon (Oni & Daniya, 2012).

According to Greyling (2007) individuals start business for two main reasons which are: 1. To exploit the perceived opportunity (whether it is an opportunity in the market place or an opportunity to lead to a different lifestyle or earn more money); 2. Individuals are pushed into entrepreneurship because all other opinions for work and earning a living are either absent or unsatisfactory. Alternatively, individuals may start a business as a way of supporting themselves and their families (Nkoli, 2013). Furthermore, Nieman and Nieuwenhuizen (2009) introduce the model of entrepreneurial development. The model proposes the factors that are regarded as important in the successful development, growth and sustainability of the entrepreneurship which leads to the formation of SMMEs. It focuses on entrepreneurial orientation, supportive environment, finance, training and development, infrastructure and regulation.

According to Clover and Darroch (2005) factors that impact on the sustainability of SMMEs are management, marketing, operations, finance and may relate to the size and start up circumstances of the enterprise. According to Nkoli (2013) SMMEs have limited buying powers, pay high prices for purchases, charged high interest rates and get limited credit facilities. Harvey and Brown (2001) add that the sustainability factors for the as business knowledge and skills, poor culture of enterprise and lack of working capital. Lack of management skills is also an identified factor. Lack of capacity and exposure to management experience impinge on SMMEs operations. The typical skills that are lacking include financial, business, personnel and marketing (Biekte, 2012). Based on the study conducted by Ladzani and Van Vuuren (2002) it was proved that three out of eleven (27%) service providers listed in directory of SMMEs provide business, entrepreneurial and performance motivation training. Chiwane and Dick (2008) identified that education and training as a vital factor that contributes to the entrepreneurial development as they assist to bring about an advantage in a competitive environment.

In addition, Ligthelm (2010) confirm that a lack of knowledge of market, product, demand and competition are associated with the industry which the business is operating in as the ability of SMMEs to enter the market depends on their quality of product, price and market access opportunities. Greyling (2007) advises that SMMEs should identify which of their products is the main core product or service for them to target their energy towards profit maximisation.

Harvey and Brown (2006) identify the two sets of factors which they regard as drivers: "1. Internal drivers which involves shareholder demand, increased labour cost, new management outlook and entropy (a need for maintenance to enable system and structure to function) and 2. External drivers: changing laws, political decisions, new technologies and increased cost of materials".

With this background in mind, The aim of the study is to investigate the factors that influence the development and sustainability of SMMEs in Polokwane City, Limpopo province.

## **THE SIGNIFICANCE OF SMMEs**

Since mid-2008, SMMEs in South Africa have not been able to contribute towards job creation and economic growth as before (Mmbengwa, Ramukumba, Groenewald, Van Schalkyk, Gundidza, and Maiwashe, 2011). This was partly caused by the global recession. The impact of the global recession on these SMMEs might have been mitigated if essential capacities were adequate. The SMME sector already provides some 57% of the jobs in the South Africa economy. Hope is being pinned on the SMME sector to create further jobs, as these are not forthcoming from the big business sector (Mmbengwa et al., 2011). Therefore the following section will discuss the significance of the SMMEs in job creation and significance of SMMEs in economic growth.

### **Significance of SMMEs in job creation**

Job creation, according to Ladzani and van Vuuren (2002) is the solution to some of the pressing socio-economic problems such as unemployment, poverty and crime. The individual impact of SMEs is relatively small, but their collective impact is substantial. SMEs typically represent about 95% of all private sector firms

in most modern nations, and so form a major portion of all economic activity. Furthermore, they account e.g. for 35% of exports from Asia and approximately 26% of exports from developed countries including the United States. In selected countries such as Italy, South Korea and China, SMEs contribute as much as 60% of total national exports. In Belgium, they represent 95% of all businesses and employ 40% of the labour force in private companies (Nkoli, 2013).

Regardless of the significance of the SMMEs sector, very little is done in the African continent. The sector is over-taxed and over-regulated. In African countries, over 70% of the tax revenue comes from the SMMEs (Biekte, 2012). SMMEs in Africa are regarded as crucial in the role they play in creation of employment and contribution to economic growth (Ligthelm, 2010).

The study conducted by Dayanandan (2013) in Ethiopia discovered that there are almost 570,000 medium and small enterprises of which 99.4% are micro enterprises with less than 10 employees, accounting for 88.2% of private sector employment. The study further demonstrated that 150,090 informal sector operators exist which absorb 199,515 of the labour force. Therefore, 15.2% of the labour force is engaged in the country.

