2016

SMME FAILURE IN THE NORTHERN CAPE: AN IN-DEPTH ANALYSIS-QUARTER 2 REPORT

Contents

1.Background

Small, Medium & Micro Enterprises (SMMEs) contribute to national economy in various ways, such as helping towards realization of government`s vision 2030 agenda, generation and distribution of wealth as well as innovation. The future of South Africa's economic success relies to a large extent on the success of new and growing businesses in both the formal and informal sector, as SMMEs contribute between 52% and 57% to the country's Gross Domestic Product (GDP). SMMEs, therefore, play a bigger role in South Africa's economy than ever before and provide much needed opportunities for employment. (SEDA, 2016).

Despite their significance and contribution to economic growth, SMMEs across the country are still faced with numerous challenges that inhibit their growth. According to a study conducted by the Bureau of Market Research (BMR) [1] on problems experienced by the sector, the failure rate of SMMEs is between seventy (70%) and eighty percent (80%). It is equally important to note that the failure rate appears to be more prevalent among small-scale businesses than it is in relation to medium enterprises. The study further asserts that millions of Rands that are being lost on business ventures, are predominantly avoidable mistakes and problems.

The Department of Economic Development and Tourism (DEDaT), through its Enterprise Development Unit, is tasked with creating an enabling environment for SMMEs, through the provision and facilitation of financial and non-financial support. It therefore becomes primarily important to have an understanding of the structure and challenges affecting our local SMMEs, in order to have effective interventions. Accordingly, this report makes an attempt to establish the key factors contributing to business failures in the Northern Cape particularly among small businesses.

1.1 Objectives

This study was informed by a research need of the Enterprise Development Unit and is intended to provide an understanding of the challenges faced by SMMEs in the Northern Cape. In consideration of the needs identified the report also puts forward some recommendations that DEDaT should consider key in order to enhance the contribution made by our provincial SMME sector to radical economic transformation.

1.2 Definition of SMMEs

Prior to narrating the findings on SMME challenges, it is key to firstly reflect on the definition of SMMEs in order to establish a common understanding throughout the report. SMMEs are defined in a number of ways, with reference either to the number of employees per enterprise or to turnover bands or a combination of both. In South Africa, the official definition of a small business is provided for in Section 1 of the National Small Business Act of 1996 as amended in 2003 and 2004. **"**A small business enterprise means a separate and distinct business entity, together with its

[1] At the University of South Africa

branches or subsidiaries, if any, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule**"**.

The National Small Business Act further categorizes small businesses into distinct groups, namely; Micro, Very Small, Small and Medium, hence the term "SMME" for Small, Medium and Micro Enterprises. The terms 'SMME' and small business are sometimes used interchangeably.

CATEGORY OF SMME	**DESCRIPTION**
Micro	Informal- no license, formal business premises, labour legislation. Employs between 1 to 5 employees, usually the owner and family.
Very small	Operates in the formal economy and has access to technology. Employs fewer than 10 or up to 20 employees, depending on industry.
Small	More established than very small enterprises, operates in formal economy and is registered. Employs a maximum of 100 employees.
Medium	Enterprises are characterized by decentralized management structure. Employs fewer than 100 or up to 200 employees, depending on industry.

Source: National Small Business Act of (1996)

1.4 Research Methodology

1.4.1 Methodology

The survey methodology used for this study includes both primary and secondary research methods. A structured questionnaire was designed as a primary research tool, with both qualitative and quantitative questions. The questionnaire comprised of a section on demographics (company information), business characteristics such as types of services provided, number of years operating etc. and lastly a section on provision of support services by DEDaT.

Interviews were conducted in two ways, face to face interviews through field work to all regions as well as telephonic interviews. Telephonic interviews were conducted in order to improve the response rate. After data collection questionnaires were coded, captured and information analysed using Excel. Quantitative data was mainly analysed by means of descriptive statistics.

1.4.2 Sampling

The study used purposive non-probability sampling techniques called Convenient and snowballing[2].

In the ultimate, the total number of SMMEs considered for the survey stood at 179. The questionnaire was administered in all five districts in the Province and a total 128 SMMEs were interviewed, while 51 SMMEs from the 179 total sample are classified as non-response. Non-response comprises of some SMMEs that did not wish to participate in study, others that could not be contacted as the telephone numbers did not exist and those SMMEs whose businesses have since shut down.

1.4.3 Limitations

Major limitations, in respect of this survey were difficulty in accessing database of SMMEs and where the data was available the quality and usefulness thereof was very poor. Lack of support regarding assistance with databases, particularly from SEDA and the Pixley Ka-Seme and Z.F. Mgcawu Local Economic Development units, negatively affected the response rate of SMMES in the said districts as a consequence impacting on the overall study response rate.

[2] A database of SMMEs was sourced from the Enterprise Development sub-program within DEDaT. However due to the fact that the departmental database was incomplete and outdated, efforts were made to source databases from SEDA as well as the various district municipalities in the province. Regrettably, assistance could not be obtained from the above sources, citing SMME information as confidential. In order to supplement the number of SMMEs listed on the departmental database, additional SMMEs were accessed through referrals from other SMMEs during the field trips.

2. Survey Findings

2.1 Demographic profile

In order to establish the potential of local SMMEs for economic development, there is a need to know their numbers and sizes, the products or services they offer and their geographic location or spread.

