

**THE INFLUENCE OF CUSTOMER-SUPPLIER RELATIONSHIPS THROUGH  
THE FACILITATION OF CREDIT ON THE DEVELOPMENT OF MICRO  
ENTERPRISES IN THE SOBONAKHONA MAKHANYA TRIBAL AREA OF  
KWA-ZULU NATAL**


**By**

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Supervisor ...  ... Date ... *27 Aug 2009* ...

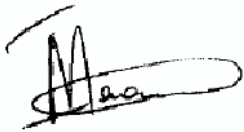
**Dr M. de Beer: M Comm., Ph D; A.C.I.S**

## DECLARATION

I declare that the influence of customer-supplier relationships through the facilitation of credit on the development Micro enterprises in the Sobonakhona Makhanya Tribal Area of Kwa-Zulu Natal is my own work, that it has not been submitted before for any degree or examination to any other university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Itumeleng Judith Maome

Date

A handwritten signature in black ink, appearing to read 'Itumeleng Maome', written over a horizontal line.

27 Aug 2009

Signed

## **ACKNOWLEDGEMENTS**

Firstly, I would like to thank almighty God for granting me the strength and opportunity to complete this study and for showing me that anything is possible if we believe in him.

I express my special and sincere gratitude and appreciation to Dr Marie de Beer for her patience, encouragement and guidance towards this task and to my growth and insight development in research.

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## **DEDICATION**

I dedicate this to my parents who sacrificed all they had to so that I can have a better education. To my late grandmother who taught me that everything is possible if I put God first in my life; how I wish you were here to see all my successes.

To my siblings, let this be an inspiration to you.

## **ABSTRACT**

The purpose of this study is to identify the influence of customer-supplier relationships through facilitation of credit on the development of Micro enterprises in the Sobonakhona Makhanya Tribal Area of KZN. This study originates from the fact that there are many SMME's in South Africa, absorbing about 15 million people (DTI, 1995:7). Even though this sector is providing most of the employment in the country, they still find it difficult to arrange funds to start or expand their businesses. Lending institutions do not want to provide finance for them, and if they do, they do it with reluctance and reservations. As a result, SMME's are not able to grow and develop into big businesses.

This is a quantitative and exploratory research study which was used to explore, for the first time in Sobonakhona Makhanya Tribal area, the relationship between customer-supplier relationships and accessibility of credit facilities. The study made use of questionnaires to obtain the respondents' perceptions on the research questions developed. A questionnaire that consisted of 35 questions was distributed to 50 SMME owners in Adams Mission, Madundube and Umbumbulu (AMU) villages. Cronbach's reliability analysis was not applied as it was not appropriate for use with this questionnaire.

The research showed that a relationship between customers and suppliers assists SMME's to obtain access to credit facilities. Added to this, SMME owners, who had access to credit facilities, experienced positive changes in their businesses. This serves to prove that access to credit is essential for the development of SMME's. As a result, recommendations to train and educate SMME owners on how to manage their businesses, how to apply for credit and the requirements needed for applications have been set out.

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## ACRONYMS

AMU	Adams Mission, Madundube & Umbumbulu
DBSA	Development Bank of Southern Africa
DTI	Department of Trade and Industry
IDC	Industrial Development Corporation
MPCC	Multipurpose Community Center
NGO's	Non Governmental Organisations
RFI's	Retail Financial Intermediaries
SBDC	Small Business Development Corporation
SMME's	Small Medium and Micro Enterprises
SM/TA	Sobonakhona Makhanya Tribal Area
KZN	Kwa Zulu Natal

## CHAPTER ONE

### INTRODUCTION TO THE RESEARCH PROBLEM

#### 1.1 Introduction

The Small, Medium and Micro Enterprises (SMME's) were established in South Africa (SA) for various reasons. One of the most common reasons is that many people want to satisfy their personal objectives such as independence, extra income and desire for profit (Megginson, Byrd & Megginson 2006:16). They also want to help their families financially. According to research done by Megginson et al, (2006:16) SMME's were established to achieve freedom from interference or control of superiors. This freedom often results in innovations and leads to greater flexibility, which is one of the outstanding characteristics of small businesses. It is also true that, at times, people start a business after being unable to find employment elsewhere or after being discharged from larger businesses.

SMME's are usually widely spread, which contributes to the economic stability of developing areas and the country as a whole (Kroon 1998:30). They are in abundance in the poorer areas such as the outskirts of the cities and in the rural areas. A large number of street vendors in the cities doing business on the pavements and other public areas are also common. Their trade is of great importance to the economic sector of South Africa. Each one does a minimal amount of trading but the large number of traders makes this a substantial amount of trading/ money.

The money is mostly generated from the sale of their goods or services to the passers-by, who obtain the money from their employers, banks, stockvels or other informal lenders. Small business owners normally live from hand to mouth and very seldom make elaborate arrangements for financing. Their relationship with the suppliers is mainly on a cash basis and whenever they require finance over a set period, they find it difficult to arrange.

## **1.2 Background of research**

According to Sheth & Parvatiyar (2000:75), customer-supplier relationships are built from an interaction process in which technical, social, and economic issues are dealt with. They go on to say that relationships are organized patterns of interaction and interdependence with their own substance. Customers are an important phenomenon in the business landscape and have to be recognized and handled by management both as problems in themselves and as marketing or purchasing means (Sheth & Parvatiyar 2000:75). Buttle (1996:1) agrees with this and feels that relationship marketing should be more concerned with the development and maintenance of mutually satisfying long-term relationships with customers.

Institutions that offer credit facilities tend to have a strengthened relationship with their customers. According to Cole & Mishler (1998:11), access to credit facilities does not only strengthen the relationship but also assists businesses to expand their markets. Added to this, if financial institutions facilitate credit facilities for SMME's, more businesses might be able to buy goods / services. They go on to say many businesses lack funds to pay cash and prefer to use credit to make purchases so that they can pay later when they have received money for the goods or services.

Kritzinger (1997:55) maintains that trade credit helps organizations to buy and sell large quantities of goods; it stimulates the manufacturing of goods and supply of services and contributes to the economic growth. He goes on to say that when enterprises do not access trade credit, the manufacturing and distribution of goods and services take place on a much smaller scale which could limit the enterprise's ability to grow. This is supported by Macleod (1999:198) who maintains that trade credit is the cheapest and most freely available source of short term finance.

## **1.3 Problem Statement**

Nieman, Hough and Nieuwenhuizen (2003:32), identified a number of challenges that SMME's are facing in SA, which have an impact on their growth and development and that need to be overcome. Some of these challenges they

maintain are access to start up and expansion finance, identifying markets, availability of appropriate technology and human resources.

Bourke & Shanmugam (1990:76) argue that financial institutions are rather cautious when it comes to lending money to small businesses. Kroon (1998:36) feels that this is due to the limited size of SMME's. He further says small businesses are often discriminated against on the basis of purchase, rent and interest rate. The significance of this constraint is recognized all over the world (DTI 1998). This is supported by Nieman et al (2003), who feel that this could be because of the high rate of SMME failure that may result in non-payment on the credit received.

Regardless of the problems experienced by SMME's, it is essential to stimulate their development, as they are likely to be the job creators of the future as well as the providers of subsistence level employment opportunities (Antonie, 2001).

This research stems from the fact that SMME's have a major role to play in the South African economy in terms of employment creation, income generation and output growth. Although SMME's are vehicles through which the lowest income people in South Africa gain access to economic opportunities, they are mostly discriminated against when it comes to making funds available to them.

In order to achieve the overall purpose of the study, it is essential to identify the nature of customer-supplier relationships between institutions and SMME's, types of credit facilities available to SMME's and the minimum amount of credit available to them. For those SMME's that have access to credit facilities, it is important to identify the nature and extent of the development of businesses after obtaining credit and of payment terms with suppliers and the procedural requirements.



## **1.4 Research Objective**

The purpose of this study is to identify the influence of customer-supplier relationships through the facilitation of credit on the development of Micro enterprises in the Sobonakhona Makhanya Tribal Area (SM T/A) of Kwa-Zulu Natal.

### **1.4.1 Sub-objectives**

To achieve this objective, the following underlying sub-problems are addressed:

- Examine and analyse the nature and role of SMME's in rural areas in order to characterise them and their operators
- Examine and analyse the nature of customer-supplier relationships of rural SMME's in order to identify the:
  - a) nature of credit facilities accessible to SMME's;
  - b) restrictions and constraints faced by SMME's;
  - c) reasons for the lack of access to credit facilities offered by organisations and institutions;
  - d) impact of credit facilities on the nature and extent of development of rural SMME's
- Incorporate the findings of the research into a customer-supplier framework of relevant metrics to follow when accessing credit by rural SMME's.

This framework will assist SMME's with a framework of relevant information on institutions that could assist them to obtain credit, thereby strengthening the relationship between SMME's and institutions, and making credit facilities less difficult to access.

## **1.5 The scope and limitations of the research**

SMME's in South Africa are faced with many challenges. These include access to finance, markets, technology and human resources. This study will only focus on the SMME's challenge of access to finance.

The research is based in a rural area of KwaZulu-Natal, Sobonakhona Makhanya Tribal Area.

The concept of Small, Micro and Medium Enterprises (SMME's) is very inclusive; however, the most dominant businesses in the research area are in the Micro enterprise category, which includes the survivalists. For this reason, this research study will only concentrate on the Micro enterprises. They employ a maximum of five paid employees and generate an annual turnover of less than R100 000.

Furthermore, because of the underdeveloped nature of the research area, many SMME's have not applied for funding, thus limiting the sample available for analysis.

Some villages, such as Folweni and Ezimbokodweni, are urban / peri-urban and could not be included in this study, since the focus of the study is on SMME's in rural areas only.

## **1.6 Assumptions**

It was assumed that SMME's in the SM T/A area are aware of institutions that can assist them financially and that they have all applied for credit facilities, with some being accepted and others rejected.

## **1.7 Hypothesis**

The following hypotheses were developed:

H<sub>0</sub>: There is no difference in the development of SMME's that access credit facilities and those that do not access such facilities.

H<sub>1</sub>: A significant correlation exists between the profiles of SMME's and the accessibility of credit facilities.

H<sub>2</sub>: A relationship exists between the customer-supplier relationship and credit facilities accessible to SMME's.

H<sub>3</sub>: There is a significant correlation between credit facilities and the nature of SMME development.

## **1.8 Methodology**

### **1.8.1 Population**

Micro enterprises in three of the villages on the South Coast of Kwa Zulu Natal - Adams Mission, Madundube and Umbumbulu (AMU) - were identified as the target population. These villages were chosen because they match the description of a rural area. Other villages were more built up and could be considered to be peri-urban and the enterprises in such areas were therefore not included in this study.

### **1.8.2 Sample**

The research assistants, using convenient sampling - a non probability sampling method, selected the research participants or respondents. This sampling method was used because the research assistants had to identify businesses that could easily be accessed and were established in one of the three identified villages. The sample used in the study consists of fifty enterprises from AMU villages in SM T/A.

### **1.8.3 Nature of research**

This is a quantitative study, which entailed an empirical research by means of a questionnaire as a measuring instrument. A self-administered questionnaire was distributed to the owners of businesses in the micro enterprise category. Research assistants were available to assist respondents in answering any unclear questions asked. Also, considering the nature of the research area, this research can be classified as exploratory research as similar research has not previously been conducted in the area.

### **1.8.4 Feasibility and validity of the research**

To ensure the validity of the data collected, the statistician verified the design of the questionnaire, and the analysis of data of the research. The questionnaire was then translated into Isizulu by the Department of Language and Translation at the Durban University of Technology. This was done to ensure that the

respondents would be able to answer the questions asked in their language of preference. Furthermore, the research assistants were available to assist the respondents if there were unclear questions.

## **1.9 Literature review**

### **1.9.1 Nature and structure of SMME's in South Africa**

The South African National Small Business Enabling Act (Act 102 of 1996) defines SMME's as: "a separate and distinct entity that cannot be part of a group of companies, and it is managed by its owner(s)." This means that the small business can be a sole proprietorship, partnership or legal entity, such as a close corporation, co-operative or a company (Cronje, Du Toit & Motlatla, 2003:44).

One of the difficulties, however, is that there is no common understanding of the term SMME. This is because various institutions use different definitions for their reporting, making it difficult to compare their statistics. For instance, Cartland et al. (1984:358) in Nieman et al (2003:10) define SMME's as any business that is independently owned and operated, but is not dominant in its field and does not engage in any new marketing or innovative practices.

The term SMME covers a vast array of businesses, in terms of ownership structure, sectors, activities, size and formality. The National Small Business Act (Act 102 of 1996) classifies the small business into the following four categories: micro enterprise category, which includes survivalists' enterprises; very small enterprise category; small enterprise category; and medium enterprise category. A breakdown according to the number of employees and annual turnover puts this categorization into perspective (Table 1). The full categorization is set out in Appendix A. (DTI, 1998).

**Table 1.1: Definition of SMME's**

	<b>CATEGORIES</b>	<b>ANNUAL TURNOVER</b>	<b>NUMBER OF EMPLOYEES</b>
1	Micro enterprise (incl. Survivalists)	< R 100 000	0 – 5
2	Very small	< R500 000	1 – 5
3	Small	R 500 000 – R2m	2 – 20
4	Medium	R 24 – 60m	20 – 200

*Source: DTI 1998*

The draft documentation of the Department of Trade and Industry (DTI) (1998) indicated that the enterprises are classified according to the number of staff they employ and the value of their assets. For instance, survivalists are enterprises with no paid employees and minimal asset value. They generate income below the minimum income standard of the poverty line, and their main aim is to provide for their families. Furthermore, the micro and survivalist enterprises lack formality in terms of registration for tax purposes, labour legislation, business premises and accounting procedures.

On the next level of the category are the very small enterprises which operate on the formal market and usually have access to modern technology such as the telephone, faxes and cash registers.

The next grouping, small enterprises, are more established than very small enterprises. They have more complex business practices and secondary coordinating mechanisms have been put in place.

On the other end of the range, medium enterprises have from 20 up to 200 employees with an annual turnover ranging between R24 million and R60 million (DTI 1998). These figures outline the importance of the sector in terms of economic growth and employment. Management structure and ownership of this category of SMME's are more complex than for small enterprises (DTI 1998).

### **1.9.2 The role of SMME's in the South African economy**

The main gap covered by SMME's in the economic sector is the contribution it makes to the employment creation and poverty reduction. Estimates suggest that eight out every ten new jobs created in South Africa are in the SMME sector. A particular concern though, is that five or six of these new jobs created are again lost within a year (KNC and Associates, 2001). This is supported by Driver, et al. (2001:22) in Mutezo (2005:27) who reaffirms that South Africa has a reasonably high number of start-ups, but few of these reach a stage where they are able to pay salaries and wages for longer than three months.

According to Kroon (1998:30), the SMME component of total enterprise in SA (91%), contributes approximately 45% to the South African goods and services market. They provide employment and create job opportunities and benefit the socio-economic development by ensuring growth in both urban and rural areas. Because they are widely spread, they contribute to the economic stability in developing areas.

There is no doubt that SMME's help curb business cycle fluctuations. A large number of SMME's which offer a wide range of products and services could make an important contribution to a decrease in business cycle fluctuations (Kroon 1998:30).

The rural SMME's contain a diverse and changing mix of enterprises. Across South Africa, the most common forms of rural SMME's are in retail and service-related activities other than manufacturing enterprise, which are mostly found elsewhere (Ndabeni & Rogerson, 2005:132). To be more specific, the range of rural SMME's encompasses different activities, in retail the most common is tuck shops, whereas in services the most common is hair salons. For the few manufacturing or construction enterprises, the activities range from beer brewing to baking (Ndabeni & Rogerson, 2005:132). A breakdown of the activities as seen by Ndabeni & Rogerson (2005:132) is shown in Table 2.

**Table 1.2: Classification of different SMME activities**

RETAIL	SERVICES	MANUFACTURING
General dealers Cafes Tuck shops Spazas Shebeens Bottle stores Hardware stores	Hair salons Transport Motor repairs Panel beating Shoe repairs Electrical repairs	Beer brewing Brick making Metal work Clothing Dress making Knitting Baking Small-scale maize milling Craft production Woodworking

*Source: Ndabeni & Rogerson 2005*

### 1.9.3 Funding used by SMME's

SMME like other businesses require capital to acquire fixed assets (such as land and building, plant and machinery) before they can be established. Apart from

investments in fixed assets, working capital is also required by them to finance various aspects of the venture such as the purchase of raw materials and the payment of overheads (Bourke & Shanmugam, 1990:76).

This is supported by Gough (1996) who claims that the need for finance varies. Some businesses are low capital - they do not need to buy equipment to run the business as they rely on labour to get the work done and so do not require a lot of money to start or run the business. The financial needs of such businesses can be met personally, with the help of relatives and friends, or with a short-term loan. They go on to say that other businesses are high capital - they rely on machinery or equipment to attain productivity and get the work done in the organisation. They therefore have to borrow large amounts of money to meet their financial needs. However, finding finance or gaining financial support for any new venture is one of the main difficulties experienced by entrepreneurs (Nieman et al. 2003:32).

The greatest need faced by enterprises operating in the first category of SMME's, namely Micro enterprises, is working capital to purchase supplies and inputs (DTI 1998). Their main sources of finance are family and friends, informal money lenders, NGO's and credit obtained from suppliers.

SMME's in the next category are the Very Small enterprises which has a greater capital need for equipment, fixed assets, capital outlay for enterprise establishment and working capital (DTI 1998). They also sometimes have access to funding from formal institutions like commercial banks. Over and above these are the Small enterprise category, which also relies upon leasing finance and factoring, and overdraft facilities. Lastly the Medium enterprise category has established relationships with their bankers and equity financiers who also target those with growth potential (DTI 1998).

#### **1.9.4 Nature of financial institutions and other trade partners and the nature of services available**

There are many financial institutions available in South Africa who mainly serve individuals and businesses that have financial needs for their personal or business use. Macleod (1999:204) for instance, shows that commercial banks are

a major source of finance to commerce and industry. However, as these banks only tend to raise money that can be repaid within a period of less than a year (one to twelve months), they only lend in the short term and offer loans and overdraft, discounting of bills and discount credit facilities.

Merchant banks, on the other hand, specially provide a wide variety of associated financial services such as leasing, insurance, pension and share transfer. Funding can also be obtained from insurance companies. Under certain conditions, policyholders can borrow money against the surrender value of their policies (Macleod 1999:206). He goes on to say that Government sponsored institutions are also classified as financial institutions, which assist people to access funds for their personal as well as business use. For instance the Industrial Development Corporation (IDC) grants long-, medium-, and short-term credit to large businesses, takes up shares and does underwriting. The Small Business Development Corporation (SBDC) was also established with the specific objective of encouraging the development of small business in South Africa. This is done by offering loan capital for a period ranging from three to ten years, at competitive interest rates.

The Development Bank of Southern Africa also provides financial assistance for the promotion of industrial undertakings in less developed areas. Assistance is provided mainly in the form of medium- and long-term loans. In addition to this, the Land and Agricultural Bank of South Africa advances money to farmers, co-operatives, agricultural societies and companies, and regulatory boards. Intermediate and short-term loans are granted to farmers in the form of cash credit accounts, while loans to agricultural co-operatives may be long term or short term (Macleod 1999:209).



## **1.10 Structure of dissertation**

The dissertation is structured as follows:

### **Chapter one:** Introduction to the research problem

This chapter provides a brief explanation about the purpose of this research, the research objectives and methods used in conducting the study.

### **Chapter two:** SMME Sector in South Africa

This chapter sets out the theoretical framework of the research using textbooks, journal articles and websites.

### **Chapter three:** Research methodology

This chapter provides a detailed explanation of the procedures and methods used in the gathering of data.

### **Chapter four:** Presentation of results

The results of the responses to the questionnaire that was self-administered are presented and analyzed.

### **Chapter five:** Interpretation of the results

The results of the study presented in the previous chapter are discussed, interpreted and then compared with the findings of other authors of similar projects.

### **Chapter six:** Conclusion and recommendations

This is the final chapter, in which the recommendations for future research and conclusions are made based on the findings of the research.

### **1.11 Summary**

This chapter sets the conceptual and contextual background that underpins the importance of the study. It also lays down the importance of the study, the aim, objectives and research questions that guided the research.

Furthermore, SMME's have been identified to be very important in the economy because of the contributions they make towards employment creation and poverty reduction. However, a huge problem facing SMME's in South Africa is the lack of access to credit facilities. Although there are many financial institutions that offer credit to businesses and individuals in South Africa, SMME's are still disadvantaged because of their size and the nature of operations that they perform. This could be one of the reasons why SMME's are still underdeveloped.

In the literature review that follows, the importance of SMME's in South Africa, the likely reasons for their lack of credit, the impact that the facilities could have on their development and roles which could be played by different stakeholders in the journey towards SMME development will be examined.

## CHAPTER TWO

### SMME SECTOR IN SOUTH AFRICA

#### 2.1 Introduction

The main research objective, its rationale and background formed the basis of the previous chapter. This leads to a discussion in this chapter of the nature and role of rural SMME's and an analysis of their customer - supplier relationships with the providers of credit facilities. The nature of credit facilities accessible to SMME's and the restrictions imposed on them by financial institutions will be covered. The reasons for the lack of access to credit facilities and the impact on the nature and extent of the development of rural SMME's will also be discussed.

#### 2.2 Nature of SMME's

Although the statistical base of SMME's in South Africa is still poor, there can be little doubt about their relative significance (DTI, 1995:7).

There are more than 800 000 small, medium and micro enterprises in the country, absorbing about a quarter of the labour force of 15 million people (DTI, 1995:7). Ntsika (1999) in Berry, Blottntz, Cassim, Kesper, Rajaratnam & Seventer (2002:13) found that 99% of enterprises in South Africa fall into the SMME category, whilst only one percent is large enterprises. These figures underline the importance of this sector. This is indicated in Table 2.1 below.

Table 2.1 SMME's in Existence in South Africa

Category of Enterprises	No. in existence	Percentage
Survivalist	184,400	20
Micro	466,100	51
Very small	180,000	20
Small	58,851	7
Medium	11,322	1
Large	6,017	1
Total	906,690	100

*Ntsika (1999) in Berry, et al 2002*

According to Ntsika (2000) as quoted by Berry et al (2002:25), only 33.6% of all jobs are created by large enterprises; the rest are from the SMME category, where 15.3% are created by medium enterprises, 12.1% by small enterprises, 12.8% by very small enterprises and 26.1% by micro and survivalist enterprises.

### *Characteristics of SMME's*

Within the SMME category, *Survivalists* operate in the informal sector of the economy. This form of work is mainly undertaken by unemployed people who only start the business in order to survive. Little capital is invested in these businesses as the main source of capital is only family and friends. They do not have any training and lack basic literacy, and therefore their opportunity for growing is very small (DTI, 1995:7). This could be one of the reasons why most of the survivalists' businesses are shut down in the early days of their operation. This is supported by Durai (n.d.) who feels that literacy plays a major role in the economic development of a nation. If the literacy level of a nation is high, there will be more entrepreneurs and the flow of money will be enormous. This will lead to the rise of entrepreneurs and new enterprises and more jobs will be created.

The *Micro enterprises* also operate in the informal sector with no license, formal business premises and labour legislation and their turnover is below the VAT registration of R300 000 per year (DTI, 1998). They employ between one and five employees, usually the owner and family members. Unlike survivalists, they have basic business skills and training and therefore have the potential to grow into a viable formal small business (DTI, 1998). This is supported by Kepler and Shane (2007:81) who maintained that some businesses cannot be founded easily by people without an appropriate educational background. Storey (1004:129-136) in Migiro (2005:179) argues that experience and education provide better human capital. Because of the higher literacy level of business owners in this category, it is easier for them to obtain funds from other sources like money lenders and NGO's in addition to their family and friends who are their main source of start-up finance (DTI, 1998).

*Very Small enterprises* are part of the formal economy, which makes use of technology. They have up to 10 paid employees and formal financial institutions and commercial banks often consider lending funds to them (DTI, 1998).

The *Small enterprises* on the other hand have up to 50 paid employees. They are generally more established than very small enterprises because they are registered and have fixed business premises. Although they are still managed by

the owner, they exhibit more complex business practices which make their capital needs, especially for equipment, to be very high. They rely more upon leasing finance and factoring (DTI, 1998).

On the upper end are the *Medium enterprises* that have up to 100 paid employees. They are still managed by the owner, but have a decentralized management structure with division of labour. They operate from fixed premises with all formal requirements, and a range of financial institutions are financing their needs (DTI, 1998).

Appendix C provides the statistics of SMME's in terms of their sector, number of paid employees, the annual turnover and total gross asset value, excluding property (National Small Business Act 102 of 1996).

Following this, the nature of rural areas and the role played by SMME's in South Africa is examined.

### **2.2.1 Nature of rural areas**

This section explains the place where SMME's trading in rural areas takes place as well as the characteristics of rural areas.

#### *Locus of SMME trading*

According to Mears & Theron (2006:21) the medium sized component of SMME's operates mainly in the formal manufacturing sector, whereas the small and micro enterprises are inclined to operate in the informal sector. They mostly live in shacks, and even if affluent enough, build mud houses with weed as roofing material (Nieman, et al, 2003:38). Smallbone et al (2002), as quoted by Mears & Theron (2006:21), further say that most SMME's in Africa that are found in informal rural areas tend to be smaller, have lower growth rates and have a limited local market and skill base. Their level of formal education is very low; most of them reach standard seven (grade 9) and then drop out. As a result, most people cannot understand, let alone comprehend, the legislation placed before them. Every written document has to be interpreted for them (Nieman, et al, 2003:38).

Rogerson (2006:69) agrees with Nieman et al. (2003:38) as he further says that the majority of enterprises in the emergent SMME economy are unregistered and function as informal businesses. He goes on to say these communities of emergent SMME enterprises operate their diverse businesses from a range of different types of premises or sites. The largest groups of informal manufacturing, service and construction SMME's function on home based premises. Businesses operating from the pavement are mainly food retailing establishments, or shoe repairs, while many brick works operate from informal sites (Rogerson, 2006:69).

### *Characteristics of rural areas*

According to Mishra (1997:23-24), the main source of employment for rural society, as compared to urban society, is predominantly land-based (farming). This is therefore the main activity for job creation. In these areas, communities are closely-knit due to the small communal aggregates - whereas towns and cities have a population in millions, a village count is in the hundreds or perhaps a few thousand. Added to this, the population density is much lower in rural areas. Very diverse types of people live in urban areas – with not much connection among them, whereas a village presents a more or less well-knit community, each supporting the other (Mishra, 1997:23-24).

Furthermore, there is less internal differentiation, territorial, occupational and social mobility of population. As a result, a rural dweller has fewer outside contacts. They generally associate with people from a small geographic and social area (Mishra, 1997:24).

Rural dwellers have direct social contact as opposed to indirect links; this marks a villager's social life. However, when they are in a relationship, they tend to cultivate sustaining relationships with fellow beings. They have organic rather than contractual relationships. This is the hallmark of a villager's conduct – they believe that relationships should develop normally and not be arranged (Mishra, 1997:24).

In addition to the above, Ladzani and Netswera (n.d) maintain that rural areas are characterised by poor infrastructure, unemployment and little or no access to

vibrant markets. They believe that people in rural communities do not have entrepreneurial qualities and traits because of high illiteracy and unemployment rates.

### **2.2.2 Role of SMME's**

SMME's are very important because they contribute to the economic stability and development of the country; they are innovative and create more jobs as they are more labour intensive as opposed to big businesses which are capital intensive.

Small business plays an increasingly important role in South Africa. When the new democratic government took over in 1994, it saw this sector as the growth engine of the economy that would help to spread the country's wealth among people who, up to 1994, supplied the labour but never enjoyed the rewards (South African guidebook, 2005/2006: 216).

The growing importance of SMME's in the South African economy means that, despite the tough regulatory environment, they now account for approximately half of all people in formal employment in South Africa and for about a third of the national GDP (SME toolkit, n.d.).

#### *Economic stability*

SMME's provide economic stability and better distribution of activities. With an effective economic strategy, business cycle fluctuations could be lessened. A large number of SMME's that offer a wide variety of products and services could make an important contribution to a decrease in business fluctuations. SMME's are usually wide spread which contributes to the economic stability of developing areas and the country as a whole (Kroon, 1998:30).