Despite good economic growth in the past, economists are still concerned about the major lack of job creation, which has resulted in high unemployment (for example in March 2009, Stats SA 2009). In South Africa, the sector including micro- and very small businesses comprised of 93% of all enterprises. In March 2007, it contributed 27% - 34% of total gross domestic product (GDP). In 2006 SMMEs accounted for 38% of employment. From the statistics, there is a significant decline of about 4% from the contribution by the SMMEs (Urban and Naidoo, 2012).

### **Significance of SMMEs in Economic growth**

Worldwide, small and medium enterprises (SMEs) or more commonly referred to in South Africa as small medium and micro enterprises (SMMEs) are seen by policymakers as the ideal way to increase sustainable development. According to Urban and Naidoo (2012), SMMEs are pivotal to the growth and development of the South African economy and inextricably linked to economic empowerment, job creation, and employment within disadvantaged communities (Urban and Naidoo, 2012). The high rate of unemployment in South Africa has an effect on the number of informal SMMEs, as people are forced to make a living (Brand, Schutte and du Preez, 2006).

Small (often informal) businesses dominate the economic life of most developing countries. Until the mid-1990s, a similar phenomenon was also evident in the developing urban areas (townships) of South Africa. Small businesses served as convenience shops primarily for the lower income groups, attracting a sizeable portion of household expenditure in less developed urban areas (Ligthelm, 2010).

As SMMEs account for over 95% of all enterprises and two thirds of employment across some developing countries (Nigeria included), their transition to sustainable practices, in both manufacturing and services, is key to the large scale uptake of a sustainability model (Nkoli, 2013).

In Belgium, they represent 95% of all businesses and employ 40% of the labour force in private companies (Nkoli, 2013). In Kenya the SMME sector employs around 3.2 million people, contributing to 18% of the national GDP. In Senegal SMMEs contribute 20% of national value added and in Nigeria SMMEs represent 70% of industrial jobs (Antonites and Truter, 2010).

According to the Millennium Goals, recognising the economic potential of ICTs for SMMEs should be assisted in increasing their competitiveness by streamlining administrative procedures, facilitating their access to capital and enhancing their capacity (UNECE, 2003).

### **SUSTAINABILITY OF SMMEs**

For any business to continue in existence, the organization must not only be profit- minded, but also must be conscious of the environment and be accountable to the society for its actions and inactions. Managers must accept responsibility for consequences of their actions and make every effort to ensure that their decisions, recommendations and actions, function to identify, serve and satisfy all the relevant public, the customers, organizations and the overall environment. The process of doing these would entail sustainability practices (Nkoli, 2013).

The prospects and strategies for a sustainable economy cannot be entirely understood without taking fully into account the production, technology and management practices of small and medium sized enterprises ensuring



that SMMEs fully participate in the efforts towards sustainable growth and benefit from policy changes; to promote this is a key challenge for this transformation (Nkoli, 2013).

The sustainability of these markets is also confirmed by the fact that more than 80% of residents of Soweto indicated that they plan to stay in Soweto for life (Tustin 2008). As a result, large shopping malls have been developed in almost all township areas with sizeable population numbers during the past five years. This development has resulted in a substantial change in the shopping behaviour of township dwellers. Both out shopping (in other words, the extent of shopping outside one's own township) and purchases from small township businesses have been displaced in favour of shops located in newly established shopping malls. In Soweto, for example, the percentage of retail expenditure by Soweto residents increased from 25.0% in 2004 (City of Johannesburg 2005) to 81.2% in 2008 (Tustin 2008).

SMMEs in the farming sector, extension capacity (the capacity of other secondary institutions) is of significant importance. Various institutions such as college of agriculture, universities, development banks, non-government organizations and international institutions are required to provide these support services as community engagement and outreach programmes. Their capacities have a direct influence on the profitability and sustainability of these farming businesses as is the case with commercial counterparts (Mmbegwa et al., 2011).

Furthermore, Nkoli (2013) reveal that in South Africa's Northwest Province, 51% of farming SMMEs did not know the content of their business plans, 70% did not establish any relationship with their peers, 72% of SMME members had not received any marketing training and the SMMEs received 47% of their technical advice from the provincial Department of Agriculture. Various types of capacities need to be identified and used to guide farming SMME planning, implementation and support in the after-care phase. These are categorized as internal and external capacities (Mmbegwa et al., 2011).