Figure 1.1: Interviewed SMMEs - Northern Cape - 2016

	NMK	FB	JTG	PKS	ZFM	TOTAL
MICRO	35	31	14	07	08	95
VERY SMALL	06	07	06	09	02	31
SMALL	01	01	0	0	0	02
MEDIUM	0	01	0	0	0	01
TOTAL	42	40	20	16	10	128

Source: Research & Development 2016

As seen in Figure 1.1 above, majority of respondents (74%) in the province operate in the micro business space, followed by very small business at 24%, thirdly 1.5% small business, and lastly at less than 1% medium business. It therefore poses a pressing need for DEDaT to not only advance the rate of formation of new SMMEs but increase the rate of graduation of micro enterprises into other categories. This is to allow SMMEs to play an even meaningful role in creation of employment, income generation and innovation.

In terms of geographic location, most respondents are based in Namakwa at forty two (42), followed by Frances Baard at forty (40) and then John Taolo Gaetsewe at twenty (20), whilst the least respondents are based in Z.F. Mgcawu and Pixley Ka Seme regions, at ten (10) and sixteen (16) respectively[3]. The most potential for growth is observed in Frances Baard with two (2) of its interviewed SMMEs falling in the small (1) and medium (1) categories respectively.

Although, Namakwa has the largest of pool of interviewed SMMEs at 42, the majority of these are either micro (35) or very small (06) in nature with only one (1) being classified as small. The three other regions respondents, namely, ZF Mgcawu, Pixley Ka Seme and JTG operate solely in the micro and very small categories. This is worthwhile to note as DEDaT can capitalize on tailored interventions and support towards ensuring that the micro enterprises progress into sustainable small business categories. In essence, there is need for increased stimulation of business activities in

[3] Important to note that this reflects participation in the survey and not necessarily the entire SMME economies of the regions.

the respective Districts in order increase prospects for higher employment and economic growth.

As much as the size of businesses is important to observe, it is equally important to track the age of businesses surveyed. Age and the growth potential of a business are closely correlated in a sense. As longevity increases so does turnover and ultimately employment also increases. In terms of the years in operation, twenty six (26) of the interviewed small businesses have been in operation for more than ten [10] years, which might be an indication of their sustainability. Sixty [60] had started operating within the last five [5] years, while fourteen [14] have been in operation for only less than a year.

It thus seems that despite their lack of growth in size as well as the challenges they encounter, provincial small businesses have the resilience to contend with the tough economic conditions they find themselves in. There is a commendable dedication that is seen in the years of operation of interviewed SMMEs. This information should bring comfort to DEDaT as well as other institutions whose mandates relate to small business development, particularly on the provision of financial support as well as developing policy frameworks.

2.2 Economic Profile of SMMEs

SMMEs contribute to a country's national product by either manufacturing goods of value or through the provision of services to consumers. This section of the report analyses the sectors within which the SMMEs interviewed operate. Analysing the sectoral dynamics of SMMEs is important as it firstly highlights in which sectors SMMEs in the province are concentrated secondly, it shows trends in terms of what type of businesses emerging entrepreneurs are likely to venture into, which in turn enables decision makers to make informed decisions when deciding on appropriate interventions.

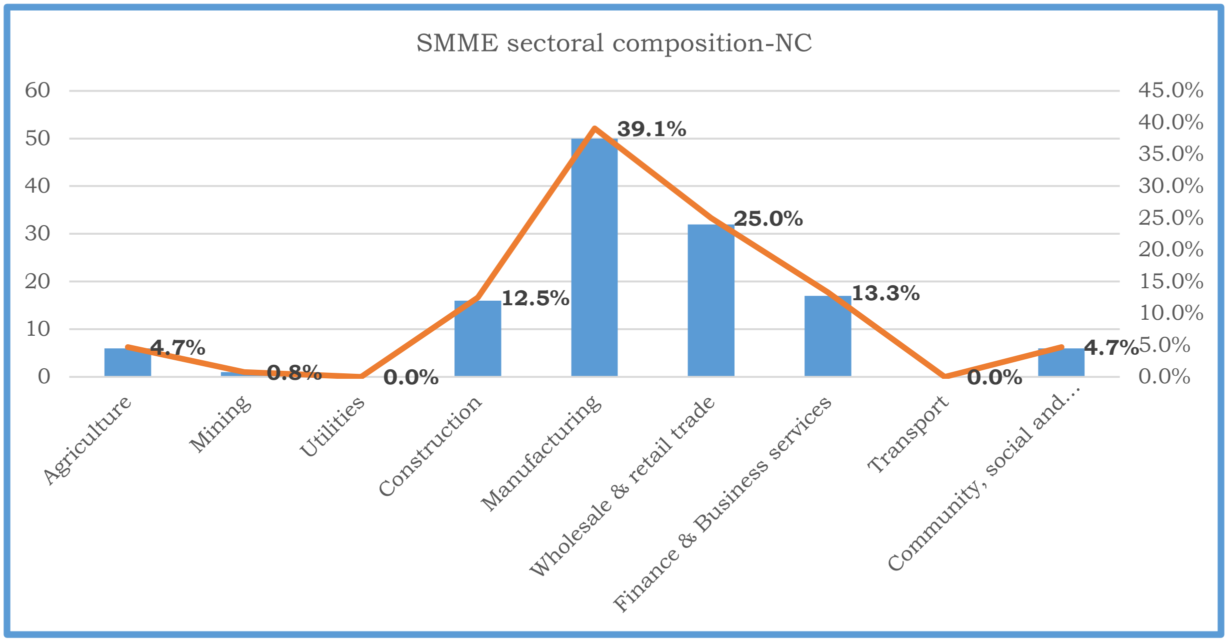
Importantly, it should be noted that in instances where SMMEs are involved in more than one business activity for example: catering and construction, it becomes difficult to record the economic activity of the SMME in both sectors. Necessarily, R&D recorded only the sector related to the primary or most dominant product or service offered by the SMME.