#### *Economic development*

SMME's play a crucial role in the economic development of the country. They enable people to meet their basic needs to survive (Von Broembsen, 2003:3). He goes on to say that through the growth of the SMME sector, survivalists' enterprises can become micro and small enterprises, creating jobs and raising the standard of living for hundreds of thousands and even millions of South Africans in urban and rural areas.

### *Job creation*

SMME's in South Africa are shown to have the best employment performance (North & Smallbone, 1996: 155). This gives an indication of the potential role of a dynamic SMME sector in helping solve some of the many pressing socio-economic problems of rural communities in developing countries. In South Africa, as early as 1994, SMME's employed approximately 2,4 million people, or 17 percent of the total 14.3 million economically active people.

### *Labour intensive*

Bates, Botha, Botha, Goodman, Ladzani, de Vries, de Vries, November & Southey (2005:15) maintain that SMME's are labour intensive, whereas big businesses are capital intensive. They create more jobs with less capital than big organisations do. Bates et al, (2005:15) further say that big businesses downsize and retrench employees who then start their own businesses. These businesses then employ people to help run it, creating more jobs in this way. This is supported by the Management Today Yearbook (MTY) (2005:58) which stated that the SMME sector can therefore reduce unemployment significantly. Unemployment has been, and still is, one of the major challenges facing policy makers. Large numbers of skilled and relatively unskilled labour are available to be employed by SMME's (Management Today Yearbook (2005:58).

Kroon (1998:30) puts this in a different perspective when he says SMME's provide employment and create job opportunities; contrary to big businesses, which are characterized by mass production and needs for huge amounts of capital, SMME's are particularly labour intensive.

### *Role as innovators*

Most importantly, Kroon (1998:31) believes that SMME's innovate and take initiative; they have more freedom and initiative to realize their aims and this means that they can be innovators of new products, ideas and techniques. SMME's service their own interests, are motivated and strive to improve.



### **2.3 Restrictions and constraints faced by SMME's**

The payment terms with suppliers of credit, interest rates payable, barriers and constraints of rural SMME's formed the basis of this section.

#### **2.3.1 Payment terms**

SMME's have to repay the institutions for credit facilities that are made available to them. The payment terms are determined by the lending institutions based on the collateral that SMME's provide when applying for credit.

#### **2.3.2 Nature of payment terms with suppliers**

Since repayment always happens in the future, the lender must judge whether the borrower's expectations about the capacity to repay are reasonable. If he judges that they are not, the lender must then assess the capacity to repay from alternative sources (Bourke & Shanmugam, 1990:3).

Furthermore, appropriate financing is based on understanding the purpose of the loan. The purpose could be to buy seasonal inventory. Such a purpose usually implies a primary source of repayment - sale of the inventory in the ordinary course of the selling season, and a secondary source of repayment - forced liquidation of inventory at the best possible price (Bourke & Shanmugam, 1990:20).

Bourke & Shanmugam (1990:20) maintain that, with legitimate short-term lending, it is usually presumed that the lender could get paid in the ordinary course of events in the short term (such as within a year). Thus, the lender requires a clear understanding of the working capital adequacy. Furthermore, if permanent working capital is inadequate, slow payment or continuous refinancing beyond a year should be anticipated.

Amoako-Tuffor (2002: 21) feels that, because of the historically low loan repayments' rates, the commercial banks either have largely withdrawn or are withdrawing from lending to individual farmers in recent years. Their new orientation is to broaden the customer base among salaried and urban workers

by offering innovative lending products, ranging from consumer credit schemes to small and medium enterprise finance schemes. Amoako-Tuffor (2002:21) emphasizes that this new orientation means that access to credit facilities for non-salaried workers, especially women - most of whom are small traders, is increasingly being given a lower order of priority by the majority of commercial banks.

### **2.3.3 Interest rates**

The large private banks are still reluctant to lend to small businesses and, if they do, high interest rates are being charged. It appears that micro lenders are often utilized by micro enterprises as a source of funds. This is supported by Ronan (2005), as quoted by Mears & Theron (2006: 24), as he says most SMME's are not utilizing services by micro-finance institutions (MFIs), either because of the high interest rates or just because of a lack of knowledge and/or information.

Sarries (1996:23) feels that lending institutions are very biased when offering credit. He says larger borrowers appear to have much better access to formal financial credit at low interest rates. Small and poor farmers seem to be mostly served by informal financial intermediaries, despite efforts of the government to the contrary. Furthermore, formal financial institutions tend to specialize in areas where farmers have land titles or other types of security.

According to Sarries (1996:23), interest rates in the formal financial institutions are normally low and rather uniform, while interest rates in the unorganized rural credit markets are relatively high and exhibit wide dispersion. Abor (n.d., 512-513) agrees with him and further says that interest rates in the informal financial sector tend to be higher than the formal financial sector, although, among informal lenders, interest rates are seldom used as a discrimination device. Despite the high interest rates, SMME's do turn to moneylenders, but only as a last resort.

### **2.3.4 Constraints**

Poverty, inequality and unemployment have been identified as the three most serious constraints to the economic development of South Africa (Clover & Darroch, 2003: 238).

Many problems of these SMME's are inherent in the small size of the enterprise, rather than the individual enterprises. This is confirmed by Olivier (1998:3) who mentioned that one of the biggest challenges that any existing or emerging entrepreneur has, is how to gain finance, either loans or equity, for their business. Nieman et al (2003:32) agree and further say that lack of access to finance is a major constraint on the development of SMME's in South Africa. They go on to say that too many creative ideas are not developed into viable new ventures due to a lack of finance. The SME toolkit (n.d.) puts this in a different perspective and further says that many existing and potential businesses feel it is still difficult to access the funding required to start or develop a business.

### **2.3.5 Barriers on rural SMME's**

Education, which could assist in increasing their skill level, seems to be one of the most significant barriers to SMME's. Nieman, Hough & Nieuwenhuizen (2003:29) maintain that general basic education is poor for a large proportion of the rural population. They quote Driver et al (2001:22) when they stress the importance of education by referring to the two findings that suggested that matriculation increases one's capacity to pursue entrepreneurial activities and that tertiary education increases durability of entrepreneurial activity.

Inadequate or unavailable premises is another major problem, particularly for the operations of manufacturing and retail SMME's, the majority of which start out their existence as home-based businesses or backyard enterprises (Berry et al, 2002). Mears & Theron (2006: 23) feel that this is due to the high cost of starting a business that has led to the growth of the informal business sector, which is essentially a survival mechanism.

These barriers are, regrettably, holding back the development of SMME's in rural areas.

## **2.4 Nature and extent of SMME development**

This section provides an overview of the importance of developing rural areas, challenges of the development of rural SMME's, and the support structures

important for the development of SMME's.

It is believed that an SMME that has had access to credit will assist in the development of the community, in this case, rural areas. This is due to the assumption that credit helps the business grow, meets its daily needs and creates more jobs for the community. According to the management yearbook (2005:60), the identification of the potential sources of growth or the lack thereof is a necessary step towards developing a more targeted small business development approach.

Berry (2002:13) supports this and further says that the role of credit in the healthy evolution of the SMME sector has been controversial, both with respect to whether the lack thereof is typically one of the major impediments, and whether financial liberalization is more likely to improve or weaken it.

#### **2.4.1 Rural development**

Mishra (1997:28) argues that the fundamental problem in rural development is the existence of large numbers of people below the poverty line. Rural poverty is directly related to landlessness, low productivity, low skill level, social inequalities and the large scale of underemployment. As a result, there is a continuous migration of people from rural to urban areas, which is essentially a reflection of the lack of opportunities in the villages.

He goes on to say that rural development will happen when all have their rightful place – children go to a school for education, where they receive a foundation for their character and development of personality; they go to a playground, equipped with all kinds of games and sports, recreation and enjoyments.

##### *Women in rural areas*

Mishra (1997:32-33) feels strongly about the issue of rural development, and he expresses this by saying that they cannot consider a developed village without its women being developed. Women in rural areas may not converse freely with village men-folk. Even within the same household, they may not come out and talk with their father-in-law and husband's elder brother.

Most of the women are illiterate. Some of them may have talents for singing, dancing, sports, dramatics, painting and other arts and crafts. However, even in these fields there are absolutely no opportunities for them.

### *Employment*

Due to overcrowding, agriculture and land-based activities, which form the mainstay of the rural population, have not been able to provide employment at reasonable and increasing levels of income to all the rural workers (Mishra, 1997: 28-9). This unemployment has to be addressed in a meaningful way for South Africa to have a vigorous and expanding economy (Mitchell, 2003: 725).

Mitchell (203:725) further quotes Lekota (1995) where he said that only a well-stimulated and structured SMME sector would be in a position to create enough employment opportunities to start addressing the unemployment situation in the economy.

## **2.4.2 Challenges of the development of rural SMME's**

During the 1980's and early 1990's, several aspects of rural SMME development in South Africa began to be investigated. Amongst other themes that were identified were constraints of the rural SMME economy (Ndabeni & Rogerson, 2005: 132). They identified the core constraints of Black rural SMME development which covers matters from poverty to institutional support:

### *Poverty and unemployment*

SMME's operate in an environment of high levels of poverty and high unemployment with correspondingly reduced growth opportunities. As compared to urban areas, a much higher proportion of rural SMME's have been shown to be engaged with only limited potential for job or wealth creation, albeit with important roles for poverty reduction (Ndabeni & Rogerson, 2005:133).

### *Infrastructure services*

Rural SMME's face the disadvantage of an appalling backlog in infrastructure services. As compared to urban areas, many rural SMME's operate in an environment with only limited access to such basic services as water, electricity or telecommunications (Ndabeni & Rogerson, 2005:133).

### *Outflow of wealth*

Rural SMME's often operate in an environment in which there is an outflow of wealth to larger urban centres with only limited local retention and circulation of money. They suffer strongly from the negative legacy of apartheid policies which systematically stripped communities of their key assets and spatially marginalized people in remote areas, in which access to markets is severely reduced. This negative legacy is experienced most strongly in those former homeland areas, where large numbers of people were forcibly resettled (Ndabeni & Rogerson, 2005:133).

### *Institutional support*

Rural SMME's function in an environment of weak institutional support provision, particularly as compared to SMME's in urban areas. For example, of the decentralized network of Local Business Support Centres, only a handful support the needs of rural SMME's. In remote rural areas, in particular, there remains a need to bring such support service institutions closer to their clients (Ndabeni & Rogerson, 2005:133).

### *Government institutions*

Rural SMME's are disadvantaged by the weak capacity of most rural government initiatives that might offer fresh impetus for SMME expansion. Moreover, they have identified problems that relate to issues of lack of access to finance (Ndabeni & Rogerson, 2005:133).

### *Entrepreneurial potential*

Nieuwenhuizen & Kroon (2002: 21) argue that the financing of enterprise owners with entrepreneurial ability will enhance economic development. Furthermore, the financing of small and medium-sized enterprises will be able to make a contribution if financiers consider, not only the enterprise transaction of the applicant, but also the entrepreneurial potential for successful ownership.

Berry (2002) puts this in a different perspective as he says there is little doubt that many SMME's could grow more efficiently with better access to credit. However, it

is less clear what the limits to the likely performance of a financial system are, in terms of allocating such credit to the right borrowers.

### **2.4.3 SMME Support structures**

According to Mears & Theron (2006:24) adequate finance, as another essential support service for SMME development, has been identified as the most important factor determining the survival and growth of SMME's.

#### *First National Bank (FNB) assisting SMME's*

Mudeliar (2007: 43) supports this and maintains that SMME funding may be essential in setting up a business; FNB believes that at the heart of SMME development is the empowering of future business owners with necessary business skills and education to grow their entrepreneurial projects.

Mudeliar (2007:43) feels that support for entrepreneurs is not only about lending money – it is about providing access to information, helping people to register their businesses and education. He believes there is a direct correlation between business success and a well-written business plan.

#### *Standard bank assisting SMME's*

Mudeliar (2007:43) feels that in keeping with its motto of being inspired, motivated and involved, Standard Bank's SMME funding initiatives have been empowering up-and-coming business owners. He further says that SMME's are certainly benefiting from bank and corporate company funding and knowledge-sharing programmes. The bottom line is that support and assistance is available, but it is up to the SMME business owners to make the most of it and work towards South Africa's economic development.

Mutezo (2005:29) maintains that these support structures are in place. However, through their ignorance or lack of information, SMME's could still remain ignorant of the availability and accessibility of these support systems.

#### **2.4.3.1 SMME's training and mentoring**

Previously, experts in South Africa identified that education and training are the most important factors inhibiting entrepreneurial activity (Mutezo 2005:24). They are the major cause of business failure (Viviers, Van Eeden & Venter in Ligthelm & Cant, 2003: 44). This is supported by Mears & Theron (2006: 24) who feel that SMME's have to be trained in order to grow and develop. They also feel that training for SMME's in the informal sector should include technical, social and business skills. It should furthermore be demand-driven whereby people and groups ask for the particular type of training that they think will help them (Mears & Theron, 2006: 24).

Training should also be directed towards the top segment of small and micro enterprises in order to improve their products, increase their sales and ultimately provide employment for more people (Mears & Theron, 2006: 24). This is supported by Berry (2002: 13) who says that support for appropriate education and training is another important element of an effective support system for SMME's. It is often notable that training institutions play a significant role in the development of SMME's.

Nieman et al (2003:33) agree as they say most SMME's lack sound business understanding, experience and exposure. Effective training, counseling, mentorship and coaching are critical before and after accessing finance.

#### **2.4.3.2 Current support structures**

Ladzani & Netswera (n.d) maintain that the government addressed SMME constraints by creating an enabling environment by putting the right policies in place whereby small businesses could thrive. The SMME support structures that started after 1994 were mainly provincial SMME desks, the Ntsika Promotion Agency and Khula Enterprise Finance Limited. The purpose of the provincial SMME desks was to provide SMME's with support in all provinces. The Ntsika Enterprise Promotion Agency provides a wide range of non-financial services to local service delivery groups on a 'wholesale' basis, i.e. the delivery of resources to local providers that work directly with SMME's (Ladzani & Netswera, n.d.).



These services are offered by accredited local service providers and include institution-building of these organisations, training programmes for entrepreneurs, mentoring of individual firms, marketing, procurement advice and technological assistance (Carana Report, 1999:25 in Ladzani & Netswera, n.d).

Khula Enterprise Finance Limited provides 'wholesale' finance to the non-governmental organisations (NGO's) that offer micro loans to starter entrepreneurs. This is done through the development of Retail Financial Intermediaries (RFI's) that are financially sound, with the commitment and the capacity to serve the SMME sector, with special emphasis on its previously disadvantaged population (Carana Report, 1999:42; Ladzani, 2001:235 quoted in Ladzani & Netswera, n.d).

Ladzani & Netswera (n.d) further identify semi-government institutions such as the Development Bank of Southern Africa (DBSA), the Small Business Development Corporation (SBDC) and the Industrial Development Corporation (IDC) that have been developed as financiers and SMME's support agencies. He mentions that many of these institutions were developed over the years, but unfortunately, were mostly racially and gender-biased.

Advantageously, with enough support, SMME's could be able to access credit from institutions and be able to grow and develop.

## **2.5 The inter relatedness between access to credit and SMME development**

In order for SMME's to develop in big businesses and create employment, they should be able to access the credit they need from different sources and institutions.

The nature of credit facilities required by SMME's differs from business to business. This is because they need credit for different reasons and the amount required also varies depending on their reasons for credit applications. Langhout (1990:19) maintains that the capital of any business is contributed and used for two main purposes - to acquire fixed assets and to provide for necessary working capital.

Abor (n.d: 508) supports this as he says the uses of finance are multitudinous and range from investments in fixed assets to the adoption of equipment and he further says finance assists in the installation of a new and better technology for business enhancement. When SMME owners are denied access to credit, Clover & Darroch (2005:257) feel, they will be unable to attract skilled labour, to purchase sufficient technology or afford business premises close to their suppliers.

### **2.5.1 Access to credit facilities**

For SMME's to become established, grow and increase productivity and efficiency, it is essential that they have access to sufficient financial banking (McMullan, 2002). They must have access to credit to be able to acquire assets. Nieman et al (2003:32), however, indicated that raising money in capital markets, including for bank loans, is a minefield for start-ups, and they often launch their businesses using their own money or occasionally their family's money.

Naude (1998), as quoted by Clover & Darroch (2005: 242-243), feels that once a business has started up, access to expansion or working capital may be restricted by an entrepreneur's difficulties in understanding private sector loan financing schemes, weak organizational arrangements, overly complex application procedures and the private lending institutions' bias against SMME's. Furthermore, the lack of finance at start up is associated with the SMME's inability to attract skilled labour.

### **2.5.2 Sources of finance**

Sources of borrowing could include you, your business partner(s), spouse, parents, friends, the bank, finance companies, building societies, venture capitalists, government and youth trusts (McMullan 2002). Nieman, Hough & Nieuwenhuizen (2003:32) maintain that more than 80% of start-ups, however, have been financed through the founder's personal savings.

Mutezo (2005:47) holds that some businesses use money saved from the stockvel to buy stock or start the business. With a stockvel, a group of individuals makes contributions of a specified amount which is then distributed monthly on a

rotational basis. This ensures that all members get a chance to take home the month's collected cash (Mutezo, 2005:47).

Abor (n.d: 511) argues that there are basically two sources of external financing, formal and informal. Formal finance comprises loans from banks, non-bank financial institutions, government programs and similar facilities, and foreign loans. Informal finance, on the other hand, is made up of credit from non-institutional sources such as relatives and friends, moneylenders, informal groups, suppliers, clients and other enterprises (Abor, n.d: 511). The informal financial sector emerged because of the unwillingness of the formal sector to lend to some relatively risky categories of borrowers.

Furthermore, while formal partners and the loan contracts in formal credit markets are well defined, the informal financial lenders come in a variety of forms such as traders, large farmers, shopkeepers and landlords; in addition, they are non-specialized, with the typical rural lender combining credit with some other function such as trading or selling of other merchandise (Sarries, 1996:23).

This is supported by Nieman et al (2003:13) who maintain that finance is an important resource for a new venture creation; it must be available and, most importantly, supplied by ordinary financial institutions such as banks. Padmanabhan (1988:10), however, feels that traditional urban financial institutions, including commercial banks and insurance companies, are not found suitable to provide credit in rural areas. Their objectives, organisational structure, branch networks and lending procedures severely restrict their ability to serve the rural sector.

### **2.5.3 Lack of access to formal credit**

According to Padmanabhan (1988:55-57), the principal factors that influence SMMEs' access to the formal financial system are:

Proximity – the banking outlets are situated far away from their residences and the rural poor find it difficult to forge an effective relationship with them. Financing institutions, on their part, find it difficult to locate offices in

remote areas as there may not be adequate business potential to support an office. Considerations of security of cash and other valuables may also dissuade them from going to remote areas.

Cultural identification – often there exists a perceptible cultural gap between formal lenders (especially when they have their origin in the urban environment) and rural borrowers. Bank agents, with educated backgrounds, may exhibit an attitude of superiority to rural clients, thus making the rural poor uncomfortable with the sophisticated bank officers.

Mears and Theron (2006:24) believe that commercial banks, in general, are reluctant to service SMME's because of the high transaction costs and risks. This is especially the case for micro enterprises.

#### **2.5.4 Types of institutions**

According to Nieuwenhuizen & Kroon (2002:21), financing is an important source for the establishment and growth of a successful enterprise. Enterprises are often dependent on financial institutions and banks for finance; there are also government institutions that could assist SMME's when funding is required.

##### *Financial institutions*

Financial institutions are very important for the long-term success and survival of organisations. Not only do they provide finance to the organisation when additional capital is needed, but they also provide other financial services that influence the effectiveness and efficiency of the organisation (Nieman & Bennett, 2002:290). However, financing SMME's is approached cautiously by financing institutions because of their obligation to clients, shareholders and other stakeholders, as well as the high failure rate of SMME's (Nieuwenhuizen & Kroon, 2002: 21). They therefore have to determine which SMME's are viable and whether the applicant has the entrepreneurial skills to ensure success (Nieuwenhuizen & Kroon, 2002: 21).

### *Government institutions*

According to Bates et al (2005:86), the new government identified SMME's as an important way to create jobs and encourage economic growth and equity in South Africa. A number of initiatives were, therefore, started to create an environment that is more helpful for SMME's.

Government institutions should be actively involved in assisting the development of entrepreneurship by financing schemes and other means (Nieman et al, 2003:13). It has been found that the government and independent funding agencies have already drawn up a plan to help in the creation of small companies. Khula Enterprise Finance Limited was established in 1996 as an independent agency of the Department of Trade and Industry (Khula Enterprise Finance, n.d.). It offers financial support mechanisms to the SMME sector, including loans, the national credit guarantee systems, grants and institutional capacity building (South African guidebook, 2005/2006: 216). Khula has also launched its own micro lending scheme, KhulaStart – an entry-level programme that provides loans to first time borrowers.

### *Commercial banks*

Commercial banks, which include Standard Bank, Amalgamated Banks of South Africa (ABSA), First National Bank and Nedbank, are by far the most frequently used source of finance by SMME owners when collateral is available (Mutezo, 2005:45). He goes on to say that the funds are provided in the form of debt financing and, as such, require some tangible guarantee or collateral.

Unfortunately, many lending institutions, banks, financial institutions and commercial banks are not willing to assist SMME's with credit facilities for some reasons that are known to them.

## **2.6 Reasons for lack of access to credit**

Insufficient collateral, unprepared business plans and high SMME failure rate seem to be the most common reasons for institutions to decline SMME's applications for credit facilities.

This issue of access to credit for SMME's is a major problem facing most existing and new businesses in South Africa today. Many people apply for access to credit but they are rejected mainly because they do not know what is expected of them when making applications to financial institutions for assistance (DTI, 1998).

According to the Department of Trade and Industry (1998), the banks must give reasons when turning down a loan application, and create an environment that reduces the risk profile of lending to small black-owned enterprises. Several reasons account for the lack of access to credit; these include lack of collateral, bad or no credit histories, an exaggerated risk perception of previously disadvantaged borrowers, discrimination on the basis of gender and race, and inability to afford the current high levels of interest rates (DTI, 1998).

Mutezo (2005:79) identified that lack of collateral, poor business plans and a bad credit record are most predominant reasons for SMME's failure to receive credit facilities. Bourke & Shanmugam (1990) support this as they go on to say that applications for loans from banks by SMME's are usually rejected on the basis of credit checks, the business plans or insufficient collateral.

### **2.6.1. Collateral**

The traditional method of obtaining finance revolves around the value of security that can be offered (Van Biljon, 2007:1). He maintains that the financier will spend little time on the application of the funds and the effect thereof on the business. The focus is more on the collateral that will support the application, creditworthiness and the ability to repay the facility. Hisrich & Peters (2000:363), in Mutezo (2005:45), sustain that collateral can be in the form of business assets like land, equipment or building of the venture or personal assets like the borrower's house, car, land or bonds.

Berry (2002:13) maintains that lending institutions have often become leery of extending credit to SMME's except where strict collateral requirements could be satisfied, which is more often the case with the larger and better-endowed SMME's. Clover & Darroch (2005: 243) maintain that this is due to the fact that SMME's seldom own fixed assets to qualify for bank loans.

According to the Department of Trade and Industry (DTI, 1998), the democratic government must, in consultation with financial institutions, establish prudent non-discriminatory lending criteria, especially in respect of credit worthiness and collateral. The substantial amounts and type of collateral required by banks prevent many previously disadvantaged entrepreneurs from gaining access to formal financial institutions.

Johnson & Rogaly (1997:20) feel that forms of lending operate in a variety of ways such as moneylenders, pawnbrokers, who will take collateral in the form of physical assets and other forms of trade credit, and hire purchase. The banks have a strong preference for the life insurance policies, financial assets, mortgages and personal guarantees (DTI, 1998). Nieman et al (2003) argue that this is due to a general understanding of SMME's; bankers tend to rely more on collateral than on profitability of the business and its ability to repay.

### **2.6.2 Business Plans**

Nieman et al (2003:32) identified that financial institutions are not willing to finance SMME's because proposals submitted by them are not researched and presented properly. Furthermore, the applications are rejected because the style and presentation of the business plan is not clear and does not provide all the required information. Moreover, the bankers also have little experience and training in SMME lending, and so business plans are rejected because of their own lack of understanding of the sector and their inability to accurately assess the level of risk in SMME lending.

Clover & Darroch (2005: 243) feel that business owners and managers frequently lack the ability to present convincing business plans to lending institutions, and lending institutions are often biased against financing small businesses. This is supported by Olivier (1998:5) who says many aspiring entrepreneurs apply yearly for finance at financial institutions, but due to a lack of knowledge or expertise, very few are successful. He (1998:14) goes on to agree with them, and further says that plans should also include a clear statement of objectives, a thorough analysis of the competition and a description of the intended administrative procedures.

### **2.6.3 SMME's failure rate**

In South Africa an unacceptable and disappointingly high number of small and micro enterprises fail during their early years of operation (Nieman et al, 2003:32). This high failure rate could be caused by the owners' lack of knowledge or managerial skills, or their inability to multitask, or the fact that their product is not competitive (Clover & Darroch, 2005:243). Nieman (1999:8), as quoted by Nieman et al (2003:32), feels that the largest percentage of small businesses fail during the first two years of their existence due to cash flow problems that arise because they could not manage growth. As a result, it can be safely concluded that banks restrict access to finance for SMME's due to the nature and extent of the risks to the bank (Mutezo, 2005:36). This risk aversion of the banking sector towards SMME's exacerbates their unavailability of credit as SMME's are traditionally seen as high risk borrowers.

Van Eeden, Viviers & Venter (2003: 13) support this as they say it is estimated that the failure rate of SMME's in South Africa is between 70 and 80 percent. As a result, millions of Rand are being lost on business ventures because of, essentially, avoidable mistakes and problems. Bourke & Shanmugam (1990:86) conclude by articulating that the financial institutions' denial of credit could be because of the high failure rate, and high administrative costs.

Furthermore, another frequent reason for lack of access to credit facilities by SMME's is the lack of a relationship between credit providers and the SMME owners; this could prevent institutions from granting credit to them.

### **2.7 Relationship building in a customer-supplier market**

In order for a relationship to exist between a customer (SMME) and a supplier, each one of them must understand what their expectations are from the relationship and build a relationship based on what they expect from one another to make sure that they meet their needs in view of that.



If you are in business, Berry (2006) argues, the customer-supplier relationship should be getting your full attention. He believes that continuously improving customer relationships means continuously improving factors which influence customer satisfaction.

Customers and suppliers should have a mutual relationship for each to benefit from their relationship and businesses to prosper. Boshoff (2006:2) feels that this is because no business can survive over the long term without satisfying its customers' needs. He maintains that customer satisfaction is the feeling which a customer has, that a product has met, or exceeded, his/her expectations. The paradigm proposes that meeting or exceeding customer expectations leads to customer satisfaction. Olivier (1999) in Boshoff (2006:2) holds that a business that fails to ensure customer satisfaction faces "terrible" consequences. These could include complaints, negative word of mouth, switching to other businesses, loss of sales, loss of markets and eventual bankruptcy.

### **2.7.1 Nature of customer-supplier relationships**

Partners in a relationship must be willing to rely on each other, have confidence in one another and belief in the other party's competencies to perform their tasks/duties. They must all be involved in the relationship and be devoted towards making the relationship work. This could be facilitated by being loyal, reliable and showing stability in the relationship with one another. Shroder et al (2000), as quoted by Darroch & Mushayanyama (2006:342), add that, for members to perceive high levels of trust, they should also perceive overall satisfaction with the relationship. Without trust, there is a culture of suspicion in working relationships (Mason & Lefrere, 2003 in Darroch & Mushayanyama, 2006:342).

Brink & Berndt (2004:18) indicate that a company's success hinges increasingly on using customer-level information and interaction to create long-term, profitable, one-to-one customer relationships. They go on to say that in order to build one-to-one relationships, a company must continuously learn from interaction with individual customers, and it must dynamically respond to the information those interactions elicit – it must engage its customers, particularly its best customers, and ensure they never leave (Brink & Berndt, 2004: 19).