The internal capacity refers to the capacity that should be dependent on the SMME itself, whilst the external capacity is the one that should depend on the external structures, institutions, service providers and government departments. Human, infrastructure, financial and market capacity were identified as important for the determination of internal capacity. Besides these capacities, the SMMEs rely on capacity from other organizations, institutions and Government Departments to enhance their internal functions. This capacity plays a role in supporting the enterprise (Antonites and Truter, 2010).

The capacity of small, micro, and medium enterprises (SMMEs) plays a pivotal role in ensuring the viability and sustainability of these enterprises in general (Mmbengwa et al., 2011). Farming SMMEs in South Africa, particularly those formed through land reform, have been heavily constrained by lack of capacity. Capacity as defined by Mmbegwa et al (2011) is the ability of individuals, groups, institutions and organizations to identify and solve problems over time. This includes the management of resources, knowledge and processes employed by individuals, organizations, institutions and groups to achieve their goals. Capacity comprises staffing, physical infrastructure, technology, financial resources, strategic leadership, process management, networks, linkages with other organizations, monitoring and evaluation abilities (Mmbengwa et al., 2011).

According to Flowers, Parker, Arenz, Gaffley, Greighton, Fredericks, Rasdien, Matthews, Pietersen and Smit (2013), SMMEs in South Africa are facing many sustainability challenges. Factors that affect sustainability are primarily the macro-economic factors, micro- economic and psychological factors. The weakened South African currency, volatility of the market and global recession are factors which impact negatively on the sustainability of SMMEs.

According to Mmbengwa et al (2011), there is sufficient evidence which suggests that farming SMMEs lack appropriate linkages with relevant stakeholders including, amongst others, training and research institutions. This author further suggests that experts in a specific commodity should be linked to farming SMMEs dealing with that particular commodity in order to obtain first-hand information.

Performance and sustainability are essential elements of any business operation. However without clear and consistent performance measurement instruments, coupled with monitoring and evaluation systems, it would be difficult to evaluate the strengths and the weaknesses of the business. While performance is critical for all components of business enterprises, SMMEs depend on the performance levels of their managers or owners (Rogerson, 2007).

Some 50 to 60 per cent of enterprises fail within the first three years as a result of mismanagement or incompetence. Thus, another important key success factor for SMEs is the utilization of experts inside and outside the enterprise on some of the functions within the business, and also attending seminars and training sessions (Masocha & Charamba, 2014).

### **FACTORS THAT HINDER SMMEs TO CONTRIBUTE TO ECONOMIC GROWTH AND DEVELOPMENT**

Cant and Wild (2013) argue that businesses still fail in spite of support from the government and private initiatives that support and develop SMMEs. Mbonyane and Ladzani (2011) attest that SMMEs do not operate properly because their owners lack of information about registration of their business. It is the government's responsibility to communicate such information, as Mbonyane and Ladzani (2011) indicate. However, the literature demonstrates the following factors (discussed below) to be the ones that hinder SMMEs from contributing towards economic growth and development.

- Low demand of goods and services due to a lack of market research before starting a business;
- Not enough knowledge of competitors;
- Lack of management skills for business;
- Access to markets;
- Lack of financial resources to sustain the business or funding;
- Poor inventory control;
- Crime e.g. robbery, break-ins and vandalism;
- Struggle to obtain capital and guaranteed income;
- Lack of abilities and skills (management skills);
- Poor infrastructure;
- Lack of information and communication technology (Bowen, 2009; Mbonyane and Ladzani, 2011).

### **FACTORS THAT ENHANCE SMMEs SUCCESS**

Literature reveals the following factors which could enhance SMME success:

- Taking calculated risks
- Importance of business relationships
- Knowledge of one's competitors / competitive advantage
- Corporate governance
- Possession of marketing management skills

Training (Tambunan (2006); Masocha & Charamba, (2014); Ladzani and van Vuuren, (2002); Ortmann and King, (2007).

The significance and development of SMMEs has been elaborated upon in sections above. There are national and international bodies that support and protect the SMMEs. There are some of the factors that hinder SMMEs from contributing into economic growth and development. Factors such as corporate governance, taking calculated risks or access to markets play a role in the success of SMME. However, SMMEs still encounter challenges in order to be sustainable according to the respondents who participated in the study. The results of the study are discussed below.