2.2.1 Sectoral composition- interviewed SMMEs

Figure 2.1 illustrates the sectoral composition of SMMEs interviewed by the Research team. The Standard Industrial Classification codes (SIC) were used to classify which sectors SMMEs operate in and yet again the figures referred to herein only apply to surveyed SMMEs and not necessarily the entire SMME economy of the province. Majority of the interviewed SMMEs fall within the secondary sector, followed by the tertiary sector. It is concerning to note that SMME activities in the primary sector are the least, given the dominance of the primary sector in the province.

It is not surprising to find the focus of SMMEs largely skewed towards services, specifically in retail given that it provides relatively easy market entry and requires relatively little start-up capital. Businesses included in the retail sub-sector range from caterers, selling of clothing and stationary. The popularity of these services can partly be attributed to their non-Specialised nature. Overall, the goods and services provided by the interviewed SMMEs suggest that with the appropriate support, potential to create more jobs and grow the provincial economy exists.

Figure 2.1: SMME Sectoral composition (Northern Cape)-2016



Source: (Research and Development, 2016)

Based on a total of 128 interviewed SMMEs across the Province, the majority (39.1%) of SMMEs operate in the Manufacturing sector, followed by wholesale and retail trade with over 25.0% or 30 SMMEs. The prominent manufacturing services or products offered by SMMEs in the province include among others brick-making, steelworks, manufacturing of clothing and textiles, upholstery and baking of foodstuffs (i.e. cakes and biscuits).

The Wholesale and Retail Trade sector which according to the SIC codes includes catering services; is the popular choice of business among SMMEs in the province. Whilst there is a lot of competition among SMMEs in the catering services, the challenge however is a huge reliance of these on government tenders to sustain business operations. The same is true with cleaning services. Without government contracts SMMEs in this field also cannot sustain their operations profitably. Hence, there is a need for SMMEs to diversify and tap into the private sector market to increase their market coverage.

It is also interesting to see that 12.5% of interviewed SMMEs are in the construction industry, with big infrastructure projects planned and taking place in the province this is positive as they stand to benefit from procurement opportunities in those projects. However the concern is that some of the SMMEs lack proper equipment whilst others are not registered with relevant sector specific regulatory bodies such as National Home Builders Registration Council (NHBRC). These constraints prohibit their participation in big projects in the formal market indicating a need for DEDaT support to capacitate them to be able to tender for big projects.

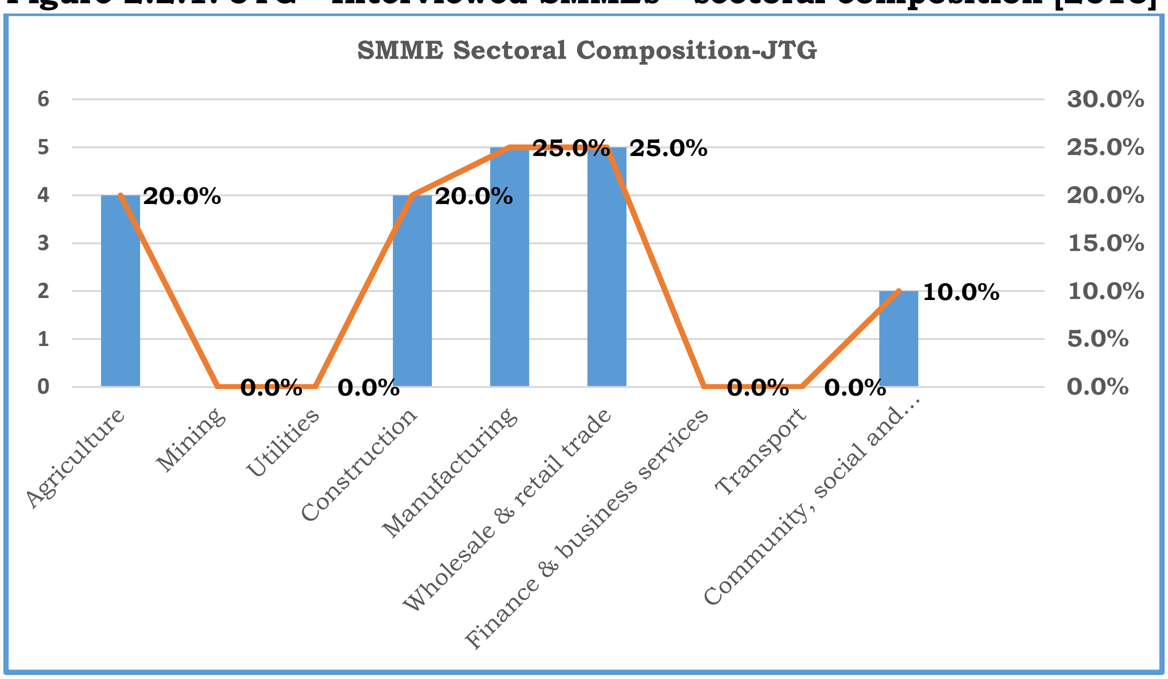
The services sub-sector includes personal services such as hair salons, shoe repairers, laundry services and pesticide services. Plumbing, electrical work, motor repairs, cleaning, gardening and security services, were some of the skilled services rendered by the interviewed SMMEs, while professional services such as, management consultancy services, graphic & web design, were rendered by only a handful of respondents.

Moreover, in general there is low percentages of SMMEs involved in mining and agriculture activities which is concerning as these are the dominant sectors in the province. Agriculture related activities include crop and livestock farming. It is important for DEDaT to further investigate why provincial SMMEs do not align their business activities with the primary sector to enable them to take advantage of opportunities in various value chains of such prominent sectors in the economy. More so, given that SMME policy goals support labour intensive sectors.

2.2.2 Sectoral Composition by district- Interviewed SMMEs

This subsection gives a snapshot of sectoral composition of SMMEs in all five districts in the Northern Cape.

