

IDENTIFYING AND EXAMINING THE NATURE AND EXTENT OF
EXTERNAL FACTORS INFLUENCING GROWTH AND DEVELOPMENT OF
SELECTED SMME's IN DURBAN KWAZULU NATAL

By

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DECLARATION BY STUDENT

I, Sisanda Michelle Ngubane, hereby declare that the work presented in this dissertation represents my own work and findings, except where indicated, and that all references are to the best of my knowledge, accurately reported.

Sisanda Michelle Ngubane

Signature

Date

ABSTRACT

This study identified and examined the nature and extent of external factors influencing growth and development of selected SMMEs in Durban, KwaZulu-Natal. The importance of the research lies in the contribution of its findings and recommendations to ensure the survival of SMMEs. The target population was identified as 300 owners of SMMEs in Durban, KwaZulu-Natal, with a sample of 169 selected on a convenience basis, to which a questionnaire was distributed.

Regardless of the problems experienced by SMMEs, it is vital to stimulate their growth and development, as this sector is likely to be the job creators of the future South Africa, as well as the providers of a continuation level of employment opportunities (Antonie, 2010). The rate at which SMMEs spring up is encouraging, considering that one of the cardinal goals of establishing SMMEs, is the eradication of unemployment and poverty.

It was found that, not all of the respondents understand the potential of SMMEs to gain a competitive advantage; however, the majority agreed that Durban is an accessible and convenient location to do business, and that Government should partner with SMMEs in job creation and poverty alleviation. In addition, more than 80 percent of the respondents believe SMMEs will thrive with more access to loans and financial support. More than half of the respondents indicated that they often need to bribe government officials in the process of obtaining a business license and/or registration, while the findings also show that, when the process is fair, open and transparent, respondents believe it facilitates SMME growth and development. Recommendations on how factors identified can be better managed, so as to support, rather than negate, SMMEs' quest for growth and development, include government facilitation of workshops, and more visible training.

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DEDICATION

I dedicate this to my late grandmother, who raised me and taught me how to pray and have faith in God.

To my siblings, let this be an inspiration to you, after all the sacrifices our mother went through to give us a better education, even though she is a single parent.

TABLE OF CONTENTS

Declaration.....	ii
Abstract.....	iii
Acknowledgement.....	iv
Dedication.....	v
Lists of Tables.....	xi
List of Figures.....	xii
List of Appendices.....	xii

CHAPTER 1

1 INTRODUCTION	1
1.1 Introduction	1
1.2 Background.....	2
1.3 Problem statement.....	4
1.4 Aim and objectives.....	5
1.4.1 Main objective.....	6
1.4.2 Underlying objectives.....	6
1.5 Delineating the research problem	6
1.5.1 Scope	6
1.5.2 Limitations	7
1.6 Assumptions	7
1.7 Significance of the study	7
1.8 Chapter outline.....	8
1.9 Conclusion	10

CHAPTER 2

LITERATURE REVIEW	11
2.1 Introduction	11
2.1.1 Defining SMEs owners and small business act.....	11
2.1.2 Defining SMEs owners as an entrepreneur.....	12

2.2 SMEs as drivers of the economy	13
2.3 The effect of corruption and bureaucracy on SMEs	14
2.3.1 Corruption.....	15
2.3.2 Bureaucracy	18
2.4 The impact of labour, infrastructure and regulations on SMEs.....	20
2.4.1 Training to offer efficient service	21
2.4.2 Lack of skilled and experienced employees	22
2.4.3 Automation and technology	23
2.4.4 Government regulations and the growth of SMEs	25
2.5 Financial support for SMEs	26
2.5.1 Access to finance	26
2.5.2 Access to loans	27
2.5.3 Tax incentives.....	27
2.6 Economic environment of SMEs	28
2.6.1 Competition	28
2.6.2 Business location and business environment.....	29
2.7 The role of government in the growth and development of SMEs.....	29
2.7.1 Government policies and regulations	30
2.7.2 Local Government and provincial level critical to growth of SME.....	30
2.7.3 Government, SMMEs and poverty alleviation.....	30
2.8 Conclusion	31

CHAPTER 3

RESEARCH METHODOLOGY	32
3.1 Introduction	32
3.2 Research design	32
3.2.1 Research paradigm	32
3.3 Target population	33
3.4 Sampling.....	33
3.4.1 Sampling method	33
3.4.2 Sample size.....	34

3.4.3 Inclusion criteria	34
3.4.4 Recruiting process.....	34
3.5 Data collection method	34
3.5.1 Data collection plan	34
3.5.2 Data analysis	34
3.6 Elimination of bias.....	34
3.7 Pilot testing	35
3.8 Validity and reliability	35
3.9 Ethical consideration/confidentiality and anonymity	35
3.11 Conclusion	37

CHAPTER 4

PRESENTATION OF RESULTS

4.1 Introduction	38
4.2 Data analysis	38
4.3 Focus Area: A: Demographics details.....	39
4.3.1 Nature of the business.....	39
4.3.2 Gender and Age	40
4.3.3 Racial grouping.....	42
4.3.4 Number of employees.....	43
4.4 Different categories of SMMEs	43
4.5 Focus Area A2: Corruption, Bureaucracy and SMMEs	44
4.6 Focus Area B: Labour, Infrastructure, Regulations and SMMEs.....	48
4.7 Focus Area C: Financial support and SMMEs	52
4.8 Focus Area D: Economic environment and SMMEs	53
4.9 Focus Area E: The role of government in the growth and development of SMMEs	54
4.10 Cronbach's Alpha.....	56
4.11 Conclusion	57

CHAPTER 5

INTERPRETATION OF RESULTS

5.1 Introduction	58
5.2 Demographics of respondents	58
5.2.1 Nature of the business.....	58
5.2.2 Gender and Age	59
5.2.3 Racial group breakdown	59
5.2.4 Number of employees.....	60
5.3 Study objectives linked to specific questions	60
5.4 Nature and extent of Corruption, Bureaucracy and SMMEs	60
5.5 The influence of Labour, Infrastructure, Regulations and SMMEs	61
5.6 The influence of Financial support and SMMEs.....	62
5.7 The influence of Economic growth and SMMEs.....	63
5.8 The influence Role of Government and SMMEs	64
5.9 Cross tabulation	65
5.9.1 Introduction	65
5.9.2 Correlation Analysis of Labour, Infrastructure, Regulations	65
5.9.3 Correlation Analysis of Financial support	67
5.9.4 Correlation Analysis of Economic growth.....	69
5.9.5 Correlation Analysis of Government role.....	71
5.10 Conclusion	72

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction	73
6.2 Revisiting the objectives	73
6.3 Research findings	74
6.4 Recommendations	75
6.5 Further research	76
6.6 Limitation of the research.....	76
6.7 Conclusion	76

REFERENCE LIST	77
LIST OF TABLES	
Table 4.1: Nature of the business	40
Table 4.2a: Gender and Age.....	41
Table 4.2b: Gender	42
Table 4.3: Racial grouping	43
Table 4.4: Number of employees	43
Table 4.5: SMMEs definition	44
Table 4.6: The process involved in obtaining a license is fair, open and transparent.....	45
Table 4.7: Time and complexity in applying and obtaining a license.....	45
Table 4.8: Unacceptable methods	46
Table 4.9: Support from relevant bodies	47
Table 4.10: Fairness and transparent	48
Table 4.11: Employees must be trained.....	48
Table 4.12: Cost of hiring skilled employees.....	49
Table 4.13: Adequate infrastructure.....	50
Table 4.14: Automation and Technology	51
Table 4.15: Government regulations.....	52
Table 4.16: Summary of financial support and SMMEs	53
Table 4.17: Summary of Economic environment and SMMEs.....	54
Table 4.18: Summary of Government's role in the growth and development and SMMEs	56
Table 4.19: Cronbach's Alpha.....	56
Table 5.1: Age.....	59
Table 5.2: Number of employees	60
Table 5.3: Study objectives linked to specific questions	60
Table 5.4: The influence of Corruption, bureaucracy and SMMEs.....	61
Table 5.5: The influence of Labour, Infrastructure and SMMEs.....	62
Table 5.6: The influence of financial support and SMMEs	63
Table 5.7: The influence of Economic environment and SMMEs.....	63
Table 5.8: The influence of Government's role and SMMEs.....	64

LIST OF FIGURES

Figure 4.1: Nature of the business (QA1.A).....	40
Figure 4.2: Racial grouping (QA1.3).....	42
Figure 5.1: Nature of the business (QA1.1)	58
Figure5. 2: Racial grouping breakdown (QA1.2).....	59

LIST OF APPENDICES

Appendix A: Chi square (QA2.1-5).....	84
Appendix B: Chi square (QB1.1-5).....	85
Appendix C: Chi square (QC1.1-5)	86
Appendix D: Chi square (QD1.1-5)	87
Appendix E: Chi square (QE1.1-4).....	88
Appendix F: Letter of Consent	89
Appendix G: Questionnaire	92

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Small business and Micro Enterprises (SMEs), excluding medium businesses, play a crucial role in almost all economies in the world, but especially those in developing countries, such as South Africa. According to Levy and Powell (2005: 33), the government's National Strategy for the development and promotion of the small business sector in South Africa was formally endorsed by parliament in early 1995. They further states the Strategy established several important objectives for the development of the small, medium and micro enterprises (SMEs) sector over a ten year period. SMEs is defined as an enterprise that employs fewer than ten persons and whose annual turnover and/or annual balance sheet total, does not exceed two hundred and ninety seven million.

In the past, SMEs in South Africa have been recognised as a main contributing factor to the steady growth of the nation's middle class. For instance, Cant and Wild (2013: 707) remark that SMEs have contributed immensely in reducing the country's unemployment rate, which leads to the sustenance of families across the nation. In spite of these laudable positives of SMEs, they are often plagued by a myriad of external factors that cripple them at the start-up stage, before they even mature into fledgling businesses.

This is also the main motivation behind this study, which aims to investigate the nature and extent of external factors, in influencing growth and development of SMEs in Durban, KwaZulu-Natal (KZN). Given that SMEs form the fulcrum on which governments across the globe (and indeed South Africa), eradicate poverty, it becomes pertinent to undertake this study, with the aim of proffering recommendations on how these factors can be better managed, so as to support, rather than negate, SMEs quest for growth and development.

For instance, most SME owners complain that they face an uphill task whenever they try to obtain loans or financial support for their business. Even when they do acquire these loans, the owners maintain that the interest makes it almost impossible to break even (Kongolo, 2010). The study will not focus on medium-sized businesses.

While not understanding the problem of access to finance, SMEs also face the huge task of acting as a source of employment to the country's teeming population. The lack of support SMEs face means they are not given the needed recognition as sources of employment. According to Cant and Wild (2013: 707), with the result that the employment rate in South Africa will remain the same, should South Africans not be encouraged to establish more SMEs and assist existing companies to grow, that increase their contribution to employment and the Gross Domestic Product (GDP).

Studies (Abor and Quartey, 2010: 224; Bosch, Tait and Venter, 2011: 594; Sha, 2006: 52) highlight the numerous challenges plaguing SMEs across the globe, particularly in Third World Countries. In the South African context, some of the challenges observed are: incompetence on the part of those managing SMEs; SMEs inability to blend with the changing trends in technology; the problem of gaining access to finance; establishing SMEs in a non-thriving location; the high cost of starting-up SMEs; and the challenge posed by bureaucracy and corruption.

1.2 Background to the study

In South Africa, the National Small Business Act 102 of 1996, amended by Act 29 of 2004 (South Africa, 2004), categorises small businesses into four groups namely, micro enterprises, including survivalist enterprises; very small enterprises; small enterprises; and medium enterprises. The differentiating factor between these categories, excluding micro enterprises, is the number of employees (South Africa, 2004; Von Broembsen, Wood and Herrington, 2005).

It is generally agreed that SMEs play a key role in the country's employment rate. The most evident public benefit of small business growth is the contribution made by SMEs to employment. Kongolo (2010: 18) asserts that SMEs have been proven to aid in job creation and poverty alleviation thus, this study becomes significant considering that the findings could aid in understanding the external factors influencing growth and development of SMEs, thereby encouraging would-be entrepreneurs to start small businesses.

Though SMEs are crucial to the growth of economies, they are bedevilled by a myriad of problems; according to a World Bank report (2009), the main obstacle for Small and Medium Enterprises (SMEs) in South Africa, is their inability to obtain loans and credit facilities as and when necessary. The report also states that only about ten percent of investment is financed by credit (over 85 percent of investment is financed by own resources). This suggests that there is a need to strengthen risk management instruments that could increase banks' willingness to lend. In addition, it is critical to develop and strengthen micro-finance institutions that have the potential to lend to farmers and other entrepreneurs.

This would involve transforming existing non-profit foundations into more sustainable, for-profit financial intermediaries, while raising awareness of the potential roles of small entrepreneurs in mainstream economic activities (World Bank, 2009: 16).

The creation and sustainability of new SMEs are vital to the economic prosperity of a country or else it risks economic stagnation (Fatoki and Garwe, 2010). Kongolo (2010) states that SMEs account for roughly 91 percent of the formal business entities in the country, contributing between 51 and 57 percent to the GDP and 60 percent of employment in South Africa. Robert (2010) is of the opinion that many small businesses within South

Africa do not make it past the second year of trading, with failure rates as high as 63 percent.

Adequate awareness of these challenges and their avoidance, could potentially lead to the growth and expansion of SMEs, thereby helping them play crucial roles in economic growth and development. Bosch *et al.* (2011: 594) thus advise that when making business decisions, SME owners should be proactive and ready to learn from others and their mistakes. In the same vein, Walters (2011) and Campbell (2008) aver that it is imperative for business owners to be aware of the impact these aforementioned challenges have on businesses and strive to avoid them, where possible.

1.3 Problem statement

Measuring a company's growth is challenging, especially in a developing country, such as South Africa. Henderson, Dicken, Hess, Coeand Yeung (2012) maintain that the GDP is the universally accepted variable, in the measurement of a country's economic performance and/or growth.

Measuring growth, however, has its own challenges because most countries are not consistent in their measurement or they do not measure at all. SMEs are one of the indicators of a country's economic growth and development; therefore, ensuring that this sector is viable should be the goal of every government. Nonetheless, there is a major challenge of SMEs struggle to survive, despite their immense importance to the economies of countries (Henderson *et al.* 2012).