Relationship marketing is important to a business, as it is a mechanism used to identify potential customers. According to Brink & Berndt (2004: 6) the objectives of relationship marketing are to identify and establish, maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. It is all about attracting, maintaining and enhancing customer relationships. It seeks to build a chain of relationships within the organisation (Brink & Berndt 2004:6).

### 2.7.2 Expectations from relationships

Berry (2006:1) maintains that customers, as well as suppliers, have expectations, and they apply them to every supplier/customer they come across. These expectations have a set of underlying principles that need to be considered if they are serious about creating customer-supplier satisfaction. He explains that the customer-supplier relationship begins when customers believe that a supplier will understand and meet their needs and suppliers are serious and have intentions of satisfying the customer's needs. As a result there should be a win-win situation where both parties are happy. Table 2.2 sets this into perspective.

Table 2.2 Principles of customer/supplier satisfaction

Principles	Description
Principle 1	The customer begins with the idea and believes that the supplier is going to understand and fulfill his/her needs and the supplier must understand that the ball is in his/her court. The customer-supplier relationship begins with the opportunity to demonstrate his/her sensitivity to the customer's needs.
Principle 2	If the supplier is serious about producing satisfaction by fulfilling the customer's needs, then he/she should be prepared to have the customer benefit from the relationship. If both suppliers and customers are satisfied, they are both winners in the relationship. Only a win-win relationship is worth repeating and is sustainable.
Principle 3	The supplier is ultimately motivated by profit. He is counting on all the aspects of customer loyalty and satisfaction which translate into financial benefit.

Source: Berry 2006

### 2.7.3 Development of customer-supplier relationships

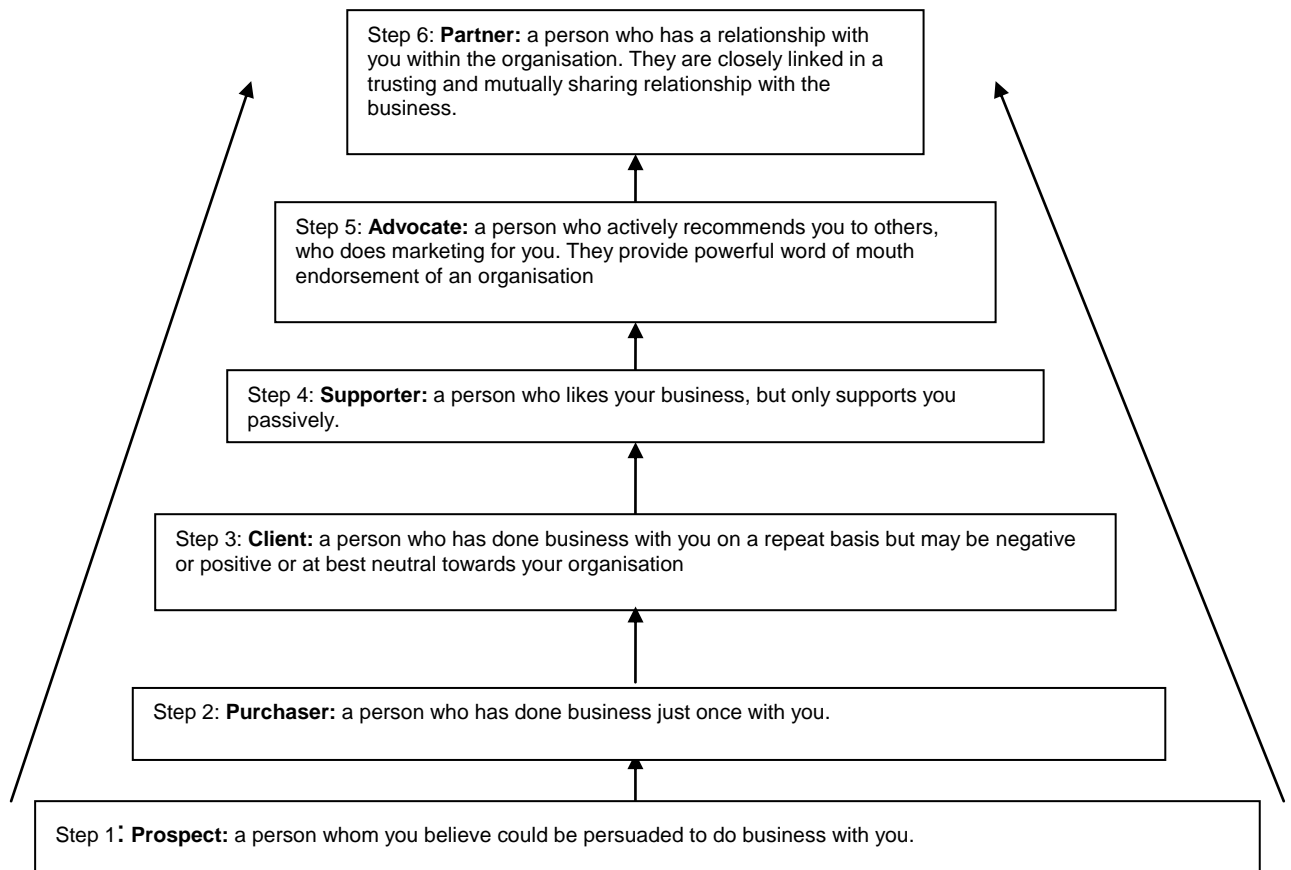
Brink & Berndt (2004: 40) maintain that relationship building must start with an understanding of the customer's needs. They have identified the stages of relationship development and say the first step towards this development should

be to move a prospect up to the first rung to a purchaser. Then the new purchaser should be turned into a client who purchases regularly, and then developed into a supporter of the company and its products. He goes on to say that the next advancement up the loyalty ladder is to an advocate, and the last step is to a partner who has trust in the organisation. These steps in relationship development are classified in Table 2.3.

Nevertheless, Ford, Gadde, Hakansson & Snehota (1998: 26) believe that, for a business relationship to evolve, the individuals involved should learn about each other's uncertainties and abilities – what they need from the relationship and what they can offer. Gummesson (2002:25) feels the same, and further says that certain relationships become truly personal, especially if you meet often and even associate privately, while others are remote in the sense that the conduits are machines. According to Gummesson (2002:25) the internet and email create virtual closeness, but there is still a physical distance. He goes on to say the closeness strengthens the feeling of security.

Relationships between buyers and sellers are rather like relationships between people. They don't just happen. Instead, it takes effort from both sides to make them work (Ford et al, 1998:28). They go on to say that, whether by accident or design, the relationship that a company has with its customers and suppliers will affect the transactions that occur within them and the future direction of the company itself.

Table 2.3 Steps in relationship development



Source: Brink & Berndt 2004

## 2.8 Summary

The literature review emphasizes the importance of SMME's in terms of the contribution they make towards employment creation; they help people to meet their basic need to survive through the jobs created in this sector. SMME's are mostly found in informal rural areas that are small and operate from home-based premises. Most of them are illiterate, which is one of the reasons why they have a limited skill base. For this reason, they mostly fail during their first years of existence. It is therefore important to equip SMME's with the required skills that will ensure their growth and development. This could be possible if they have access to sufficient funds required to run the business. In this way, a relationship would be built between SMME's and the institutions that offer credit.

The following chapter explains the methodology used to conduct the research and provides an overview of the research area and the target population. The theoretical framework of the research will be established. In addition, the data

collection method and the construction of the questionnaire will be detailed, as well as the reasons for asking the questions included in the questionnaire.

## **RESEARCH METHODOLOGY**

### **3.1 Introduction**

The nature and structure of SMME's in South Africa (SA), together with their contributions and the constraints that hinder their development, as well as a description of the institutions that assist SMME's, formed the major part of the literature review.

As an introduction to the research design, a theoretical framework is formulated and the qualitative nature of the research is examined.

The environment of the research, namely the research area, Sobonakhona Makhanya Tribal Area (SM/TA), and the target population of SMME's are enumerated and the convenient sampling procedure explained. This is followed by a detailed description and motivation of the questions in the semi structured interviews with the supporting questionnaires. These were based on the elements of the theoretical framework.

### **3.2 Theoretical framework of the research**

The research theoretical framework was developed using secondary sources such as textbooks, journal articles and websites. The theoretical framework consists of five salient features, namely SMME's business profiles; Customer-supplier relationships; Development of SMME's; Reasons for lack of access to credit; Credit needed and repayment terms; and Credit available. Each of these has an influence on the behaviour of SMME's in their customer-supplier relationships, the examination of which is the core of this research project. This framework is depicted in Illustration 3.1

#### **3.2.1 Profiles of SMME's**

The first element in the framework is SMME profiles, which formed the basis of the enquiry. This incorporated nature and size of SMME's, literacy, education and training levels, source of start-up capital, annual turnover and number of employees.

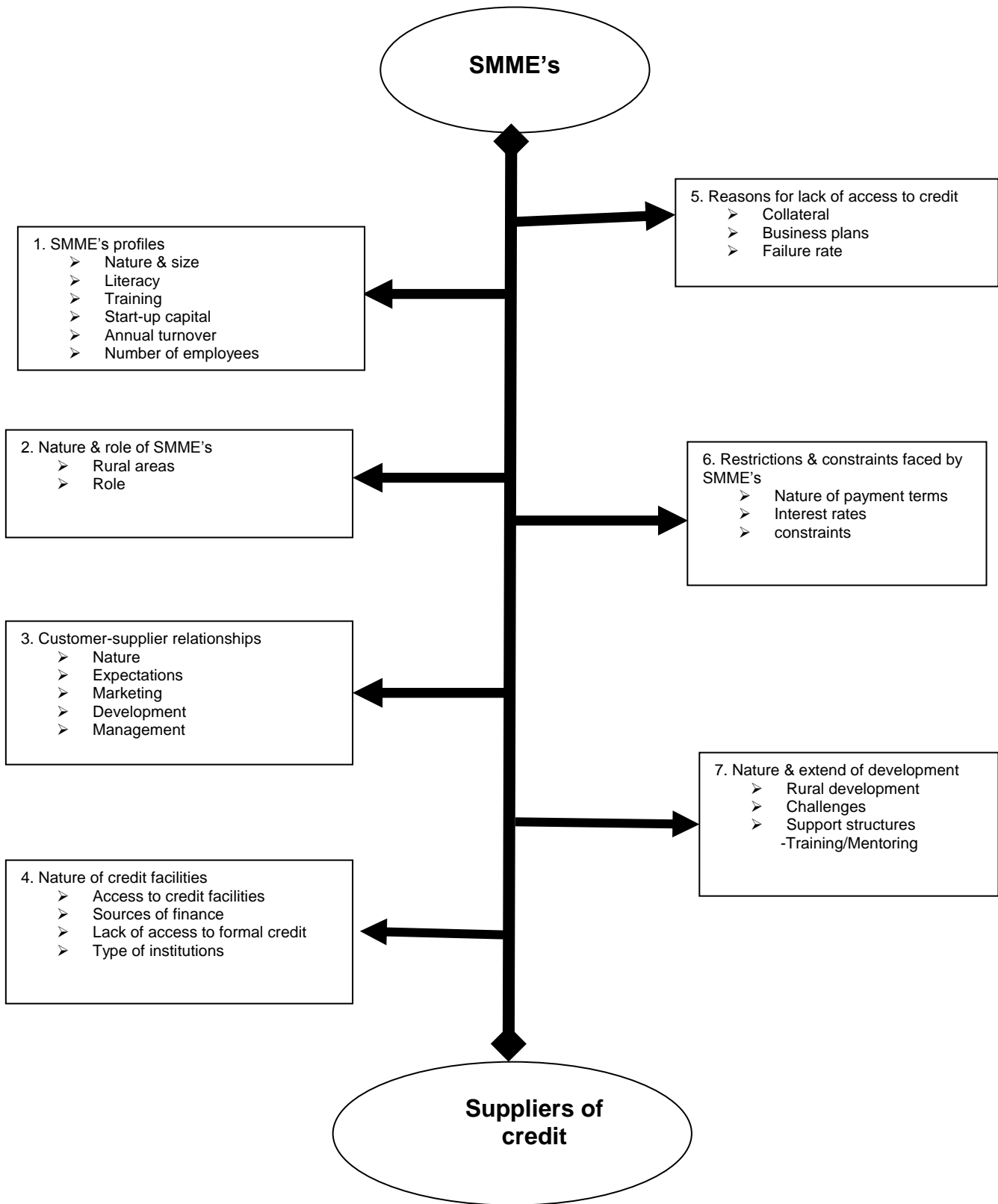
Durai (2008) maintains that literacy plays a major role in the development of a nation. Just as literacy is important for the growth SMME's, so is training. DTI (1998) indicated that one of the reasons why survivalist enterprises have little opportunity for increasing in size is their lack of training on how to run the business. Migiro (2005:179), argues that experience and educational level obtained, provide better human capital.

The more educated SMME's are, the higher is their chance to obtain start up finance; they will in turn generate more turnover than those who do not access funds from lending institutions. For instance, DTI (1998), on their draft discussion document, reflected that, unlike the Survivalist enterprises which most of the time do not have any educational training, the Medium enterprises are able to access finance from formal sectors like commercial banks, and tend to employ up to 100 paid employees which is not the case with the Survivalists.

### **3.2.2 Nature and Role SMME's**

The study is based on SMME's found in rural areas; therefore the second element of the framework which includes the nature of SMME's, especially in rural areas, as well as their characteristics, are examined.

According to Mishra (1997:23-27), rural areas are characterized as dominant of land-based occupations. Most people in this area are involved in farming as their main source of employment. Ladzani (n.d) argues that poor infrastructure, unemployment and little or no access to markets characterize this area. Mears & Theron (2006:21) maintained that most SMME's that are found in informal rural areas tend to be smaller and have informal businesses. They operate from home-based premises (Rogerson, 2006:69).



*Source: Compiled by the author*

**Illustration 3.1**      Theoretical framework of the research project.



### **3.2.3 Customer – supplier relationships**

The third element of the framework is the nature of customer-supplier relationships. The following were encapsulated: personal involvement between the supplier and the customers, the length of time the customer was involved with the supplier; and the nature of any special prices/services/rates granted them by the supplier. This was intended to explain the nature of the relationship between a customer and a supplier. The expectations of all parties in a relationship, marketing, development and management are also examined.

According to Berry (2006), the customer-supplier relationship should be getting everyone's full attention. To make this possible, parties must be devoted to the relationship; they must perceive high levels of trust and overall satisfaction with the relationship (Darroch & Mushayanyama, 2006:342). This could be done through learning about each other through their interaction with individual customers (Brink & Berndt, 2004:19), and knowledge of each other's expectations from the relationship (Berry, 2006).

Relationships between buyers and sellers are like relationships between people; they don't just happen, but need to be worked on (Ford et al, 1998:28). To build a high-quality relationship, suppliers must understand a customer's needs (Brink & Berndt, 2004:40) and develop this relationship through the learning of each other's uncertainties and abilities (Ford et al, 1998:26). The relationship is further strengthened by having a private association with customers, which could be done through the use of the internet and email (Gummesson, 2002:25).

### **3.2.4 Nature of credit facilities**

Determining the SMME's access to credit facilities could help to identify the nature of the relationship between the SMME and the financial institutions. Therefore, the fourth element which include reasons for the SMME's lack of access to formal credit and the types of institutions that assist SMME's are identified and described.

The main source of funding for small and medium enterprises is commercial and merchant banks, factoring houses, leasing finance companies and equity

financiers, while the survivalists and micro enterprises are largely reached by NGO's and family-based financing (DTI, 1998). The capital is needed to acquire fixed assets and provide for necessary working capital (Langhout, 1990:19). However, Padmanabhan (1988:10) argues that the banking outlets' objectives, organisational structure and lending procedures restrict their ability to serve the rural sector. For this reason, they tend to be denied access to credit.

### **3.2.5 Reasons for lack of access to credit**

For those that are disadvantaged in terms of access to credit, three main reasons are identified; these are collateral, business plans and failure rate. They were identified as the fifth element of the framework.

According to DTI (1998), institutions must give reasons when turning down a loan application. Insufficient collateral, business plan presentation style and SMME failure rate are common reasons that are provided for the rejection (Nieman et al, 2003:32).

### **3.2.6 Restrictions and Constraints faced by SMME's**

The sixth element of the framework include the nature of payment terms – number of weeks, months, years required by the supplier to re-pay the loan / credit – which are also discussed. This leads to a brief examination on the interest rates paid by SMME's from different backgrounds, namely those from urban and rural areas.

When SMME's have been granted loans by institutions, the payments they are expected to make always happen in the future (Bourke & Shanmugam, 1990:3). Because of the historically low loan repayments rates, commercial banks have withdrawn from lending to SMME's (Amoako-Tuffor, 2002:21). If and when they lend to SMME's, Ronan (2005), in Mears & Theron (2006:24), argues that lending institutions usually charge high interest rates.

### **3.2.7 Nature and extend of development**

The seventh element of the framework is determining the importance of developing rural areas and the challenges faced by SMME's in rural areas.

For the SMME's and rural areas to develop, it is essential that they identify the potential sources of growth and the lack thereof (Management yearbook, 2005:60). Mishra (1997:28) argues that the fundamental problem in the development of rural areas is that the existence of many people is below the poverty line.

Ndabeni & Rogerson (2005:133) identified the core constraints of Black rural SMME development as high levels of poverty and unemployment, a backlog in infrastructure, an environment of weak institutional support and a weak capacity of most government initiatives.

The SMME's need support in order to be developed. Some of the support structures started after 1994. These were provincial SMME's desks, the Ntsika Promotion Agency and Khula Enterprise Finance Limited (Ladzani, n.d). SMME's should also be trained and be informed about institutions that are available to assist in their development. Mears & Theron (2006:24) argue that training should be demand driven, whereby SMME's inform the institutions of their needs, and this should be covered in the training programmes offered.

### **3.3 Nature of research**

The nature of the research was quantitative aimed at determining the attitudes and behaviour of respondents towards accessible credit facilities, thereby determining the customer-supplier relationships. A survey was conducted in the Sobonakhona Makhanya Tribal Authority area (SM/TA), investigating the dynamics of a sample of SMME's where credit facilitation was studied. The theme of the questions was exploratory, where the behaviour and exposure of the SMME's were questioned with pertinent enquiries regarding the nature of their trading and financing and their relationships with their suppliers.

### **3.3.1 Quantitative and exploratory research**

This is a quantitative study which was used to determine the relationship between the customer-supplier relationship and the accessibility of credit facilities. The concepts, variables, hypotheses and methods of measurement were defined and remained the same throughout the study. Data that was collected was specifically related to the identified variables. Specific methods of measuring each variable were identified, developed and standardized, with attention to the validity and reliability of the measurement instruments. Furthermore, this research had never been conducted in the research area before and was considered exploratory as the researcher was exploring, for the first time, the credit facilities available to SMME's.

### **3.3.2 Validity and reliability of research**

In order to ascertain the reliability of the study, a pilot study was conducted. The questionnaires were distributed to ten respondents situated at the Adams Mission (MPCC) area. This was done to identify questions that might be unclear or ambiguous to the respondents. It also aimed to identify any non-verbal behaviour of the participants that may possibly show discomfort or embarrassment about the content or wording.

This allowed for corrections to be done before the questionnaires were distributed to a larger sample. Prior arrangements were made to meet the respondents for the pilot study; the questionnaires were given to the respondents to complete and return on the next day of their training.

As a result of the recommendations made by the findings of the pilot study, a few minor changes were made to the final questionnaire before administering it to the selected respondents. For instance, some questions had a double meaning and the respondents could not provide the answers that were expected. The questionnaire was also evaluated by a statistician and coded, before it was distributed, in order to facilitate the subsequent statistical analysis.

The research assistants were available to assist the respondents when answering the questionnaires to ensure that they understood questions asked.

This was done mainly because of the rural nature of the research area and also because of the perception that the owners are not literate enough to answer the questions on their own. Neither confirmatory factor analysis nor Cronbach alpha values were used to test the reliability of the research instrument as they were not appropriate for use with this questionnaire.

### **3.4 Research area**

The Sobonakhona Makhanya Tribal Area (SM T/A), where the research was based, is situated west of Amanzimtoti on the South Coast of Kwa-Zulu Natal. The area stretches from Umbumbulu at the Northwest of the Illovo at the Southeastern border and north to the outskirts of Amanzimtoti with the western border of the area following the Umbongintwini River back to Umbumbulu (de Beer, Heukelman, Jacobs, Davies & Wallis, 2007:28). The close proximity of Umlazi and Durban International Airport and the rural nature are shown in map 3.1.

Although a large portion of this area, especially that around Madundube is rural, and in some places even deep rural, it also covers the kwaMakhuta and Folweni townships, which could be considered peri-urban or even urban. As is indicated in map 3.1, Madundube is a large area but has a very sparse population compared to Folweni, for instance, that is small but has a dense population. This indicates the rural nature of Madundube.

SM T/A is governed by the Inkosi, Andries Makhanya. The Inkosi is a traditional head of the Makhanya clan. He is regarded by his people as a father figure – the source of their wealth and well being, the spiritual symbol of their tribe, and the man who determines the fate of his people (Zulu traditions and culture, 2008). Due to the tribal nature of the SM T/A area, permission for research had to be obtained from the Nkosi and the Traditional Council which enabled unfettered research in the area.

The SM T/A covers eight villages enumerated as follows:

- *Adams Mission (A)*: in the northwest of the research area - consists of several trading stores, schools, a library and a post office, where the

pension payouts for the Adams Mission area pensioners' take place.

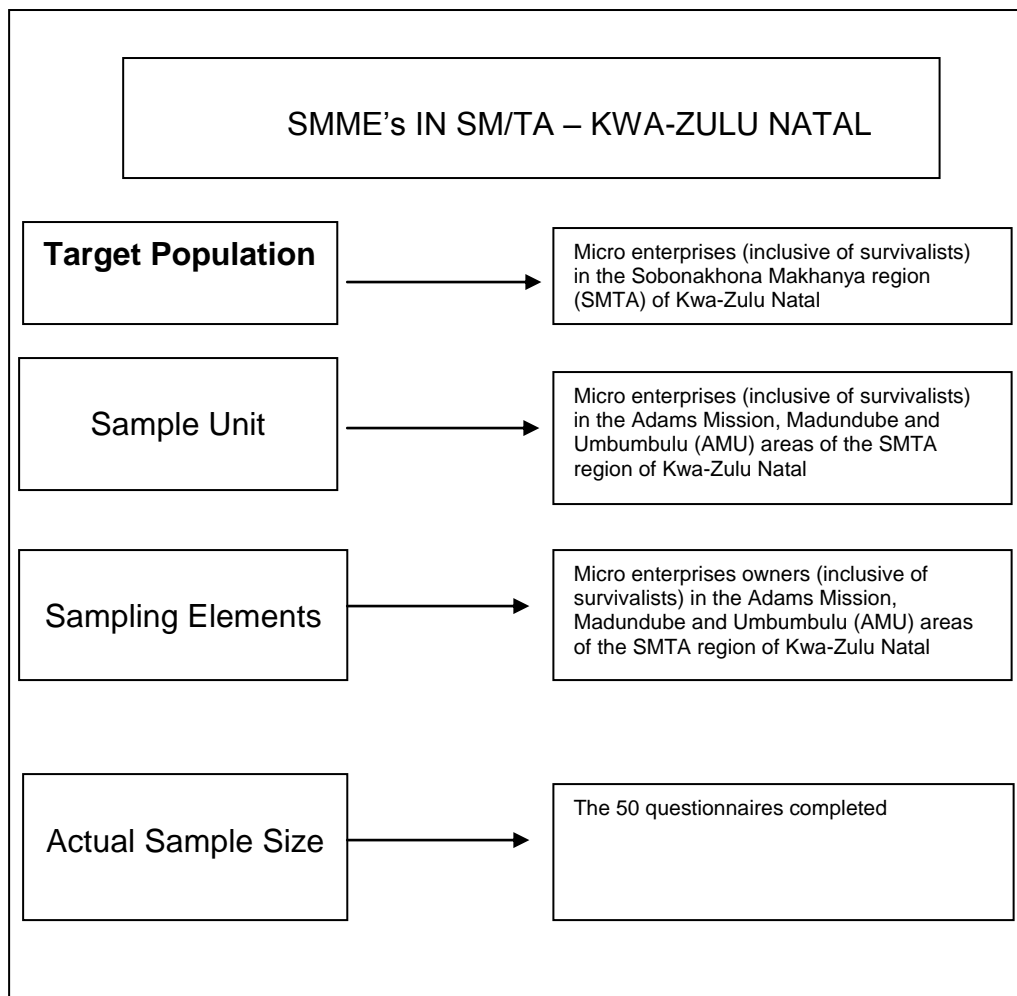
- *Golokodo-Entsimbini (B)*: where there are a few trading stores and a school.
- *Entinyane (not shown on the map)*: where there is only one school and a few shops.
- *Ezimbokodweni (C)*: is more built up and have a number of trading stores, schools and a hospital.
- *Folweni (D)*: is also very built up with schools, trading stores and a police station.
- *Madundube (E)*: on the other hand, is deep rural with only one trading store and no schools.
- In *Mvuzane (also not shown on the map)*: there is only one school and no shops, with very few farmers. People in this area have to travel to Umbumbulu to buy groceries.
- Finally, *Umbumbulu (F)*: where there are many schools and trading stores and the tribal court, where the Inkosi handles the disputes that take place within the whole tribal area.

Each of these villages has an Induna that oversees it. For instance, *Adams Mission* is governed by Induna Mcineka, *Golokodo Entsimbini* by Induna T.B. Makhanya, *Entinyane* by Induna M. Shozi, *Ezimbokodweni* by Induna Z.W. Makhanya, *Folweni* by Induna B.A. Makhanya, *Madundube* by Induna B.L. Makhanya, *Mvuzane* by Induna Njapha, who delegated the authority to counselor Gumede, and *Umbumbulu* by Inkosi M.P. Makhanya.

Because of the poor infrastructure, some villages are not easily accessible. For example, to get to places like Madundube people/residents have to walk approximately ten kilometers to get a taxi or a bus. These villagers do not only walk long distances to get a taxi or a bus, but also when they search for water and when going to the forest to collect wood for cooking and heating.

Following this is the description of the target population, sampling and data collection method. Figure 3.1 depicts an overview of SMME's in the research area.

**Figure 3.1 Overview of SMME's in the research area**



*Source: Owner's own construct*

### 3.5 Target population

The target population was identified through observation and from the participants of the research sessions and training courses offered by previous researchers (de Beer et al, 2007). These took place at Adams Mission Multipurpose Community Center (MPCC). The participants resided in the eight villages in the SM T/A.

In the process of identifying all the people who came for subsequent training courses, and giving them the questionnaires to complete, this target population was modified, as the answers to the questionnaires indicated that people who came for training did not all have established businesses. Some were emerging entrepreneurs and therefore could not be included in the target population for the current research. The research was only directed at those people who have businesses and fall in the micro enterprise category. This included businesses operating in established premises, family houses or on the streets.

## **3.6 Sampling**

### **3.6.1. Sampling frame**

The target population of a previous research project (de Beer et al, 2007) was appropriately modified to cover only micro enterprises that are already in business. Businesses in some villages (Folweni and Ezimbokodweni) were not included in the study because the villages were not considered rural. Unfortunately, most of those that are in the villages that are considered rural, were not accessible because of the terrain and nature of the roads, especially when it rained. As a result a convenient sampling technique was used.

### **3.6.2 Sampling method**

Three research assistants were recruited. They were chosen mainly because they were literate and could read and write both Isizulu and English at a high standard. They had to distribute the questionnaires and conduct semi-structured interviews to the small businesses in a pre-determined area. They were required to help the respondents fill in the questionnaires as most of them were not literate.

It was difficult to identify people who had businesses because some were conducted from family homes and were not visible. A convenient sampling was therefore used where the research assistants had to approach businesses that they knew of in their area and give the respondents the questionnaire to fill in if the owner of the business was available. Where the owner was not available, they left the questionnaire with the shop assistants, for collection on the following day or whenever it was completed.