Figure 2.2.1: JTG - Interviewed SMMEs - sectoral composition [2016]

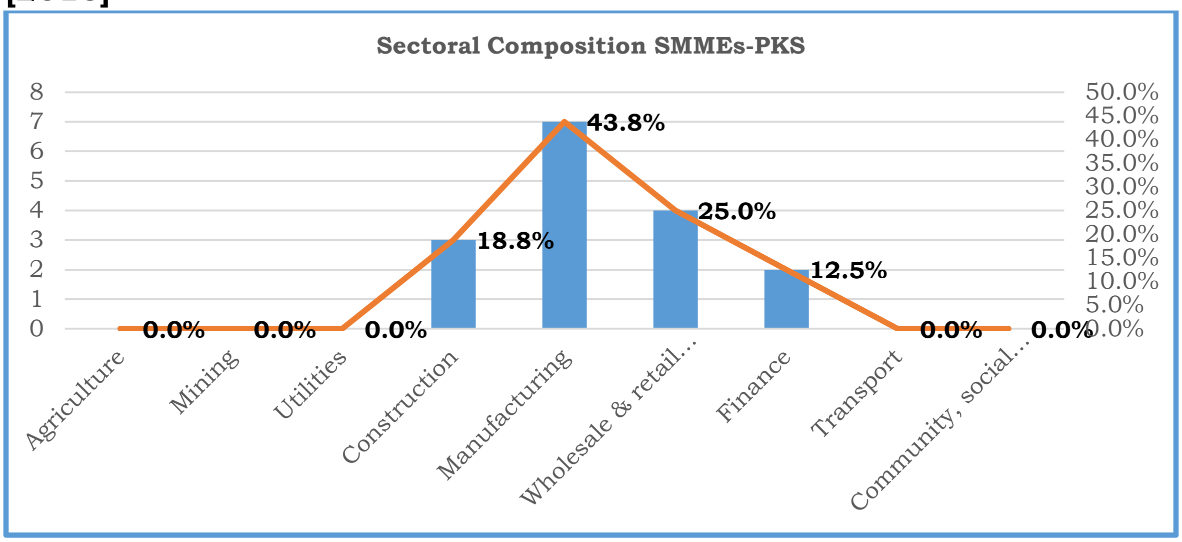


Source: (Research and Development, 2016)

According, to Figure 2.2.1. The majority (50%) of SMMEs interviewed by the research team in the district are in the Manufacturing and trade sectors. As alluded previously, manufacturing activities are mostly small-scale and prominent products includes bricks, biscuits, clothes etc. This is the same for all the districts across the province. Out of the 20 SMMEs interviewed no SMME operates in the mining sector, this is unfortunate as mining contributes significantly to the district economy and job creation.

Moreover, emerging farmers or cooperatives operating in the agricultural industry account for 20% of SMMEs interviewed in the district. This is not surprising, as the district is mainly rural in nature. Some of the agricultural activities involve production of poultry products and livestock farming among others. Again, regional economic diversification calls for attention.

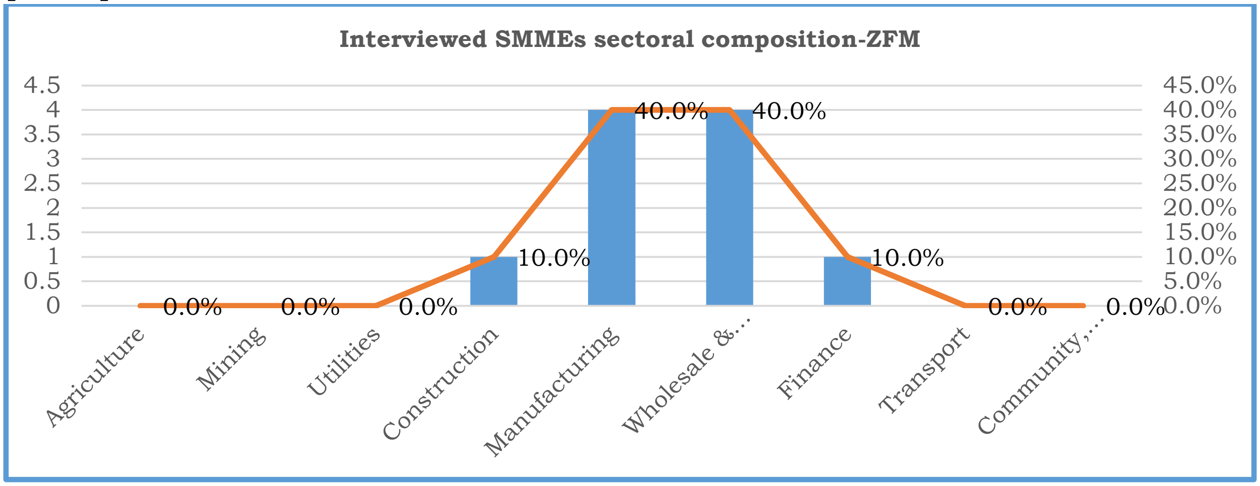
Figure 2.2.2: Pixley Ka-Seme - Interviewed SMMEs - sectoral composition [2016]



Source: (Research and Development, 2016)

According to Figure 2.2.2, most of the SMMEs that were interviewed in Pixley Ka-Seme are in the Manufacturing industry (43,8%) especially brick making, followed by wholesale and retail trade (25.0%) and Construction (18.8%).Concerning to note that whilst this region is a renewable energy hub, with majority of renewable energy projects including Transnet rail expansion projects in the districts, no interviewed SMMEs operate in those industries.