Studying SMEs growth can provide insights into the dynamics of the competitive process, strategic behaviour, the evolution of market structure and, perhaps, even the growth of the aggregate economy (Carpenter and Petersen, 2002: 23). These small South African enterprises have not performed well, according to Beck and Schäfer (2012: 11), and hence have not played the expected vital and vibrant role in the economic growth and

development of South Africa. This is due to challenges posed by the economic climate, such as scarce resources, government bureaucracy, and a lack of basic infrastructure. Olawale and Garwe (2009) aver that economic factors have a direct impact on the consumption patterns of consumers and significantly affect all businesses in all sectors, including SMEs.

Regardless of the problems experienced by SMEs, it is very important to stimulate their growth and development, as well as the providers of an extended level of employment opportunities (Antonie, 2010). Throughout South Africa, it is common to see SMEs in strategic points, such as taxi ranks, garages, busy alleys and even in schools. The rate at which these enterprise spring up is encouraging, considering that one of the cardinal goals of establishing SMEs is the eradication of unemployment and poverty.

Beck and Schäfer (2012: 11) observe that most of these SMEs have a very short lifespan, as they are wound up in the first few months of operation. The author further states that the challenge of the early demise of SMEs could be tied to many factors, chief among them that most SME owners are unskilled and lack basic managerial training, which is necessary for the successful running of small businesses.

The factors that lead to the early failure of SMEs will be covered in the literature review section of this study. These factors include, bureaucracy, access to finance, government policies, labour and regulations, economic environment, such as business location, and advancements in technology leading to business automation. It will also cover problems and matters, such as external factors influencing growth and development of selected SMEs in Durban, KZN. This is important, in order to ensure the survival of SMEs, from the introductory to the growth phase of their organisational life cycle.

1.4 Aim and objectives

The study aims to investigate the nature and extent of external factors, in influencing growth and development of SMEs, in Durban, KZN.

1.4.1 Main Objective

The main objective of the study is to establish the nature and extent of external factors, in terms of corruption and bureaucracy, financial support, government policies and regulations, influencing growth and development of selected SMEs in Durban, KZN.

1.4.2 Underlying objectives

The supporting objectives of the study are:

- To investigate the nature and extent of external factors influencing growth and development, in terms of corruption and bureaucracy, of selected SMEs in Durban, KZN.
- To determine the influence of labour, infrastructure, regulations and economic environment, on the growth and development of selected SMEs in Durban, KZN.
- To investigate the influence of financial support and access to finance, on the growth and development of SMEs in Durban, KZN.
- To determine the influence of the government's role, on the growth and development of selected SMEs in Durban, KZN.

1.5 Delineating the research problem

1.5.1 Scope

The focus of the study is on selected SME owners in Durban, KZN is to undertake a study of all SMEs in KZN, time and resource constraints means that attempting a study of that magnitude, would be a Herculean task. The study is further limited in scope, only to external factors influencing the growth and development of selected SMEs in Durban; it is recognized that there are other factors, apart from external factors, which influence the growth and development of SMEs. For instance, Hove and Tarisai (2013) are

of the opinion that SMEs in South Africa face severe challenges from internal factors, such as human resource management, lack of capital, marketing, financial management, strategy, personal attributes, operations, business plans and information technology. However, the scope of the current study is on external factors.

1.5.2 Limitations

Although the concept of SMEs is very inclusive, the study will only concentrate on the 169 SMEs in Durban, KZN, selected through a convenience sampling method. The SMEs will be chosen from the service, agriculture and retail sectors in Durban, KZN. Considering that the study only focuses on SMEs in Durban, the findings of the study cannot be generalised to SMEs in other cities and/or provinces, as the conditions and characteristics may differ considerably.

1.6 Assumptions

It was assumed that selected SMEs in Durban, KZN are aware of institutions that can assist them to gain access to financial support. It was also assumed that SME owners in the selected area are aware of the legal requirements of running SMEs and what their part is in the process.

1.7 Significance of study

This study is very important because, as noted by Hamilton (2007: 297), the most evident, public benefit of small business growth is the contribution made by SMEs to employment. A large number of studies, (Abor and Quartey, 2010: 224; Bosch, Tait and Venter, 2011: 594; Sha, 2006: 52), carried out in various countries, has concluded that small business plays a major role in job creation.

In addition, this study is also important when considering that small businesses in South Africa usually do not survive beyond the first two years after establishment. This research is therefore intended to, in addition,

explore and unravel some of the key business survival strategies that have worked for a few, thriving SMEs. The benefits of this could be that other SMEs, facing threats of extermination, as well as new and proposed ones, could also borrow a leaf from them.

Further assistance can be gained from the study, as it will further help to expose underlying problems bedeviling SMEs in Durban, with the aim of proffering recommendations that will serve as templates for the development of SMEs in other regions of the country and in the process, ensuring their survival.

1.8 Chapter Outline

Chapter One: Introduction

This chapter provides a background to the study, the problem statement, fundamental research question and primary and secondary research objectives. Added to this, an insight into the study's limitation, scope and significance is also provided. This chapter concludes with a brief overview of the remaining chapters of the study.

Chapter Two: Literature Review

Chapter two provides a literature study on the definition of small business and micro enterprise as an entrepreneurship and small business Act, and the external factors affecting SMEs in South Africa.

Chapter Three: Research methodology

The research paradigm is quantitative. This covers the research design, the method of data collection, sample size and sampling technique, as well as the method utilised for data analysis.

Chapter Four: Data analysis/Process Data

Chapter four deals with the presentation and discussion of data obtained from the distributed questionnaire to selected SMEs owners in Durban KZN. The results are integrated with concepts, identified during the literature review, to develop a structured approach to the external factors influencing SMEs in Durban, KZN. Tables and graphs will be used to illustrate the findings.

Chapter five: Analysis and discussion of findings

Chapter five is analysis and discussion of findings portrayed in chapter four will be discussed, in relation to the bigger picture. The findings are further analysed on the external factors influencing growth and development of SMEs in Durban, KZN.

Chapter six: Conclusion and recommendations

Chapter six is a concluding overview, this study is made of the main body, beginning with the title page and ending with the list of references, and the Appendices, It also brings key considerations to the fore and makes recommendations that focus on addressing the identified obstacles, providing a summary of the research, and conclusions on the external factors influencing SMEs in Durban, KZN

1.9 Conclusion

A brief background to the study, as well as the problem statement, which is the impact external factors have on SMEs, upon which this study is predicated, has been covered. The chapter also examined the aim of the study, its objectives, as well as the study's significance, limitations and delimitations.

The next chapter focuses on the literature review of the objectives, covering corruption and bureaucracy, labour, infrastructure and regulations, financial support, economic development and the role of government in the growth and development of SMEs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The previous chapter of this study delved into the study's aim, objectives, scope, significance, limitations and delimitations. The chapter provided a brief background to the study and the context in which the study is predicated. In this chapter, relevant literature that addresses the objectives of the study will be reviewed and their relationship highlighted.

The literature review will examine, among other issues, the external factors that affect the growth and development of SMEs. Factors, such as corruption and bureaucracy; labour, infrastructure and regulations; and financial support and the economic environment, will be reviewed from secondary data. The review will also consider the role of government in the growth and development of SMEs.

2.1.1 Defining SMEs and Small Business Act

Definition of SME is as follows: Small, Micro, and Medium Enterprise, based on annual turnover and number of employees. In South Africa, a 'small business' is official defined in Section 1 of the National Small Business Act of 1996 as amended by the National Small Business Amendment Acts of 2003 and 2004 (NSB Act) as:

"... a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy mentioned in Column I of the Schedule 14..."

The NSB Act further categories small businesses in South Africa into distinct groups, namely; survivalist, micro, very small, small and medium, hence the use of the term "SME" for small, medium and micro-enterprises.

Currently, 5 percent of the SA population is carrying the remaining 45 percent economically. Entrepreneurship is therefore seen as the only way to have a sustainable economy in the future. 8 out of 10 new businesses in South Africa fail within the first two years, for a variety of reasons (Olawale and Garwe, 2009).

Despite the contributions of new SMEs to the South African economy, their failure rate in South Africa is one of the highest in the world. About 75 percent of new SMEs in South Africa do not become established business. According Olawale and Garwe (2009), the probability of a new SME surviving beyond 42 months is less likely in South Africa than in any other GEM sampled country. This implies that new SMEs will not be able to fulfill their developmental roles in South Africa

2.1.2 The SMEs owner as an entrepreneur

Entrepreneurship is the process of starting a business, typically a start-up company offering an innovative product, process or service. The entrepreneur perceives an opportunity and often exhibits biases in taking the decision to exploit the opportunity which includes design actions to develop a business plan, acquire the human, financial and other required resources, and to be responsible for its success or failure (Holloway, 2011). Further states that, entrepreneurship may operate within an entrepreneurship ecosystem which includes government programs and services that support entrepreneurs, entrepreneurship resources (e.g., business incubators and seed accelerators), entrepreneurship education and training and financing (e.g., loans, venture capital financing, and grants).

2.2 SMEs as drivers of the economy

Any nation, desirous of sustainable economic growth, must seek ways of encouraging the growth and development of SMEs. According to Abor and Quartey (2010: 218), They further state that, although SMEs do not employ a large number of people, the fact that they exist in multiple forms means they employ a large number of people in the long run.

Bosch *et al.* (2011: 580) aver that the economies of many countries have been transformed because they have given adequate support and encouragement to SMEs. The authors further state that, the fact that most SMEs initially start operations from informal set-ups and premises, such as homes and garages, has made it easy for would-be entrepreneurs to start-up, without the fear of inadequate funds. This has greatly improved the chances of survival for SMEs that impact positively on the nation's economy.

Kongolo (2010) states that, the majority of workers 73 percent are employed by businesses with less than 50 employees, and 45 percent of all employed people work in businesses with less than ten employees. Similarly, Abor and Quartey, (2010: 223) states that these businesses also comprise about 91 percent of formal business entities.

Elliot and Boshoff (2007: 15) and Olawale and Garwe (2009: 729) find that, for small businesses to grow and develop, it is vital in emerging economies, such as in South Africa, to attend to problems of unemployment and low economic growth and to the negative impact these type of problems have on social development.

According to Gupta, Guha, and Krishnaswam (2013), the growth rate of businesses that have been in existence for less than three and a half years, has increased since 2009. Further state that, they still face a number of challenges that affect their business performance and ability to realise their full potential.

Should these challenges not be managed efficiently, it could ultimately lead to business failure. In general, younger businesses have a higher rate of failure than older and more established businesses. Bosch *et al.* (2011: 594) affirm that, in South Africa, a staggering 57 percent of SMEs close within the first year of operation. Alluding to the position of Bosch *et al.* (2011), Robert (2010: 19) states that the figure of failed businesses increases to 63 percent by the second year of operation.

SMEs in South Africa are faced with challenges that plague their growth and development, including the lack of managerial skills and competence found in owners and managers, who have been unable to adapt to changing trends in technology and struggled to gain access to finance and loans. Most SME owners/managers have suffered from poor choice of location, along with high and often stringent government regulations (Abor and Quartey, 2010: 224; Bosch *et al.* 2011: 594; Sha, 2006: 52).

One of the biggest challenges facing most SMEs in South Africa, is that of stringent government regulations that stifle, rather than aid growth, by lending assistance. Mahadea (2008) is of the opinion that, because of the limited funds available to SMEs, it is both difficult and expensive to hire skilled labour in South Africa, as it is an unaffordable cost and this is made more so within the confines of the labour regulations, such as the Employment and Minimum Wage Regulations.

2.3 The effects of corruption and bureaucracy on SMES

2.3.1 Corruption

One of the major problems affecting SMEs in South Africa is that of unethical practices carried out by SMEs owners and policy regulators and/or formulators.

Rune (2011: 13) states that corruption has received increasing attention for the past 15 to 20 years. Due to reasons, such as globalisation and subsequent changes in investor demographics around the world, this has driven many small companies to seek reduced operating costs in low-income countries, where business rules, practices and their culture, are very unique. Another reason for corruption, according to Rune (2011), may be due to many high profile, fraudulent activities and scandalous actions of multinational companies that have occurred, in the wake of the financial crisis, within the last decade. According to Rune (2011), the examples of corrupt practices and administrative corruption are as follows:

Examples of corrupt practices

- Abuse of office (Office holders acting outside the boundaries of their legal remit).
- Collusion (Secret agreement that occurs between two or more persons to limit open competition).
- Nepotism and Cronyism (Shown to family members and friends, typically without regard to merit and qualifications).
- Kickbacks (A form of bribery, in exchange for an illegal advantage).
- Patronage (Political supporters are rewarded for their support).

Examples of administrative corruption

- Bribery is a common and frequently occurring, corrupt practise.
- Facilitation payments also referred to as 'speed money'.
A Gift may include, cash or assets given as presents, charitable donations, and hospitality.

This lack of ethical values has led to the increase in corrupt practices that have crippled the SME sector. Wild, Cant and Nierkerk (2014: 903) state that business was done differently in earlier times, and suggest that communities used to have confidence in the moral harmony shared among families,

religions, organisations, academics, government and the legal systems, which formed the fulcrum upon which businesses were built.

However, Wild *et al.* (2014: 903) find that matters have changed; government officials now charge bribes to provide services, while business owners have rejected the tenets of business ethics and integrity, thereby hinging on corruption. The authors confirm that consequently, operating in the complex business environment of today, which is still experiencing the effects of a major economic downturn; many businesses have found it difficult to survive and be profitable. This can be attributed to corruption in all facets of public life.

Similarly, Statistics South Africa (2009: 29) states that government tenders, intended to uplift upcoming small, medium and well-established businesses, have instead enriched only some municipal and government officials. Many such officials own registered companies that are also registered on the government database. Tenders are awarded to their companies, or alternatively to relatives, who own companies, without following the proper procedures and often, tenders are awarded to companies willing to pay a bribe. In some cases, livestock, chickens, goats and tractors are obtained by corrupt officials, by using names of registered Congressional Budget Offices (CBOs). Sadly, corruption, in the form of bribery, extortion, embezzlement, nepotism and graft, is rife in local government systems.

SMEs in South Africa are facing an uphill task in their quest to remain in business, given the peculiar socio-economic and socio-cultural situation in the country. Amnesty International, in its 2008 report, states that corruption, both in public and private establishments, is growing in South Africa.

Corruption is a challenge for every society and its social impact needs to be viewed as a threat in society. From the perspective of business, for instance, research suggests that 70 to 80 percent of SMEs fail within two years into

their existence. Cant and Lightelm (2003) further state that, a number of elements and challenges have been identified as contributing factors to the high failure rate of SMEs in South Africa, with corruption, bureaucracy and unfairness identified as the top causes of the problem.