### **PRESENTATION OF RESULTS**

This study's objectives were to investigate the factors influencing development and sustainability of SMMEs in Polokwane City, Limpopo Province. The links between the findings and the literature review are also discussed. For easy reference, the questions which were asked are included in the discussion.

#### **Are you the owner of this business?**

95% of respondents were the business owners and only 5% were employees in the business. This implies that 95% of the data collected in this study was from business owners. This has increased the validity and authenticity of the information provided.

### **If you are the owner, what influenced you to start this business?**

45% of business owners who participated in the study started their business due to lack of employment. In SA where the majority of the citizens' lives in poverty, the need arises for SMMEs to be established, developed and supported especially within the disadvantaged groups as a strategy for long time solution for unemployment and poverty in the economy (Benadict, 2009).

Presently in SA participation in the SMMEs sectors is considered one of the ways that true empowerment can take place as people are encouraged to grow their own businesses and thus economic wealth is distributed more evenly (Louw, 2005).

This is followed by 27% who were interested in business and 22% who had a desire to generate income. Greyling (2007) attests that individuals start business for two main reasons which are: 1. To exploit the perceived opportunity (whether the opportunities in the market place or there is an opportunity to lead to a different lifestyle or earn more money), 2. They are pushed into entrepreneurship because of all other opinions for work and earning a living are either absent or unsatisfactory.

### **How long have you been running this business?**

50% of businesses that existed had been operating for two to five years, whilst 20% businesses existed for over 11 years. However, 5% were less than a year old. This shows that indeed that most businesses survive for a short period of time compares to business that existed for over 11 years. In literature, Masocha and Charamba (2014:63) state that 50 to 60 per cent of enterprises fail within the first three years as a result of mismanagement or incompetence.

### **Which strategies do you use to sustain your business?**

The research study revealed that advertising the business, good customer relations, management of debts, application of business management skills, focusing on target market, patience with business from the business owner and employment of competent staff were the identified strategies used to sustain the existing businesses.

### **Were you ever trained on management and entrepreneurial skills?**

It was realised that 60% of SMME owners were not trained in either business management or entrepreneurial skills. This is a concern as the study conducted by Ipinge (2010) reveals that about 85% of SMMEs fails due to poor management practices of the owners yet "there are routes to take to ensure enterprise development and sustainability". Chiwane and Dick (2008) identify education and training as a vital factors that contribute to the entrepreneurial development as they assist to bring about an advantage in a competitive environment.

### **If yes, where did you receive training and which topics where you trained on?**

Rogerson (2008) emphasises that business training and more flexible regulations are identified as key strategic elements in promoting entrepreneurship, strengthening the enabling environment and enhanced competitiveness and capacity at business level. This fact was supported by the business owners that were trained as their businesses were still existing and well managed. Olawe and Garwe (2010) concluded that lack of education and training has reduced management capacity with the SMMEs in South Africa. From the study, it was identified that 60% of SMME owners were trained on business management or entrepreneurship. Business owners who were trained were trained on Customer care, Business Management, Sanitation and Hygiene, Making paraplegic shoes, Mechanics, Computer literacy and First Aid. Trainings were received from tertiary institutions, Department of Labour, from previous experience at work and the municipality. It was realised that trainings that were offered were not more intense in acquiring the managerial skills. This contributes to the development and sustainability of the business.

### **Did you conduct the market research with regard to your business prior developing it? What were your findings?**

It was revealed that only 30% conducted their market research prior to the start of their business. This shows that education plays a pivotal role as business owners would have acquired the skill and ensured that they conduct the market research prior to the start of the business. According to Nieman and Nieuwenhuizen (2012)

it is critical to compile the marketing plan as it outlines the marketing goals, how they will be achieved and who will take responsibility in achieving them. This practice would enhance SMME owners to focus on customers, the industry the business is operating in and competition involved.