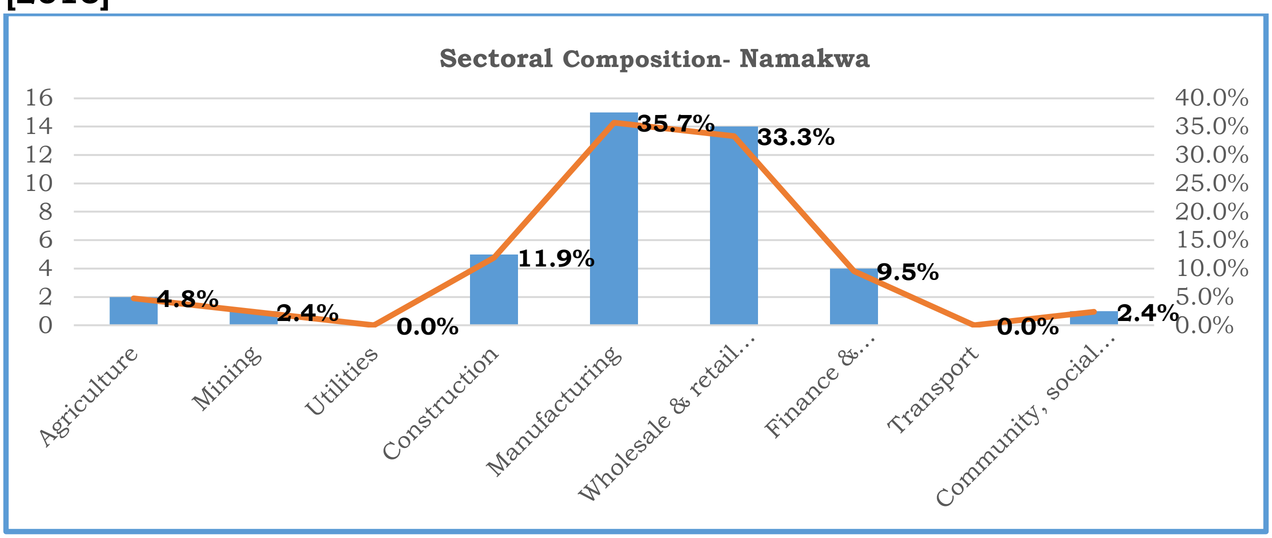
Figure 2.2.3: ZF Mgcawu - Interviewed SMMEs - sectoral composition [2016]



Source: (Research and Development, 2016)

Based on Figure 2.2.3, Manufacturing, Wholesale and retail trade dominate the SMME sectors in ZF Mgcawu District. As alluded previously manufacturing is not large scale but rather small-scale, for example small brick-making plant and SMMEs in the clothing and textile. The positive aspect of these sectors is their potential to employ many low-skilled workers. Hence, SMMEs who show potential must be supported so they can expand their business operations. Furthermore, in the wholesale and retail trade sector, prominent products and services offered by these SMMEs include catering services.

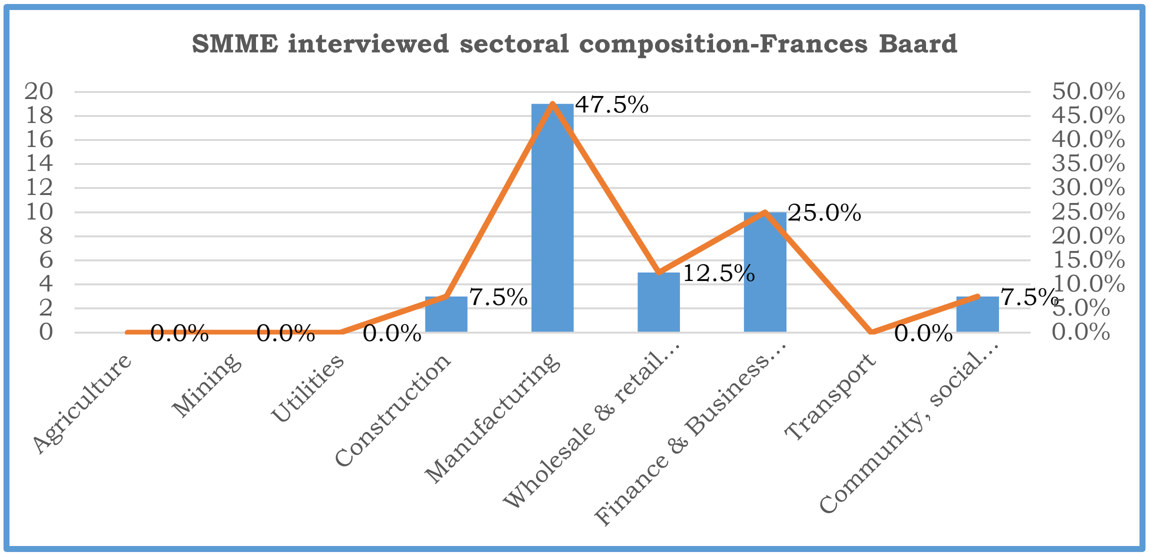
Figure 2.2.4: Namakwa – Interviewed SMMEs - Sectoral composition [2016]



Source: (Research and Development, 2016)

According to Figure 2.2.4, from the 42 SMMEs interviewed, 35.7% operate in the Manufacturing sector and 33.3% in the wholesale and retail trade. The sectoral dynamics in the district is the same as with other districts with large concentration of catering services, cleaning, baking, and brick-making and businesses in the clothing and textile sectors. The challenge with businesses in the district is the distance from markets and some of them have to purchase input products from as far as Cape Town which escalate operational costs.