The businesses selected that fell within the category of the micro enterprises were included in the study; they form a subsection of SMME's. It was assumed that the selected SMME's (micro enterprises) employed a maximum of five employees. Fifty SMME's (micro enterprises) from three villages - Adams Mission, Madundube and Umbumbulu (AMU) - in the SM T/A were selected because the areas were considered rural.



### **3.6.3. Sample Size**

There is no formal record of the population in the SM/TA (de Beer et al, 2007:33). Enquiries revealed that the closest estimate could be based on the number of citizens under control of each Induna. This is purported to be 20 000 people per Induna and with eight Indunas the total population is estimated to be 160 000 people (de Beer et al, 2007:33).

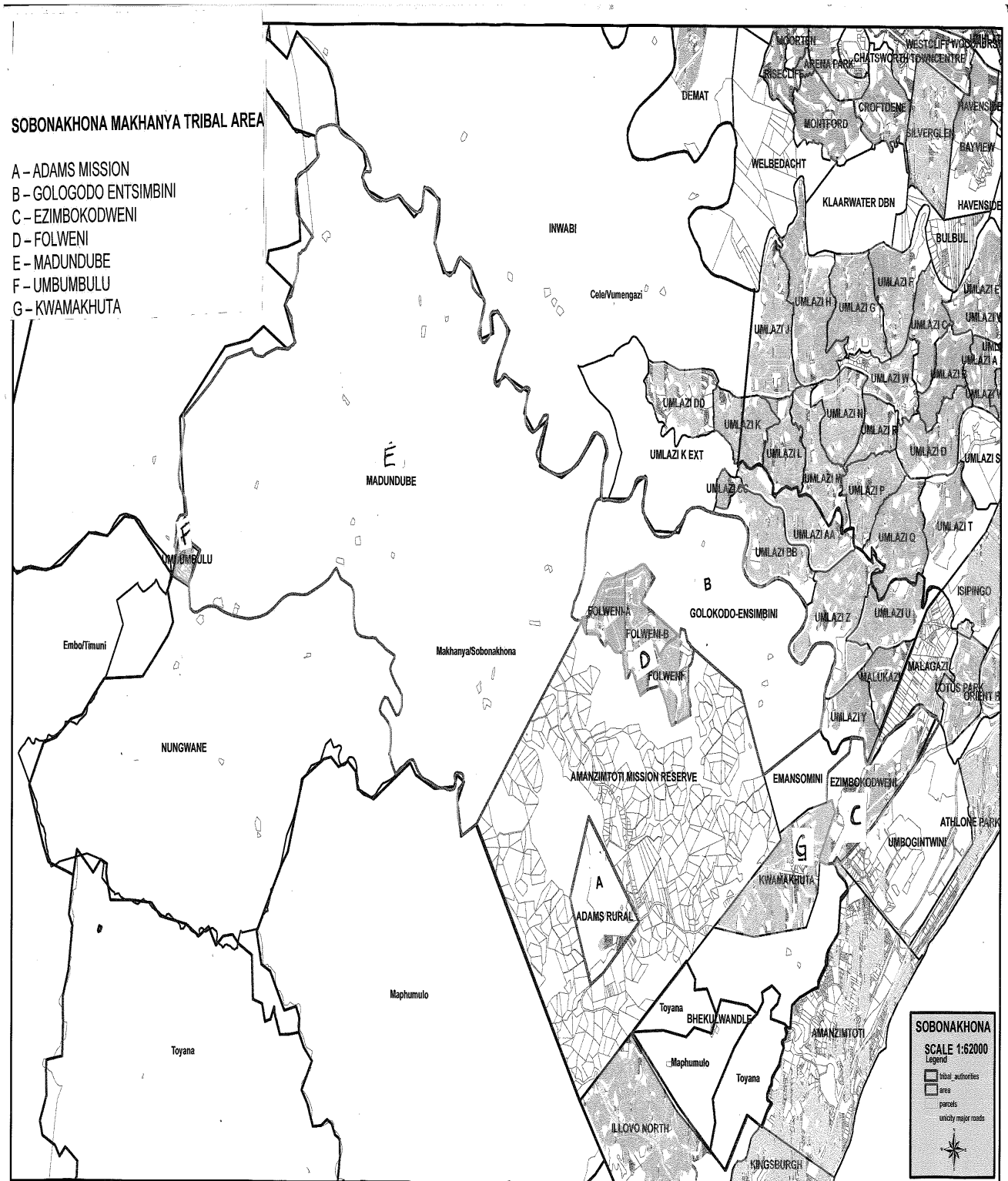
With such a large population in the area, it was surprising to discover that there were only a few SMME's in the area. Because of this, only 50 SMME's in the micro category could be included in the study.

## **3.7 Data collection**

### **3.7.1. Data collection plan**

The research assistants were fluent in Zulu. They had to be briefed, in detail, about the research and the purpose thereof; so that they would be familiar with research procedures and therefore able to assist SMME's to answer the questions.

The purpose of using the research assistants was twofold. In the first instance, it was for security reasons, because it was not safe for the researcher to travel around the area, since the researcher was not familiar with the area. Secondly, the researcher is not fluent in Isizulu and would not have been able to explain the questions to the respondents.



Map 3.1 Sobonakhona Makhanya Tribal Areas

### **3.7.2 Interview methods**

The questionnaire was completed through personal interviews. Research assistants asked the SMME's owners the questions as per the supporting questionnaire, and recorded all the answers that were given by the respondents.

With personal interviews it was possible to maintain a high response rate, because the questionnaire was completed at the time of the interview. It was also possible for the researcher and assistants to identify and record non-verbal responses when posing questions; these were noted on the questionnaire. At the same time, they were able to respond to questions asked for clarification purposes immediately, thereby ensuring the accuracy of the responses.

However, the personal interview also had some negative impacts. It was time consuming because the researcher and the assistants had to travel long distances, interviewing respondents in different areas within the sampling area, and this traveling was costly.

### **3.7.3 Construction of the questionnaire**

Semi structured interviews, with supporting questionnaires, were conducted by the researcher and the assistants. This was considered appropriate for the study as it consisted of questions designed to obtain responses on the accessibility of credit facilities by the respondents.

Questions of closed- and open-ended nature as well as an attitude likert scale were used. According to Welman & Kruger (2002), closed-ended questions are questions where the respondents have to select from a list of projected answers. Open-ended questions solicit the respondents' own opinions, and a likert scale is used to rate their responses according to a scale.

### **3.7.4. The questionnaire**

Selected SMME owners completed the questionnaires. They had to give a clear indication of credit facilities accessible to them and difficulties experienced in obtaining credit. The questionnaire comprised a total of 35 questions. See Appendix "A" for Isizulu and "B" English questionnaire.

## **SMME business profiles**

### **Gender of the owner of the business (Q3)**

The gender of the entrepreneur was required because it was possible that the gender of the entrepreneur may have an influence on the granting of credit. Because of this, it was essential to identify if male or female respondents were given first preference by institutions when applying for credit facilities.

### **Age group of the owner (Q4)**

The age group of the respondent was required because it was thought that the suppliers of credit may favour more mature entrepreneurs. This made the age group important to determine whether a specific age group had a better chance of attracting financing from different institutions.

### **Literacy and education level of the owner (Q5 & 6)**

The literacy and educational levels of the respondents were required to establish if those with a higher education level have better access to credit. It has been found that countries with most investment in tertiary education have the highest rates of business start-up (Beaver, 2002:189). The answer to this question would indicate whether the education level does have an impact on accessibility of credit.

### **Business training (Q7)**

It was necessary to establish whether the respondents that had business skills training were aware of institutions that could assist them in obtaining credit. It was assumed that SMME owners with business skills training may have knowledge of such institutions and be able to present the funding proposals better than those without business training. Nieman et al (2003:33) mentions that SMME's need to be trained and coached on presenting funding proposals, feasibility studies and business plans; this will enable them to access effective business development.

### **Number of employees (Q8 & 11.6)**

The respondents were asked to indicate the number of employees they had before and after accessing credit in order to determine whether access to credit

assisted them in increasing the number of employees. One method of explaining the status of an SMME is by categorizing the number of employees working for the business.

### **Nature of business (Q9)**

The SMME owners were asked to identify the nature of businesses in the research area. This information would help to determine whether certain types of businesses were given first preference by financial institutions when facilitating credit.

### **How did you raise capital to start the business? (Q10)**

The SMME respondents were required to indicate how they raised their start-up capital. It was important to determine whether they used their own savings or borrowed the money to start their businesses. Those that used their own savings may have had better access to credit because of the equity they held in their businesses and were also already established.

According to Nieman et al (2003:32), raising money is a minefield for start-ups, and they often launch their businesses using their own money or occasionally their family's money.

### **How did you get to know about your supplier? (21)**

This question was asked because it was important to determine how business owners knew of the supplier of credit. The reason was that if respondents were referred to the suppliers of credit, it could have made their chances of obtaining credit much better.

### **Customer-supplier relationships**

#### **Do you have supplier's contact details? (Q22 & 23)**

The respondents were asked whether they had their supplier's contact details. This was important because having their details could imply that they have a good working relationship.

### **Do you deal with a specific person at the suppliers? (Q24)**

The SMME owners were asked to indicate whether they dealt with a specific person. It was important because when they visit their suppliers, they deal with a number of people. Dealing with a specific person may have strengthened the relationship and thus made the facilitation of credit much easier.

### **Does your supplier give you satisfactory services? (Q25 & 26)**

SMME owners were required to rate the service they received from the suppliers of credit. This would help determine whether they are satisfied with their suppliers, because a satisfied customer becomes loyal to that specific supplier and establishes a reputable relationship.

### **How often do you buy stock? (Q27)**

The respondents had to indicate the number of times they bought stock in a week or month. This would determine their interaction with the suppliers, whether by telephone, email or face-to-face.

### **Length of time with the current supplier (Q28)**

The respondents were required to indicate how long they had been dealing with their suppliers. This was important because if they have been dealing with a specific supplier for a long period of time, it could mean they get better services and the relationship is more solid and therefore accessing credit might be easier.

### **Special prices/ services/ rates received (Q29)**

This question was asked because it is felt that, when customers have been dealing with a supplier for a long time, they become loyal to that particular supplier. This would support the contention that suppliers tend to give customers special prices for being loyal to them.

## **Nature and accessibility of credit facilities to SMME's**

### **Are you able to buy on credit? (Q11.1)**

This question was asked because it was necessary to find out whether business owners were able to buy on credit or obtain loans from financial institutions.

### **Type of credit you were able to get from banks? (Q11.3)**

SMME owners were required to identify the type of credit facilities that was accessible. This was because the type of credit made available could depend on their ability to repay the credit and perhaps the collateral for the loan.

### **Indicate institutions applied to and granted or refused (Q12)**

The respondents were asked to indicate the institutions to which they had applied for credit, as well as those that had rejected their applications. This was important because some institutions may not offer credit to certain types of businesses.

### **Nature and extent of development of SMMEs**

#### **Monthly turnover before and after accessing credit (Q11.4 & 11.5)**

The respondents were required to indicate their monthly turnover before and after accessing credit in order to determine whether there was any change in turnover experienced as a result of the credit they received.

#### **What was the credit needed for? (Q13)**

SMME owners were required to explain their reasons for credit applications. This is because businesses and individuals have different reasons for applying for access to credit. Some of the reasons include to start or expand the business and to buy equipment or stock. Gough (1996) feels that, just as the reason for starting a business varies, so does the need for finance.

#### **Securities when applying for credit (Q14)**

The respondents were asked to indicate the assets they held as security at the time of applying for the loans. This was required because when applying for a loan or credit, the institutions require that a security be offered to ensure that the applicant pays back the credit received. It was also important to find out the nature of securities offered by SMME's as this could have had an impact on the accessibility of credit.

### **Other changes experienced from gaining credit (Q20)**

The respondents had to indicate the changes that they had experienced after obtaining credit. If there were any changes in the business, this would mean that access to credit is very important for the development of SMME's.

### **Reasons for lack of access to credit**

#### **Reasons for rejection of credit application (Q15)**

SMME owners who were rejected access to credit had to indicate the reasons that were given by institutions for such rejections. This was because different institutions give different reasons for rejecting SMME's applications for credit. Bourke & Shanmugam (1990) indicates that credit institutions tend to deny credit facilities to small businesses because of their abnormally high failure rate and little or no collateral. Nieman et al (2003:33) support this and further say that financial institutions must provide guidance and direction to SMME's that are denied finance, as well as give them viable reasons why their loans are rejected.

### **Credit needed and terms of payment**

#### **Amount of credit needed (Q16)**

The SMME owners were asked to indicate the amount of credit that they needed at the time of the loan application. This was required to determine whether all SMME's have the same capital needs. Antonie (2001:1) indicates that some require larger amounts than others, and this depends on the size of the business.

#### **Monthly interest rate or amount of levy (Q17)**

The respondents that obtained credit from institutions were asked to indicate the interest rate or levy that they had to pay on the loans received. This was necessary because financial institutions expect applicants to pay interest for the loan or credit received. The interest paid depends on the financial standing of the borrower (Macleod, 1999:204).



### **Time to repay the entire loan or for buying stock on credit (Q18 &19)**

SMME owners were asked to indicate the number of months or years they had to repay the credit they had received. This was required because the payment period for the loan or credit received differs from institution to institution; it also depends on the size of loan received and the security that is offered to SMME's. Bourke & Shanmugam (1990:3) explains that the repayment always occurs in the future and the lender must judge whether the borrower's expectations about the capacity to pay are reasonable.

### **3.8 Zulu Translations**

The questionnaire distributed to SMME's was translated into Zulu to satisfy the language requirements of most of the people in the SM/TA rural area. The Department of Language and Translations at the Durban University of Technology assisted in translating the questionnaire into Zulu.

There were, however, still some complications experienced by respondents when completing the questionnaire. This was due to the fact that Isizulu, that is spoken and written in the cities, is different from the language used in rural areas. Despite the problems experienced, the research assistants were able to respond to the questions posed.

### **3.9 Summary**

In this chapter, the theoretical framework that guided the research study was developed using secondary sources. This research has been identified to be quantitative in nature since it made use of a questionnaire as a measuring instrument.

The research area (SM T/A) referred to is a tribal area which comprises a mix of rural and urban/peri-urban areas; it was therefore crucial to identify the rural areas to be included in the study. The target population of the study was identified from a number of participants who attended training sessions offered by previous researchers; this is where the pilot study was conducted. Following this, a convenience sampling method was used to identify people who had businesses as most were conducted in homes. The research assistants helped out in this

regard. As a result, a sample of fifty SMME's (micro enterprises) were included in the study; these were from three villages, namely Adams Mission, Madundube and Umbumbulu, which were recognized to be rural as they met the characteristics of a rural area.

Data was collected by the research assistants who were fluent in Zulu and could assist business owners to answer the questions. To facilitate this, questionnaires were translated to Zulu by the Department of Language and Translation of the Durban University of Technology to satisfy the language requirements of most people in the area.

The following chapter presents the results obtained from the research participants. It explains their views and responses on the questions asked in the questionnaire.

## **CHAPTER FOUR**

### **PRESENTATION OF RESULTS**

#### **4.1 Introduction**

A description of the research methods and instruments, founded on the theoretical framework identified, formed the basis of the research design chapter. This discussion included interviews and semi-structured interviews supported by questionnaires with selected respondents of SMME's in the Umbumbulu and surrounding areas. The researcher and research assistants in the respective areas administered these interviews. A detailed analysis of the findings is examined and presented with numerical tabulations and graphical representations and the supporting analysis is found in Appendix D, attached.

As is shown in the theoretical framework, the customer-supplier relationship is inter-related and interdependent on the overall perception of credit facilities accessible to SMME's. Based on this, the relationship between selected dimensions was determined. The findings of the most important relationships are depicted in tables with interpretations thereof.

Data from a total of 50 SMME respondents was coded and captured on a spreadsheet using the Microsoft Excel package. It was then verified and analysed using SPSS. The data from the respondents was analysed in order to reflect the general state of SMME's in the study area. All respondents responded to the questionnaires distributed; however only a few had access to credit facilities and this made the findings of the research difficult to manage. The details of the statistical analyses are found in the appendix D.

#### **4.2 Profiles of the Research Participants (Question (Q) 3-10 and 21)**

The objective of Q3-10 and 21, based on the first sub objective, was to examine and analyze the nature and role of SMME's in rural areas in order to characterize them and their operations.

#### 4.2.1 Age and gender of the respondent (Q3)

In response to the enquiry about the gender of the respondents, it was found that, of the fifty that were included in the study, thirty-six (60%) were male. A few (4%) of the respondents fell into the Under 20 age category and the remainder were fairly evenly distributed between the other three categories, with the biggest portion (38%) falling in the 20 to 29 age group. See Figure 4.1.

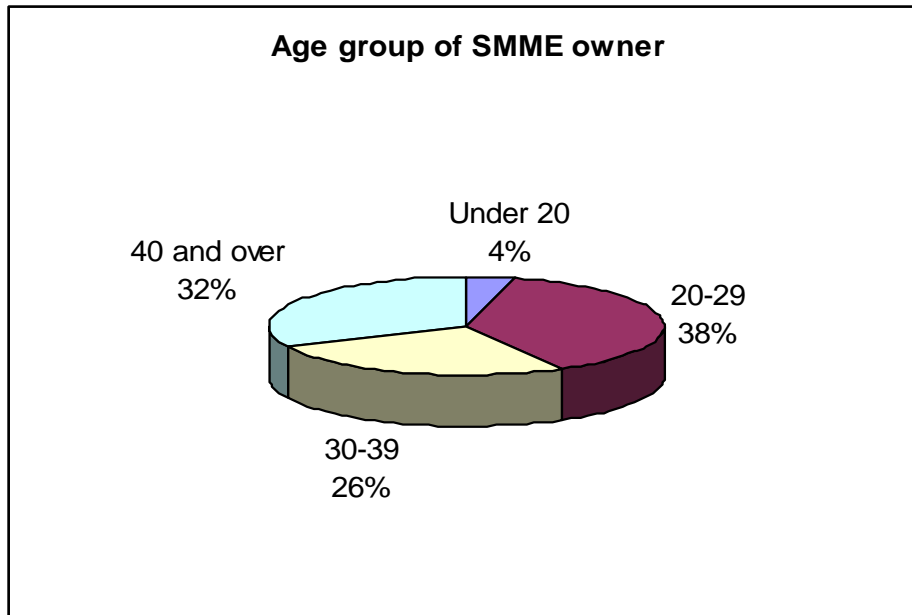


Figure 4.1 Age of the respondents

The findings also showed that female respondents were dominant (100%) in the age category of less than 20 years, whilst the ratio of male to female respondents in the other three categories was approximately 62:38. The dominant age category for both male and female is from 20 to 29 years, whereby 24% of the males and 14% of the females are found. See Table 4.1.

Table 4.1: Age of respondents by gender

Gender	Age			
	< 20	20-29 years	30-39 years	40+ years
Male	0%	24.0%	16.0%	20.0%
Female	4.0%	14.0%	10.0%	12.0%
Total	4.0%	38.0%	26.0%	32.0%

#### 4.2.2 Literacy level rated by the respondents (Q5)

When asked to indicate their literacy level on a scale of 1 to 5 where 1 is very bad and 5 excellent, it was found that a large number (70%) of respondents rated themselves either good or excellent for both reading and writing. See Figure 4.2.

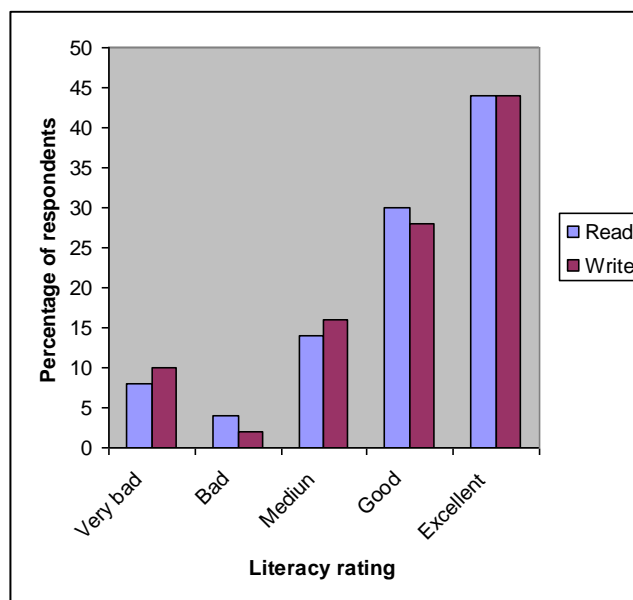


Figure 4.2 Literacy level of the owner

Females scored the highest (86%) for reading and writing literacy with males lagging behind in reading literacy (75%) and writing literacy (74%).

#### 4.2.3 Education level (Q6)

Respondents were required to indicate their highest level of education. They had to choose from 'no formal education' up to 'tertiary education'. Almost two-thirds (66%) reported that they had secondary education (Senior 36% and Junior 30%) with only a small number (2%) with no formal education. See Figure 4.3.

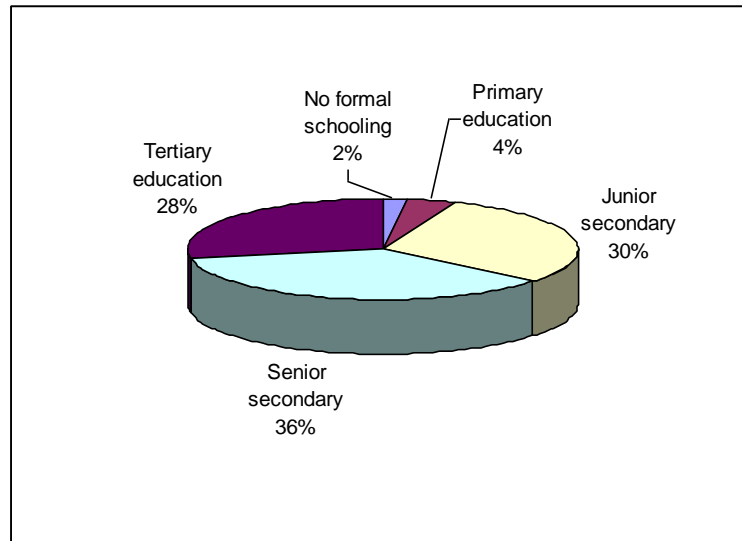


Figure 4.3: Education level of owners

All of the respondents with no formal schooling were male. Furthermore, 28% of the respondents had tertiary education, most of which (18%) were females. The majority (44%) of males had secondary schooling whereby junior secondary is (22%) and senior secondary is (22%), while tertiary education was the dominant category (18%) for the females. See Table 4.2.

Table 4.2 Education level by gender

		Education level of the owner				
		No formal schooling	Primary education	Junior secondary	Senior secondary	Tertiary education
Gender	Male	2.0%	4.0%	22.0%	22.0%	10.0%
	Female	.0%	.0%	8.0%	14.0%	18.0%
Total		2.0%	4.0%	30.0%	36.0%	28.0%

#### 4.2.4 Business Training (Q7)

The research showed that the majority (78% of the business owners did not have any training on how to run and manage a business. of these, most (64%) were male respondents. No relationship was found to exist between gender and business training.

#### 4.2.5 Number of employees (Q8)

When the respondents were asked whether they employed people to assist with the day-to-day running of their business, it was found that most (84%) of them employ up to five people. See Figure 4.4.

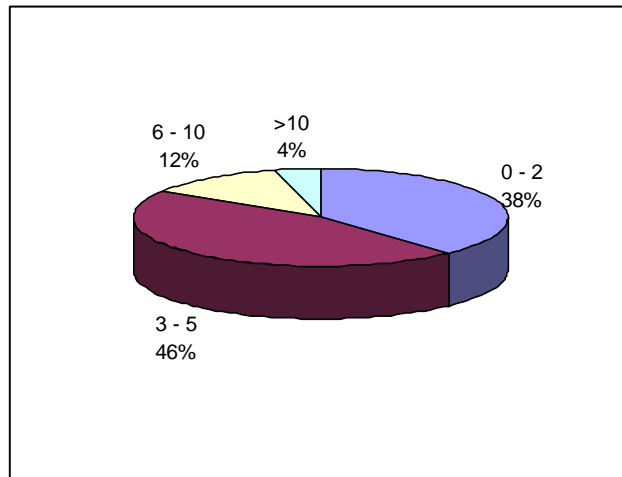


Figure 4.4: Number of employees including the owner

#### 4.2.6 Nature of products and services (Q9)

The rural SMME's covered in the research run a mix of diverse enterprises, ranging from fruit and vegetable selling to hairdressing. The respondents were required to reveal the type of product or service that they offer to their customers. A large percentage (46%) of the respondents were selling groceries - the most popular type of SMME in the study area ; only a few (2%) were selling fruit and vegetables and repairing shoes while there were no respondents in the transport business. See Figure 4.5.

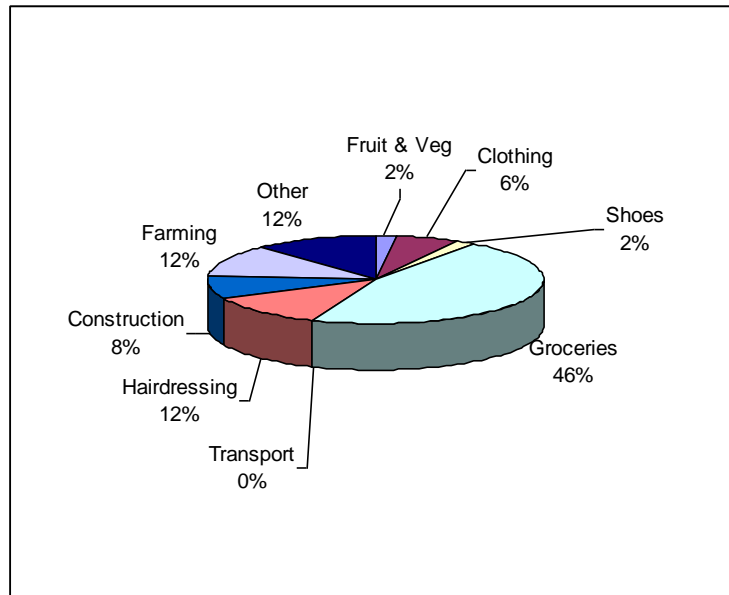


Figure 4.5: Nature of business

The majority (61%) of the people selling groceries is male respondents, and a large proportion (67%) of those doing hairdressing is female. All respondents in the clothing business are female and all those that are repairing shoes and selling fruit and vegetables are male. See Figure 4.6.

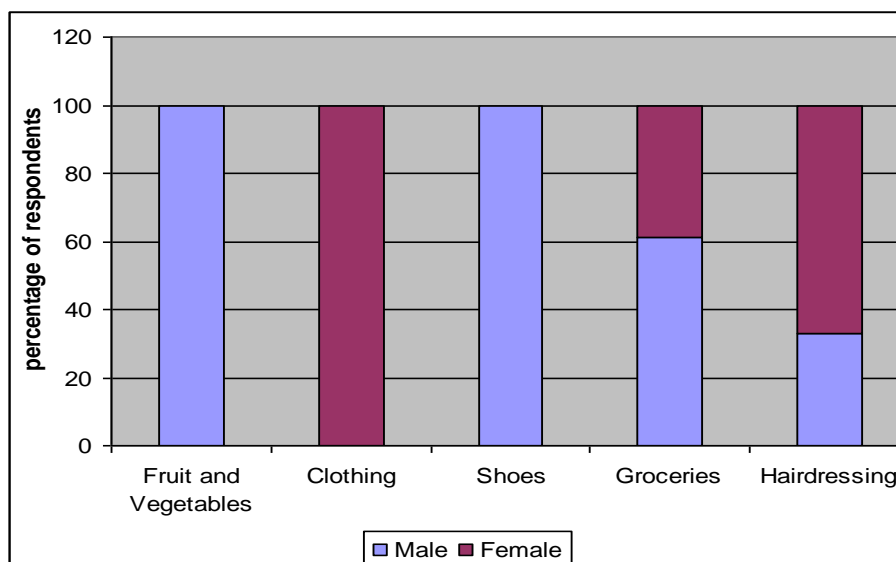


Figure 4.6. Nature of business by gender of the respondents

Furthermore, all the respondents in the age category of 40 years and above are selling groceries; none of them are involved in any other activity. Respondents under the age of 20 are equally spread between dealing in clothing and groceries



and those between the ages of 20 and 29 mostly sell groceries (50%) or do hairdressing (42%). The majority (60%) of those aged from 30 to 39 years sell groceries. See Table 4.3.