The reason SMEs engage in corruption, as stated by Gaviria (2002: 229), is often linked to problems with regulatory compliance and bureaucracy, such as petty bribes and requests for facilitation payments by public officials. As an example, Olawale and Garwe (2009: 13) state that the process of registering a new business in most of Sub-Saharan Africa is complicated and time-consuming, thereby denying would-be entrepreneurs the time and energy needed to start-up a business.

Apart from the challenge of corruption, other external factors that affect the growth of SMEs include costly or unskilled labour, inadequate or non-existent infrastructure and poor and inconsistent government regulations, inadequate or lack of financial support and a poor economic environment. According to Transparency International (2008), corruption is a major problem affecting South Africa generally, and the issue is even more challenging when it concerns SMEs, as corruption, in both public and private establishments, is growing in South Africa.

On the one hand, the corruption perception index (CPI) published annually by Transparency International, ranks South Africa at 43rd out of 100, with a CPI of 5.1, while on the other hand, SMEs lack the bargaining power and the influence to oppose requests for unofficial payments and similar solicitations. The World Bank (2009: 22) finds that approximately 70 percent of SMEs perceive corruption as an impediment to their business, compared to approximately 60 percent of large firms.

2.3.2 Bureaucracy

Bureaucracy is one of the biggest challenges affecting the quest for growth and development of SMEs. Several complaints have stated that government regulations, meant to help SMEs grow, may actually be hindering their growth and development (Dixon, Thompson, & McAllister, 2002).

Dixon *et al.* (2002) further argue that the desire to support small businesses and entrepreneurship through regulatory reforms may come in conflict with the reason why the regulations were passed in the first place. For instance, most regulations were developed out of apprehension for the effects of businesses on society at large; this may be compromised by the concern to increase entrepreneurship. In South Africa, bureaucracy plays out in several ways, such as access to finance, business registration and even in the allocation of space for business. According to Herrington, Kew and Kew (2009), access to finance and the enormous amount of time required to obtain financial support, are major problems for the South African entrepreneur. Herrington *et al.* (2009) further state that lack of financial support is the second most reported contributor, after education and training, in South Africa.

Kalra (2009) states that, in some countries, the number of small and medium size companies that report having to make unofficial payments, in order to access public services or issue licences and permits, is significantly higher than the number of larger companies.

Nearly 18 percent of small firms have reported being expected to give gifts to obtain such permits (World Bank report, 2009). Overall, interviews conducted by Olawale and Garwe (2009) demonstrate that bribery is the most common form of corruption affecting SMEs. Small and medium size companies have reported paying bribes in order to access government services they are entitled to or are requested to have by law, such as licenses, permits, contracts, tax incentives and so on (Olawale and Garwe, 2009).

Companies have also reported paying bribes in order to speed up procedures or escape the law (Olawale and Garwe, 2009). Within this framework, regulation is one of the main areas where opportunities for corruption may arise, when dealing with public officials. Therefore, the “likelihood of SME involvement in corruption increases in relation to the number of procedures required in order to do business in a certain sector”, as well as in relation to the level of discretion enjoyed by public officials in applying such procedures.

According to the same study (Olawale and Garwe, 2009), SMEs are more susceptible to bureaucratic corruption than larger companies, due to their structure (for example, there is often a greater degree of informality and less accountability mechanisms); short-term vision and perspective (as opposed to larger companies, SMEs are less concerned about reputation and other long-term negative impacts of corruption); limited financial resources; and their inability to wield influence over officials and institutions; as well as lacking bargaining power to oppose requests for illegal payments from public officials.

In addition, SMEs are also more susceptible to administrative corruption, due to the fact that they often lack time and resources to remain informed about complex regulations and its requirements, making illegal payments to either cover up mistakes or avoid them (Olawale and Garwe, 2009).

According to Kauffman (2004), favouritism adversely affects the growth of businesses, especially SMEs and is regarded as the preferential treatment of relatives, friends, neighbours and even acquaintances. It is an often overlooked aspect of the general corruption plaguing the nation. This favoured treatment often puts competence and know-how to the background.

2.4 The impact of labour, infrastructure and regulations on SMEs

Many developing countries suffer from a deplorable state of basic infrastructure, such as transportation, electricity and telecommunication. Infrastructure or a lack thereof, is a major necessity and contributor to the growth of SMEs. For instance, electricity supply in South Africa, particularly in rural areas does not meet the demand leading to power cuts, which can affect the production and turnover of new SMEs (Kalra, 2009).

Other than the challenges posed by the lack of skilled labour and infrastructure, SMEs have to, in addition, grapple with the problem of inconsistent and often unfriendly government policies. According to a World Bank report (2009), SMEs across developing countries fail after the first few months, due to complex and unrealistic tax systems, a compromised judiciary system that fails to protect SMEs, and politicisation of government policies aimed at the growth and development of SMEs.

Harvie and Lee (2002: 11) thus assert that, unless governments improve on existing infrastructure, reduce the cost of doing business and initiate a process of training for would-be entrepreneurs, the challenge of failed SMEs will be a recurring issue.

Lack of skilled labour is another major problem plaguing SMEs in South Africa. According to Olawale and Garwe (2009), the shortage of skilled labour is a key problem facing SMEs in South Africa, as these small business require access to a pool of suitably skilled and properly motivated labour, in order to sustain growth.

Due to the limited funds available to SMEs, Mahadea (2008) is of the opinion that it is difficult and expensive for these small enterprises to hire skilled labour in South Africa. A skilled workforce can only be employed at a high cost, which has to also be done within the confines of labour regulations, such as the Employment and Minimum Wage Regulations. Likewise, the

quality of infrastructure can affect the growth prospects of new SMEs, especially in countries such as South Africa.

2.4.1 Training to offer efficient service

Training is essential for the success of any business and involves equipping both the business owner and employee, with the requisite skills required to move the business forward or blend with changing trends. Considering that most SMEs fail at an early stage of their existence, Njoroge and Gathungu (2013: 5) state that the lack of entrepreneurial skills by SMEs owners, has led to slow growth and the ultimate demise of such businesses. The authors further state that, in order to ensure high productivity and quality, training is of utmost importance to all SMEs, apart from playing a major role in influencing the effectiveness, efficiency and motivation of the employees.

There is no doubt that training is an effectual way of building capacity for effectiveness, irrespective of the field, due to the perceived importance of training as a veritable tool for improved productivity and maintaining a sustained edge in the marketplace, accompanied by organisational performance. They further state that governments in various countries have invested considerable resources into programmes that encourage management and employee training in SMEs (Kotey and Slade, 2005).

Given the importance of training in organisational growth, Ibrahim and Ellis (2003) suggest that training should be a major part of SMEs growth and development, as it would enhance the survival rate of small firms. Similarly, Reid and Harris (2002) note that the most successful SMEs, on average, provide more employee training.

Smith and Watkins (2012) establish a link between employee training and superior firm performance. In addition, small business failure has been linked to poor management skills. Lattimore, Madge, Martin and Mills (1998) argue that management training should greatly improve SME survival and

performance (English, 2001; Lattimore *et al.*, 1998). It was further established that a major, distinguishing factor between high-growth and low-growth small firms, is the education, training, and experience of their senior managers.

Despite the professed importance of employee training to small business performance, this area has received little attention in the literature (Reid and Harris, 2002), with existing literature tending to focus on management training, to the exclusion of other forms of employee training. Few researchers have investigated the determinants of training in SMEs (Rune, 2011; Lucas, 2013) and in all cases the dependent variable of training was measured by a single variable, the training budget.

Because informal training is often not accounted for in the firm's books, the literature tends to be biased toward formal training. In addition to these gaps, there is a paucity of research on family businesses (Sharma, 2004), particularly on issues pertaining to human resource management (HRM).

2.4.2 Lack of skilled and experienced employees

While there is a general agreement that skilled and experienced workers contribute positively to the growth and development of any venture it is, however, challenging and costly for SMEs that are just attempting to steady their businesses, so that they may employ such workers.

Olawale and Garwe (2009) state that the shortage of skilled labour is a major problem facing SMEs in South Africa; access to a pool of suitably-skilled and properly motivated labour is required, in order to sustain growth. Ntsika Enterprise Promotion Agency (2002) is of the opinion that starting a business is not just enough, managing it should be paramount. The agency further maintains that the lack of skills in managing businesses is the bane of many SMEs and while entrepreneurs are often good at starting businesses, they are, however, poor at the management thereof. This is assigned to the entrepreneurs and SME owners, who either do not hire the appropriately

skilled personnel or they think it is a costly and unnecessary process. Unfortunately, unskilled labour is employed in the process, which ultimately leads to the demise of such businesses.

Mahadea (2008) further claims that the quality of infrastructure can affect the growth prospects of new SMEs, especially in countries such as South Africa. However, many developing countries suffer from a deplorable state of basic infrastructure, such as transportation, telecommunication and electricity.

2.4.3 Automation and technology

The world has become a global village; Information and Communications Technology (ICT) has resulted in a 'smaller' world, while allowing businesses to operate more effectively. SMEs could, nonetheless, operate at a better level with the appropriate adoption of ICT. Kiveu (2013: 718) considers that, in working in a globalised economy, making adoption of ICT a priority is a must for businesses to remain reasonable and endure stiff competition, which is what makes the world become a global village.

When SMEs fail to utilise efficient technology, they are often less productive and, generally, less profitable. According to O'Leary (2004), because most SMEs start with little capital, and due to government support often being minimal or non-existent, these businesses operate without the latest technology, thereby limiting their impact, growth and development.

A 2009 World Bank report on the role of technology in the development of SMEs, states that investments in technology are required, in order to build up existing capacity and to improve the quality and productivity of production, which will generate higher, value-added products that will improve firm competitiveness.

ICT assists with business innovation, especially for SMEs. Businesses that apply automation and innovation are always in tune with the current trends in the business world and are able to communicate and engage with clients and customers from across the world, at the click of a button (Levy and Powell, 2004: 22). The constantly changing trends in world business and the continually shrinking 'global village' have pressured SMEs to greater demands, which require bringing together different types of research. At the same time, SMEs are utilising this knowledge to design new products; therefore innovation greatly relies on research and development investments.

Changing trends in the world today have made it imperative for SMEs to adopt new technologies in their business. SMEs, desirous of growth and competitive edge, can no longer relegate automation and new technologies but, instead, need to adopt technological advancements, if they are to remain relevant and competitive (Manochehri, Al-Esmail and Ashrafi, 2012). Higgins and Aspinal (2011) affirm that SMEs are more inclined to adopt new technologies today because of the growing use of knowledge and information by organisations in the corporate world.

Conversely, failure in many businesses has been attributed to their incapacity to acquire and familiarise themselves with changes in the business setting (Ogunyemi and Johnston, 2010). Business automation is an essential element in helping organisations gain competitive advantage, by producing commercial products or services through the transformation of knowledge. Businesses with well-developed capabilities, for the acquisition, assimilation, transformation, and exploitation of new knowledge, are considered as having high levels of success (Zahra and George, 2002).

Though the adoption of ICT, automation and new technology is a great asset to SMEs, it is however not without its challenges. Ritchie and Brindley (2010) highlight three major barriers that SMEs go through in their quest to adopt new technologies. The barriers listed include: external pressures

(requirements by trading partners and competitiveness from other players), organisational readiness and perceived benefits of the technology. Giovanni and Mario (2013) further state that, even though adoption of new technology is vital, it is imperative for organisations to build their capacity beforehand, to successfully adopt these technologies.

Muraya (2009) affirms that the quest by SMEs, to adopt and use technology, is often hampered by external factors that impose too much pressure on these firms. Buyers, suppliers, government interventions and competitive pressure all contribute, in one way or the other, in affecting the adoption of technology by SMEs. Similarly, Maas and Herrington (2014) observe that, as a primary external factor of the technology adoption and use, government's role is a very important factor in the integration of the technology by SMEs. Most of government's roles, the authors note, are related to financial support, including direct support of the development of application, tax breaks on technology infrastructure, and so on.

2.4.4 Government regulations and the growth for SMEs

According to the Department of Trade and Industry (DTI), (1998), the main focus for Government regulations and the growth development of SMEs, is more on designing effective institutions. This is done as a means of providing entrepreneurs with a predictable framework and support for business, as well as the necessary business skills to scale up their operations. However, they feel that a framework is needed where government interacts with SME owners, to provide them with basic foundational support through its existing agencies.

The DTI (1998) further states that the support may be in the form of financial and non-financial assistance, in order to aid SMEs in growing and developing their businesses. However, government commits itself to give assistance to the public through its policies and institutions and also offers assistance to

producers or distributors in an industry, in order to prevent the decline of that industry and improve the welfare of its citizens and industry growth.

2.5. Financial support for SMEs

2.5.1 Access to finance

The relationship between finance and SME development in South Africa has generated a large volume of research over the past decade and appears to be comprised of an absence of a strong capital market and weak legal framework for credit and collateral for SMEs (World Bank report, 2009). Finance is, in general, a critical issue for growing businesses, as it forms the primary resource base from which other factor inputs are acquired. It is maintained that business owners can finance the growth of their firms in various ways; nevertheless, the fundamental decision is whether to accept external equity finance return for part ownership of the business (World Bank report, 2009).

The World Bank report (2009) further argues that most SMEs are not aware of the existence of other financial organisations capable of providing financial help for their businesses. This lack of knowledge means most businesses often crumble when they cannot access finance from recognised financial institutions.

Maxine, Doku and Tennakoon (2003) state that financial institutions are required by the Financial Charter Council, to broaden SME access to finance on the one hand, while on the other hand, the DTI places strategic emphasis on improving access to finance, through its Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises. Maxine *et al.* (2003) maintain that the challenge has always been to make these opportunities known to SME owners.

Most new SMEs in South Africa are not aware of government efforts, such as that of Khula Finance Enterprise (Khula) and the Small Business Development Agency (SEDA), to assist them (Maas and Herrington, 2006).

2.5.2 Access to loans, financial support and bank interest rates

One of the major challenges troubling SMEs is the inability to raise the funds needed for the business, either as start-up or when the need for expansion arises. Guffey (2008: 401) is of the opinion that, because most SME owners cannot rely on banks to fund their businesses, they rely on either friends or family.