**Provide a ranking in the order of importance in order as part of your challenges in growing your business?**

The challenges that had an impact on growth of the business included access to finance being the first, followed by infrastructure, then lot of competitors, capacity and lack of management skills. Rogerson (2008) attests that several studies that were conducted point out that a lack of finance contributes negatively towards the development of businesses. Rogerson (2008) adds that training and skills development is of vital for SMMEs in order to learn to grow and to and move up the value chain. Grobler, Warnich, Carrel, Elbert and Hatfield (2006) state that training is vital as it improves performance, update employees' skills, avoid managerial obsolescence, solve organisational problems, prepare promotion and managerial success. Clover and Darroch (2002) confirm that the majority of SMMEs in South Africa do not have access to public infrastructure services.

**What types of risks do you encounter within your business? (How do you survive despite the risks encountered?).**

The study reveals that theft was the highest business risk that SMME owners encountered. Other risks included the financial risks, clients not repaying on time, employee risk, and failing IT systems.

Crime is a challenge to SMMEs. It negatively impacts on SMMEs through theft of property thus reducing business confidence, loss of investment and even destroying the economy (Mahadea and Pillay, 2008). Literature shows that access to technology is also a challenge to SMMEs. Technological accessibility requires large expense which might not be accessibility to SMMEs (Chiwane and Dick, 2008).

**How confident are you with regard to the future of this business?**

45% of SMME owners were not confident about the future of their businesses. Slightly over a half, 55% of SMME owners were confident about the future of their business. According to Mmbengwa et al. (2011) business confidence was identified as one of the key success factors of the business. Factors such as crime also contribute to the loss of business confidence in SMME owners (Mahadea and Pillay, 2008).

**How do you manage to sustain your business without financial support from other government business / financial institutions?**

The strategies that businesses use to sustain themselves without the financial support from the government or financial institutions are the following: to have enough capital, implementation of good managerial skills, financial management skills, clients to pay 50% prior services are rendered to them and advertising the business.

However, Cant and Wild (2013) attest that marketing knowledge affects the success of the business of SMMEs. The challenges faced with marketing related issues include: competition, low demand for product, not meeting customer needs, wrong pricing, knowledge of own business, knowledge of industry, knowledge of target market, location of the business, variety of product offering and branding. Therefore if the marketing related issues were avoided then the business owner would have proved the good marketing management skills.

**Do you have business debts?**

65% of the respondents were in debt whereas there were 35% of businesses that were debt free.

**If yes, share with us how you repay business debts?**

Some of the respondents said that they settle debts as agreed with the suppliers, whilst others said that they settle debts from income earned.

**If no, share how you manage to keep off debts?**

These business owners pay stock in cash, have business plans and good financial management skills. Mmbengwa et al. (2011) identified servicing of debts as one of the key success factors of the business.



### **Is the government is doing enough to support SMMEs?**

All the participants gave a negative answer to this question. Despite the different bodies or organisations within the government focusing on supporting the SMMEs, it was disagreed that the government was doing enough to support the SMMEs. Supportive bodies available within the Limpopo Province included Small Enterprise Development Agency (SEDA), South African Micro-finance Apex Fund (Samaf), National Youth Development Agency (NYDA), The Land Bank, Limpopo Agribusiness Development Corporation (LADC), Municipal SMME support programmes and Limpopo Enterprise Development and Tourism (LEDET).

### **How must the government support SMMEs?**

There were different opinions with regard to how the government must support the SMMEs. Some responses were as follows: that every person applying for the financial assistance must receive financial support, SMMEs should to stop paying tax, award tenders to SMMEs and assist in SMMEs accessing the markets and even export markets. In addition, Clover and Darroch (2005) state that institutional challenges arise from lack of government support towards SMMEs. Furthermore, procedural requirements for registration and licensing, taxes and financial reporting may hinder SMME's development.

### **Have you ever approach any financial institution for support to your business?**

It was found that 62.5% business owners never approached a financial institution yet there is a need for financial assistance from their businesses. The business owners still complain that the government is not doing enough for them yet the business owners fails to approach the available government business support bodies for assistance. According to a related study conducted by Mutezo (2005) SMMEs all over the world experience problem of lack of access to finance due to the fact that financial institutions have low tendency to risk. However, it is also contributed to the fact that small business owners are mainly poor and do not form any collateral.

### **How can corporates support SMMEs?**

The study revealed that corporates can support SMMEs by sourcing goods and services from them, assist SMMEs with access to the market, through financial support, reduce or discount prices for SMMEs during purchasing yet 5% of SMMEs were convinced that corporates will never support them

## **CONCLUSIONS**

95% of the participants in the study were SMME owners and that ensures validity and authenticity of data collected. However, there is a high rate of 45% of SMME owners that started their business due to lack of employment, followed by being interested in business, the desire to generate income, family background and none were due to peer pressure.