Table 4.3 Age of respondents by type of business

Type of business	Age			
	<20 years	20-29 years	30-39 years	40+ years
Fruit & vegetables	0%	0%	10%	0%
Clothing	50%	0%	20%	0%
Shoes	0%	8.3%	0%	0%
Groceries	50%	50%	60%	100%
Hairdressing	0%	41.7%	10%	0%
Total	100%	100%	100%	100%

#### 4.2.7 Start up capital (Q10)

SMME respondents were asked how they raised the capital to start their business. Most of the respondents (70%) said they used their personal savings to start their businesses while some (16%) of them obtained the money through a loan from financial institutions and the rest (14%) from their family and friends. See Figure 4.7.

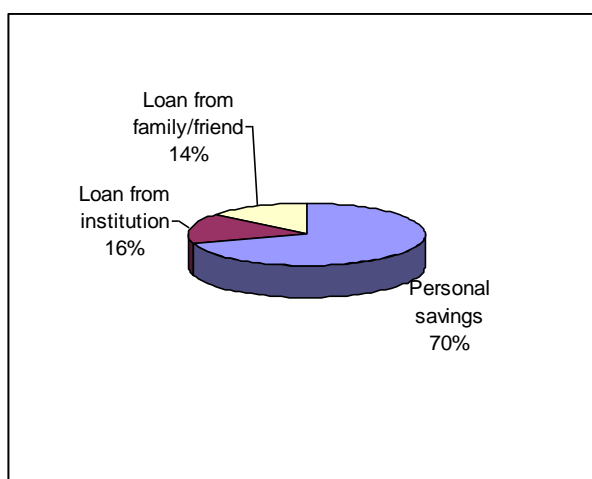


Figure 4.7: Source of start-up capital

#### 4.2.8 Knowledge of the suppliers (Q21)

SMME respondents were asked how they came to know of their suppliers of credit. The largest group (44%) of them learnt of the credit suppliers through the

workshops, arranged by various organisations, that they had attended; almost one third (29%) learnt of the suppliers through their friends; the media, such as radio, television and newspapers, was the source of this information for some (16%) of the respondents and the remaining 11% heard about the credit suppliers by word of mouth from their families and friends. See figure 4.8.

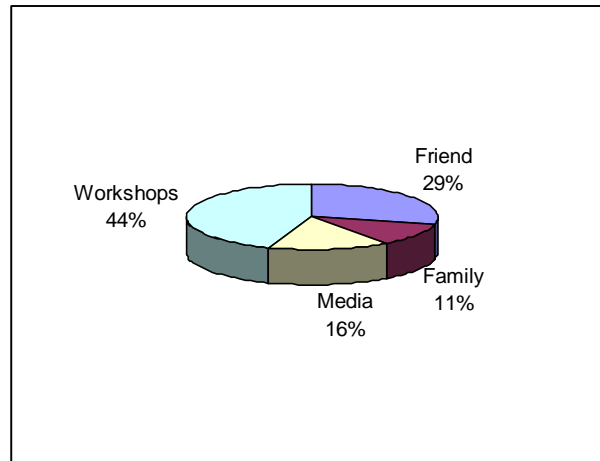


Figure 4.8: Knowledge of supplier of goods & services

### 4.3 Perceptions regarding nature of customer-supplier relationships

The objective of the questions 22 – 26, 28 and 29, based on sub objective two was to examine and analyze the nature of customer-supplier relationships of rural SMME's. This was to ascertain the perceptions of respondents regarding the relationship between credit institutions and SMME's. The responses to these questions provide insight into these relationships.

#### 4.3.1 Knowledge of supplier's contact details (Q22)

As a response to this question, the research indicated that of the 50 SMME's that were included in the study, most (70%) have their supplier's contact details. All those that do not have supplier's contact details did not access credit from the institutions to which they had applied. . See table 4.4

Table 4.4 Knowledge of supplier contact details by access to credit

		Buy from supplier on credit	
Have supplier's contact details		Yes	No
	Yes	30%	40%
	No	0%	30%
	Total	30%	70%

**4.3.2. Dealing with a specific person at the suppliers (Q24)**

Most respondents (56%) indicated that they do not deal with a specific person at the supplier. Those that deal with a specific person are equally distributed between males and females. The research also showed that most of those respondents (86%) that do not deal with a specific person do not have access to credit facilities. Added to this, only one third (32%) of the respondents who deal with a specific person receive discounts from their suppliers.

**4.3.3 Satisfactory service or help from supplier (Q25)**

The respondents were asked to rate the services they received from their suppliers when they had a query or a specific problem. From the survey, it was revealed that almost all the respondents (92%) received satisfactory services at some time or other (14% always, 34% usually and 44% sometimes), while only a few (8%) had never received satisfactory services. See Figure 4.9.

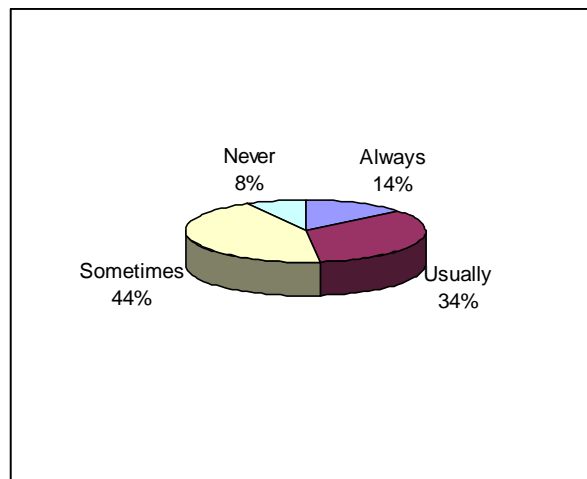


Figure 4.9: Services offered by suppliers

#### 4.3.4 Delivery of goods by suppliers (Q26)

Just over two thirds (66%) of the respondents rated the time between placing an order with their suppliers and receiving the goods as satisfactory or very satisfactory, but over a third (34%) said they were not happy with the delivery services from the suppliers. See Figure 4.10. Of those who were very satisfied with delivery services, most (71%) received credit.

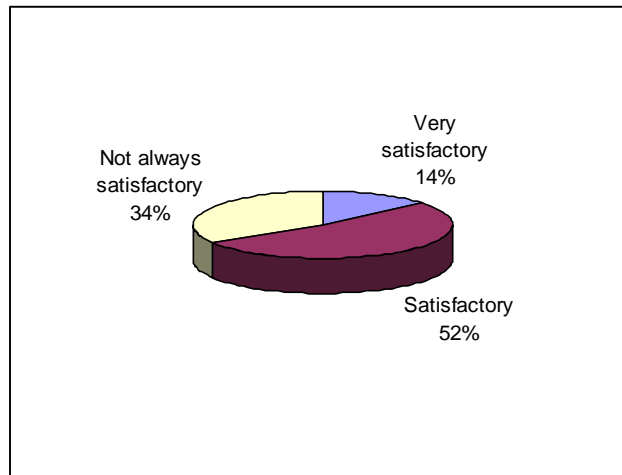


Figure 4.10: Delivery time of goods/services

#### 4.3.5 Length of time with the current supplier (SMME's: Q28)

The majority of the respondents (56%) indicated that they have been with their current supplier for between one and three years and none of the respondents have been dealing with their current supplier for longer than ten years. See Figure 4.11.

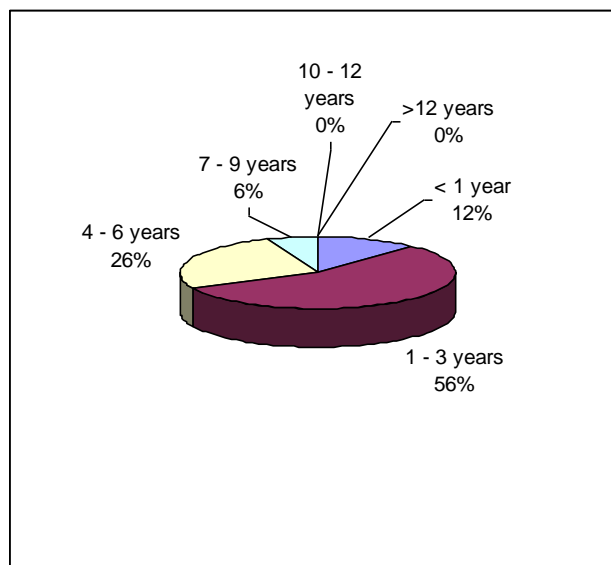


Figure 4.11: length of time with current supplier.

It was found in the research that all those that have been dealing with their current suppliers for more than seven years are selling groceries. In addition, most (67%) of the respondents that have been with their current supplier for more than seven years are male.

#### 4.3.6 Special rates received (Q29)

When asked whether they get special rates/services, most respondents (86%) indicated that they do not receive any special treatment. Furthermore, while 67% of those selling clothing receive a discount from a supplier, the majority of respondents in the other businesses are not getting a discount. See figure 4.12.

The majority (86%) of the very few respondents that get special prices are female.

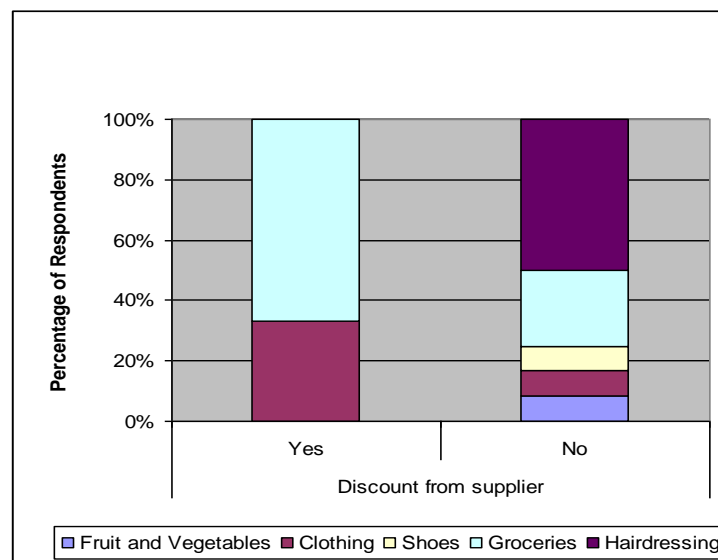


Figure 4.12. Type of business by discount received

#### 4.4 Nature and accessibility of credit facilities for SMME's

The objective of questions 11 and 12, based on sub objective two (a) was to examine and analyze the nature of customer-supplier relationships of rural SMME's in order to identify the nature of credit facilities accessible to SMME's.

##### 4.4.1 Institutions applied to and granted or refused (Q11 & 12)

When asked if they were able to buy on credit, most respondents indicated their inability to access credit as their main difficulty. This is supported by the fact that the majority (70%) of the respondents indicated that they were not able to buy on

credit. Surprisingly, almost the same number (68%) of the respondents has never applied for access to credit from banking institutions.

All of the small number (6%) of respondents that had access to bank credit showed that they obtained their credit in the form of bank loans. Apparently, they were not successful in obtaining any other form of bank credit such as an overdraft or factoring. The respondents that obtained money through loans were equally split between male and female. Obtaining credit from suppliers in the form of trade credit was also not very different for males (47%) and females (53%). All the respondents who were selling groceries were rejected by the banks when they applied for credit but were accepted by wholesalers.

#### **4.5 Reasons for lack of access to credit facilities**

The objective of questions 14 – 16, based on sub objective two (b) and (c) was to examine and analyze the nature of customer-supplier relationships of rural SMME's in order to identify the restrictions and constraints as well as reasons for the lack of access to credit facilities offered by institutions. The findings of this section show that the SMME's covered in the research had a good reason for feeling that they did not have access to credit facilities.

##### **4.5.1 Reasons for rejection of credit applications (Q15)**

The respondents in this research have indicated that the institutions had several reasons for rejecting their credit applications. A number of respondents (21%) indicated that they had applied and were rejected access to credit because they had insufficient collateral to secure the loan; some (18%) said they had not prepared business plans when applying, while none of the applicants indicated that they were rejected for not having references with credit institutions. See Table 4.5.

Table 4.5 Reasons for rejection of application

Insufficient collateral	21%
No business plan	18%
Lack of bookkeeping records	15%
Inadequate income	12%
No banking accounts	9%
No reason given	9%
Poor credit record	3%
No previous references	0%

#### 4.5.2 Securities for the loan (Q14)

Collateral/security is used by institutions to recover the amount advanced to borrowers when they are not able repay the loan or credit received. The research revealed that most of the respondents (73%) showed that they had furniture to offer as a security, the next most held asset was fixed property (42%), some (21%) had investments and life policies, other (15%) had equipment and a few (3%) claimed to have other movables such as a vehicle to offer as a security for the loan. See Figure 4.13.

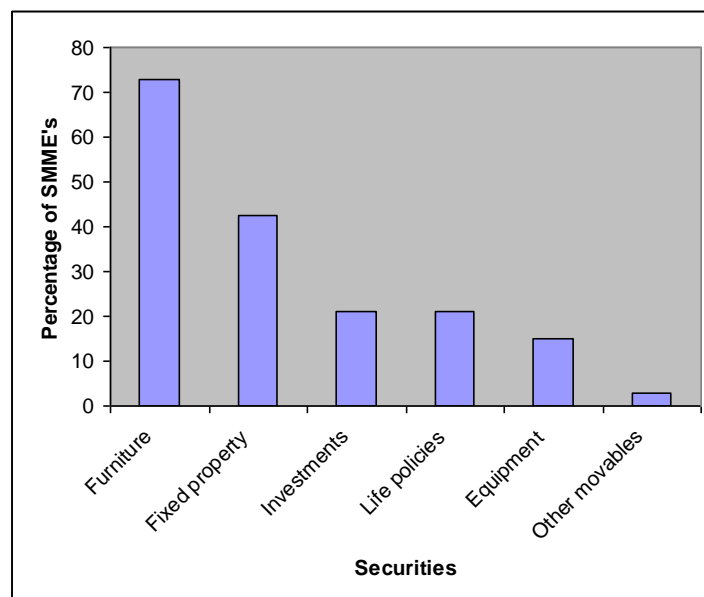


Figure 4.13: Securities held by SMMEs when applying for the loan

### 4.5.3 Nature of payment terms

The respondents were required to explain the nature of payment arrangements with their suppliers in terms of the amount needed and the applied interest rate.

#### 4.5.3.1 Credit needed and terms of payment (SMMEs: Q16)

Over a third (37%) of SMME's needed a loan of between R5 000 and R19 999, while only a few (7%) needed a loan of more than R80 000. The majority (71%) of those that needed a loan of R5 000 to R19 999 were selling groceries. See Figure 4.14.

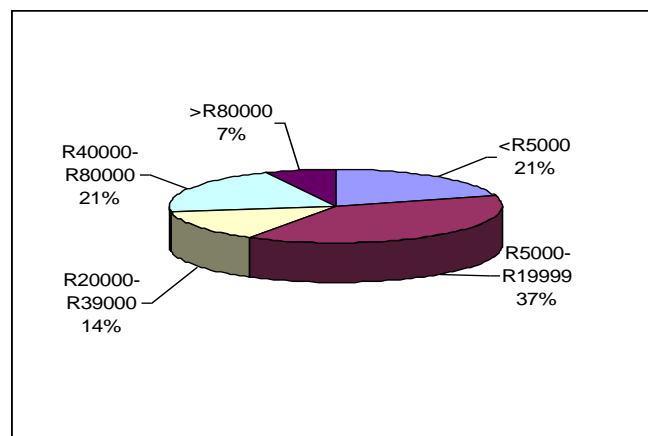


Figure 4.14: Amount of credit needed

It was shown in the research that a monthly interest or levy amount had to be paid after obtaining loans or any credit from institutions. Almost half of the respondents (45%) had to pay 11 to 15% interest rate. The others had to pay either up to 5% (22%) or from 6 to 10% (33%). For the respondents selling groceries, there was an even distribution of 33.3% across the interest rate categories. See Figure 4.15.

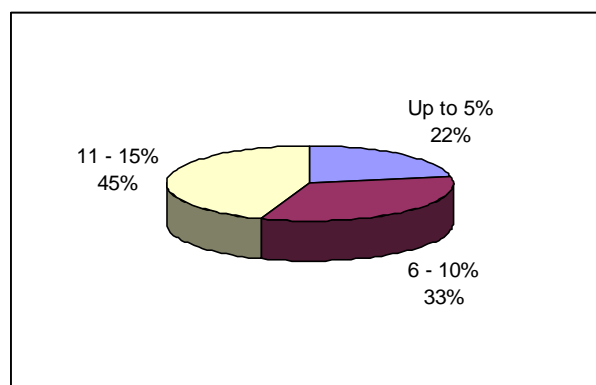


Figure 4.15: Interest rate payable by SMME's



The payment period varied amongst the respondents. Some respondents (47%) indicated that they had to pay the loan within three to five years; whilst only a few (5%) had less than two years to pay the loan. On the other hand most (67%) respondents had 30 days to pay their suppliers of goods and the rest had 60 days to pay for stock that they had bought on credit. See Figure 4.16

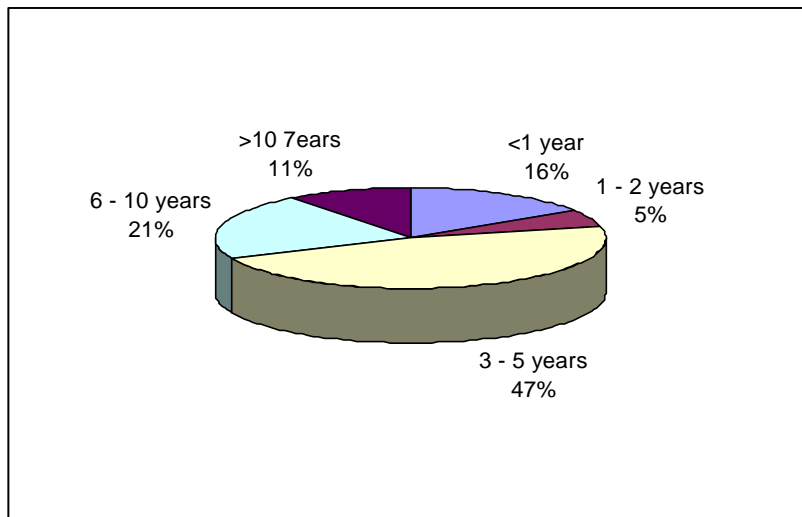


Figure 4.16: Loan repayment period

#### 4.6 The nature and extend of SMME development

The objective of questions 11.4 & 5, 13 and 20, based on sub objective two (d) was to examine and analyze the nature of customer-supplier relationships of rural SMME's in order to identify the impact of credit facilities on the development of rural SMME's. (See sub-objectives p4). It identified the reasons given in the research for the respondents' credit applications, and, for those who were able to obtain the credit, to determine the nature of the advancements achieved by the respondent after accessing credit from financial institutions.

SMME owners apply for access to credit facilities for different reasons. These are to start, maintain or expand the business, buy transport for the business, or buy stock for the business.

##### 4.6.1 Reasons for credit application (SMME's: Q13)

When answering these questions, the respondents gave several reasons for applying for credit. A large portion (55%) of the respondents indicated that they

needed money to buy equipment, while some (45%) wanted to improve their business and others (36%) needed to buy stock and start a business. See Figure 4.17.

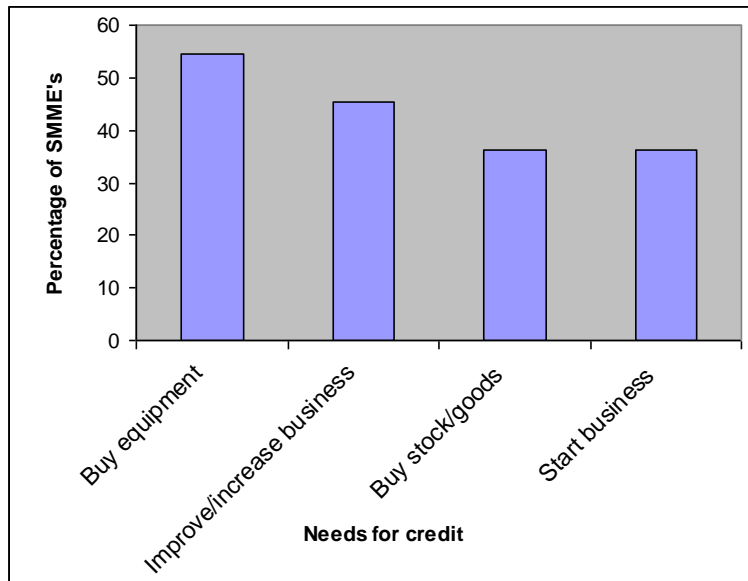


Figure 4.17: Reasons for SMME's credit application

#### 4.6.2 Changes experienced after accessing credit (Q20)

The respondents used the credit they received in a number of different ways. Most (72%) of them were able to buy transport for their businesses; about two thirds (64%) were able to increase the number of their employees as the business increased; a large percentage (60%) bought new equipment; more than half (52%) experienced growth in the business or trade and a few (16%) obtained new premises for the business. See Figure 4.18.

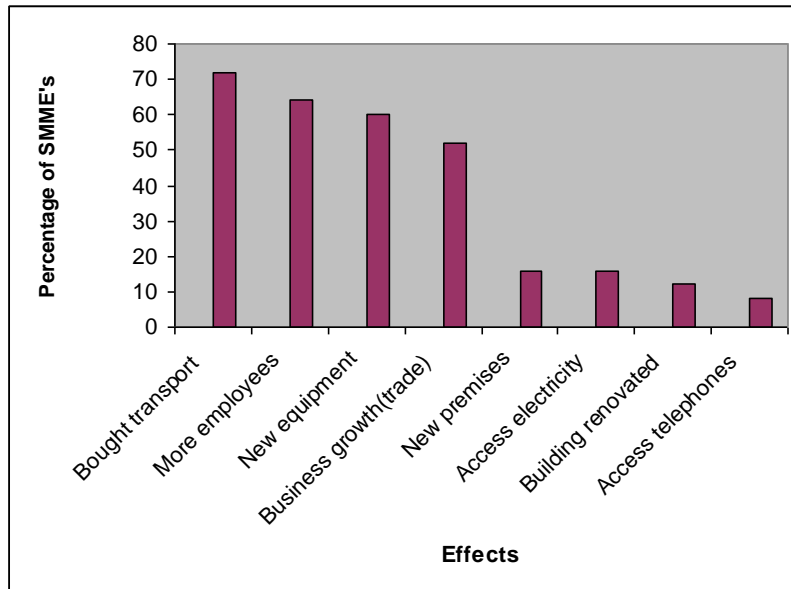


Figure 4.18: Effects of credit on the business

#### 4.6.3 Turnover before and after accessing credit (Q11.4 & 11.5)

From the research, it has been found that an increase in turnover could be an indication that a business is growing or has grown. The respondents were asked to indicate if there was an increase in turnover after accessing credit. Analysis shows that there was a general increase in turnover after accessing credit. All of the respondents that had a turnover of less than R500 before accessing credit increased to between R500 and R1000 afterwards; most (80%) of those with a turnover of R500- R1000 before accessing credit found it increase to R6001- R11000 and all those with a R6001- R11000 turnover prior to accessing credit found it increasing to more than R11000 after accessing credit. An increase in the number of employees after accessing credit was also found for most of the businesses.

#### 4.7 Summary

According to the survey, the majority of the respondents were male, while most of the respondents were fairly evenly distributed between the ages of 20 and 'over 40'. In addition to this, most SMME respondents were found to be literate with at least a secondary education.

Although the majority of the respondents never applied for access to credit facilities, those that did apply experienced changes in their businesses. It was

found that access to credit facilities assisted most businesses to grow and prosper. Many SMME's saw an increase in turnover and the number of employees after accessing credit.

These findings form the basis of the interpretation done in the chapter that follows.

## **CHAPTER FIVE**

### **INTERPRETATION OF RESULTS**

#### **5.1 Introduction**

Analysis of the results indicated that access to credit facilities have an impact on the customer-supplier relationship and the development of SMME's in the research. This was shown to be true when the respondents that had access to credit mentioned that they receive satisfactory services and delivery time from their suppliers. They also experienced positive changes in the business after accessing credit.

This chapter interprets the findings presented in the previous chapter and also compares them with those of other authors of similar projects. The supporting statistical analysis (cross tabulations and chi-tests are attached in Appendix D). Many people in the research area have not applied for funding, possibly because they do not know that they can apply. The underdeveloped nature of the research area has, therefore, limited the sample available for analysis.

#### **5.2 Correlation between the profiles of SMME's and the accessibility of credit facilities**

The purpose of the first sub-objective was to examine and analyze the nature and role of SMME's in rural areas in order to characterize them and their operations. For this, it was necessary to establish the profiles of the research participants. It was hypothesized that a significant correlation exists between the profiles of SMME's and accessibility of credit facilities. The research however showed no relationship between the profiles of the SMME's in the research and their access to credit other than that the ages of the respondents correlated with the type of business started.

##### **5.2.1 Profiles of research participants**

In order to achieve the first sub-objective, it was important to identify the profiles of SMME's found in the research area. This included the age and gender of the SMME owner, literacy level, education level, business training, number of

employees, nature of products and services, source of start-up capital and knowledge of suppliers of credit.

This information assisted in examining the nature of SMME's found in the research area by classifying their nature of trade, size and the role they play in employment creation. The profile of the respondents such as gender, age, literacy level, education and training could have had an impact on their accessibility to credit facilities. It was therefore important to identify the effect of this.

The research indicated that SMME's are characterized mostly by male owners; they are found in different age categories with diverse trading ranging from clothing to groceries.

### *Gender*

The study has indicated that the number of male SMME owner's exceeds the number of females who own SMME's in the research area, albeit not significantly; see Figure 5.1. This could be because females are afraid to take risks and venture into the unknown to do business, whereas males are not. This finding is similar to that in other areas. For instance, according to the study done on SMME's in Kenya, there also appeared to be more male than female owners (Migiro, 2005:175). This is supported by Von Broembsen, Wood and Herrington (2005:26) who maintained that men are, on average, twice as likely to start a business as their female counterparts. Following this, Brush (1992), as quoted by Kepler & Shane (2007:10), argues that this could be so because it is quite difficult for female entrepreneurs to start businesses because of the attitudes of businesses and men towards the role of women; in the United States, they, the women, are not taken seriously as business people.

This shows clearly that there are more male than female SMME owners in the research area, which is the norm in most, if not all, regions of the world including South Africa, Kenya and the United States (Von Broembsen et al, 2005, Migiro, 2005 and Kepler and Shane, 2007) respectively.

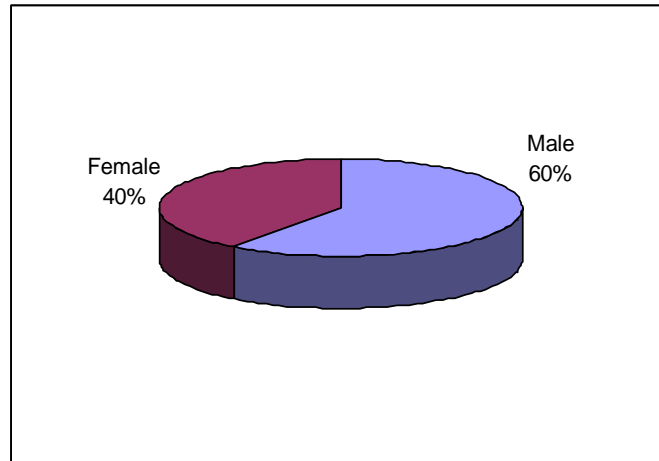


Figure 5.1 Gender of the respondents

### *Age*

A sizeable portion of business owners are in the age categories of 20 to 29 years and over 40 years. It is likely that the younger age group started their businesses as an alternative to unemployment, which was inevitable because of their lack of education. The 40 year olds, on the other hand, also started a business for income purposes because of a lack of education that was caused by the inferior education system that disadvantaged the majority of citizens before the advent of democracy in South Africa. The youth of their time, being the over 40 year olds of today, were subjected to poor education facilities and are now unemployable.