The importance of loans to SMEs cannot be overemphasised; this is because, finance in general, is a critical issue for growing businesses. It forms the primary resource base, from which other factor inputs are acquired. Business owners can finance the growth of their firms in various ways, however, whether or not to accept external equity finance in return for part ownership of the business, is a fundamental decision, according to a World Bank report (2009: 77). Financing the business is essential and obtaining access to finance plays a crucial role in a firm's growth process. For many lenders, it is almost impossible to assess the risks of an investment; this is mainly because of the high level of uncertainty (World Bank report, 2009).

2.5.3 Tax incentives

Von Broembsen, Wood and Herrington (2005) state that providing incentives, such as tax 'holidays', could further help the lifespan of SMEs, because the probability of a new SME surviving and becoming an established firm is less likely in South Africa than in any other developed country. It is also held that most SMEs fail because of many factors already discussed. However, if a favourable environment is created for these SMEs to grow through proper regulation, the SME sector has the highest propensity to transform the economy.

It is further stated that taxes are important for the government, as they are the major source of funds for government expenditure. Income obtained from taxation of individuals and businesses, is used to run governments, as well as provide infrastructure, such as good roads, water supply, and electricity, which are essential for the smooth running of these businesses that are mainly manufacturing companies and as such, rely on these commodities to survive.

However, Holban (2007) posits that taxation can contribute to development and welfare through three sources:

- It must be able to generate sufficient funds for financing public services and social transfers, at a high level of quality;
- Incentive should be offered for more employment and for an efficient and lasting use of natural resources; and finally,
- It should be able to reallocate income.

Nonetheless, in the case of SMEs, taxation must be done in a way that takes the enterprises' income and need for survival into consideration. For this purpose it is expedient that enough profit is allowed for the purpose of business expansion.

2.6 Economic environment for SMEs

2.6.1 Competition

Shih, Liu and Hsu (2010) declare that enterprises are faced with an increasingly competitive environment against bigger organisations, which leads to difficulty in maintaining a sustained, competitive advantage.

The authors further state that the fear of most SMEs is that they will be overrun by competition. It is believed that bigger companies have access to more finances and can thus compete more favourably than SMEs. This trend tends to execute emerging businesses (Shih *et al.* 2010:12).

2.6.2 Business location and business environment

Businesses, whether SMEs or large corporations, need appropriate locations for their businesses to thrive. The importance of understanding the role of location in the success or failure of business cannot be overstated.

Cant and Ligthelm (2003) posit that several factors, such as poor location, insufficient marketing, inability to conduct marketing research, misreading the market, poor products or service, poor service, as well as misreading customer trends and needs, also impact the success of SMEs. Safety is an additional, essential requirement for the success of any business. When the business environment is perceived as unsafe, business owners and clients will not feel secure enough to operate, thereby affecting productivity.

According to Mahadea and Pillay (2008), crime is a costly burden to individuals and firms, worryingly more so in South Africa, with “official” unemployment close to 30 percent. Crime affects business directly, with the theft of property and money, and indirectly in reduced business confidence and loss of investment.

2.7 The role of government in the growth and development of SMEs

Government plays a huge role in existing SMEs, along with those starting-up, by offering them different funding and grants, to sustain their business growth and development. Musara and Gwaindepi (2014) are of the opinion that government’s focus on designing effective institutions is a means of providing entrepreneurs with a predictable framework for business and the necessary business skills to scale up their operations.

As such, a framework is needed where government interacts with micro enterprise owners, to provide them with basic foundational support through its existing agencies. Thus, government support is perceived to exist when government commits itself to give assistance to the public, through its policies and institutions. While the government gives assistance to producers

or distributors in an industry, to prevent the decline of that industry, government support is aimed at improving the welfare of its citizens. The support may be in the form of both financial and non-financial assistance.

2.7.1 Government policies and regulations

Olawale and Garwe (2009) believe government regulations are meant to protect SMEs but their application often leads to these small enterprises' demise. New SMEs have to obtain registration licenses and pay taxes, even before they start to make significant profits. The authors argue that one of the biggest challenges plaguing SMEs in South Africa is that of inconsistent and sometimes stifling government policies, specifically where the importance of the role of government in the success or failure of SMEs is concerned.

2.7.2 Local Government and provincial level are critical to growth of SMEs.

The success of SMEs involves the cooperation of governments at all levels, including municipal and federal levels. This position is shared by Tsoabisi (2012), who holds that, since SMEs are embedded in Local Economic Development (LED), it becomes the responsibility of municipalities to ensure that economic development challenges are responded to within a regulated and supported framework for SMEs. In this regard, an LED strategy is formulated by municipalities to support the establishment of SMEs within municipalities.

2.7.3 Government, SMEs and poverty alleviation.

One of the major motivations behind SMEs is the creation of jobs and the ultimate alleviation of poverty. This goal cannot be achieved without cooperation between government and SME owners.

2.8 Conclusion

Chapter two presented an introduction of the literature and also covered the external factors affecting development and growth. Amongst these are the effect of corruption and bureaucracy; infrastructure and government regulations; financial support; and the role of government in the growth and development for SMEs. The next chapter will focus on the research design.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In the previous chapter, a review of literature that discussed the objectives put forward was carried out. The study also looked into the external factors that affect the growth and development of selected SMEs.

This chapter will cover the research design on which the research is predicated, together with the target population; the sampling method to be used; sample size; inclusion criteria; recruiting process; data collection method; data analysis; pilot testing; validity and ethical consideration or confidentiality, as well as anonymity.

3.2 Research design

3.2.1 Research Paradigm

The study will involve the gathering of some qualitative data; however, the main focus will be that of quantitative analysis. A quantitative approach allows the researcher to gain in-depth knowledge of the issues and thus enables the researcher to have a greater understanding of the situation.

Marshall and Rossman (2007: 4) state that researchers who use qualitative research adapt a person-centred and holistic perspective to understand the human experience, without focusing on specific concepts. In addition, the original context of the experience is unique, and rich knowledge and insight can be generated in more detail, to present a lively picture of the participants' reality and social context.

According to Vuuren and Maree (2010), Quantitative research method involves the collection of data so that information can be quantified and subjected to statistical treatment in order to support or refute alternate knowledge claims, begins with a problem statement and involves the

formation of a hypothesis, a literature review, and a quantitative data analysis.

This quantitative method is appropriate for this study because by studying SMEs' external attributes with a quantitative approach, it is possible to understand the opinions and beliefs affecting their growth and development. Quantitative research is used in this study, through questionnaires conducted with selected SMEs in Durban, KZN.

3.3 Target population

Polit and Beck (2004: 50) define population as the aggregate or totality of those conforming to a set of specifications. Owners of service sector, production, sales and marketing, retail sector and other small business owners serve as target population during research. For this study, the selected target population of 169 SMEs was based on total population of 500 SMEs who exhibited at the Business Fair held on the 26th to 28th of September 2014 in Durban; the sample of 169 SMEs was selected on a convenience basis.

3.4 Sample

3.4.1 Sampling method

According to Gill, Stewart, Treasure and Chadwick (2008), purposive sampling affords the researcher the opportunity to reduce time and cost, by selecting a target population that serves the specific needs of the researcher.

The target population is often chosen due to their knowledge of the issue researched and in this study, 300 SMEs in Durban, KZN, were selected through a convenience sampling method. The SMEs were chosen from the service, agriculture and retail sectors.

3.4.2 Sample size

The closest estimate of the target population was based on the number of citizens under control of the EThekweni Municipality, who qualified to participate in this study. This is purported to be 300 selected SMEs.

3.4.3 Inclusion criteria

The inclusion criteria required the participants to be SMEs based in Durban, KZN.

3.4.4 Recruiting process

The questionnaires were distributed during the Three Days Business Fair, held at the Durban International Conference Centre (ICC) under the auspices of the EThekweni Municipality, Department of Business Support, where 500 SMEs attend a yearly exhibition. Two research assistants were recruited, mainly because they were literate and could assist respondents when answering the questionnaires. They were also there to assist in distributing the questionnaires. It was difficult to identify people who had businesses because some business was manned by assistants.

3.5 Data collection method

3.5.1 Data collection plan

Data for this study were collected through structured questionnaires, distributed by hand to the participants (Appendix G).

3.5.2 Data Analysis

The data were analysed using a quantitative method, with the data obtained from the questionnaire analysed through coding. Data was also analysed through descriptive statistics, Chi Square Tests and a correlation method. According to Marshall and Rossman (2007: 4), coding is an interpretive technique that seeks to both organise the data and provide a means to introduce the interpretations of it into certain quantitative methods.

3.6 Elimination of Bias

The questionnaires distributed to selected SMEs were treated with a high degree of confidentiality. The participants were not in any way forced to provide answers that suited the researcher.

3.7 Pilot testing

According to Wiersma and Jurs (2005: 491), pilot testing is the process whereby the research design for the prospective research study is tested to gain information that could improve the main study. The questionnaire and interviews for this study were pilot tested using ten selected SMEs in Durban, KZN, with the purpose of testing the understand-ability of the questions. Questionnaires, similar to the ones to be used for the actual study, were distributed to the respondents and the responses obtained analysed. The questions were subsequently modified, as found necessary from the results of the pilot testing.

3.8 Validity and Reliability

Lucas (2013) states that the idea behind reliability is that any significant results must be more than a once-off finding and inherently repeatable. Validity, on the other hand, is obtained by ensuring that the questions cover the objectives of the study (Reynolds, 2010).

3.9 Ethical considerations/confidentiality and anonymity

For the purpose of this study, the collected data and questionnaires will be stored and handled in a professional manner, in order not to expose the identity or the participants' names, organisations and any other information that could lead to identifying the participants and/or their organisations. Wiersma and Jurs (2005: 57) are of the opinion that, ensuring anonymity and confidentiality with respondents, will help to establish greater content validity.

With a background in ancient Greek philosophy, ethics deals with the process of reaching a decision concerning what is right and wrong. There are

several major ethical issues such as; knowledge, truth, and avoidance of error, to consider in ensuring that the research abides by laid down, ethical considerations.

- **Informed consent**

Informed consent is a major ethical issue in conducting research. Fouka and Mantzourou (2011: 4) define it as a process by which a person knowledgeably, voluntarily, without coercion and intelligently, in a clear and manifest way, gives consent concerning their involvement in the research. Obtaining informed consent in research is important because it prevents the unnecessary infringement of participant's privacy and protects their liberty. Free and informed consent needs to incorporate an introduction to the study and its purpose, as well as an explanation about the selection of the research subject and procedures that will be followed (Fouka and Mantzourou, 2011).

Respondents were informed of the method to be adopted for the study, which is used to protect anonymity and confidentiality and indicate a person with whom they can discuss the study. Respondents were aware that participation in the study is voluntary and no penalties are involved in refusal to participate.

- **Respect for anonymity and confidentiality**

Confidentiality and anonymity in research is essential, as it is basic to humans' societal beliefs that individuals matter and have a right to their affairs being private. The issue of confidentiality and anonymity is closely connected with the rights of beneficence, respect for dignity and fidelity (Fouka and Mantzourou, 2011).

3.10 Conclusion

The research design was covered in this chapter and included target population; the sampling method and size; inclusion criteria; the recruiting process; and data collection.

Findings from the questionnaires are covered in the next chapter.

CHAPTER FOUR

PRESENTATION OF RESULTS

4.1 Introduction

The research methods and instruments were dealt in the previous chapter; the theoretical framework identified, and the research design described.

In this chapter, a detailed analysis of the findings is made and interpreted.

4.2 Data Analysis

The data collected from the responses were analysed with SPSS version 22.0. The results will present the descriptive statistics in the form of graphs, cross tabulations and other figures, for the qualitative data collected. Inferential techniques that were applied include the use of correlations and chi square test values, which were interpreted using the p-values.

In total, 169 questionnaires were distributed and 149 were returned, which gave a 74.5 percent response rate.

Measuring Instrument/questionnaire

The questions were divided into six focus areas:

Focus A1: Demographics

Focus A2: Corruption bureaucracy and SMEs

Focus B: Labour, infrastructure and regulations for SMEs

Focus C: Financial support for SMEs

Focus D: Economic environment of SMEs

Focus E: The role of government in the growth and development of SMEs

4.3 A1: Demographics Details (QA1.1 - QA1.5)

This section presents the findings of the demographic characteristics of the respondents.

The questionnaire was adopted as the measuring instrument and a method of data collection for this study because of its immense advantages. Wiersma and Jurs (2005: 59) list the advantages of using questionnaires (Appendix G), as follows:

- It is the cheapest form of survey and can be shared among a diverse number of people.
- Questionnaires ensure that the anonymity of respondents is protected and respected.
- Its handy nature ensures that respondents can read the questionnaire over and over again before completing it.

These questions are required to determine the following demographic information from the respondents:

4.3.1 Nature of the business (QA1.1)

The question is significant, considering that most of the respondents are in business, or are entrepreneurs. It will assist to distinguish the nature of the business.

It was found that the majority (42.3 percent) of the businesses were in the services sector and surprisingly, the least (ten percent) were retailers. From this, it would appear that most of the SMEs at the Business Fair was not retailers (Figure 4.1, Table 4.1).

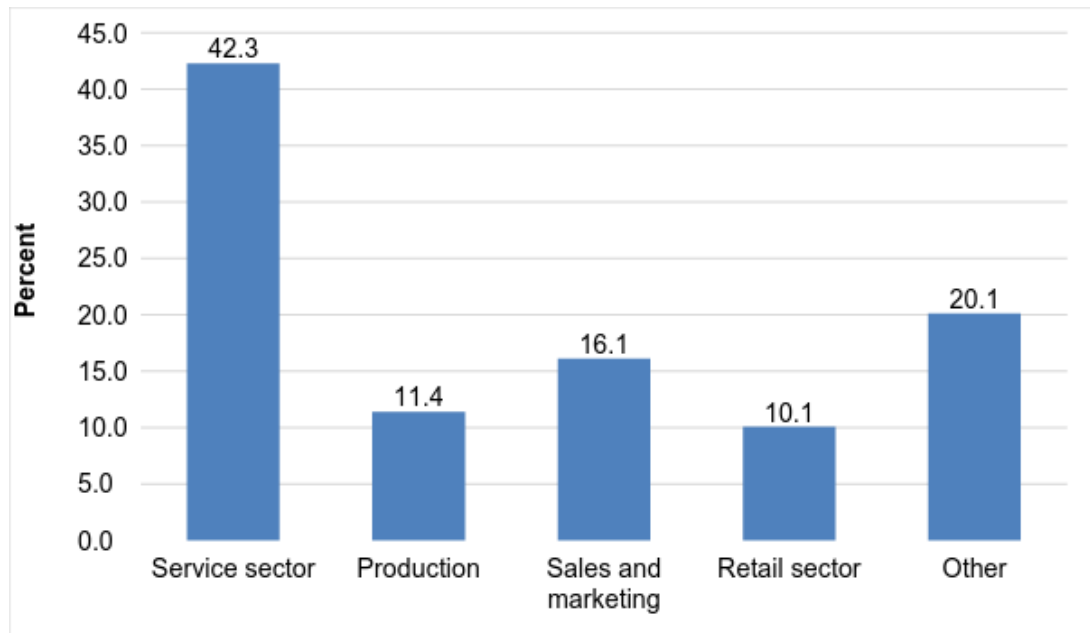


Figure 4.1: Nature of the business (QA1.1)

Table 4.1: Nature of the business (QA1.1)

	Questions	Frequency	%	Cumulative %
Valid	Service sector	63	42.3	42.3
	Production	17	11.4	53.7
	Sales and marketing	24	16.1	69.8
	Retail sector	15	10.1	79.9
	Other	30	20.1	100.0
	Total	149	100.0	

4.3.2 Gender and Age (QA1.2)

It is important to see the different types of people in business, through their gender, as this plays a critical role in many businesses. Today, there are proportionally more females in business.