50% of existing businesses have been operating for 2 to 5 years followed by those operating for over 10 years. However, there were strategies that were used in order to sustain the businesses operating. Those strategies were advertising the business, maintaining good customer relations, managing debts, applying management skills, focusing on target market and customer needs and finally patience.

Training is pivotal prior to the start of the business. It was discovered that 60% of SMME owners were trained on management or entrepreneurial skills prior to starting their businesses. Trainings were conduct by higher institutions and by the Local Municipality.

Only 30% SMME owners conducted market research prior the start of their business. This proves that indeed personnel moved into business due to lack of employment so that they can make a living. As proven from the literature, Polokwane is not different concerning challenges that other SMMEs are encountering. Main challenges were access to finance, infrastructure, lot of competitors, capacity and lack of managerial skills. Every business has got risks. The reported business risks included: theft, financial risk as not all creditors settle their bills, clients not paying on time, employee risk as some employees resigns after the company spent money on capacity building, and failing IT system. Due to challenges, risks that are encountered in the business environment, 55% of SMME owners lack business confidence.

Although most SMMEs worldwide have a challenge with financial support, there are some business that survive without any financial support from either government or financial institutions nor organisations. SMMEs that survived because they had enough working capital, apply good managerial skills, implement

financial management skills, ensure that clients pay 50% prior to the services that are rendered to them, family support and advertising the business.

Debts forms part of the business however, 65% had business debts with 45% SMMEs without debts. Debts were managed by setting them as agreed with suppliers. Businesses without debts are paying stock on cash; follow the business plan and applying financial skills.

A total of 75% of SMMEs do not agree that government is not doing enough to support them. There are several ways which SMMEs proposed that government can support them: every person applying for financial assistance must receive financial support, SMMEs to stop paying tax, award tenders to SMMEs as well and assist SMMEs to access the market and export their products.

The findings of the study of perceived factors that contribute to the development of SMMEs in Polokwane City have proven to be consistent with the findings already in the literature review. The factors influencing sustainability of the SMMEs are the same as the identified success key factors discussed in the literature.

Through the research study, it was determined that the answer to the research question was complex. The hindrances that contribute such as access to finance, access to market and infrastructure contribute negatively towards the development of SMMEs. From the study it was revealed that some SMME owners do not apply for the financial assistance nor use the available resources provided by the government and other corporates in order to receive support. Training, educational background and business management skills are important for the sustainability of the business.

## RECOMMENDATIONS

From the findings made in the study, the following recommendations are suggested.

In order to avoid the business failure by individuals moving into business mainly due to lack of employment, business management skills and Micro Economics should be reinforced at school level. Frequent business or entrepreneurial trainings by the government, Non-Government Organisations, financial institutions as SMMEs provide jobs to the society and thus improve the economy.

There is a high number of businesses that operate for 2 to 5 years than businesses that operates over 6 years. This confirms that most businesses fail after 5 years. To avoid this practice, support not only financial but monitoring and evaluation of business performance must be provided.

The financial agencies are to advertise the services they are providing. The campaigns must reach even rural areas so that individuals may apply for funding. The campaigns should also include how to write business plans and how to conduct market research.

Support through monitoring and evaluation of business performance must be implemented.

SMMEs must be encouraged to be innovators. This will ensure that businesses survive for a long time, as this will result in an increased competitive advantage to other businesses.

The municipalities are to provide good infrastructure (built business areas, roads be in good conditions, water and electricity supply).

There must be tight security with cameras so that business crime could be controlled.

Reinforce the business forums so that SMME owners who are performing well may share their experience and encourage others. This will also be a platform of upcoming SMME owners to learn and beware of what to expect in the business sector.

The government to employ more business and financial advisors so that they assist SMME owners, mentor and coach them.

It was realised that SMMEs are gradually losing confidence in the government. It would be good for the government department and for financial agencies supporting businesses to win the confidence of the public by supporting SMMEs so that the economy can be improved.

Review tax and interest for SMMEs.

Ensure that reported crime on SMMEs be dealt with immediate effect in order to regain business confidence.

Enhance SMMEs to access the market and be able to export.

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