The impact of the age categories is however dissimilar from the research done by Migiro (2005:178) in Kenya, who maintained that the most dominant age category was that of 30 to 39 years, unlike the 20 to 29 year category in this research area. It must be said, however, that there is not a large difference in the frequencies for the categories 20 - 29, 30 - 39 and Over 40.

Selling groceries is found to be significantly more common than any other type of business in the research area presumably because everyone needs food like maize meal, milk and sugar, all of which are supplied by this type of business. The demand for groceries will, therefore, be higher than for other business like hairdressing.

The research has shown that the respondents in different age categories prefer to start different types of businesses. Significantly more under 20's deal in clothing

which could be because they know of the latest fashion trends of this century; 20 to 29 year olds are hairdressers; 30 to 39 year olds sell fruit and vegetables and those over 40 sell groceries. See Figure 5.2.

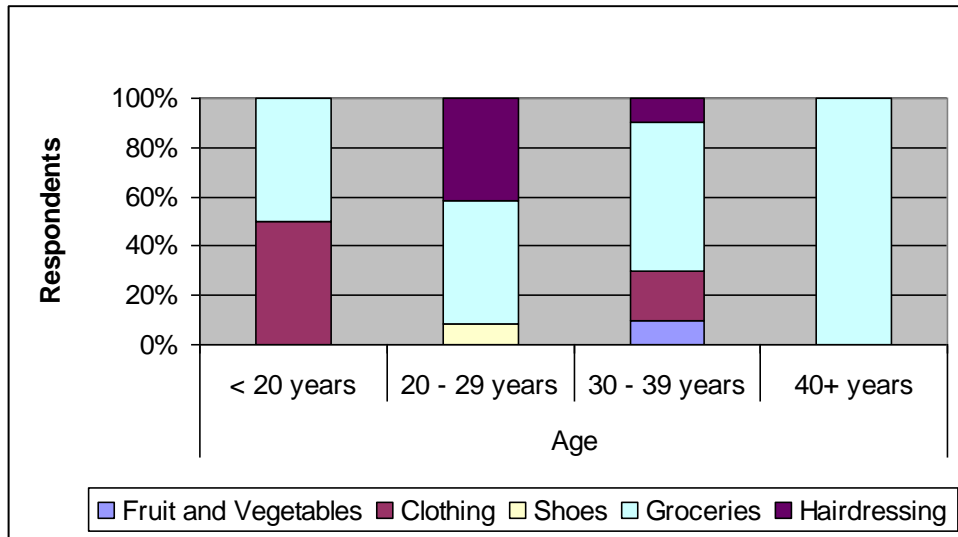


Figure 5.2 Type of business started by age

It also transpires in the research that the age of the respondent is not used as a basis for granting credit. This is based purely on their credibility. Migiro (2005:178) disagrees with this and maintains that most SMME owners in the 30-39 age brackets have access to finance. He found that there was a relationship between the age of the respondents and their use of finance.

Remarkably, the dominant age group in this study is between 20 and 29 years. The under 20's are minimally represented probably because they are still emerging as business owners.

### *Literacy*

Average literacy rates for males and females in both the reading and writing categories indicate that their literacy is above average. A significantly number of respondents rated themselves an excellent 5 for both reading and writing. Although the average reading and writing scores for females are higher than those for males, analysis shows that reading and writing scores for male and female are not significantly different. Literacy plays a very important role in any business; therefore owners who are literate are more likely to succeed in business than those who are not (DIT 1998).



## Education

The research showed that most of the respondents have at least a secondary (senior and junior) education. The majority of those that had tertiary education are female. Examining the education levels of males and females separately, it was found that a significant number of males had a secondary education while a significant number of females had a tertiary education. (See figure 5.3). This contradicts with the fact that females in rural areas are in general not given the opportunity to study. Nevertheless, better-educated people are more likely to start a successful business than those without any education.

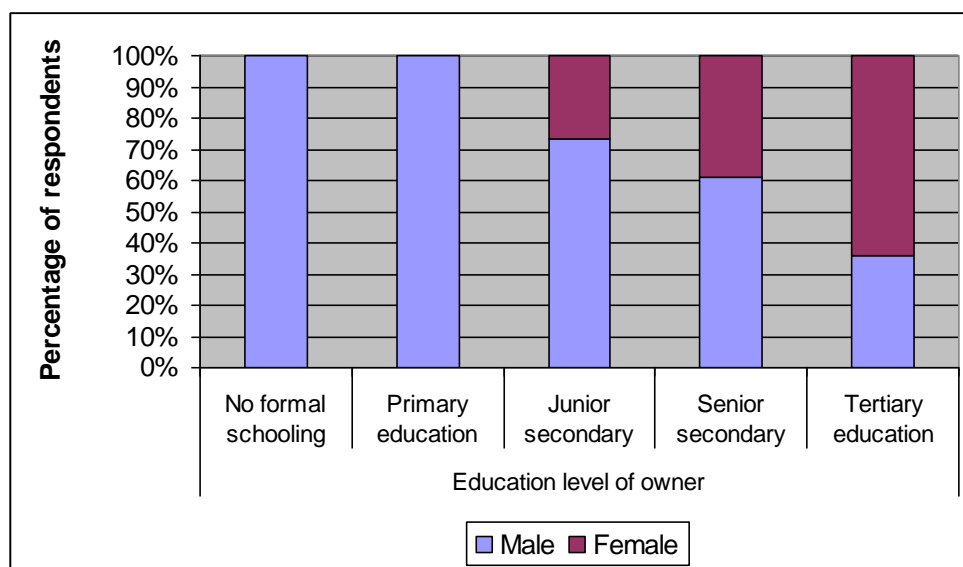


Figure 5.3 Education level of the owner

It is understood that better qualified SMME's are able to access credit from institutions more easily (DTI 1998). However, this research does not demonstrate any relationship between education level and credit accessibility. Nevertheless, Storey (1994:129-136), as quoted by Migiro (2005:179), argues that experience and education obtained, provide better human capital in Kenya. He maintains that this generates a greater likelihood of the start-up, growth and expansion of a business and consequently access to debt capital. This is supported by Kepler & Shane (2007:8) who further say that some businesses in the United States cannot be founded easily by people without an appropriate educational background; this is particularly the case for businesses that rely heavily on technology.

Unlike what is generally assumed, it is shown in the research that a significant number of respondents have at least secondary education. However, from the research, a higher education level does not guarantee an SMME's access to credit facilities. It appears that they were still refused access.

### *Training*

This study revealed that the majority of respondents did not have any training on how to start or run a business. It appears that the marketing of companies who offer training does not reach their target market in rural areas. The SMME's are then forced to be innovative and rely mostly on their personal intuition in order to succeed. See Figure 5.4.

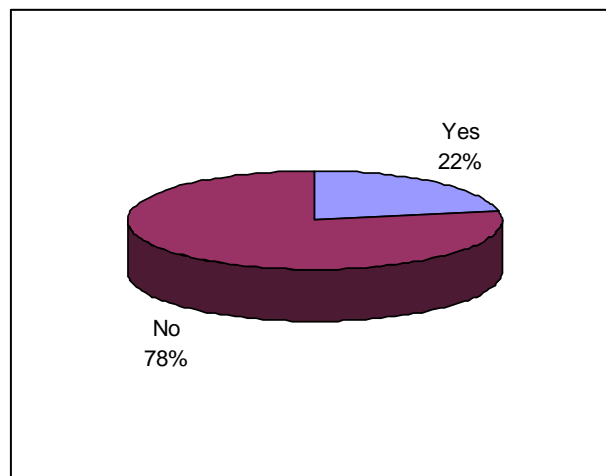


Figure 5.4 Training received by SMME's

This is quite similar to what Migiro (2005:180) found in his study in Kenya. He found that most SMME's in Kenya did not have formal training in business management. Undoubtedly, lack of training results in business failure since SMME owners are not able to react appropriately when problems arise. According to the Department of Trade and Industry (DTI) (1998), SMME's, who do not have any training, have a very small opportunity indeed for growing and becoming a big business.

For optimum results, it is important that SMME owners receive training in entrepreneurship and the running of business. To facilitate this, companies that offer training should make use of the different media, used by rural people, to inform business owners of the workshops to be held in their areas.

### *Number of employees*

The research showed that most business owners in the research area have less than six people who assist in the day to day running of the business and significantly more SMME's employ just two people. They probably do not employ more people because they do not make enough money to pay them. It was found that the number of people employed by the respondents accurately follows the definition of small and micro enterprises provided by the National Small Business Act (Act 106 of 1996). According to the act, micro and small enterprises are mainly operated by the owners, with some family members assisting at times, and they tend to employ a maximum of five paid employees.

In the study, the educational level of the respondents was found not to have any impact on the number of people employed by the SMME's. However, Von Broembsen et al., (2006) argue that there is a strong relationship between the level of educational attainment and the number of people that the owner employs. For instance, in their study owner-managers with tertiary education employed on average 5.4 people.

### *Nature of business*

It was found in the research that the business that is dominant in the research area is that of selling groceries. This is probably because this type of business is more in demand amongst the poorer rural areas than other businesses. Groceries are a necessity without which people cannot live. This is not necessarily the case with hair salons and shoe repairing, for example. From the research, it would appear that as for different age groups, different genders may also prefer to start different types of businesses. For instance, unlike what is generally assumed, more of the male respondents sell groceries than the female respondents. See Table 5.1.

Table 5.1 Type of business by gender

		Gender	
Type of business		Male	Female
	Fruit & vegetables	100%	0%
	Clothing	0%	100%
	Shoes	100%	0%
	Groceries	60.9%	39.1%
	Hairdressing	33.3%	66.7%
	Total	52.9%	47.1%

A significant relationship exists between the age of the respondents and the type of business started - fruit and vegetables are sold by 30-39 year olds; clothing by the under 20 year olds; hair dressing is done and shoes are repaired by the 20 to 29 year olds and groceries are sold by the over 40 year olds.

Although no relationship was found to exist between gender and the type of business, it was found in the study that more women than men had hairdressing and clothing businesses - both of which can be thought of as personal businesses. On the other hand, there were more males repairing shoes which make use of technology.

This is similar to a research done by Kepler & Shane (2007:7) which indicated that, in the United States, female-led businesses are more likely to be found in personal services and the retail trade, such as selling groceries, and less likely to be in manufacturing and high technology. In addition to this, they maintained that women start businesses that are less growth oriented and less driven by opportunity and more oriented toward wage substitution.

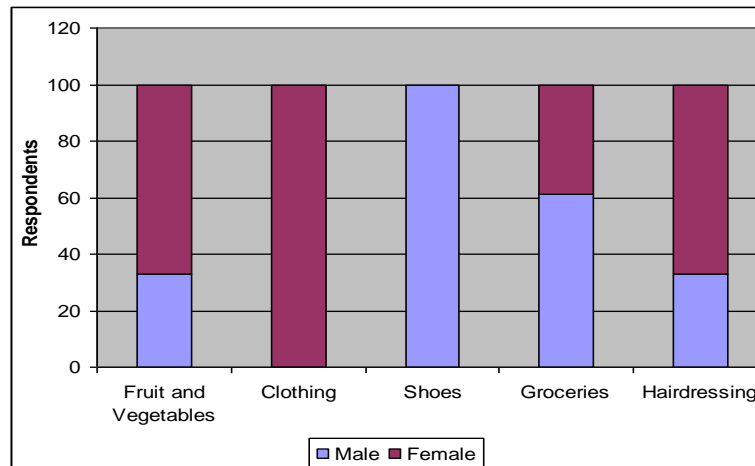


Figure 5.5 Type of business by gender

### *Start-up capital*

Most respondents used their personal savings to start their businesses; only a few used borrowed funds. It is very possible that the institutions were not willing to finance their businesses, which is why they had to save and use their own money. This is comparable to what Migiro (2005:197) found in his study, that financial institutions in Kenya seem not to trust the SMME's ability to repay the money borrowed, especially if they borrowed in the early stages of starting up the business.

From the research, the institutions were not found to be gender biased as both male and female respondents' experienced similar problems in obtaining start-up finance. Nieman et al (2003:33) support this and indicate that raising money is a minefield for start-ups, who often launch their businesses using their own money or occasionally their family's money.

### *Knowledge of the supplier of goods & services*

It has been found that quite a few respondents became aware of the supplier of goods and services through the workshops that they had attended and some knew of them by word of mouth from their families and friends. This would indicate that it is important for institutions and organizations, that offer credit, to hold workshops, with the aim of introducing themselves to business owners. This is especially true for those SMME's that are in rural areas, as they are mostly disadvantaged and are not aware of those institutions that are available to assist them.

### **5.3 Correlation between the customer-supplier relationships and credit facilities accessible to SMME's.**

The main purpose of the second sub-objective was to establish the nature of customer-supplier relationships of rural SMME's. It was hypothesized that a relationship exists between the customer-supplier relationship and credit facilities accessible to SMME's. This hypothesis was correct because the research showed that there is a significant relationship between the respondents' knowledge of supplier details and the ability to buy on credit. In addition to this, those owners who buy on credit are very satisfied with the delivery services received from their suppliers.

Furthermore, part (a) of the second sub-objective examined and analyzed the nature of customer-supplier relationships of rural SMME's, in order to identify the nature of credit facilities accessible to SMME's. It was found from this that the respondents that had access to credit received mainly trade credit and bank loans.

#### **5.3.1 Perceptions regarding customer-supplier relationships**

The questions on SMME's knowledge of supplier's contact details, specific dealings, satisfactory service received, delivery of goods, length of time with current supplier, special rates received were asked to identify the existence of a relationship between customers (SMME's) and suppliers, this was to satisfy the second sub-objective stated above.

##### *Knowledge of supplier's contact details*

The majority of the respondents in the study, just over half of which are male, know their supplier's contact details. It is then not surprising that all (30%) the SMME's of the study that buy on credit, have their supplier's contact details. It would be easy for them to contact the supplier in times of need. See Figure 5.6.

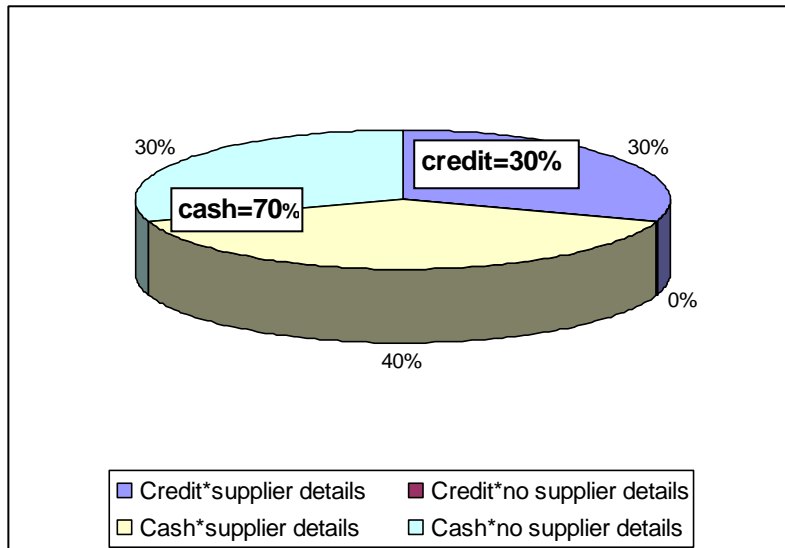


Figure 5.6 Buy on credit by has supplier's contact details

Analysis showed that for males, there was a significant correlation between having their supplier's details and being able to buy from the supplier on credit; the same was not true for the females. This could suggest two things. Firstly, that male business owners are more involved with their suppliers and secondly they prefer not to have a face-to-face communication with them, instead they contact the supplier using other means of communication.

#### *Dealing with a specific person at the suppliers*

Many respondents indicated that they deal with a specific person at their suppliers. They prefer to have only one person to deal with when they are experiencing problems related to the business. This helps strengthen the relationship as they will both easily remember their previous communication and be able to follow up from what had been discussed in that meeting.

Furthermore, it was found that significantly more (22%) respondents that deal with a specific person, have access to credit. See Figure 5.7.

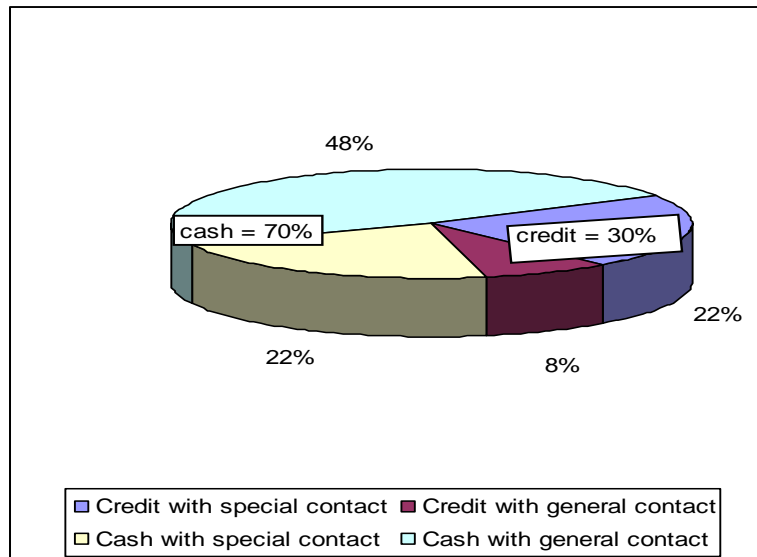


Figure 5.7 Customers that deal with a specific person

#### *Satisfactory service or help from supplier*

The research indicated that most respondents claim that they are satisfied, to some degree, with the services received from the suppliers. It can be assumed that receiving satisfactory services from suppliers also assists businesses to strengthen their relationships with them. This could mean that a satisfied customer is more likely to come back for repetitive purchases than someone who is not at all satisfied with the services received. Brink & Berndt (2004: 27) support this and further say that interacting with a customer, to learn how satisfied the customer is, or whether the customer has an unspoken complaint, is really another way of obtaining information about the customers' needs and this enhances relationships.

#### *Delivery of goods by suppliers*

More than half of the respondents, who buy goods from suppliers on credit, indicated that delivery of the goods ordered was timeous. The statistical analysis of the research findings proves that respondents who buy on credit are very satisfied with delivery time. See Figure 5.8.

This means that satisfied SMME's make repetitive purchases and become very well known by their suppliers, thus making credit facilitation much easier, mainly based on the suppliers' knowledge of the customers.



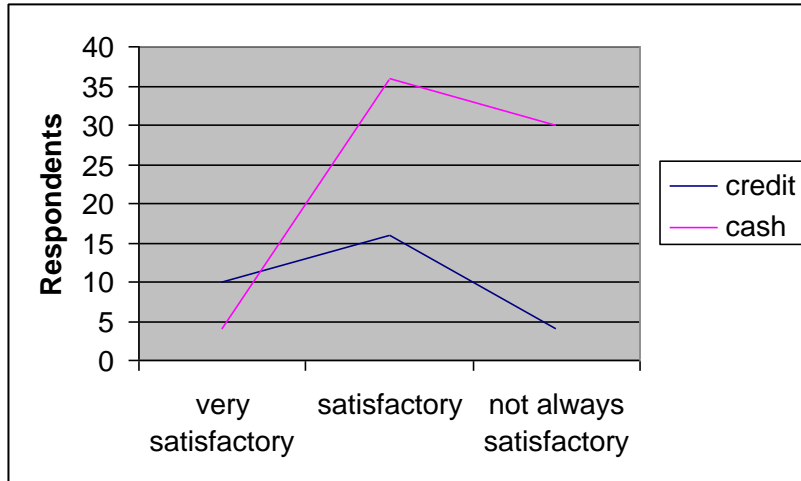


Figure 5.8 Buy on credit by time between placing and receiving order

*SMME's length of time with the current supplier*

It could be assumed that the more years that SMME's deal with a supplier, the more satisfied they are with one another. All the respondents have been with the supplier for less than ten years. A significant number of respondents have however, been with their current supplier for between one and three years; this does not justify the existence of a relationship, and could be one of the reasons why only a few respondents are able to access credit.

*Special rates offered to SMME's*

It can be assumed that suppliers often offer special rates to their customers to encourage them to increase volumes and buy more frequently. It was found in this study, however, that a large number (86%) of respondents did not receive special treatment. The analysis showed further that of those respondents who received discounts, more (12%) were females. This possibly means that they are good negotiators, or that suppliers prefer the feminine touch. See Figure 5.9.

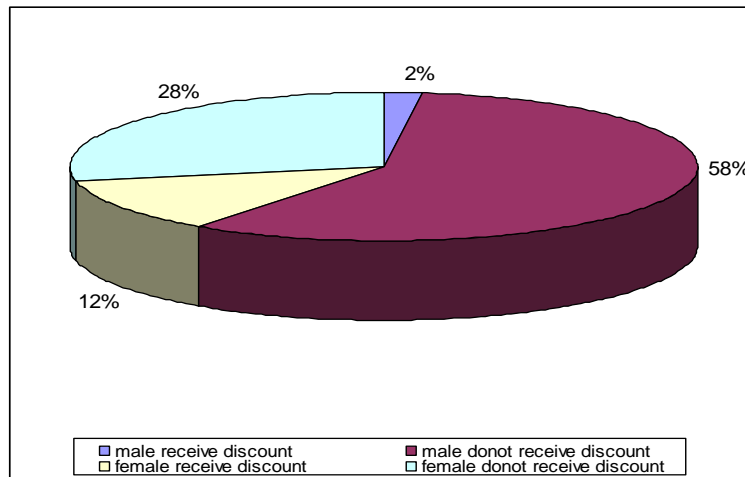


Figure 5.9 Gender by Discount from supplier

The study has shown significantly that people who deal with a specific person at the suppliers obtain special rates. This leads to the suppliers knowing the needs and wants of their customers better which enables them to design special programmes for their customers. See Figure 5.10.

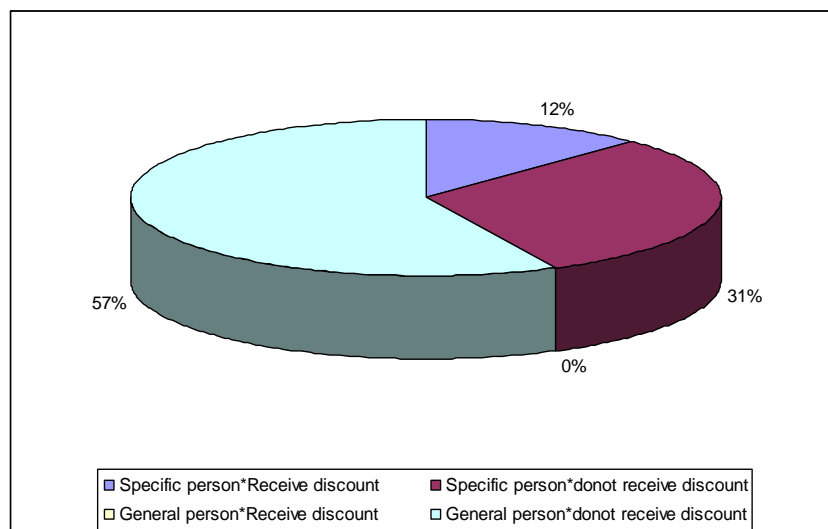


Figure 5.10 Deal with specific person by Receive discount

### 5.3.2 Nature and accessibility of credit facilities for SMME's

#### *Type of credit received*

All the respondents indicated that they received only trade credit and bank loans. None of them obtained overdrafts, leasing or factoring. This would indicate that the loan requirements are much easier for the respondents to meet than those of overdraft or factoring. Migiro (2005:198) suggested that other sources of finance,

such as leasing, could be more suited to meet the SMME's financing needs; however, SMME's need to be aware of their existence.

He further maintains that leasing could assist them in the financing of equipment purchases because it accommodates all applicants, whether they have been in business for many years or are in the early stage of developing a business. In addition, leasing only focuses on the borrowers' ability to generate cash flow from business operations to service the lease payment, not on the balance sheet or on past credit history. For this reason, it would appear that it is important for SMME's to be advised of the advantages of leasing facilities and to include such training sessions in their programmes.

#### *Credit applied for and granted or refused*

The research indicated that most SMME's did not apply for credit. It can only be presumed that one of the reasons for not applying is that they were not aware that there are institutions that can assist them in applying for finances. Unfortunately, institutions rejected a significant number of those SMME's that did apply for credit. The reasons given for credit rejections were numerous, one of which was that the applicants did not have collateral to secure the loan.

This confirms the findings from previous studies by Migiro (2005:192); he found that a large number (61.8%) of SMME's loan applications were rejected. He further referred to a study done in Indonesia by Van Dierman (1998), where it was found that a small number (20%) of SMME's surveyed had never applied for bank loans. Migiro (2005:192) argues that most SMME's did not apply for credit because they had assumed that they would not be granted a loan, as they did not have collateral, which they obviously must have assumed they should have.

Migiro (2005:194) maintains that there were four main reasons why SMME's in Kenya did not apply for any bank loan. These were high interest rates, collateral, the short repayment period and the lengthy loan screening process. All these are indicators of an SMME's need for training on how to apply for funding and of being informed of the application procedures, as they possibly do not know of such procedures.

#### **5.4 Significant correlation between credit facilities and the nature of SMME development**

The purpose of part (c) of the second sub-objective was to examine and analyze the nature of customer-supplier relationships of rural SMME's in order to identify the reasons for the lack of access to credit facilities offered by organisations and institutions. In addition to this, part (b) of the second objective was intended to identify the restrictions and constraints faced by SMME's, and part (d) of the second objective was intended to examine and analyze the nature of customer-supplier relationships of the rural SMME's in order to identify the impact of credit facilities on the nature and extent of rural SMME's.

It was hypothesized that a significant correlation exists between credit facilities and the nature of SMME development. This hypothesis was proved correct. For instance the most frequent reasons for lack of access to credit facilities, identified by SMME owners in the research area, were insufficient collateral, no business plan and lack of references from credit institutions. In addition to this, all the respondents who had access to credit facilities experienced positive changes in their businesses; these included increases in the number of employees and in turnover.

##### **5.4.1 Reasons for lack of access to credit facilities**

The respondents had to provide the reasons provided by institutions when they rejected their credit application and the types of assets they held as a security for the loan.

###### *Reasons for rejection of credit application*

In the study, it was found that institutions rejected a large number of respondents' applications for credit. Some of the reasons were insufficient collateral, no business plan and lack of references from credit institutions.

###### *Securities for loan applications*

In general, when applying for a loan or any form of finance, the applicants are required to offer collateral to secure the loan. This is used by institutions to

reduce their risk and recover the amount advanced to borrowers when they are not able to repay the loan. The research showed that some of the respondents claimed that they were required to offer their movable and immovable assets to secure a loan. However, it turned out that the collateral offered by male and female respondents differed; for instance, females, significantly, offered furniture to secure the loan. Furthermore, analysis showed that those respondents that offered immovable assets (fixed property) as a collateral for the loan were granted credit. This would mean that institutions prefer to have fixed property to secure the loans.

#### *Credit needed*

The study showed that the respondents required different amounts because they had different reasons for applying for financing. In general, capital-intensive operations rely on equipment for their operations, while others are more labour intensive. Capital-intensive businesses will need more money to buy the assets for their operations. This explains why some (8.8%) of the respondents needed between R5 000 and R19 000, while others (11%) needed R40 000 to R80 000.

#### *Terms of payment*

Even though it was not shown to be significant, the respondents indicated that they had to pay varying interest rates and the payment period of the loans were different. Migiro (2005:204-205) maintains that if the applicants in Kenya did not have a positive track record or collateral, the interest rate would be higher. He thus established that collateral has a close relationship with interest rates. Along this line of reasoning, empirical studies demonstrate that the larger the collateral a borrower provides, the lower the interest rate will tend to be (FAO, 1996:5), quoted by Migiro (2005:205).

### **5.4.2 Nature and extend of SMME development**

The respondents were required to indicate their reasons for applying for credit, the changes experienced after obtaining credit, and the turnover before and after applying for credit.