According to GEM Report (2012), the profile of South Africa's potential entrepreneurs is 43 percentage of males, versus 35 percentage of females, who believe that they have entrepreneurial capabilities. They further state that, black Africans have the highest rate of perceived opportunities (39%) of the four race groups; however, they have the lowest rate of perceived capabilities (37%).

The ratio of males to females is approximately 1:2 (32.2 percent: 67.8 percent) (Table 2b). Within the age category of 30 to 40 year olds, almost a fifth (18 percent) were males. The categories of males between the ages of 30 to 40 years were less than 10 percent, yet made up 60 percent of the total sample. Males were dominant in the 25-30 year age group, while females were dominant in the 30-40 year age group. (Table 4.2a, Table 4.2b)

Table 4.2a: Gender and Age (QA1.2)

Questions			Gender		Total	
			Male	Female		
Into which age group do you fall? (years)	18 – 25	Count	7	16	23	
		% within which age group do you fall under?	30.4%	69.6%	100.0%	
	25 – 30	Count	23	15	38	
		% within which age group do you fall under?	60.5%	39.5%	100.0%	
	30 – 40	Count	9	42	51	
		% within which age group do you fall under?	17.6%	82.4%	100.0%	
	40 – 50	Count	7	22	29	
		% within which age group do you fall under?	24.1%	75.9%	100.0%	
	Over 50	Count	2	6	8	
		% within which age group do you fall under?	25.0%	75.0%	100.0%	
	Total		Count	48	101	149
			% within which age group do you fall under?	32.2%	67.8%	100.0%

Table 4.2b: Gender (QA1.2)

	Questions	Frequency	%	Cumulative %
Valid	Male	48	32.2	32.2
	Female	101	67.8	100.0
	Total	149	100.0	

4.3.3 Racial grouping (QA1.3)

This question is central in identifying different racial groups in selected SMEs.

Nearly half of the respondents (49.0 percent) were African. There were similar ratios of Coloured (11.4 percent) and White (10.1 percent) respondents, with Asians constituting approximately a quarter (24.2 percent) of the sample (Figure 2). This is consistent with the fact that Africans are the largest population group in KZN (Figure 4.2, Table 4.3).

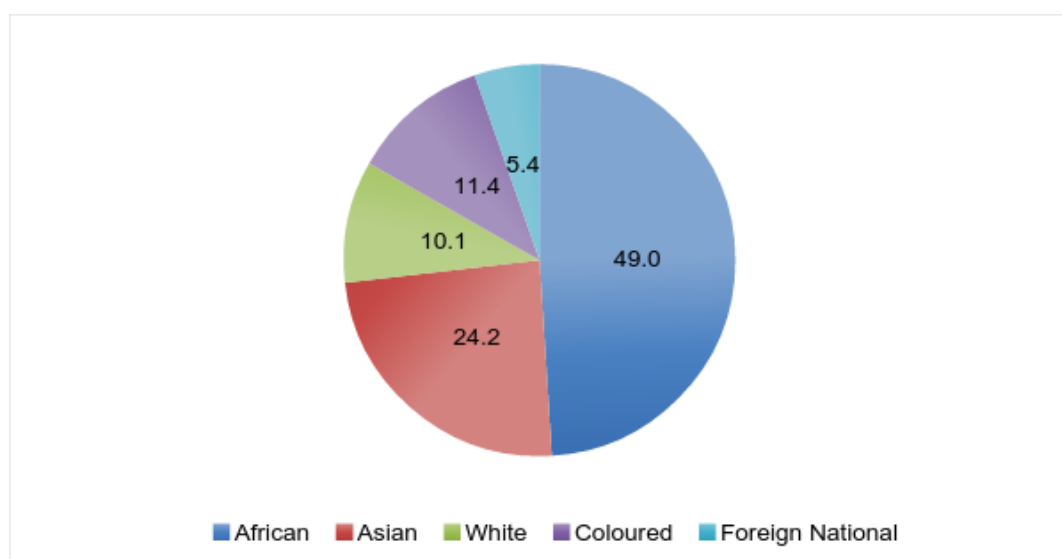


Figure 4.2: Racial grouping (QA1.3)

Table 4.3: Racial grouping (QA1.3)

	Questions	Frequency	%	Cumulative %
Valid	African	73	49.0	49.0
	Asian	36	24.2	73.2
	White	15	10.1	83.2
	Coloured	17	11.4	94.6
	Foreign National	8	5.4	100.0
	Total	149	100.0	

4.3.4 Number of employees (QA1.4)

Dependent on or determined by the size of the business, most start-ups usually have one or two people running the business, which are also liable for the debt or any problems the business may encounter. This question seeks to establish the number of employees in the selected.

A little less than three-quarters (72,5 percent) of the respondents employed at most 10 people, whereas very few (4.7 percent) employed more than 20 members of staff (Table 4.4).

Table 4.4 Number of employees

Number	Frequency	%
2 - < 5	65	43.6
5 - < 10	43	28.9
10 - < 15	23	15.4
15 - < 20	11	7.4
≥ 20	7	4.7
Total	149	100.0

4.4 Different categories of SMEs

According to the DTI (1998), the definition of SMEs is as follows: Small, Micro, and Medium Enterprise, based on annual turnover and number of employees (Table 4.5).

Table 4.5: SMEs defined

No	Categories	Annual Turnover	Number of employees
1	Micro	R100 000-00	0 – 5
2	Very small	R500 000-00	1- 5
3	Small	R500 000-00 – R2m	2 – 20
4	Medium	R24 – 60m	20 -200

Source: DTI (1998)

4.5 Focus Area A2: Corruption, Bureaucracy and SMEs (QA2.1-QA2.5)

(i)The process involved in obtaining a business licence and/or registration is fair, open and transparent (QA2.1)

It is necessary to establish whether or not the process involved in obtaining a business license and/or registration is fair, open and transparent. The question is important, considering that most would-be entrepreneurs often discover that their desire to start a business is curtailed by corruption, undue bureaucracy and unfairness.

Cant and Lightelm (2003) estimate that a large number (70-80 percent) of SMEs fail and state that a number of elements and challenges have been identified as contributing factors to the high failure rate of SMEs in South Africa. Among the contributing factors, corruption, bureaucracy and unfairness have been identified as the top causes of the problem. With a chi square of 87,6 (Appendix A), the respondents indicated their agreement with the process involved in obtaining a business licence and/or registration, as being fair, open and transparent. This correlates with the findings (Table 4.6), where the majority of the respondents also agree with this statement.

Table 4.6: The process involved in obtaining a license is fair, open and transparent (QA2.1)

	Questions	Frequency	%	Cumulative %
Valid	Strongly Agree	35	23.5	23.6
	Agree	68	45.6	69.6
	Uncertain	22	14.8	84.5
	Disagree	20	13.4	98.0
	Strongly Disagree	3	2.0	100.0
	Total	148	99.3	
Missing	System	1	0.7	
Total		149	100.0	

(ii)The time taken to apply for and obtain a license or loan is quick and devoid of complications (QA2.2)

Given that time is a critical factor in the success or failure of any business enterprise, the research aimed to find out from the respondents, whether or not they think the time taken to obtain a license or a loan is quick and devoid of complications.

According to Herrington *et al.* (2009), an enormous amount of time is required to obtain business licenses, indicating that this type of support is a major problem for the South African entrepreneur. Almost half (45 percent) of the respondents felt that it takes too long to apply for a business license (Table 4.7).

Table 4.7: Time and complexity in applying and obtaining a license (QA2.2)

	Questions	Frequency	%	Valid %	Cumulative %
Valid	Strongly Agree	16	10.7	10.7	10.7
	Agree	36	24.2	24.2	34.9
	Uncertain	30	20.1	20.1	55.0
	Disagree	52	34.9	34.9	89.9
	Strongly Disagree	15	10.1	10.1	100.0
	Total	149	100.0	100.0	

(iii) Often, I need to bribe a government official before I get any assistance for my business (QA2.3)

Corruption is a major problem affecting South Africa, generally. The issue is even more challenging when it concerns SMEs. This question was therefore necessary, to establish respondents' views on the impact corruption has on their businesses, vis-à-vis obtaining assistance from relevant organisations.

SMEs lack the bargaining power and the influence to oppose requests for unofficial payments and similar solicitations. The World Bank (2009) found that about 70 percent of SMEs perceive corruption as an impediment to their business, compared to approximately 60 percent for large businesses.

The research shows that more than half of the respondents did not generally have to use unacceptable methods (59 percent) (Table 4.8).

Table 4.8: Unacceptable methods (QA2.3)

	Questions	Frequency	%	Valid %	Cumulative %
Valid	Strongly Agree	15	10.1	10.1	10.1
	Agree	27	18.1	18.1	28.2
	Uncertain	19	12.8	12.8	40.9
	Disagree	53	35.6	35.6	76.5
	Strongly Disagree	35	23.5	23.5	100.0
	Total	149	100.0	100.0	

(iv) The quality of attention and support I get from relevant bodies depend largely on who I know in the organisation (QA2.4)

This question aims to gain an understanding of the impact selective attention has on SMEs in South Africa. It is based on the background of claims, in some quarters, that people often receive help from relevant organisations, based on who they know.

According to Kauffman (2004), favouritism adversely affects the growth of businesses especially SMEs. Regarded as the preferential treatment of relatives, friends, neighbours and even acquaintances, favouritism is an often-overlooked aspect of the general corruption plaguing the nation. This favoured treatment often puts competence and expertise in the background. The study showed that most (51,7%) respondents agreed with this (Table 4.9).

Table 4.9: Support from relevant bodies (QA2.4)

	Questions	Frequency	%	Valid %
Valid	Strongly Agree	27	18.1	18.1
	Agree	50	33.6	33.6
	Uncertain	14	9.4	9.4
	Disagree	45	30.2	30.2
	Strongly Disagree	13	8.7	8.7
	Total	149	100.0	100.0

(v) My business would have grown and developed more than its present level if there was fairness and transparency (QA2.5)

It was found that the respondents agreed strongly (81percent) on fairness and transparency being necessary for growth and development.

Table 4.10: Fairness and transparency (QA2.5)

More than two thirds (69,6 percent) of the respondents agreed that the process involved in obtaining a business license is fair (69,6 percent), however more than half (59,1 percent) of the respondents disagreed and indicated that they often need to bribe government officials to obtain a license (Table 4.10).

Table 10: Fairness and transparency (QA2.5)

	Questions	Frequency	%	Valid %	Cumulative %
Valid	Strongly Agree	53	35.6	35.6	35.6
	Agree	68	45.6	45.6	81.2
	Uncertain	13	8.7	8.7	89.9
	Disagree	13	8.7	8.7	98.7
	Strongly Disagree	2	1.3	1.3	100.0
	Total	149	100.0	100.0	

4.6 Focus Area B: Labour, infrastructure, regulations and SMEs (QB1.1 – QB1.5)

(i) For the business to grow and develop, employees must be adequately trained to offer efficient service (QB1.1)

Training is essential for the success of any business and involves equipping both the business owner and/or employee with the necessary skills, with which to move the business forward or blend with changing trends. Considering that most SMEs die in their infant stage

Njoroge and Gathungu (2013: 5) state that the lack of entrepreneurship skills by SMEs owners has led to the slow growth and ultimate demise of such businesses. Analysis showed that the majority (96 percent) of the respondents in the study agreed that for the business to grow and develop, employees must be adequately trained (Table 4.11).

Table 4.11: Employees must be trained (QB1.1)

	Questions	Frequency	%	Valid %	Cumulative %
Valid	Strongly Agree	74	49.7	49.7	49.7
	Agree	69	46.3	46.3	96.0
	Uncertain	4	2.7	2.7	98.7
	Disagree	2	1.3	1.3	100.0
	Total	149	100.0	100.0	

(ii) The cost of employing skilled and experienced employees is a major setback for the growth and development of SMEs (QB1.2)

While there is general agreement that skilled and experienced workers contribute positively to the growth and development of any venture it is, however, challenging and costly for SMEs that are merely attempting to steady their businesses, to employ this type of workers.

Ntsika Enterprise Promotion Agency (2002) is of the opinion that starting a business is not enough, managing it should be paramount. Lack of skills in managing businesses is the bane of many SMEs and unnecessary. The agency suggests that entrepreneurs are often good at starting businesses, but poor at running the enterprises because they either do not hire the right skilled personnel or think it is too costly.

It has been found that most respondents (84 percent) agreed that the cost of employing skilled and experienced employees is a major setback for the growth and development of SMEs (Table 4.12).

Table 4.12: Cost of hiring skilled employees (QB1.2)

	Questions	Frequency	%	Valid %	Cumulative %
Valid	Strongly Agree	54	36.2	36.2	36.2
	Agree	71	47.7	47.7	83.9
	Uncertain	15	10.1	10.1	94.0
	Disagree	7	4.7	4.7	98.7
	Strongly Disagree	2	1.3	1.3	100.0
	Total	149	100.0	100.0	

(iii) The infrastructure in Durban is adequate to support my business growth and development (QB1.3)

Infrastructure or a lack thereof, is a major necessity for the growth of SMEs. The research sought to determine from the respondents, whether the infrastructure in Durban is adequate to support their businesses.

For instance, electricity supply in South Africa, particularly in rural areas, does not meet the demand leading to power cuts, which can affect the production and turnover of new SMEs (Kalra, 2009).