Figure 2.2.5: Frances Baard – Interviewed SMMEs - Sectoral composition [2016]



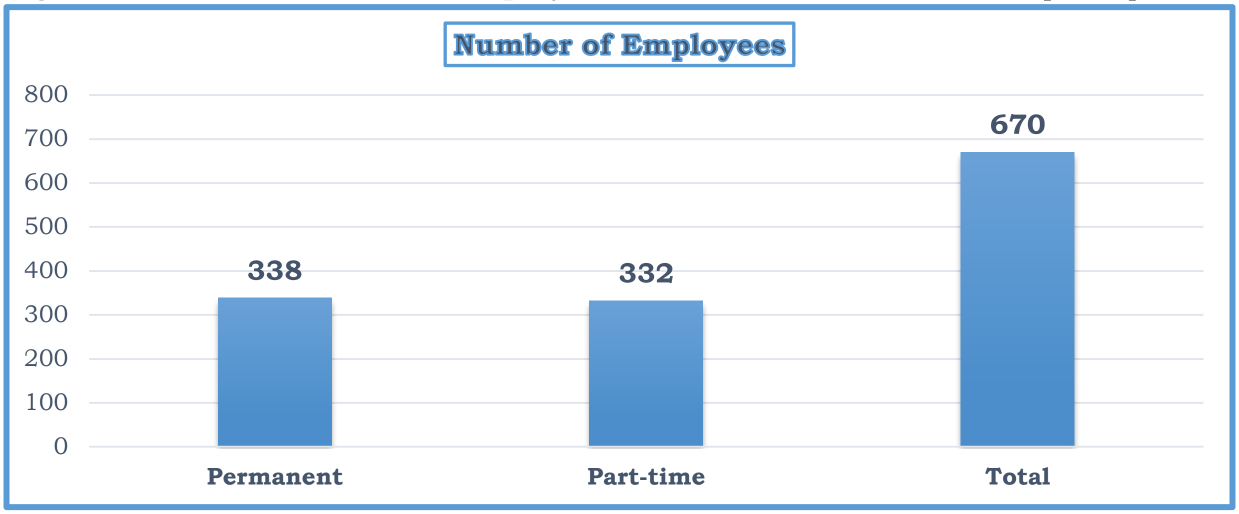
Source: (Research and Development, 2016)

As illustrated in Figure 2.2.5 above, 47.5% of SMMEs in the Frances Baard District are in the manufacturing industry. Prominent activities include steelworks, printing, production of cleaning detergents, brick-making and clothing and textiles among others. Furthermore 25.0% of SMMEs are in Finance and Business services sector which is not surprising as the Frances Baard district has more urban population requiring various services. None of interviewed SMMEs in this region is involved in the primary sector activities in the District. SMMEs in the Community, Social and Personal services sector represent 7.5% of total SMMEs interviewed in the district. Some of the business offer services such as training and skills development courses, events management etc.

2.2.3 Employment Creation

According to the interviewed SMMEs, 670 jobs have been created. Of these, 338 are permanent jobs while the remainder or 332 are part-time jobs. As, alluded before, SMMEs have the potential to create employment and contribute positively to the economy. Hence, there is a need for the Department and relevant stakeholders offering services to SMMEs to scale-up interventions (financial and non-financial support) and to be more accessible to these entrepreneurs.

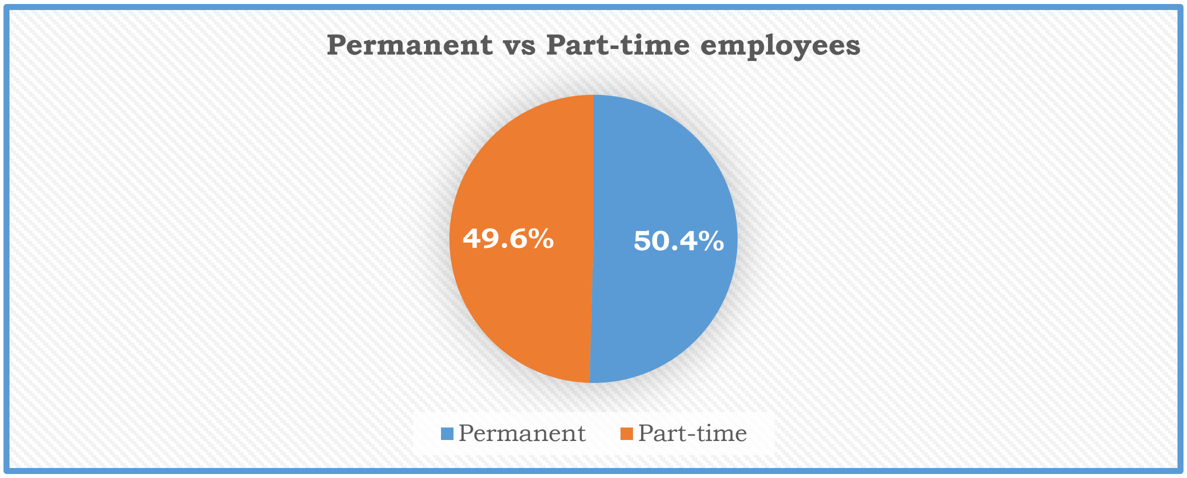
Figure 2.2.6: Contribution to employment - Interviewed SMMEs NC [2016]



Source: (Research and Development, 2016)

Based on Figure 2.2.7 below, 49.6% of workers are employed by SMMEs on a temporary basis. This is deemed a true reflection, as the majority of SMMEs depend on government tenders for survival. In the province there is a large number of SMMEs operating in the food and catering industry, where they have to tender and compete for catering opportunities. In addition, most catering tenders are of short duration for example catering for a day (meeting) or training workshop for a week. Hence, the nature of jobs created will always be temporary. This calls for SMMEs in these industries to diversify their market and target private clients as well as partner with other businesses in order for their business to grow and succeed.