### *Reasons for credit application*

In the study, SMMEs' reasons for credit application vary. Some of the reasons given by the respondents were that they wanted to buy equipment, improve their business, buy stock and start the business (See Figure 5.11). Migiro (2005:202) indicated in his study that SMME's in Kenya apply for loans for very much the same reasons; these include plant innovation, expansion capacity, replacement and acquisition of machinery and for working capital. This shows that most SMME's have more or less similar operating and financial requirements.

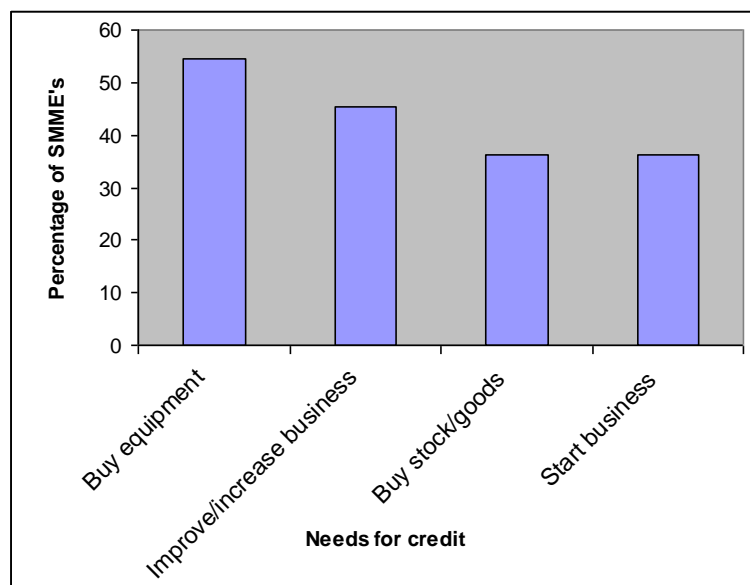


Figure 5.11 Respondents' reasons for application

### *Changes experienced after accessing credit*

Most respondents' objectives for wanting additional financing were satisfied on the receipt of the funds. This indicates the importance of accessing credit to the development of SMME's. For instance, if they had no business premises before accessing credit, they built or bought the premises. The research showed that some respondents (60%) bought equipment or experienced an increase in the number of employees (62%), while others obtained access to telephone lines (8%). See Figure 5.12.

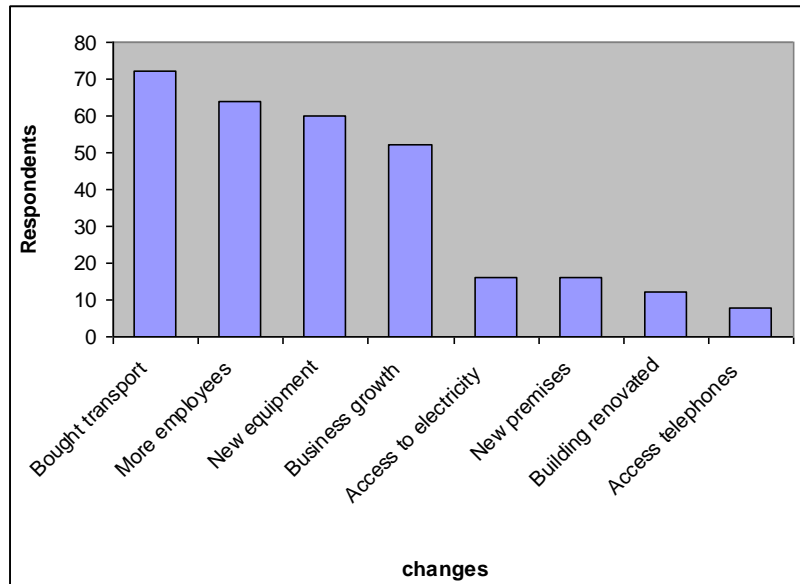


Figure 5.12 Effects of obtaining credit

#### *Turnover before and after accessing credit*

The research has shown that the respondents' turnover increased after accessing credit. A significant increase was also found in the number of employees after accessing credit.

This underlines the importance of credit accessibility to a business. The concept is that if SMME's have been generating for instance R5 000 per month before accessing credit, that amount should double or at least increase because of credit obtained.

### **5.5 Modified Framework**

The purpose of the third sub-objective was to incorporate the findings of the research into a customer-supplier framework of relevant metrics for rural SMME's to follow when accessing credit.

In order to achieve the above sub-objective, it was essential that the previous framework be modified using the findings from the research. As a result the following have been encapsulated: Profiles of research participants; nature of the customer-supplier relationship; access to credit for SMME's; reasons for not applying for credit; type of credit available for SMME's; collateral offered; reasons for rejection and changes experienced by SMME's after obtaining credit. This framework is shown in Illustration 5.1.

### **5.5.1 Profiles of research participants**

According to the research findings, male respondents are dominant in the research area. The majority of the respondents knew of their suppliers of credit through the workshops they had attended and by word of mouth. The study also showed that the nature of business that respondents start is determined by their age and gender. For instance, many male respondents are selling groceries and those that are less than 20 years of age are in the clothing business. Furthermore, most business owners have at least secondary education with the majority of those having a tertiary education, being females. However, many respondents indicated that they do not have any training on how to run a business, without which the opportunity for growing becomes limited.

### **5.5.2 Nature of customer-supplier relationships**

It has been found from the research that knowledge of the supplier's details facilitates access to credit for SMME's; most of these were male respondents. In addition to this, dealing with a specific person at the supplier makes it possible for SMME's to access credit and ensures special treatment from suppliers. The study indicated that dealing with a specific person at the supplier and customer satisfaction facilitates access to credit, special treatment and repetitive purchases by SMME's, and delivery of goods by suppliers.

### **5.5.3 Access to credit facilities for SMME's**

The research further reveals that many respondents did not apply for access to credit because they found it difficult to arrange. As a result they used their personal savings to start their business. The age and education level of the respondents was not used as a determinant for granting credit; this was mainly because the granting and refusal of credit was based on the credibility of the respondents.

### **5.5.4 Type of credit available for SMME's**

From the research, it was discovered that types of credit that were accessible for SMME's were trade and bank credit. However, leasing finance, which is one of the most suitable forms of financing for SMME's, was not used.



### **5.5.5 Reasons for not applying for credit**

The research respondents had numerous reasons for not applying for the loan. Some of these are high interest rates payable for the credit accessed, lack of collateral, the short repayment period that was required by the institutions and the lengthy process of screening the applications.

### **5.5.6 Collateral offered by SMME's**

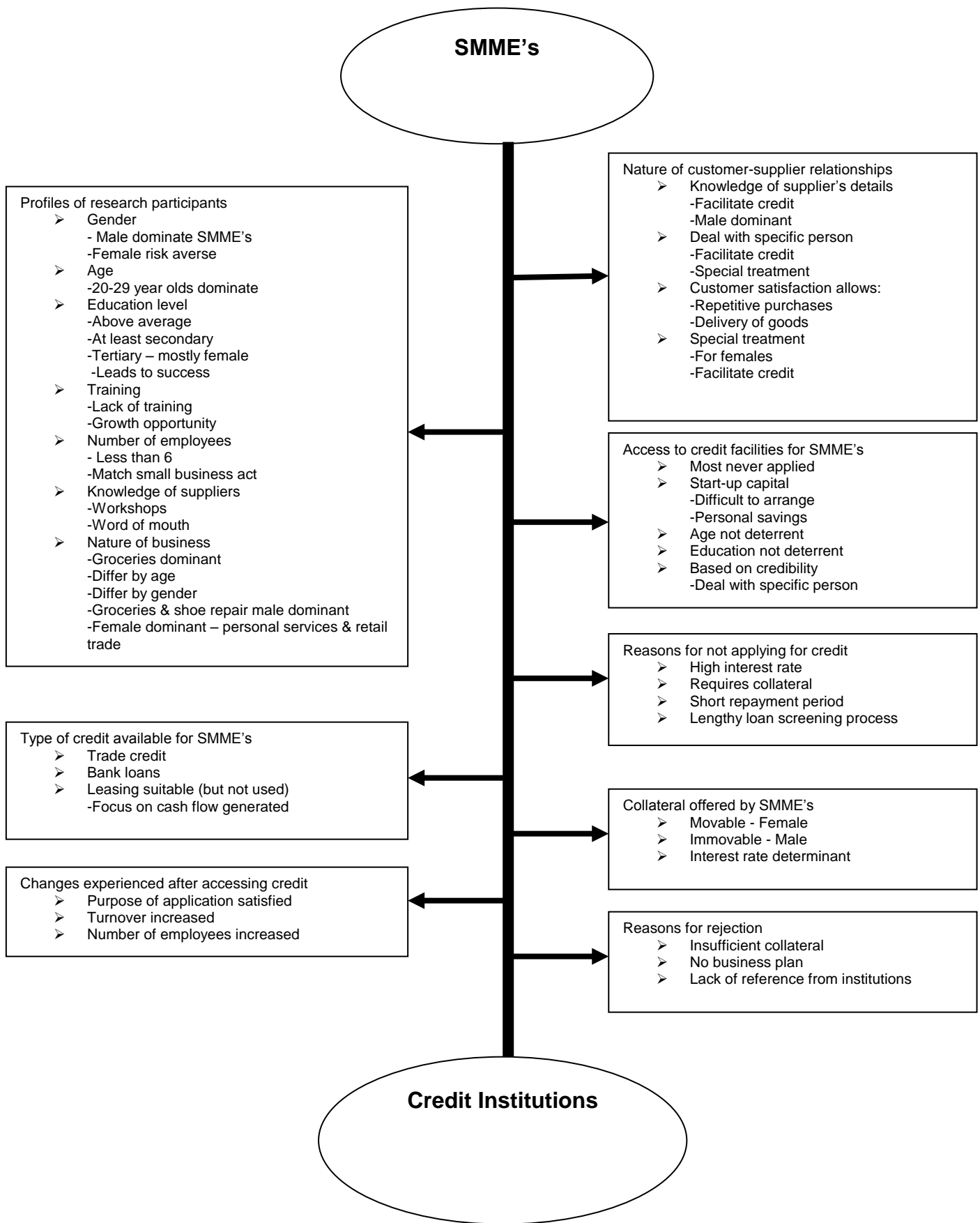
For the SMME owners that applied for credit, the study indicated that they had movable and immovable assets to offer as a security for the loan application. The majority of female respondents had immovable assets to secure the loan and most were not offered credit.

### **5.5.7 Reasons for rejection**

The respondents indicated that their application for credit was rejected mainly because they had insufficient collateral to offer for the loan, no business plan and a lack of references from credit institutions.

### **5.5.8 Changes experienced after accessing credit**

The purpose of the SMME's loan application was satisfied after accessing credit. This was shown when the respondents experienced an increase in turnover and number of employees after obtaining credit.



*Compiled by Author*

Illustration 5.1 Modified framework of the research project

## **5.6 Summary**

It is clear from the analysis of the results that male SMME owners were dominant in the research area as is the case in other areas like Kenya and the United states. They are mostly represented in the age categories 20 to 29 years and over 40 years. Added to this, unlike what is generally assumed, many respondents were found to be literate with at least secondary education. However, the institutions were not found to base their decision to offer credit on the education level of the applicant.

In this study, respondents indicated that their applications for credit were rejected for numerous reasons, some of which were insufficient collateral, no business plan and a lack of previous references with credit institutions. It is therefore apparent that SMME's need training in different aspects of running a business. The research also showed that SMME's, in general, have more or less similar operating and financial requirements. Lastly, a customer-supplier relationship framework was drawn up to satisfy the objective of this study.

The following chapter offers conclusions which are drawn from the current research and provides recommendations for future research.

## **CHAPTER SIX**

### **CONCLUSION AND RECOMMENDATIONS**

#### **6.1 Introduction**

The discussion of the research results in the previous chapter formed the basis of this chapter. It was found that the creation of customer-supplier relationships in a business is crucial for their development. In this chapter, the objectives of the research, the main conclusions drawn from the study, the recommendations and future research will be described.

The conclusions that were made from the research were that the profiles of SMME's do not determine their accessibility to credit facilities. However, the research showed that a relationship between the respondents and the suppliers of credit made it easier for them to access credit. As a result, the respondents that had access to credit experienced positive changes in their business.

The recommendations included are to encourage SMME's to apply for credit, have training and workshops to enhance their chances of obtaining credit and make them aware of government institutions available to assist them in applying for credit and preparing business plans. Following this, it is recommended that the research is expanded to embrace other excluded aspects like financial institutions perceptions, the entire SMME category and KZN region.

#### **6.2 Objectives of the research**

The objectives of this research are specified in section 1.4 of the first chapter. The main objective was to identify the influence of customer-supplier relationships through facilitation of credit on the development of Micro enterprises in the Sobonakhona Makhanya Tribal Area (SM T/A), of Kwa-Zulu Natal.

#### **6.3 Main conclusions based on research output**

The research showed that none of the SMME's profiles played a role in determining the respondents' accessibility to credit facilities. It is therefore apparent that the profiles are not used as determinants for granting or rejecting credit applications. Nevertheless, the nature of the relationship between the institutions and SMME's influenced their accessibility to credit facilities. For

instance those SMME's that had supplier's contact details were able to buy on credit. This showed that if SMME owners have a relationship with their suppliers, they were given first preference when they applied for credit facilities.

It was also found that the respondents that dealt with a specific person were more likely to get special rates from their suppliers and very few of them had business training. This indicated that in order for SMME's to grow into successful businesses, they need to be trained in entrepreneurship and the running of a business. The training should include business communication and some guidelines on credit applications. This could be facilitated by companies making use of suitable media, like radio, to inform SMME's in rural areas about workshops available for their benefit. This could also be used as a platform for institutions and organisations to introduce themselves to business owners, thereby making it easier for the business owners to obtain credit from institutions and enabling them to grow and expand.

Furthermore, very few respondents in the research area had access to credit facilities from banks; for all those who were granted credit, it was in the form of bank loans. Most respondents were rejected access to credit while some business owners did not apply for the facilities because it appears that they had already assumed that their applications would be rejected. Those respondents that applied needed varying amounts, for different reasons. It was found, however, that those who applied to wholesalers for credit were granted the credit.

Following this, the rejections of the respondents' applications in the research were based mainly on their inability to provide sufficient collateral and business plans. Most importantly, those respondents that did obtain credit, experienced positive changes as a result of the facilities; they were able to employ more people to work in the business and their turnover increased.

#### **6.4 Recommendations**

After answering the critical questions of the study the following recommendations are proposed:

Since the study indicated that most respondents assumed that they would be denied access to credit by institutions, it is recommended that they are encouraged to apply for facilities as it has been found to be important for their development.

To make this possible, training should be facilitated to assist SMME's in preparing business plans to be used when applying for funding, and in how to react appropriately when problems arise.

Furthermore, a relationship between SMME owners and institutions should be strengthened in order to make it easier for them to obtain credit.

To achieve this, workshops should be organized by lending institutions with the intention to educate SMME owners about their requirements for loan applications.

Following this, SMME owners, especially in rural areas should be made aware of government initiatives such as Small Enterprise Development Agency (SEDA), Khula Enterprise Finance Limited, Ntsika Promotion Agency and Industrial Development Corporation (IDC), all of whom can assist them when applying for finance and preparing business plans.

#### **6.5 Future research**

It is suggested that the study should be expanded to include more areas in this region (KZN) in order to investigate in more depth whether the relationship between a customer and supplier could facilitate access to credit.

The study should also be expanded to include the financial institutions that offer funds or credit to SMME's. It could be useful to find out from their point of view whether they offer credit to SMME's and also what they require from the applicants.

Furthermore, this study only focused on micro enterprises, which include survivalists. Future research could also include all categories of SMME's, namely small and medium enterprises, to find out if they are experiencing similar financial problems to those of micro enterprises.

## **6.6 Summary**

The objective of this research has been satisfied. It was possible to identify the factors that lead to SMME's accessibility to credit facilities, which were made out to be knowledge of supplier's contact details. The development of SMME's in this research resulting from this accessibility of credit was mostly an increase in the number of people employed and an increase in turnover.

Furthermore, in the process of analyzing the relationship between access to credit and the development of SMME's, it was found that the customer-supplier relationship is very important as it can lead to access to credit for the SMME's.

Recommendations and further research on financial institutions and other categories of SMME's are recommended.

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## Appendix A: Survey Questionnaire – in Isizulu

APPENDIX A: PAGE 1



**D U R B A N**  
**INSTITUTE of**  
**TECHNOLOGY**

Lolu lwazi olulandelayo luyadingeka ukwenza ucwaningo mayelana nobodlelwane obukhona phakathi komthengi kanye nomthumeli-zimpahla, ngokusatshaliswa kwezimali ekuthuthukiseni i-SMME emaphandleni a-KwaZulu Natali.

*Kucelwa ufake uphawu (X) eduze kwaloko okukhethile futhi lapho ucelwe ukuthi ucacise khona, sicela ugcwalise ngolwazi oludingekile. Ezinye izimpendulo zingaba ngaphezu kweyodwa, lokho kuhlinzekelwe.*

1. Indawo lapho ibhizinisi likhona. (Bhala igama lendawo kanye neleNduna)

.....

2. Igama lebhizinisi

.....

3. Ubulili bomnikazi webhizinisi.

Owesilisa     Owesifazane

4. Isilinganiselo seminyaka yomnikazi webhizinisi

Ngaphansi kweminyaka ewu-20	Iminyaka ewu 20-29	Iminyaka ewu 30-39	Iminyaka ewu 40 nangaphezulu
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5. Unolwazi olungakanani lokufunda nokubhala njengomnikazi webhizinisi?Khombisa izinga okulo.

		Kubi kakhulu	Kubi	Kuphakathi nendawo	Kuhle	Kuhle kakhulu
5.1	Funda					
5.2	Bhala					

6. Izinga lemfundo lomnikazi webhizinisi

Akafundanga nhlobo	Amabanga aphansi	Esekhondali	Esikoleni esiphakeme	Amabanga aphakeme emfundo
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7. Njengomnikazi webhizinisi, waqeqeshwa?

Yebo     Cha

8. Inani labasebenzi sekulangene nomnikazi webhizinisi

9. Udayisani noma iluphi usizo oludayisela umphakathi?



Izithelo kanye nezilimo	Izingubo	Izicathulo	Impahla edliwayo	Ezokuthutha	Ulungisa izinwele	Okunye (chaza)
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## 10. Uyithole kanjani imali yokuqala ibhizinisi?

Imali ozibekele yona	Imali oyiboleke esikhungweni sezimali	Imali oyiboleke emndenini noma kumngani	Okunye, sicela uchaze
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## 11.1. Uyakwazi yini ukuthenga ngesikweletu kumthumeli-mpahla?

Yebo	Cha
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## 11.2. Uma kungu Yebo, nikeza uhlu lwabathumeli-mpahla.....

## 11.3 Khombisa ngukufaka uphawu ebhokisini elifanele uhlobo lwesikweletu owakwazi ukuluthola ezikhungweni zezimali

		Imali ebolekisayo	Imvume yokusebenzisa imali engaphezulu konayo ebhange	Isikweletu sisonke	Okunye
11.3.1	FNB				
11.3.2	ABSA				
11.3.3	Ned bank				
11.3.4	Standard bank				
11.3.5	Okunye (sicela unike imininingwane)				

Uma kungu YEBO kunoma yikuphi ukungaphezulu (isib. 1.1, 1.2 & 11.3), phendula imibuzo 11.4, 11.5 & 11.6

## 3.5 Wenza malini ngenyanga ngaphambi kokuba uqale usebenzise izimali zokubolekwa?

Ngaphansi kuka R 500	R 500 – 1 000	R 1 001 – 6 000	R6 001 – 11 000	Ngaphezulu kuka R 11 000
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## 3.6 Wenza malini ngenyanga emuva kokuba uqale usebenzise izimali zokubolekwa?

Ngaphansi kuka R500	R500 – 1 000	R1001 – 6 000	R6 001 – 11 000	Ngaphezulu R11 000
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## 11.6 Inani labasebenzi.

Ngaphambi kokusebenzisa izimali zokubolekwa	
Ngemva kokusebenzisa izimali zokubolekwa	

12. Khombisa ngokufaka uphawu emabhokisini, izikhungo lapho wafaka khona izicelo zokuboleka imali kanye nalezo ezasamukela isicelo sakho noma lezo ezasichitha.

ISIKHUNGO		Owafaka isicelo kuso	Samukelwa	Sachithwa
12.1	Amabhange	ABSA		
		Ned bank		
		Standard bank		
		FNB		
		Okunye (chaza)		
12.2	FINCA			
12.3	Khula enterprise finance			
12.4	Kwa Zulu Finance Development Corporation (KFC)			
12.5	Small Business Development Corporation			
12.6	Micro lenders			
12.7	Wholesalers	Macro		
		Trade center		
		Jumbo		
		Okunye (chaza)		
12.8	Stokvels			
12.9	Okunye (chaza)			

13. Wawuyidingelani imali yokubolekwa?

ISIZATHU		UPHAWU
13.1	Ukuthenga izimpahla zokusebenza	
13.2	Ukuthenga impahla noma izinto zokudayisa	
13.3	Ukuqala ibhizinisi	
13.4	Ukuthuthukisa noma ukwandisa ibhizinisi	
13.5	Okunye sicela uchaze	

14. Ngesikhathi sokufaka isicelo sokuboleka imali, wawunako okukodwa kwalokhu okulandelayo kungokwakho ngqo?

Okwakungokwakho ngqo		UPHAWU
14.1	Impahla engagudluzeki njengendlu noma umhlaba	
14.2	Ezigudluzekayo : izimpahla zokusebenza	
	Ifenisha	
	Ukufakwa kwemali ukuze uthole inzalo (imali eboshiwe)	
	Okunye (chaza)	
14.3	Amapholisi empilo	
14.4	Okunye (chaza)	

15. Uma isicelo sakho sachithwa, khombisa izizathu zokunqatshelwa kwaso ngokubhala igama lesikhungo esanqaba isicelo sakho e(ma)bhokisini.

ISIZATHU		IGAMA LESIKHUNGO
15.1	Ukunganeli kwezinto zakho ngqo	
15.2	Ayikho iplani yebhizinisi	
15.3	Umlando omubi wokuphathwa kwezimali	
15.4	Ukungabikho kofakazi	
15.5	Ukunganeli kwemali engenayo	
15.6	Ubungabibikho kwamabhuku anemininingwane yokusetshenziswa kwezimali	
15.7	Awekho ama akhawunti namabhange	
15.8	Asikho isizathu esinikiwe	
15.9	Okunye sicela uchaze	

16. Malini eyayidingeka?

Engaphansi kuka R5000	R5 000 – 19 999	R20 000 – 39 999	R40 000 – 80 000	Engaphezulu kuka R80 000
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17. Lalilingakanani izinga lenzalo noma inani le-levi okwakufanele uyikhokhe ngenyanga?

Kuya ku 5%	6 – 10%	11 – 15%	Ngaphezulu kuka 15%	Inani le levi:
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18. Wawunesikhathi esingakanani sokukhokha sonke isikweletu?

Ngaphansi konyaka	Iminyaka 1 – 2	Iminyaka 3 – 5	iminyaka 6 – 10	Ngaphezu kweminyaka engu-10
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19. Uma uthenga impahla noma isitokwe ngesikweletu, uthatha isikhathi esingakanani ukukhokha isikweletu?

Izinsuku ezingu-30	Izinsuku ezingu-60	Ngaphezulu kwezinsuku ezingu- 90	Okunye (sicela uchaze)
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20. Uma ukwazile ukuthola imali yokubolekwa kumthumeli-mpahla wakho noma isikhungo, khombisa umthelela noma ushintsho lokhu okuba nalo ebhizinisini lakho ngokufaka uphawu ebhokisini elifanele.

		UPHAWU
20.1	Ukwanda kwesibalo sabasebenzi	
20.2	Ukuthengwa noma ukwakhiwa kwezakhiwo ezintsha	
20.3	Ukulungiswa kwezakhiwo	
20.4	Ukuthengwa kwempahla entsha yokusebenza	
20.5	Ukuba khona kwezingcingo	
20.6	Ukuba khona kukagesi	
20.7	Ukukhula kwebhizinisi (indawo, amakhasimende nokudayisa)	
20.8	Ukuthengwa kwemoto yakho yokuthutha	
20.9	Okunye sicela uchaze	

21. Walutholaphi ulwazi ngomthumeli-mpahla wakho?

Ku-		UPHAWU
21.1	Mngani	
21.2	Mndeni	
21.3	Emsakazweni (TV, kumagazini, nokunye)	
21.4	Emhlanganweni	
21.5	Okunye sicela uchaze	

22. Unayo imininingwane yokuxhumana nomthumeli-mpahla wakho?

Yebo	Cha
------	-----

23. Ubani umthumeli-mpahla wakho ophambili?

.....

24. Ukhona yini umuntu oqondana naye ngqo kumthumeli-mpahla wakho?

Yebo	Cha
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25. Uma unombuzo noma inkinga ethize, uyaluthola yini usizo olugculisayo kumthumeli-mpahla wakho?

Sonke isikhathi	Njalo	Ngesinye isikhathi	Nhlobo
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26. Sinjani isikhathi esiphakathi koku-oda izimpahla nokulethwa kwazo?

Siyagculisa kakhulu	Siyagculisa	Asivamisile ukugculisa
---------------------	-------------	------------------------

27. Usithenga kangaki isitokwe?

Ngaphezulu kwesikhathi esisodwa ngesonto	Kanye ngesonto	Emuva kwamasonto amabili	Ngaphansi kwakanye ngenyanga	Kanye ngenyanga	Okunye sicela uchaze
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28. Ususebenze isikhatthi esingakanani nomthumeli-mpahla wakho oqavile?

Ngaphansi konyaka owodwa	Iminyaka 1 – 3	Iminyaka 4 – 6	Iminyaka 7 – 9	Iminyaka 10 – 12	Ngaphezulu kweminyaka engu-12
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29.1. Uyazithola yini izipesheli/ukwehliselwa amanani noma amanani angcono kumthumeli-mpahla wakho?

Yebo	Cha
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29.2. Uma kungu YEBO, sicela uchaze

.....

.....



# D U R B A N

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## INSTITUTE *of* TECHNOLOGY

The purpose of this study is to identify the impact of customer – supplier relationships, in terms of facilitation of credit, on the development of SMME’s in KZN rural areas.

Put an X against the correct option

1. Area in which the business is located. (Give the name of Induna)

.....

2. Name of the business

.....

3. Gender of the owner of the business.

Male	Female
------	--------

4. Age group of the owner

Below 20 years	20 – 29 years	30 – 39 years	40 years or more
----------------	---------------	---------------	------------------

5. Can you as the owner.....

		Very bad	Bad	Moderate	Good	Very good
5.1	Read?					
5.2	Write?					

6. Educational level of the owner of the business.

No formal schooling	Primary education	Junior secondary	Senior secondary	Tertiary education
---------------------	-------------------	------------------	------------------	--------------------

7. Do you as the owner have any business training?

Yes	No
-----	----

8. Number of employees including the owner.

--

9. What products or services do you provide?

Fruit & veg	Clothing	Shoes	Groceries	Transport	Hair dress	Other (detail)
-------------	----------	-------	-----------	-----------	------------	----------------

10. How did you raise money to start the business?

Own savings	Loan from institutions	Loan from family & friends	Other (please detail)
-------------	------------------------	----------------------------	-----------------------

11.1 Were you able to get credit from institutions?

Yes	No
-----	----

11.2 If YES, which institution?.....

11.3. Indicating by ticking the boxes, the type of credit applied for from credit institutions.

		Loans	Overdraft	factoring	Other
11.3.1	FNB				
11.3.2	ABSA				
11.3.3	Ned bank				
11.3.4	Standard bank				
11.3.5	Other (please detail)				

**If YES to either of the above (i.e., 11.1, 11.2, &11.3), answer question 11.4, 11.5 & 11.6.**

11.4 What was the turnover per month before accessing credit facilities?

Less than R 500	R500 – 1 000	R1 001 – 6 000	R6 001 – 11 000	More than R11 000
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11.5. What was the turnover per month after accessing credit facilities?

Less than R 500	R500 – 1 000	R1 001 – 6 000	R6 001 – 11 000	More than R11 000
-----------------	--------------	----------------	-----------------	-------------------

11.6 Number of employees.

Before accessing credit	
After accessing credit	

12. Indicate by ticking the boxes, the institutions you have applied to for credit and those that have granted or refused you credit.