The research indicated that most (92 percent) of the respondents claimed that the infrastructure in Durban is adequate to support business growth and development (Table 4.13).

Table 4.13: Adequate infrastructure (QB1.3)

	Questions	Frequency	%	Valid %	Cumulative %
Valid	Strongly Agree	81	54.4	54.7	54.7
	Agree	55	36.9	37.2	91.9
	Uncertain	7	4.7	4.7	96.6
	Disagree	4	2.7	2.7	99.3
	Strongly Disagree	1	.7	.7	100.0
	Total	148	99.3	100.0	
Missing	System	1	.7		
Total		149	100.0		

(iv) Adoption of automation and new technology will greatly enhance growth and development of SMEs (QB1.4)

The world has become a global village; ICT has made the world much smaller and assisted in businesses operating more effectively. SMEs can operate at a better level with the appropriate adoption of ICT.

Referring to the ICT's assistance in SME growth and development Kiveu (2013: 718) states that, since SMEs operate in a globalised economy, adoption of ICT is a must if they are to remain reasonable and endure stiff competition. The statistical analysis of the research findings proves that respondents will greatly enhance growth and development through adoption of automation and new technology, with a large (87 percent) number of respondents agreeing with the statement (Table 4.14).

Table 4.14: Automation and technology (QB1.4)

	Questions	Frequency	%	Valid %	Cumulative %
Valid	Strongly Agree	58	38.9	39.2	39.2
	Agree	71	47.7	48.0	87.2
	Uncertain	13	8.7	8.8	95.9
	Disagree	5	3.4	3.4	99.3
	Strongly Disagree	1	0.7	0.7	100.0
	Total	148	99.3	100.0	
Missing	System	1	0.7		
Total		149	100.0		

(v) Government regulations hinder, rather than aid the growth of SMEs (QB1.5)

One of the biggest challenges facing most SMEs in South Africa, is that of stringent government regulations that stifle, rather than aid growth. Thus, the research sought to establish the respondents' views on how government regulations impact their businesses.

Mahadea (2008) is of the opinion that because of the limited funds available to SMEs, it is difficult and expensive for them to hire skilled labour in South Africa. Labour can only be hired at a cost and within the confines of the labour regulations, such as the Employment and Minimum Wage Regulations. The study has shown that more than half (54 percent) of the

respondents agreed that government regulations hinder, rather than aid, the growth and development of SMEs.

The high percentage implies that there is strong agreement with the statement; however, the perception collected from the respondents indicated that the majority (96 percent) agreed that employees must be adequately trained to offer efficient service (Table 4.15).

Table 4.15: Government Regulations (QB1.5)

	Questions	Frequency	%	Valid %	Cumulative %
Valid	Strongly Agree	37	24.8	24.8	24.8
	Agree	43	28.9	28.9	53.7
	Uncertain	35	23.5	23.5	77.2
	Disagree	30	20.1	20.1	97.3
	Strongly Disagree	4	2.7	2.7	100.0
	Total	149	100.0	100.0	

4.7 Focus Area C: Financial support and SMEs (QC1.1- QC1.5)

(i) Access to loans and financial support

The average level of agreement for this section is high (76,1 percent), with Table 16 a summary of financial support for SMEs. Most (81,1 percent) respondents agreed that, should SMEs be given tax incentives, it would help them build a strong financial base. The study shows that (79,9 percent) respondents agree that SMEs will thrive with more access to loans and financial support (Table 4.16).

Table 4.16: Summary of financial support for SMEs (QC1.1 - QC1.5)

Questions	Agree %	Uncertain %	Disagree %
QC1.1 SMEs will thrive better with more access to loans and financial support.	79.9	14.8	5.4
QC1.2 Bank interest rates on loans are a major drawback for growing SMEs.	75.8	15.4	8.7
QC1.3 SMEs will seek avenues for financial help if they know about the existence of financing organisations.	75.2	16.8	8.1
QC1.4 If SMEs are given tax incentives, it would help them build strong financial base.	81.1	14.2	4.7
QC1.5 SMEs should explore other sources of finance such as NGOs and family members.	68.5	18.8	12.8

4.8 Focus Area D: Economic Environment and SMEs (QD1.1 QD1.4)

The fear of most SMEs is that they will be subdued by competition. It is believed that bigger companies have access to more finances and can thus compete more favourably than SMEs. This trend is likely to ‘kill’ emerging businesses. Shi *et al.* (2010) declare that enterprises are faced with an increasingly competitive environment against bigger organisations, making it difficult to maintain a sustained, competitive advantage.

Businesses, whether SMEs or large corporations, need appropriate locations to thrive. The importance of understanding the role of location in the success or failure of businesses cannot be overstated. Cant and Ligthelm (2003) suggest that several factors, such as poor location, insufficient marketing, inability to conduct marketing research, misreading the market, poor products, poor service, as well as misreading customer trends and needs, also impact on the success of SMEs.

Safety is an essential requirement for the success of any business. When the business environment is perceived as unsafe, business owners and clients will not feel secure enough to operate, thereby affecting productivity.

According to Mahadea and Pillay (2008), crime is a costly burden to individuals and firms, worryingly more so in South Africa, with “official” unemployment close to 30 percent. Crime affects business directly, with the theft of property and money, and indirectly, in reduced business confidence and loss of investment.

The average level of agreement is high (86,1 percent). The research shows that a large number (95,3 percent) of respondents agreed that Durban is an accessible and convenient location for business (Table 4.17).

Table 4.17: Summary of Economic environment for SMEs (QD1.1-QD1.4)

Questions	Agree %	Uncertain %	Disagree %
QD1.1 Competition from much bigger companies hinders the growth and development of SMEs.	82.6	8.7	8.7
QD1.2 Business location is critical to survival and growth of SMEs.	90.6	4.7	4.7
QD1.3 Durban is an accessible and convenient location for my business.	95.3	2.7	2.0
QD1.4 The business environment is safe and secure for the growth and development of SMEs.	75.8	8.1	16.1

4.9 Focus Area E: The Role of Government in the Growth and Development and SMEs (QE1.1 – QE1.5)

One of the biggest challenges plaguing SMEs in South Africa, is that of inconsistent and sometimes, stifling government policies. This highlights the important role of government, in the success or failure of SMEs.

Olawale and Garwe (2009) believe government regulations are meant to protect SMEs, yet their application often lead to the demise of these small enterprises. The authors argue that new SMEs have to obtain registration licences and pay taxes, even before they start to make significant profits.

The success of SMEs requires 'all hands on deck', with all relevant, concerned parties actively participating. This involves the cooperation of governments at all levels, including municipal and federal levels. The question seeks to determine respondents' views on the impact of government support, at local level, on their businesses.

This position is shared by Tsoabisi (2012) who holds that, since SMEs are embedded in LED, it becomes the municipalities' responsibility to ensure a response to economic development challenges, within a regulated and supported framework of SMEs. In this regard, an LED strategy is formulated by municipalities to support the establishment of SMEs within municipalities.

One of the major motivations behind SMEs is the creation of jobs and the ultimate alleviation of poverty. This goal cannot be achieved without cooperation between the government and SME owners. It is from the foregoing whether or not they believe SMEs are helping to alleviate poverty and whether or not government is doing enough.

The study shows that the level of agreement is high, however, more than half (53 percent) of the respondents disagreed with the statement (Table 4.18).

Table 4.18: Summary of Government's role in the growth and development of SMEs (QE1.1 – QE1.5)

Questions	Agree %	Uncertain %	Disagree %
QE1.1 Government policies and regulations can determine the growth and development of SMEs.	83.2	11.4	5.4
QE1.2 SMEs will grow and develop with the presence of practical government institution engagement in providing better space for SMEs.	83.9	9.4	6.7
QE1.3 Support from governments at Local Government and provincial level is critical to the growth of SMEs.	67.1	12.1	20.8
QE1.4 The success or failure of SMEs depends largely on the attention given by government.	53.0	7.4	39.6
QE1.5 Government should partner with SMEs in job creation and poverty alleviation.	95.3	0.7	4.0

4.10 Cronbach's Alpha - Focus Areas (A2, B, C, D and E)

The overall reliability score for the ordinal data was 0.719, which is above the recommended value of 0.70. This implies that, overall; the respondents were consistent in the manner of their responses. Certain components divided into finer components. This is explained in the rotated component matrix below (Table 4.19).

Table 4.19: Cronbach's Alpha

	Questions	Number of Items	Cronbach's Alpha
A2	Corruption, Bureaucracy and SMEs	3 of 5	0.476
B	Labour, infrastructure, regulations and SMEs	3 of 5	0.405
C	Financial support and SMEs	4 of 5	0.675
D	Economic Environment and SMEs	3 of 4	0.382
E	The role of government in the growth and development and SMEs	4 of 5	0.690
	Overall	24 of 24	0.719

4.11 Conclusion

The research design was discussed and analysis of number of questionnaires done, which gave the 74,5 percent of respondents. Most of the entrepreneurs were dominantly female. The majority of the respondents felt that the process taken to obtain a licence was tested. The training and cost of skilled and experienced employees, as well as adequacy of infrastructure was examined. Financial support and economic environment, as well as the role of government was statistically analysed.

The next chapter will cover the analysis and discussion of responses to the various questions of the measuring instrument.

CHAPTER FIVE

ANALYSIS AND DISCUSSION OF FINDINGS

5.1 Introduction

The field study produced research findings that were grouped and filtered through statistical analysis with SPSS and presented in Microsoft Excel charts. The research findings were presented in the previous chapter and the findings are further analysed, in light of the research objectives.

This chapter revolves around the outcomes and replies to the various questions of the measuring instrument.

5.2 Demographics of respondents (QA1.1-4)

5.2.1 Nature of the business (QA1.1)

The retail sector (10,1 percent) of respondents and the production sector (11,4 percent) of respondents were not well represented, with sales and marketing performing slightly better (16,1 percent) of respondents. This was considered and complemented by the sector termed 'other' (20,1 percent), of respondents which was overshadowed twice over by the service sector for SMEs (Figure 5.1).

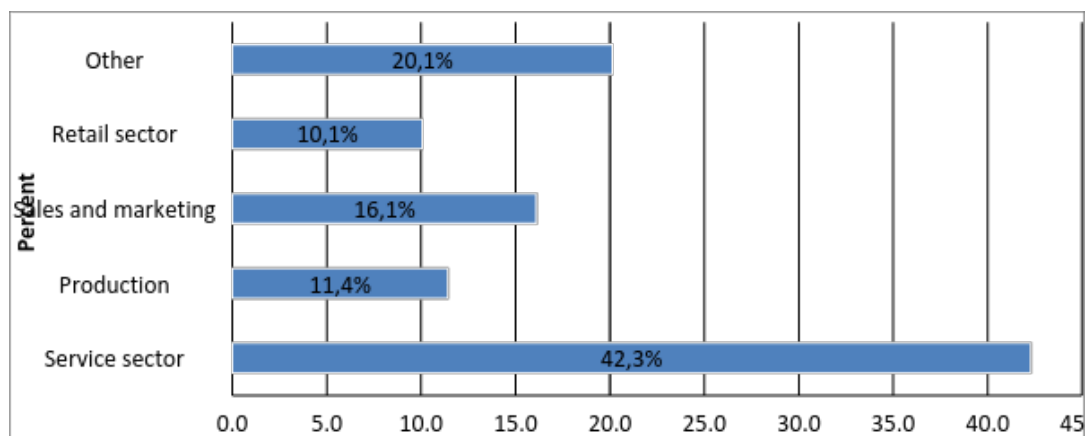


Figure 5.1: Nature of the business (QA1.1)

5.2.2 Gender and Age (QA1.2)

Females (68 percent) of respondents dominated the research, with males featuring second in the gender groups, comprising less than a third (32,2 percent) of respondents in the research sample. It is significant, however, that a large number (79,2 percent) of respondents were in the 25 – 30 years age group (Table 5.1).

Table 5.1: Age (QA1.2)

Age	Frequency	%	Cumulative %
18 – 25	23	15.4	15.4
25 – 30	38	25.5	40.9
30 – 40	51	34.2	75.2
40 – 50	29	19.5	94.6
Over 50	8	5.4	100.0
Total	149	100.0	

5.2.3 Racial group breakdown (QA1.3)

Foreign nationals were not very well presented (5,9 percent) with African respondents and Asian respondents presenting the majority (73,2 percent). Nearly half of the respondents (49.0 percent) were African. There were similar ratios of Coloured (11.4 percent) of respondents and White (10,1 percent) respondents, with Asians constituting approximately a quarter (24.2 percent) of the sample. This is consistent with the fact that Africans are the largest population group in KZN (Figure 5.2).

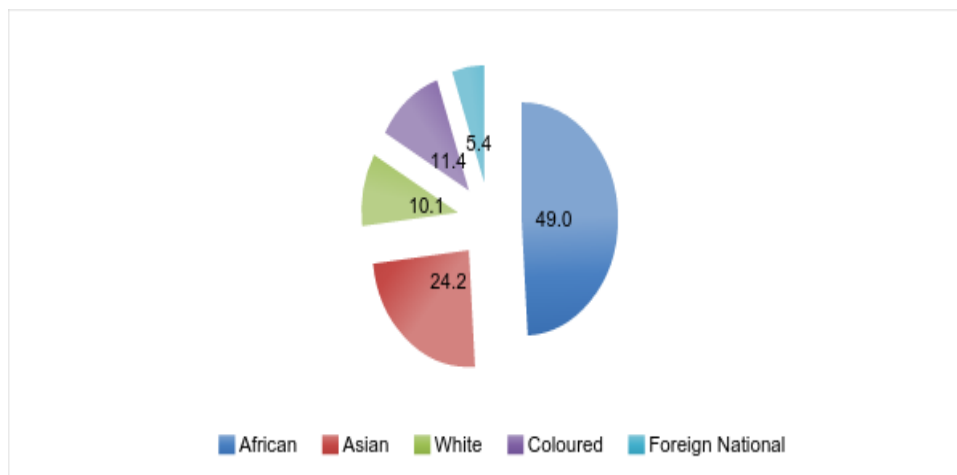


Figure 5.2: Racial group breakdown (QA1.3)

5.2.4 Number of employees (QA1.4)

Less than half (43,6 percent) of the respondents employed less than five employees and only a few (14,7 percent) employed more than 20 (Table 5.2).