Figure 2.2.7: Permanent vs Part-time employees Interviewed SMMEs (NC)-2016



Source: (Research and Development, 2016)

2.2.4 Vulnerable Groups Representation

Based on Table 2.2.1, 27.3% of workers employed by SMMEs interviewed are women and 48.5% fall within the youth cohort while 1.6 are disabled.

Table 2.2.1: Historically disadvantaged Individuals employed by interviewed SMMEs

Description	Number	(%)HDI employees
Women employed	183	27.3%
Youth employed	325	48.5%
Disable employees	11	1.6%

Source: (Research and Development, 2016)

2.4 Key Challenges faced by SMMEs in the NC

Despite the pivotal role of SMMEs in advancing growth and employment creation, a number of obstacles affect their ability to realize their full potential. Challenges facing SMME's in the Northern Cape are to a large extent no different to the most common setbacks experienced by SMMEs elsewhere in South Africa. The only difference might be the impact of these, subject on the size, sector and area within which the enterprise operates.

When asked to identify their challenges, the majority of interviewed SMMEs cited the following as the biggest impediments to their growth:

A. Funding:

A significant challenge for small business owners was the lack of funding for business expansion, to procure material/stock, equipment or business premises, as well as transport costs, given the vastness of the province. SMMEs also indicated that they had problems accessing funding, “financial institutions make it very difficult to borrow from them”. One particular small business owner reported. Another reported that funding support in the form of a loan is a problem, because they cannot afford loan repayments. Another challenge experienced by small business owners is that of late or non-payments for services rendered to clients. This includes late payments of government contracts, thus crippling the cash flows.

B. Institutional Support:

A few of the respondents were of the opinion that support from agencies such as , Small Business Enterprise Agency (SEDA), the Department of Economic Development and Tourism as well as municipal Local Economic Development offices (LED) was not sufficient. Problems range from, not getting support to apply for funding, to insufficient information or feedback. Key factors that emerged from the interviews was the need for support and monitoring of SMMEs after they have received training(a greater need for mentoring and coaching programs) and improved communication, especially information sharing and feedback, as well as a supplier development program.

C. Infrastructure:

Basic infrastructure (operating premises) was cited as a common challenge by many of the small business owners interviewed. In some instances owners needed bigger office/business space in order to facilitate expansion in terms of procuring and storing more stock and equipment, while other business owners felt their current premises are not appropriate (for example, where some businesses are operated from homes). Expenses in terms of rent for business premises is a problem for a few of the SMMEs interviewed. One particular respondent was of the opinion that the rent charged at incubators is too high and thus unaffordable.

Another infrastructure challenge relates to inadequate basic services. For instance car wash, laundry and the pig breeder businesses are water intense, yet owners cite that they struggle with water access. Business owners also cited access to electricity and its affordability as a challenge

D. Market:

Many of the Small business owners expressed a need for training on how to market their business and products. This is worsened by tough competition among SMMEs (particularly among the catering businesses). This problem is exacerbated by the difficulty with accessing markets, owing to the vastness of the province.

E. Information:

Respondents also expressed a lack of information as a challenge. Information in relation of contracts /tenders or other opportunities available within the private and public sector is not shared with the sector. This leads to businesses forgoing opportunities available.

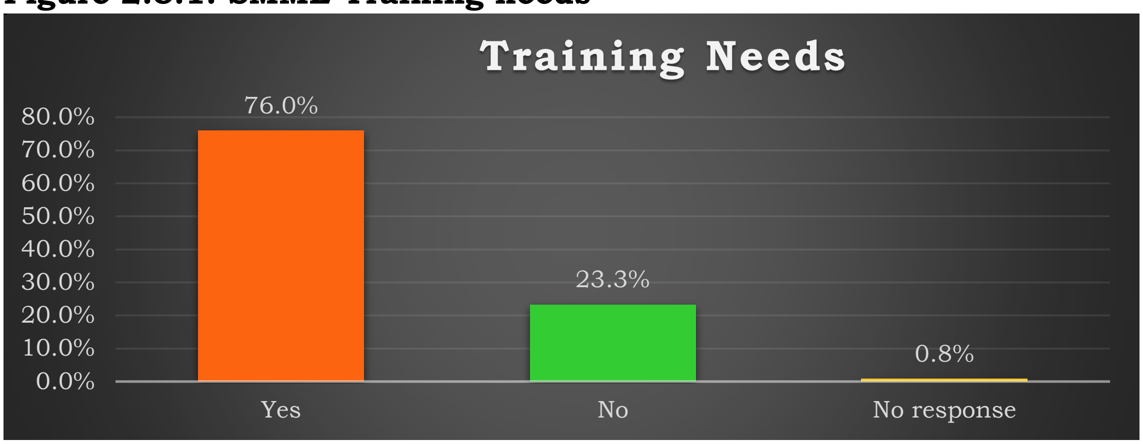
F. Skills:

During the interviews it became apparent that skills development among small businesses was a challenge. Small business owners indicated that inexperience in product development, pricing and marketing was a hindrance to overall development of business. In addition to this, being able to complete tender documents was also reported as a challenge. One small business owner remarked that they were not adequately prepared for starting and running a business.

2.5 SMME Training needs

Small business owners were asked if they had any training needs and to indicate what those training needs were. More than seventy percent (76, 0%) of the respondents said they had training needs, while 23, 3% of the SMME respondents said they did not have any training needs, while 0.8% of the respondents did not answer the question.

Figure 2.5.1: SMME Training needs



Source: Research & Development 2016

In order to determine the type of training Small Medium and Micro-sized Enterprises (SMMEs) require, they were asked to indicate the training needs of their respective businesses. The following training needs were identified:

Table 2.5.2 : SMME Training Needs.