INSTITUTION		Applied to	Granted	Refused
12.1	Banks	ABSA		
		Ned bank		
		Standard bank		
		FNB		
		Other (please detail)		
12.2	FINCA			
12.3	Khula enterprise finance			
12.4	Kwa Zulu Finance Development Corporation (KFC)			
12.5	Small Business Development Corporation			
12.6	Micro lenders			

12.7	Wholesalers	Macro			
		Trade center			
		Jumbo			
		Other (please detail)			
12.8	Stokvels				
12.9	Other (please detail)				

13. What was the credit needed for?

REASON		TICK
13.1	Buy equipment	
13.2	Buy stock or goods	
13.3	Start a business	
13.4	Improve or increase business	
13.5	Other please detail	

14. At the time of applying for credit facilities, did you have any of the following as security?

TYPE OF SECURITY		TICK
14.1	Fixed property (land, buildings, etc)	
14.2	Movables: Equipment	
	Furniture	
	Investments (fixed deposit)	
	Other (detail)	
14.3	Life policies	
14.4	Other please detail	

15. If your application was rejected, indicate the reasons given for such rejections by writing the name of the institution that rejected your application in the box(es).

REASON		NAME OF THE INSTITUTION
15.1	Insufficient collateral	
15.2	No business plan	
15.3	Poor credit record	
15.4	No previous references	
15.5	Inadequate income	
15.	Lack of bookkeeping	



6	records	
15. 7	No accounts with banks	
15. 8	No reasons given	
15. 9	Other please detail	

16. What was the amount of credit needed?

Less than R5000	R5 000 – 19 999	R20 000 – 39 999	R40 000 – 80 000	More than R80 000
-----------------	-----------------	------------------	------------------	-------------------

17. What was the interest rate/levy to be paid?

Up to 5%	6 – 10%	11 – 15%	More than 15%	Levy
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18. How long did you have to re – pay the entire loan?

Up to 5 years	6 to 10 years	11 to 15 years	More than 15 years
---------------	---------------	----------------	--------------------

19. If you buy goods / stock on credit, how long do you take to pay stock and supplies?

Up to 30 days	31 to 60 days	More than 60 days
---------------	---------------	-------------------

20. If you were able to access credit from either a supplier on an institution, indicate the effect it has had on your business by ticking the appropriate blocks.

	Tick	
20. 1	More people employed	
20. 2	New premises bought or built	
20. 3	Buildings renovated	
20. 4	New equipment bought	
20. 5	Access telephones	
20. 6	Access electricity	
20. 7	Business growth in terms of area/customers/sales	
20. 8	Bought own transport	
20. 9	Other please detail	

21. How did you get to know about your current supplier of goods and services?

Through	TICK	
21. 1	Friend	
21. 2	Family	
21. 3	Media (TV, Magazines, etc)	
21. 4	Workshops	

21. 5	Other please detail
----------	---------------------

22. Do you have your supplier's contact details?

Yes	No
-----	----

23. Who is your major current supplier?

.....  
.....

24. Is there specific person at your supplier with whom you always deal?

Yes	No
-----	----

25. When you have a query or specific problem, do you get satisfactory service or help from your supplier?

Always	Usually	Sometimes	Never
--------	---------	-----------	-------

26. Is the time between placing an order with your supplier and receiving the goods:

Very satisfactory	Mostly satisfactory	Not usually satisfactory
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27. How often do you buy stock?

More than once a week	Once a week	Fortnightly	Monthly	Less than once a month	Other (please detail)
-----------------------	-------------	-------------	---------	------------------------	-----------------------

28. How long have you been with the current major supplier?

Less than a year	1 – 3 yrs	4 – 6yrs	7 – 9 yrs	10 – 12 yrs	More than 12 years
------------------	-----------	----------	-----------	-------------	--------------------

29.1. Do you get special prices/ discounts/ preferential rates from your supplier?

Yes	No
-----	----

29.2. If YES, please give details

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

### Appendix C: SMME definition by Industry in South Africa

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees <i>Less than:</i>	Total annual turnover <i>Less than:</i>	Total gross asset value (fixed property excluded) <i>Less than:</i>
<b>Agriculture</b>	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Mining and Quarrying</b>	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Manufacturing</b>	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Electricity, Gas and Water</b>	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Construction</b>	Medium	200	R20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Retail and Motor Trade and Repair Services</b>	Medium	100	R30.00 m	R 5.00 m
	Small	50	R15.00 m	R 2.50 m
	Very small	10	R 3.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Wholesale Trade, Commercial Agents and Allied Services</b>	Medium	100	R50.00 m	R 8.00 m
	Small	50	R25.00 m	R 4.00 m
	Very small	10	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Catering, Accommodation and other Trade</b>	Medium	100	R10.00 m	R 2.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	10	R 1.00 m	R 0.20 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Transport, Storage and Communications</b>	Medium	100	R20.00 m	R 5.00 m
	Small	50	R10.00 m	R 2.50 m
	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Finance and Business Services</b>	Medium	100	R20.00 m	R 4.00 m
	Small	50	R10.00 m	R 2.00 m
	Very small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
<b>Community, Social and Personal Services</b>	Medium	100	R10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m

Source: Adapted from the Small Business Act of 1996

**Gender \* Age Cross tabulation presented on paragraph 4.2.1, page 58**

			Age				Total
			< 20 years	20 - 29 years	30 - 39 years	40+ years	< 20 years
Gender Male	Count	0	12	8	10	30	
	% within Gender	.0%	40.0%	26.7%	33.3%	100.0%	
	% within Age	.0%	63.2%	61.5%	62.5%	60.0%	
	% of Total	.0%	24.0%	16.0%	20.0%	60.0%	
Female	Count	2	7	5	6	20	
	% within Gender	10.0%	35.0%	25.0%	30.0%	100.0%	
	% within Age	100.0%	36.8%	38.5%	37.5%	40.0%	
	% of Total	4.0%	14.0%	10.0%	12.0%	40.0%	
Total	Count	2	19	13	16	50	
	% within Gender	4.0%	38.0%	26.0%	32.0%	100.0%	
	% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	4.0%	38.0%	26.0%	32.0%	100.0%	

**Group Statistics – respondents' reading and writing literacy (paragraph 4.2.2, page 58)**

		Gender	N	Mean	Std. Deviation	Std. Error Mean
Literacy - read	Male		30	3.77	1.165	.213
	Female		20	4.30	1.261	.282
Literacy - write	Male		30	3.70	1.236	.226
	Female		20	4.30	1.261	.282

**Gender \* Education level of owner - Cross tabulation as discussed on paragraph 4.2.2, page 60**

			Education level of owner					Total
			No formal schooling	Primary education	Junior secondary	Senior secondary	Tertiary education	No formal schooling
Gender	Male	Count	1	2	11	11	5	30
		% within Gender	3.3%	6.7%	36.7%	36.7%	16.7%	100.0%
		% within Education level of owner	100.0%	100.0%	73.3%	61.1%	35.7%	60.0%
		% of Total	2.0%	4.0%	22.0%	22.0%	10.0%	60.0%
	Female	Count	0	0	4	7	9	20
		% within Gender	.0%	.0%	20.0%	35.0%	45.0%	100.0%
		% within Education level of owner	.0%	.0%	26.7%	38.9%	64.3%	40.0%
		% of Total	.0%	.0%	8.0%	14.0%	18.0%	40.0%
Total		Count	1	2	15	18	14	50
		% within Gender	2.0%	4.0%	30.0%	36.0%	28.0%	100.0%
		% within Education level of owner	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	2.0%	4.0%	30.0%	36.0%	28.0%	100.0%

**Test Statistics – number of employees (paragraph 4.2.5, page 60)**

	Number of employees
Chi-Square(a)	38.400
df	9
Asymp. Sig.	.000

**APPENDIX D: PAGE 3**

**Nature of products by Gender - cross tabulations (presented on paragraph 4.2.6, page 60-61)**

			Gender		Total
			Male	Female	Male
Type of business	Fruit and Vegetables	Count	1	0	1
		% within Type of business	100.0%	.0%	100.0%
		% within Gender	5.6%	.0%	2.9%
		% of Total	2.9%	.0%	2.9%
	Clothing	Count	0	3	3
		% within Type of business	.0%	100.0%	100.0%
		% within Gender	.0%	18.8%	8.8%
		% of Total	.0%	8.8%	8.8%
	Shoes	Count	1	0	1
		% within Type of business	100.0%	.0%	100.0%
		% within Gender	5.6%	.0%	2.9%
		% of Total	2.9%	.0%	2.9%
	Groceries	Count	14	9	23
		% within Type of business	60.9%	39.1%	100.0%
		% within Gender	77.8%	56.3%	67.6%
	% of Total	41.2%	26.5%	67.6%	
Hairdressing	Count	2	4	6	
	% within Type of business	33.3%	66.7%	100.0%	
	% within Gender	11.1%	25.0%	17.6%	
	% of Total	5.9%	11.8%	17.6%	
Total	Count	18	16	34	
	% within Type of business	52.9%	47.1%	100.0%	
	% within Gender	100.0%	100.0%	100.0%	
	% of Total	52.9%	47.1%	100.0%	

Nature of products/services by Age of the respondents - Cross tabulations (paragraph 4.2.6, page 60-60)

			Age				Total
			< 20 years	20 - 29 years	30 - 39 years	40+ years	< 20 years
Type of business	Fruit and Vegetables	Count	0	0	1	0	1
		% within Type of business	.0%	.0%	100.0%	.0%	100.0%
		% within Age	.0%	.0%	10.0%	.0%	2.9%
		% of Total	.0%	.0%	2.9%	.0%	2.9%
	Clothing	Count	1	0	2	0	3
		% within Type of business	33.3%	.0%	66.7%	.0%	100.0%
		% within Age	50.0%	.0%	20.0%	.0%	8.8%
		% of Total	2.9%	.0%	5.9%	.0%	8.8%
	Shoes	Count	0	1	0	0	1
		% within Type of business	.0%	100.0%	.0%	.0%	100.0%
		% within Age	.0%	8.3%	.0%	.0%	2.9%
		% of Total	.0%	2.9%	.0%	.0%	2.9%
	Groceries	Count	1	6	6	10	23
		% within Type of business	4.3%	26.1%	26.1%	43.5%	100.0%
		% within Age	50.0%	50.0%	60.0%	100.0%	67.6%
		% of Total	2.9%	17.6%	17.6%	29.4%	67.6%
	Hairdressing	Count	0	5	1	0	6
		% within Type of business	.0%	83.3%	16.7%	.0%	100.0%
		% within Age	.0%	41.7%	10.0%	.0%	17.6%
		% of Total	.0%	14.7%	2.9%	.0%	17.6%
Total	Count	2	12	10	10	34	
	% within Type of business	5.9%	35.3%	29.4%	29.4%	100.0%	
	% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	5.9%	35.3%	29.4%	29.4%	100.0%	

Chi-Square Tests (Type of business by Age)

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	20.084(a)	12	.066	.122		
Likelihood Ratio	20.874	12	.052	.018		
Fisher's Exact Test	18.651			<b>.018</b>		
Linear-by-Linear Association	.537(b)	1	.464	.485	.260	.045
N of Valid Cases	34					

Have supplier's contact details \* Buy from supplier on credit Cross tabulation (see paragraph 4.3.1, page 63)

			Buy from supplier on credit		Total
			Yes	No	Yes
Have supplier's contact details	Yes	Count	15	20	35
		% within Have supplier's contact details	42.9%	57.1%	100.0%
		% within Buy from supplier on credit	100.0%	57.1%	70.0%
		% of Total	30.0%	40.0%	70.0%
		Std. Residual	<b>1.4</b>	-.9	
	No	Count	0	15	15
		% within Have supplier's contact details	.0%	100.0%	100.0%
		% within Buy from supplier on credit	.0%	42.9%	30.0%
		% of Total	.0%	30.0%	30.0%
		Std. Residual	-2.1	<b>1.4</b>	
Total	Count	15	35	50	
	% within Have supplier's contact details	30.0%	70.0%	100.0%	
	% within Buy from supplier on credit	100.0%	100.0%	100.0%	
	% of Total	30.0%	70.0%	100.0%	



Chi-Square Tests (contact details by buy on credit)

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	9.184(b)	1	.002	.006	.001	
Continuity Correction(a)	7.256	1	.007			
Likelihood Ratio	13.283	1	.000	.002	.001	
Fisher's Exact Test				.002	.001	
Linear-by-Linear Association	9.000©	1	.003	.006	.001	.001
N of Valid Cases	50					

Have supplier's contact details \* Gender Cross tabulation (page 63)

			Gender		Total
			Male	Female	Male
Have supplier's contact details	Yes	Count	18	17	35
		% within Have supplier's contact details	51.4%	48.6%	100.0%
		% within Gender	60.0%	85.0%	70.0%
		% of Total	36.0%	34.0%	70.0%
		Std. Residual	-.7	.8	
	No	Count	12	3	15
		% within Have supplier's contact details	80.0%	20.0%	100.0%
		% within Gender	40.0%	15.0%	30.0%
		% of Total	24.0%	6.0%	30.0%
		Std. Residual	1.0	-1.2	
Total		Count	30	20	50
		% within Have supplier's contact details	60.0%	40.0%	100.0%
		% within Gender	100.0%	100.0%	100.0%
		% of Total	60.0%	40.0%	100.0%

**Chi-Square Tests (have supplier's contact details by Gender)**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	3.571(b)	1	.059	.114	.055	
Continuity Correction(a)	2.480	1	.115			
Likelihood Ratio	3.797	1	.051	.069	.055	
Fisher's Exact Test				.069	.055	
Linear-by-Linear Association	3.500(c)	1	.061	.114	.055	.044
N of Valid Cases	50					

**Deal with Specific person - Cross tabulations (Paragraph 4.3.2, page 64)**

			Discount from supplier		Total
			Yes	No	Yes
Deal with specific person	Yes	Count	7	15	22
		% within Deal with specific person	31.8%	68.2%	100.0%
		% within Discount from supplier	100.0%	34.9%	44.0%
		% of Total	14.0%	30.0%	44.0%
		Std. Residual	2.2	-.9	
	No	Count	0	28	28
		% within Deal with specific person	.0%	100.0%	100.0%
		% within Discount from supplier	.0%	65.1%	56.0%
		% of Total	.0%	56.0%	56.0%
		Std. Residual	-2.0	.8	
Total	Count	7	43	50	
	% within Deal with specific person	14.0%	86.0%	100.0%	
	% within Discount from supplier	100.0%	100.0%	100.0%	
	% of Total	14.0%	86.0%	100.0%	

**Deal with specific person by Gender - Cross tabulations (Paragraph 4.3.2, page 64)**

			Gender		Total
			Male	Female	Male
Deal with specific person	Yes	Count	11	11	22
		% within Deal with specific person	50.0%	50.0%	100.0%
		% within Gender	36.7%	55.0%	44.0%
		% of Total	22.0%	22.0%	44.0%
		Std. Residual	-.6	.7	
	No	Count	19	9	28
		% within Deal with specific person	67.9%	32.1%	100.0%
		% within Gender	63.3%	45.0%	56.0%
		% of Total	38.0%	18.0%	56.0%
		Std. Residual	.5	-.7	
Total	Count	30	20	50	
	% within Deal with specific person	60.0%	40.0%	100.0%	
	% within Gender	100.0%	100.0%	100.0%	
	% of Total	60.0%	40.0%	100.0%	

**Chi-Square Tests (Deal with specific person)**

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	10.359(b)	1	.001	.002	.002	
Continuity Correction(a)	7.885	1	.005			
Likelihood Ratio	12.975	1	.000	.002	.002	
Fisher's Exact Test				.002	.002	
Linear-by-Linear Association	10.152(c)	1	.001	.002	.002	.002
N of Valid Cases	50					

**APPENDIX D: PAGE 9**

**Type of business by Deal with specific person - Cross tabulations  
(Discussed paragraph 4.3.2, page 64)**

			Type of business					Total
			Fruit and Vegetables	Clothing	Shoes	Groceries	Hairdressing	Fruit and Vegetables
Deal with specific person	Yes	Count	1	2	0	8	2	13
		% within Deal with specific person	7.7%	15.4%	.0%	61.5%	15.4%	100.0%
		% within Type of business	100.0%	66.7%	.0%	34.8%	33.3%	38.2%
		% of Total	2.9%	5.9%	.0%	23.5%	5.9%	38.2%
		Std. Residual	1.0	.8	-.6	-.3	-.2	
	No	Count	0	1	1	15	4	21
		% within Deal with specific person	.0%	4.8%	4.8%	71.4%	19.0%	100.0%
		% within Type of business	.0%	33.3%	100.0%	65.2%	66.7%	61.8%
		% of Total	.0%	2.9%	2.9%	44.1%	11.8%	61.8%
		Std. Residual	-.8	-.6	.5	.2	.2	
Total	Count	1	3	1	23	6	34	
	% within Deal with specific person	2.9%	8.8%	2.9%	67.6%	17.6%	100.0%	
	% within Type of business	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	2.9%	8.8%	2.9%	67.6%	17.6%	100.0%	

**Deal with specific person by Buy on credit - Cross tabulations  
(Discussed paragraph 4.3.2, page 64)**

			Buy from supplier on credit		Total
			Yes	No	Yes
Deal with specific person	Yes	Count	11	11	22
		% within Deal with specific person	50.0%	50.0%	100.0%
		% within Buy from supplier on credit	73.3%	31.4%	44.0%
		% of Total	22.0%	22.0%	44.0%
		Std. Residual	1.7	-1.1	
	No	Count	4	24	28
		% within Deal with specific person	14.3%	85.7%	100.0%
		% within Buy from supplier on credit	26.7%	68.6%	56.0%
		% of Total	8.0%	48.0%	56.0%
		Std. Residual	-1.5	1.0	
Total	Count	15	35	50	
	% within Deal with specific person	30.0%	70.0%	100.0%	
	% within Buy from supplier on credit	100.0%	100.0%	100.0%	
	% of Total	30.0%	70.0%	100.0%	

**Deal with specific person by Buy on credit - Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	7.483(b)	1	.006	.012	.007	
Continuity Correction(a)	5.879	1	.015			
Likelihood Ratio	7.621	1	.006	.012	.007	
Fisher's Exact Test				.012	.007	
Linear-by-Linear Association	7.333(c)	1	.007	.012	.007	.006
N of Valid Cases	50					

APPENDIX D: PAGE 11

Time between placing order and receiving goods \* Buy from supplier on credit Cross tabulation (Paragraph 4.3.4, page 65)

			Buy from supplier on credit		Total	
			Yes	No	Yes	
Time between placing order and receiving goods	Very Satisfactory	Count	5	2	7	
		% within Time between placing order and receiving goods	71.4%	28.6%	100.0%	
		% within Buy from supplier on credit	33.3%	5.7%	14.0%	
			% of Total	10.0%	4.0%	14.0%
			Std. Residual	2.0	-1.3	
	Satisfactory	Count	8	18	26	
		% within Time between placing order and receiving goods	30.8%	69.2%	100.0%	
		% within Buy from supplier on credit	53.3%	51.4%	52.0%	
			% of Total	16.0%	36.0%	52.0%
			Std. Residual	.1	.0	
	Not always satisfactory	Count	2	15	17	
		% within Time between placing order and receiving goods	11.8%	88.2%	100.0%	
		% within Buy from supplier on credit	13.3%	42.9%	34.0%	
			% of Total	4.0%	30.0%	34.0%
			Std. Residual	-1.4	.9	
Total		Count	15	35	50	
		% within Time between placing order and receiving goods	30.0%	70.0%	100.0%	
		% within Buy from supplier on credit	100.0%	100.0%	100.0%	
		% of Total	30.0%	70.0%	100.0%	

**Time between placing order and receiving goods \* Buy from supplier on credit Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	8.420(a)	2	.015	.013		
Likelihood Ratio	8.299	2	.016	.023		
Fisher's Exact Test	7.767			<b>.016</b>		
Linear-by-Linear Association	7.636(b)	1	.006	.009	.005	.004
N of Valid Cases	50					

**Discount from supplier (Paragraph 4.3.6, page 66)**

	Observed N	Expected N	Residual
Yes	7	25.0	-18.0
No	43	25.0	18.0
Total	50		

**Test Statistics**

	Discount from supplier
Chi-Square(a)	25.920
df	1
Asymp. Sig.	.000

**APPENDIX D: PAGE 13**

**Discount from supplier by Type of business - Cross tabulations  
(Paragraph 4.3.6, page 66)**

			Type of business					Total
			Fruit and Vegetables	Clothing	Shoes	Groceries	Hairdressing	Fruit and Vegetables
Discount from supplier	Yes	Count	0	2	0	4	0	6
		% within Discount from supplier	.0%	33.3%	.0%	66.7%	.0%	100.0%
		% within Type of business	.0%	66.7%	.0%	17.4%	.0%	17.6%
		% of Total	.0%	5.9%	.0%	11.8%	.0%	17.6%
		Std. Residual	-.4	2.0	-.4	.0	-1.0	
	No	Count	1	1	1	19	6	28
		% within Discount from supplier	3.6%	3.6%	3.6%	67.9%	21.4%	100.0%
		% within Type of business	100.0%	33.3%	100.0%	82.6%	100.0%	82.4%
		% of Total	2.9%	2.9%	2.9%	55.9%	17.6%	82.4%
		Std. Residual	.2	-.9	.2	.0	.5	
Total	Count	1	3	1	23	6	34	
	% within Discount from supplier	2.9%	8.8%	2.9%	67.6%	17.6%	100.0%	
	% within Type of business	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	2.9%	8.8%	2.9%	67.6%	17.6%	100.0%	

**Discount from supplier by Type of business - Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	6.676(a)	4	.154	.235		
Likelihood Ratio	6.615	4	.158	.196		
Fisher's Exact Test	5.713			.197		
Linear-by-Linear Association	2.758(b)	1	.097	.103	.069	.031
N of Valid Cases	34					



**Discount from supplier by Gender - Cross tabulations (Paragraph 4.3.6, Page 66)**

			Gender		Total
			Male	Female	Male
Discount from supplier	Yes	Count	1	6	7
		% within Discount from supplier	14.3%	85.7%	100.0%
		% within Gender	3.3%	30.0%	14.0%
		% of Total	2.0%	12.0%	14.0%
		Std. Residual	-1.6	1.9	
	No	Count	29	14	43
		% within Discount from supplier	67.4%	32.6%	100.0%
		% within Gender	96.7%	70.0%	86.0%
		% of Total	58.0%	28.0%	86.0%
		Std. Residual	.6	-.8	
Total	Count	30	20	50	
	% within Discount from supplier	60.0%	40.0%	100.0%	
	% within Gender	100.0%	100.0%	100.0%	
	% of Total	60.0%	40.0%	100.0%	

**Discount from supplier by Gender - Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	7.087(b)	1	.008	.012	.012	
Continuity Correction(a)	5.046	1	.025			
Likelihood Ratio	7.293	1	.007	.033	.012	
Fisher's Exact Test				.012	.012	
Linear-by-Linear Association	6.946(c)	1	.008	.012	.012	.012
N of Valid Cases	50					

**Securities held by Gender - Cross tabulations (Paragraph 4.5.2, Page 68)**

			Furniture		Total
			No	Yes	0
Gender	Male	Count	21	9	30
		% within Gender	70.0%	30.0%	100.0%
		% within Furniture	80.8%	37.5%	60.0%
		% of Total	42.0%	18.0%	60.0%
		Std. Residual	1.4	-1.4	
	Female	Count	5	15	20
		% within Gender	25.0%	75.0%	100.0%
		% within Furniture	19.2%	62.5%	40.0%
		% of Total	10.0%	30.0%	40.0%
		Std. Residual	-1.7	1.7	
Total	Count	26	24	50	
	% within Gender	52.0%	48.0%	100.0%	
	% within Furniture	100.0%	100.0%	100.0%	
	% of Total	52.0%	48.0%	100.0%	

**Securities held by Gender - Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	9.736(b)	1	.002	.003	.002	
Continuity Correction(a)	8.016	1	.005			
Likelihood Ratio	10.089	1	.001	.003	.002	
Fisher's Exact Test				.003	.002	
Linear-by-Linear Association	9.541(c)	1	.002	.003	.002	.002
N of Valid Cases	50					

**Buy from supplier on credit (Paragraph 4.4.1, Page 66)**

	Observed N	Expected N	Residual
Yes	15	25.0	-10.0
No	35	25.0	10.0
Total	50		

**Buy on credit from supplier - Test Statistics**

	Buy from supplier on credit
Chi-Square(a)	8.000
df	1
Asymp. Sig.	.005

**Buy from supplier on credit \* Gender Cross tabulation (Paragraph 4.4.1, Page 66)**

			Gender		Total
			Male	Female	Male
Buy from supplier on credit	Yes	Count	7	8	15
		% within Buy from supplier on credit	46.7%	53.3%	100.0%
		% within Gender	23.3%	40.0%	30.0%
		% of Total	14.0%	16.0%	30.0%
		Std. Residual	-.7	.8	
	No	Count	23	12	35
		% within Buy from supplier on credit	65.7%	34.3%	100.0%
		% within Gender	76.7%	60.0%	70.0%
		% of Total	46.0%	24.0%	70.0%
		Std. Residual	.4	-.5	
Total	Count	30	20	50	
	% within Buy from supplier on credit	60.0%	40.0%	100.0%	
	% within Gender	100.0%	100.0%	100.0%	
	% of Total	60.0%	40.0%	100.0%	

**Time with current supplier (Paragraph 4.3.5, Page 65)**

	Observed N	Expected N	Residual
< 1 years	6	12.5	-6.5
1 - 3 years	28	12.5	15.5
4 - 6 years	13	12.5	.5
7 - 9 years	3	12.5	-9.5
Total	50		

**Test Statistics**

	Time with current supplier
Chi-Square(a)	29.840
df	3
Asymp. Sig.	.000

**Monthly turnover before accessing credit \* Monthly turnover after accessing credit (Paragraph 4.7.3, Page 72)**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	118.236(a)	16	.000	.000		
Likelihood Ratio	70.386	16	.000	.000		
Fisher's Exact Test	68.494			<b>.000</b>		
Linear-by-Linear Association	37.838(b)	1	.000	.000	.000	.000
N of Valid Cases	50					

**Paired Samples Statistics (Paragraph 4.7.3, Page 72)**

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Monthly turnover before accessing credit	.98	50	1.286	.182
	Monthly turnover after accessing credit	1.68	50	1.963	.278
Pair 2	Number of employees before accessing credit	1.28	50	2.259	.319
	Number of employees after accessing credit	2.60	50	3.774	.534

**Paired Samples Correlations (Paragraph 4.7.3, Page 72)**

		N	Correlation	Sig.
Pair 1	Monthly turnover before accessing credit & Monthly turnover after accessing credit	50	.879	.000
Pair 2	Number of employees before accessing credit & Number of employees after accessing credit	50	.679	.000

**Paired Samples Test (Paragraph 4.7.3, Page 72)**

	Paired Differences					t	df	Sig.(2-tailed)
	Mean	Std. deviation	Std. Error Mean	95% confidence interval of the difference		Mean	Std. deviation	Std. Error Mean
				Upper	Lower			
Pair 1: Monthly turnover before accessing credit. -Monthly turnover after accessing credit	-0.70	1.035	.146	-.99	-.44	-4.782	49	.000
Pair 2: Number of employees before accessing credit -Number of employees after accessing credit	-1.32	2.788	.394	-2.11	-.53	-3.348	49	.002

**Number of employees before accessing credit \* Number of employees  
after accessing (Paragraph 4.7.3, Page 72)**

**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2- sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	163.889(a)	54	.000	.(b)		
Likelihood Ratio	111.988	54	.000	.000		
Fisher's Exact Test	130.410			.000		
Linear-by-Linear Association	22.577(c)	1	.000	.000	.000	.000
N of Valid Cases	50					

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6 November 2008

To the examiners concerned:

This is to confirm that I assisted Mrs Itumeleng Judith Maome who is currently studying for her M Tech qualification at the Durban University of Technology in the following ways:

Aided with the statistical analysis  
Edited the final work

Yours faithfully

Mrs Gill Hendry