Table 5.2: Number of employees (QA1.4)

Question	Frequency	%
2 - < 5	65	43.6
5 - < 10	43	28.9
10 - < 15	23	15.4
15 - < 20	11	7.4
≥ 20	7	4.7
Total	149	100.0

5.3 Study objectives linked to specific questions

Findings were made on the growth and development of selected SMEs in Durban, KZN. The objectives of the study can be linked to specific questions as follows, (Table 5.3):

Table 5.3 Objectives analysis

Objectives	Questions
Nature and extent of corruption and bureaucracy for SMEs.	QA2.1 - QA2.5
The influence of financial support for SMEs.	QC1.1 – QC1.5
The influence of government role for SMEs.	QE1.1 - QE1.5
The influence of labour, infrastructure, regulations and economic environment for SMEs.	QB1.1-QB1.5, QD1.1- QD1.5

5.4 Nature and extent of corruption and bureaucracy and SMEs (QA2.1 – QA2-5)

The respondents felt the process involved in obtaining a license is fair, open and transparent. With a chi square of 87.581, it was apparent though that a major portion (70 percent) of the respondents strongly agreed on the fairness and transparency (QA2.1). However they felt strongly (81 percent) that the use of unacceptable methods inhibits the growth and development of processes for SMEs (QA2.5).

Nevertheless 40 percent of the respondents disagreed and indicated that there was favouritism, such as, the preferential treatment of relatives, friends, neighbours and even acquaintances, which is equally unacceptable (QA2.4). Less than half (45 percent) of the respondents also felt that the time taken to apply and obtain a licence or loans is quick and devoid of complications (QA2.2) (Table 5.4).

Table 5.4 Summary of corruption, bureaucracy and SMEs (QA2.1- QA2.5)

Questions	Agree %	Uncertain %	Disagree %
QA2.1 The process involved in getting business license and/or registration is fair, open and transparent.	69.6	14.9	15.5
QA2.2 The time taken to apply for and get license or loans is quick and devoid of complications.	34.9	20.1	45.0
QA2.3 Often, I need to bribe a government official before I get any assistance for my business.	28.2	12.8	59.1
QA2.4 The quality of attention and support I get from relevant bodies depend largely on who I know in the organization	51.7	9.4	38.9
QA2.5 My business would have grown and developed more than its present level if there was fairness and transparency.	81.2	8.7	10.1

5.5 The influence of labour, infrastructure and regulations and SMEs (QB1.1 – QB1.5)

Almost all (96 percent) of respondents felt that the growth of the business depends on adequate training (QB1.1). However, it was found that most (84 percent) of the respondents agreed that the cost of employing skilled and experience employees is a major setback for SME growth and development (QB1.2). Equally, more than half (54 percent) considered government regulations a hindrance to growth and development of SMEs (QB1.5).

However, a large number (92 percent) considered the infrastructure in Durban adequate to support their business growth (QB1.3) (Table 5.5).

Table 5.5 Summary of Labour, infrastructure, regulations and SMEs. (QB1.1-QB1.5)

Questions	Agree	Uncertain	Disagree
QB1.1 For the business to grow and develop, employees must be adequately trained to offer efficient service.	96.0	2.7	1.3
QB1.2 The cost of employing skilled and experienced employee is a major setback for the growth and development of SMEs.	83.9	10.1	6.0
QB1.3 The infrastructure in Durban is adequate to support my business growth and development.	91.9	4.7	3.4
QB1.4 Adoption of automation and new technology will greatly enhance growth and development of SMEs.	87.2	8.8	4.1
QB1.5 Government regulations hinder, rather than aid the growth of SMEs.	53.7	23.5	22.8

5.6 The influence of financial support and SMEs (QC1.1 – QC1.5)

The results show that most of the respondents are in favour of tax incentives (81 percent) (QC1.4), as well as more access to loans and financial support (80 percent) (QC1.1). However, a large number (76 percent) of respondents (QC1.2) felt that bank interest rates on loans are a major setback for growing SMEs, whereas most (69 percent) of the respondents felt that SMEs should explore other sources of finance, such as NGOs and family members, for financial support (QC1.5) (Table 5.6).

Table 5.6 The influence of financial support and SMEs. (QC1.1- QC1.5)

Questions	Agree %	Uncertain %	Disagree %
QC1.1 SMEs will thrive better with more access to loans and financial support.	79.9	14.8	5.4
QC1.2 Bank interest rates on loans are a major drawback for growing SMEs.	75.8	15.4	8.7
QC1.3 SMEs will seek avenues for financial help if they know about the existence of financing organisations.	75.2	16.8	8.1
QC1.4 If SMEs are given tax incentives, it would help them build strong financial base.	81.1	14.2	4.7
QC1.5 SMEs should explore other sources of finance such as NGOs and family members.	68.5	18.8	12.8

5.7 The influence of economic growth and SMEs (QD1.1 – QD1.4)

The majority (95 percent) of the results show that most of the respondents agreed that Durban is accessible and a convenient location for business growth (QD1.4). What is interesting is that a large number (91 percent) (QD1.2) of respondents agreed that business location is critical for the survival of the business, but not all of the respondents (83 percent) (QD1.1) agreed that competition from much bigger companies hinders the growth and development of SMEs (Table 5.7).

Table 5.7 The influence of economic growth and SMEs. (QD1.1- QD1.4)

Questions	Agree %	Uncertain %	Disagree %
QD1.1 Competition from much bigger companies hinders the growth and development of SMEs.	82.6	8.7	8.7
QD1.2 Business location is critical to survival and growth of SMEs.	90.6	4.7	4.7
QD1.3 Durban is an accessible and convenient location for my business.	95.3	2.7	2.0
QD1.4 The business environment is safe and secure for the growth and development of SMEs.	75.8	8.1	16.1

5.8 The influence of Government's role and SMEs (QE1.1- QE1.5)

A large number (95 percent) of respondents (QE1.5) agreed that Government should partner with SMEs in job creation and poverty alleviation, however, some (40 percent) felt that success or failure of SMEs depends largely on the attention given to them by the government (QE1.4).

The majority (83 percent) of the respondents agreed that government policies and regulations can determine the growth and development of SMEs (QE1.1). It was, however, found that most (84 percent) of respondents (QE5.2) think SMEs will grow and develop with the presence of practical government institution (Table 5.8).

Table 5.8 The influence of Government's Role and SMEs (QE1.1-QE1.5)

Questions	Agree %	Uncertain %	Disagree %
QE1.1 Government policies and regulations can determine the growth and development of SMEs.	83.2	11.4	5.4
QE1.2 SMEs will grow and develop with the presence of practical government institution engagement in providing better space for SMEs.	83.9	9.4	6.7
QE1.3 Support from governments at Local Government and provincial level is critical to the growth of SMEs.	67.1	12.1	20.8
QE1.4 The success or failure of SMEs depends largely on the attention given by government.	53.0	7.4	39.6
QE1.5 Government should partner with SMEs in job creation and poverty alleviation.	95.3	0.7	4.0

5.9 Cross Tabulations

5.9.1 Introduction

According to Gill *et al.* (2008), Cross tabulation is the most useful analytical tool and is a main-stay of the market research industry. It about taking two variables and tabulate the results of one variable against the other variable. It also gives the basic picture of how two variables inter-relate and how to search for patterns of interaction.

5.9.2 Correlation analysis of Labour, infrastructure and regulations on corruption and bureaucracy (QB1.1 – QB1.5)

It was found that, with a positive correlation (0.140), adequate training will have a positive impact on the process of obtaining a business licence and registration as better trained staff will be able to manage these duties better.

It was also clear that the quality of attention and support received from relevant bodies will improve when the SMEs staff receive adequate training. Fairness and transparency (0.236) will also be positively impacted by adequately trained staff (0.116), which will increase the growth and development of SMEs through their employees' added knowledge and expertise, more than at its present level.

The study showed a limited correlation between the cost of employing skilled and experienced employees (0.041) and the process involved in obtaining a business licence and registration, which will be enhanced by the SMEs employing more knowledgeable staff.

The quality of attention and support from relevant bodies will also improve (0.097) when employing skilled and experienced employees. However the cost of employing skilled and experienced employees has a positive impact (0.174), more than its present level, on the growth and development of SMEs, should there be fairness and transparency.

The study made it clear that the infrastructure in Durban is adequate to support business, where a correlation with growth and development (0.104) found, at more than its present level, indicating the importance of infrastructure to a company's growth and development.

Adoption of automation and new technology has a significant positive correlation with the process involved in obtaining a business licence and registration(0.233), as well as time taken to apply for a licence or loans being quicker (0.203). It stands to reason than that obtaining a licence and applying for a loan would be both simplified and less time consuming once a business adopts automation and new technology to facilitate the ease of these processes.

It was found that a strong correlation exists between government regulations hindering, rather than aiding the growth of SMEs and the quality of attention and support received from relevant bodies (0.239), as well as fairness and transparency (0.276). This shows that government regulations impair attention and support to SMEs by relevant bodies without fairness and transparency.

Table 5.9.2 Correlation analysis of Labour, infrastructure and regulations on corruption and bureaucracy (QB1.1 – QB1.5)

Questions	The process involved in getting business license and/or registration is fair, open and transparent (QA2.1).	The time taken to apply for and get license or loans is quick and devoid of complications (QA2.2).	Often, I need to bribe a government official before I get any assistance (QA2.3).	The quality of attention and support I get from relevant bodies depend largely on who I know in the organisation (QA2.4).	My business would have grown and developed if there was fairness and transparency (QA2.5).
For the business to grow and develop, employees must be adequately trained (QB1.1).	0.140	-0.069	-0.035	0.116	0.236**
The cost of employing skilled and experienced employee is a major setback for the growth and development of SMEs (QB1.2).	0.041	-0.027	-0.028	0.097	0.174*
The infrastructure in Durban is adequate to support my business growth and development (QB1.3).	0.029	-0.022	-0.038	-0.156	0.104
Adoption of automation and new technology will greatly enhance growth and development of SMEs (QB1.4).	0.233**	0.203*	-0.038	-0.153	0.072
Government regulations hinder, rather than aid the growth of SMEs (QB1.5).	0.123	-0.051	0.096	0.239**	0.276**

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

5.9.3 Correlation analysis of financial support on corruption and bureaucracy (QB1.1 – QB1.5)

The study showed a positive correlation coefficient between SMEs doing better with more access to loans and financial support (0.261) and growing and developing more than its present level if there was fairness and transparency. SMEs will thrive if their applications for finance are treated fairly and with transparency.

This will also improve the quality of attention and support received from relevant bodies (0.113), which also shows a positive impact.

In addition, there is a significant negative relationship between SMEs doing better with more access to loans and financial support (-0.194) and the time taken to apply for and get a licence or loans being quick and devoid of complications. More access to loans and financial support would improve the duration and complexity for SMEs in obtaining licensing or loans.

However, bank interests on loans are a major drawback for growing SMEs, which shows a strong correlation with fairness and transparency (0.240), as well as the quality of attention and support from relevant bodies (0.263). The positive impact perceived, which fairness and transparency and relevant bodies' support could have on SMEs, could negate the drawback of bank interest rates on loans.

Should SMEs be given tax incentives, it would assist in building a strong financial base. This is shown to have a strong correlation with the quality of attention and support from relevant bodies, depending largely on who is known in the organisation (0.292).

SMEs should explore other sources of finance, such as NGO's and family members, as indicated by the correlation with transparency and fairness (0.088) and the attention and support received from relevant bodies (0.108), with both having a positive impact, pointing to other sources of finance that should be explored as an alternative for SME funding.

Table 5.9.3 Correlation analysis of financial support on corruption and bureaucracy (QC1.1 – QC1.5)

	Questions	The process involved in getting a business license and/or registration is fair, open and transparent (QA2.1).	The time taken to apply for and get license or loans is quick and devoid of complications (QA2.2).	Often, I need to bribe a government official before I get any assistance for my business (QA2.3).	The quality of attention and support I get from relevant bodies depend largely on who I know in the organisation (QA2.4).	My business would have grown and developed more than its present level if there was fairness and transparency (QA2.5).
Spearman's rho	SMEs will thrive better with more access to loans and financial support (QC1.1).	0.081	-0.194*	-0.034	0.113	0.261**
	Bank interest rates on loans are a major drawback for growing SMEs.	0.077	-0.096	0.069	0.263**	0.240**
	SMEs will seek avenues for financial help if they know about the existence of financing organisations (QC1.2).	0.077	-0.085	-0.148	0.121	0.118
	If SMEs are given tax incentives, it would help them build strong financial base (QC1.3).	0.052	-0.109	0.162*	0.292**	0.005
	SMEs should explore other sources of finance such as NGOs and family members (QC1.4).	0.022	0.013	0.048	0.108	0.088

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

5.9.4 Correlation analysis of economic environment on corruption and bureaucracy

Competition from much bigger companies hinders the growth and development of SMEs, which has a strong correlation with the quality of attention and support from relevant bodies depending largely on who is known in the organisation (0.249). Added to this, there is a strong correlation between growth and development of SMEs if there was fairness and transparency (0.391), and competition from bigger companies hindering SMEs growth and development. Due to the process in obtaining a business licence and registration being fair, open and transparent (0.198), there is a positive correlation with Durban as an accessible and convenient location for

SMEs. However, with business location being critical to survival and growth of SMEs, a strong correlation is shown to growth and development of SMEs from its present level, should there be fairness and transparency (0.176).

The study showed that, the growth and development of SMEs can be determined by a safe and secure business environment, which has a strong correlation with the time taken to apply for and obtain a licence or loans being quick and devoid of complications. (0.125) and fairness and transparency allowing for more growth and development than at present (0.102).

Table 5.9.4 Correlation analysis of the economic growth and development of SMEs on corruption and bureaucracy (QD1.1 – QD1.4)

Questions		The process involved in getting business license and/or registration is fair, open and transparent (QA2.1).	The time taken to apply for and get license or loans is quick and devoid of complications (QA2.2).	Often, I need to bribe a government official before I get any assistance for my business (QA2.3).	The quality of attention and support I get from relevant bodies depend largely on who I know in the organisation (QA2.4).	My business would have grown and developed more than its present level if there was fairness and transparent (QA2.5).
S p e c i f i c r h o	Competition from much bigger companies hinders the growth and development of SMEs (QD1.1).	.055	-.093	.106	.249**	.391**
	Business location is critical to survival and growth of SMEs (QD1.2).	-.034	.120	-.082	-.064	.176*
	Durban is an accessible and convenient location for my business (QD1.3).	.198*	-.012	-.038	.050	.100
	The business environment is safe and secure for the growth and development of SMEs (QD1.4).	.080	.125	-.092	-.092	.102

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 5.9.5 Correlation analysis of the role of Government in the growth and development of SMEs on corruption and bureaucracy (QE1.1 – QE1.4)

In addition, SMEs will grow and develop with the presence of practical government institutions engaging in providing better space for SMEs has a strong and positive correlation with the quality of attention and support from relevant bodies depends on who I know in the organisation (0.217).

Support from government at local government and provincial level is critical to the growth of SMEs, and will improve the need to use unacceptable methods before obtaining any assistance (0.193).

In addition, there is a positive correlation with the quality of attention and support received from relevant bodies, depending largely on who is known in the organisation (0.372). Government support would eliminate the need for unacceptable methods, while improving the attention and support received from relevant bodies.

The success and failure of SMEs depends largely on the attention given by the government shows a strong correlation with the need to use unacceptable methods before any assistance is obtained (0.239), indicating that success of SMEs can be improved when corruption is rooted out. Added to this, the quality of attention support obtained from relevant bodies would further improve the success of SMEs.

Table 5.9.5 Correlation analysis of the role of Government in the growth and development of SMEs on corruption and bureaucracy (QE1.1 – QE1.4)

Questions	The process involved in getting business license and/or registration is fair, open and transparent (QA2.1).	The time taken to apply for and get license or loans is quick and devoid of complications (QA2.2).	Often, I need to bribe a government official before I get any assistance for my business (QA2.3).	The quality of attention and support I get from relevant bodies depend largely on who I know in the organisation	My business would have grown and developed more than its present level if there was fairness and transparency.
SMEs will grow and develop with the presence of practical government institution (QE1.1).	.055	-.093	.106	.249**	.391**
Support from governments at Local Government and provincial level (QE1.2)	-.034	.120	-.082	-.064	.176*
The success or failure of SMEs depends largely on the attention given by government (QE1.3)	.198*	-.012	-.038	.050	.100
Government should partner with SMEs in job creation and poverty alleviation (QE1.4).	.080	.125	-.092	-.092	.102

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

5.10 Conclusion

While this chapter covered the statistics analysis of the study focused on, the following chapter will revisit the objectives and research findings, together with recommendations, limitation of the research and indicate further research.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

The research results in the previous chapter, was divided into the supporting objectives and analysed in detail, with the findings stated for each of the sub-objectives.

The objectives of the research are revisited and the findings of each objective highlighted. Areas of future research are discussed. The achievements of each phase of the research process are described and recommendations made for future research.

On examining and analysing a few points that were prominent, in relation to each of the supporting objectives, this study will be examined in more detail and possible solutions proposed.

6.2 Revisiting the objectives

The main objective of the study was to establish the nature and extent of external factors influencing growth and development of selected SMEs, in Durban, KZN. This was divided into four supporting objectives:

- To investigate the nature and extent of corruption and bureaucracy as external factors influencing the growth and development of selected SMEs in Durban, KZN.
- To investigate the influence of financial support and access to finance on the growth and development of SMEs in Durban, KZN.
- To determine the influence of government policies and regulations on the growth and development of selected SMEs in Durban, KZN.

- To determine the influence of labour, infrastructure, regulations and economic environment potential on the growth and development of selected SMEs in Durban, KZN.

6.3 Research findings

This study was focused on the external factors influencing growth and development of selected SMEs, namely very small, small, and micro enterprises, in Durban, KZN.

- It was found that, although there was a generally positive understanding of the basic ideas of growth and development of SMEs, not all of the respondents understood the potential of SMEs to gain a competitive advantage.
- It was clearly evident that nearly half of the respondents (49 percent) were African, with similar ratios of Coloured and White respondents, while Asians constituted approximately a quarter (24 percent) of the sample.
- Female respondents (98 percent) agreed that, for the business to grow and develop, employees must be adequately trained to offer efficient service. All the female respondents agreed that their companies had been influenced by external factors in their SMEs. The training of the employees was considered very important by the respondents.
- With a chi square of 87,6 (Appendix A) the respondents indicated their agreement that the process involved in obtaining a business licence and/or registration should be fair, open and transparent. This was agreed by more than two thirds of the respondents (70 percent) respondents.
- The study indicates that most of the respondents (80 percent) agreed that SMEs will thrive with more access to loans and financial support.
- The majority of the respondents (95 percent) agreed that Durban is an accessible and convenient location to do business and Government should be to collaborate with SMEs in job creation and poverty alleviation.

- Less than half (40 percent) disagreed that the failure of SMEs depends largely on the attention given by government.

6.4 Recommendations

This study is a clear indication that the intentions of growth and development of SMEs are not made clear. Future research should be expanded to include financial institutions that offer funds to sustain small businesses.

It appears that, although many respondents believed they understood the intentions of SMEs, it could be useful to find out what SME owners' requirements are, in order to avoid those factors that negatively influence business growth and development.

This could be rectified by:

- Communicating the ideas of SMEs by means of more practical involvement by the government, such as through the facilitation of workshops.
- Focusing on training in the understanding and use of the extent of external factors that influence growth and development of SMEs.
- Re-enforcing proper implementing of government support at local government and provincial level is critical to the growth of SMEs.
- Training and more visible participation by the government, in terms of the success or failure of SMEs.

6.5 Further research

The results of this study have stimulated ideas that should provide a basis for additional research. These recommendations are based on the findings of the study and require a more, in-depth study of:

- The levels of skills and knowledge in companies or organisations, specifically in the SMEs.
- Development programmes aimed at increasing the extent of knowledge by decision-makers.
- A study into the possibilities of a financing organisation that not only focuses on funding but also on management training.

6.6 Limitation of the research

The concept of SMEs is very inclusive, however, the study was only concentrated on the 169 SMEs in Durban, KZN, who were selected through a convenience sampling method. The SME owners were chosen from the service, agriculture and retail sectors in Durban, KZN. Considering that the study only focuses on SMEs in Durban, the findings cannot be generalised to SMEs in other cities and/or provinces, as the conditions and characteristics may differ considerably.

6.7 Conclusion

The objective of this study has been satisfied. It was possible to identify and examine the external factors that influence growth and development of SMEs. A legislative framework for the transformation of the SA economy has been adopted and several new laws introduced, as specific measures to overcome the disadvantages caused.

The results presented and then analysed, have achieved the objective of this study, which was to investigate the nature and extent of external factors influencing growth and development of SMEs in Durban, KZN.

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Appendix A

Chi Square (QA2.1 - QA2.5)

Q No's	QA2.1	QA.2.2	QA.2.3	QA.2.4	QA.2.5
	The process involved in getting business license and/or registration is fair, open and transparent.	The time taken to apply for and get license or loans is quick and devoid of complications.	Often, I need to use unacceptable methods to a government official before I get any assistance for my business.	The quality of attention and support I get from relevant bodies depend largely on who I know in the organisation	My business would have grown and developed more than its present level if there was fairness and transparency.
Chi-Square	87.581 ^a	13.946 ^b	49.705 ^b	42.054 ^b	153.718 ^b
Df	2	2	2	2	2
Asymp. Sig.	.000	.001	.000	.000	.000

...../Appendix B

Appendix B

Chi square (QB1.1 - QB1.5)

Q No's	QB1.1	QB1.2	QB1.3	QB1.4	QB.5
	For the business to grow and develop, employees must be adequately trained to offer efficient service.	The cost of employing skilled and experienced employee is a major setback for the growth and development of SMEs.	The infrastructure in Durban is adequate to support my business growth and development.	Adoption of automation and new technology will greatly enhance growth and development of SMEs.	Government regulations hinder, rather than aid the growth of SMEs.
Chi-Square	263.128 ^a	171.758 ^a	228.419 ^b	193.473 ^b	27.799 ^a
Df	2	2	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000

...../Appendix C

Appendix C

Chi square (QC1.1 – QC1.5)

Q No's	QC1.1	QC1.2	QC1.3	QC1.4	QC1.5
	SMEs will thrive better with more access to loans and financial support.	Bank interest rates on loans are a major drawback for growing SMEs.	SMEs will seek avenues for financial help if they know about the existence of financing organisations.	If SMEs are given tax incentives, it would help them build strong financial base.	SMEs should explore other sources of finance such as NGOs and family members.
Chi-Square	147.154 ^a	122.148 ^a	119.047 ^a	153.824 ^b	83.530 ^a
Df	2	2	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000

...../Appendix D

Appendix D

Chi square (QD1.1 – QD1.5)

Q. No's	QD1.1	QD1.2	QD1.3	QD1.4
	Competition from much bigger companies hinders the growth and development of SMEs.	Business location is critical to survival and growth of SMEs.	Durban is an accessible and convenient location for my business.	The business environment is safe and secure for the growth and development of SMEs.
Chi-Square	162.416 ^a	219.919 ^a	257.490 ^a	122.591 ^a
Df	2	2	2	2
Asymp. Sig.	.000	.000	.000	.000

...../Appendix E

Appendix E

Chi Square (QE1.1 – QE1.5)

Q No's	QE1.1	QE1.2	QE1.3	QE1.4	QE1.5
	Government policies and regulations can determine the growth and development of SMEs.	SMEs will grow and develop with the presence of practical government institution engagement in providing better space for SMEs.	Support from governments at Local Government and provincial level is critical to the growth of SMEs.	The success or failure of SMEs depends largely on the attention given by government.	Government should partner with SMEs in job creation and poverty alleviation.
Chi-Square	167.691 ^a	171.557 ^a	78.215 ^a	49.181 ^a	257.732 ^a
Df	2	2	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000

...../Appendix F

Letter of Consent



CONSENT

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, _____ (name of researcher), about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: _____,
- I have also received, read and understood the above written information (Participant Letter of Information), regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.

- I understand that significant new findings developed during the course of this research, which may relate to my participation, will be made available to me.

Full Name of Participant	Date & Time	Signature / Right Thumbprint

I, _____ (name of researcher) herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Full Name of Researcher	Date	Signature

Full Name of Witness (If applicable)	Date	Signature

Full Name of Legal Guardian (If applicable)	Date	Signature

Please note the following:

Research details must be provided in a clear, simple and culturally appropriate manner and prospective participants should be helped to arrive at an informed decision, by use of appropriate language (grade 10 level - use Flesch Reading Ease Scores on Microsoft Word), selecting of a non-threatening environment for interaction and the availability of peer counselling (Department of Health, 2004).

If the potential participant is unable to read/illiterate, then a right thumb-print is required and an impartial witness, who is literate and knows the participant, for example a parent, sibling, friend, pastor, etc. should verify, in writing, duly signed that informed, verbal consent was obtained (Department of Health, 2004).

If anyone makes a mistake completing this document, for instance a wrong date or spelling mistake, a new document has to be completed. The incomplete original document has to be kept in the participant file and not thrown away and copies thereof must be issued to the participant.

...../Appendix G

Appendix G

Questionnaires

*I **Sisanda Ngubane**, am a student of Durban University of Technology, working on my research, studying towards a Master's Degree in Business Administration.*

The aim of this survey is to investigate the nature and extent of external factors influencing growth and development of SMEs in Durban, KwaZulu-Natal.

THE FOLLOWING INITIALS SERVE AS A KEY FOR THE SUB OBJECTIVES, WHICH ARE BROKEN DOWN INTO THE FOCUS AREAS AS LISTED:

A – Demographics, B – Corruption and Bureaucracy, C – Labour, infrastructure, regulations and SMEs, D - Economic environment and SMEs, E - Role of the government in the growth and development of SMEs.

FOCUS AREA (A1)	DEMOGRAPHICS	Service sector	Production	Sales & marketing	Retail sector	Other
1. What is the nature of your business?						
2. Gender		M			F	
3. How many employees does your business have?		2-5	5-10	10-15	15-20	Above 25
4. Into which age group do you fall ?		18-25 years	25-30 years	30-40 years	40-50 years	Over 50 years
5. To which racial group do you belong?		African	Asian	White	Colour ed	Foreign National

FOCUS AREA (A2)	Corruption, Bureaucracy and SMEs	Strongly agree	Agree	Uncertain /Not Applicable	Disagree	Strongly Disagree
	1. The process involved in getting business license and/or registration is fair, open and transparent.					
	2. The time taken to apply for and get license or loans is quick and devoid of complications.					
	3. Often, I need to bribe a government official before I get any assistance for my business.					
	4. The quality of attention and support I get from relevant bodies depend largely on who I know in the organisation.					
	5. My business would have grown and developed more than its present level if there was fairness and transparency.					
FOCUS AREA (B)	Labour, infrastructure, regulations and SMEs	Strongly agree	Agree	Uncertain / Not Applicable	Disagree	Strongly disagree
	1. For the business to grow and develop, employees must be adequately trained to offer efficient service.					
	2. The cost of employing skilled and experienced employee is a major setback for the growth and development of SMEs.					
	3. The infrastructure in Durban is adequate to support my business growth and development.					
	4. Adoption of automation and new technology will greatly enhance growth and development of SMEs.					

5. Government regulations hinder, rather than aid the growth of SMEs.						
FOCUS AREA (C)	Financial support and SMEs	Strongly agree	Agree	Uncertain / not applicable	Disagree	Strongly disagree
1. SMEs will thrive better with more access to loans and financial support.						
2. Bank interest rates on loans are a major drawback for growing SMEs.						
3. SMEs will seek avenues for financial help if they know about the existence of financing organisations.						
4.						
4. If SMEs are given tax incentives, it would help them build strong financial base.						
5. SMEs should explore other sources of finance such as NGOs and family members.						
FOCUS AREA (D)	Economic Environment and SMEs	Strongly agree	Agree	Uncertain / not applicable	Disagree	Strongly disagree
1. Competition from much bigger companies hinders the growth and development of SMEs.						
2. Business location is critical to survival and growth of SMEs.						
3. Durban is an accessible and convenient location for my business.						
4. The business environment is safe and secure for the growth and development of SMEs.						

FOCUS AREA E	The role of government in the growth and development and SMEs	Strongly agree	Agree	Uncertain / not applicable	Disagree	Strongly disagree
	1. Government policies and regulations can determine the growth and development of SMEs.					
	2. SMEs will grow and develop with the presence of practical government institution engagement in providing better space for SMEs.					
	3. Support from governments at Local Government and provincial level is critical to the growth of SMEs.					
	4. The success or failure of SMEs depends largely on the attention given by government.					
	5. Government should partner with SMEs in job creation and poverty alleviation. 6.					

YOUR PARTICIPATION IS HIGHLY APPRECIATED.... THANK YOU!