District	Training identified

Municipality	
John Toalo Gaetsewe	• Business and financial management • How to embroider and use industrial machines • How to breed dogs, training on breeding chickens • Administrative training , marketing • Training regarding plants, what & when to plant • Human Resource Training • Training to use embroidery machines • Catering and baking training • Training in building
Frances Baard	• Business and financial management, bookkeeping • Operating business effectively, Human Resource training • Construction related training , house design • Training on legal aspects of business, customer rights and regulations • Marketing and sales systems • Cleaning techniques and caring for clothing(operating dry cleaning business • How to make wedding dresses, men's suits and blazers, how to use embroidery machine, tailoring • Proposal writing, web design, graphic design • Certified First Aid Training for employees • Project management • Mentoring training • How to apply for tender • Anger Management
District Municipality	Training identified
ZF Mqcawu	• Business and Financial management • Training in welding • Assist with Trade test • Electrical related training • Panel Beating Training • Marketing • Training in catering and baking • General Management
Pixley Ka Seme	• Business and financial management, bookkeeping • Marketing • Administration training • Administering a funeral • Assessor and moderator course • Brickmaking training • How to price products • Fashion design course • Chef Training
Namakwa	• Financial Management, costing products, bookkeeping • Mentoring Training, General management, time

	management • Advance techniques in baking • Entrepreneurship training, computer training, marketing, Customer care • Décor design skills • Training in construction • How to tender for mines and renewable energy companies • Aluminium welding • Sheep management and care, agriculture and farming • Safety training, fire awareness, snake awareness • Tourism • Hair styling techniques • Supervisor training

Source: Research & Development 2016

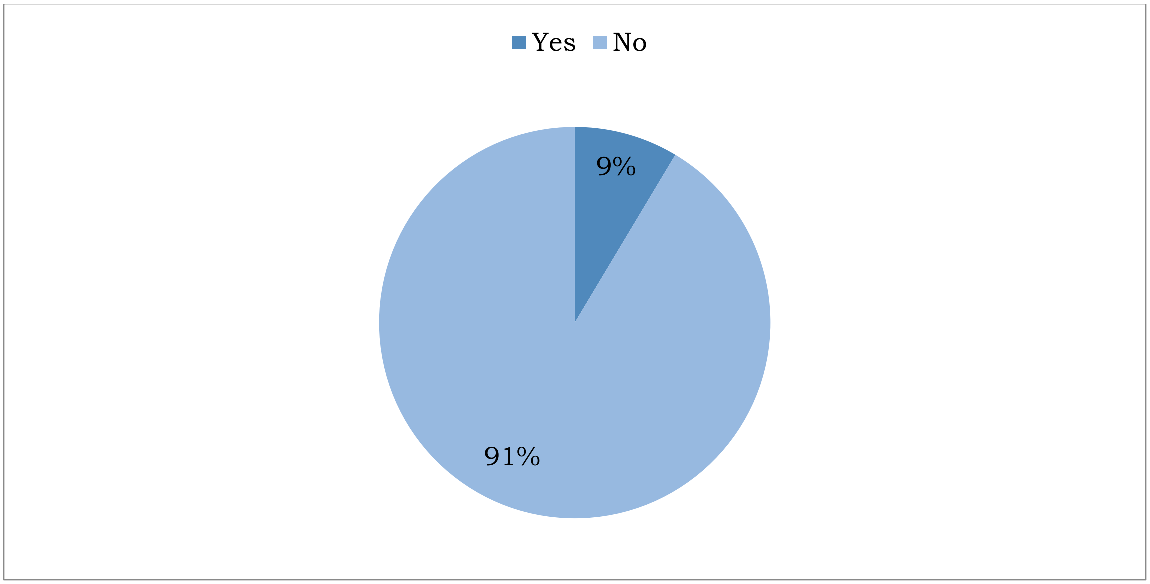
The above table summarises the training requested by various small business owners interviewed. Over and above the indicated training needs, it is concerning that many business owners interviewed were unsure of their training needs, whilst others were very vague on the subject matter. Some of the vague responses include "*Electrical related training*" or "*construction training*", and no amount of probing helped to clarify what these meant specifically.

The most common training needs identified across all regions relate to Bookkeeping, financial and business management, as well as costing of products. Equally popular was the need for training on marketing, project and human resource management. Small business owners also requested assistance with applying for tenders or contracts in public and private sector.

2.6 Assessing the effectiveness of DEDaT Products & Services

Only a small percentage of interviewed SMMEs benefit from our department`s SMME support programmes. Only eleven (11) of the total one hundred and twenty eight (128) interviewed SMMEs indicated having received assistance from the department, while an overwhelming 91% of SMME s interviewed has never received any assistance from DEDaT. This limited outreach to SMMEs is a cause for concern. The nine percent (9%) that did receive assistance from the Department indicated such ranged from financial support, equipment to operate business with, training and payment of rent. In essence, DEDaT support can be said to be ineffective, given these assertions.

Figure 2.6.1: Have you ever received any assistance from DEDaT - Interviewed SMMEs



Source: Research & Development 2016

There appears to be a gap in DEDaT extension of support programmes to SMMEs, which lies not so much on the non-availability of support programmes, but rather the manner in which the available support programmes are managed and administered. Another concern stems from the lack of awareness of the existence of DEDaT. Some of the respondents were not familiar with the Department nor its relevance to SMMEs, a possible explanation for the limited outreach. This signals a need by the Department to increase awareness through a wide variety of media on an on-going basis on the support products and services it offers, to ensure that the targeted recipients are reached.

When asked, what interventions DEDaT should initiate to grow the local SMME sector, SMMEs expressed high interest in receiving assistance with funding, suitable business premises to operate from, equipment relevant to the type of products or services that they provide, training in business, marketing and financial management, assistance with coaching & mentoring, drafting of business plans, registration of businesses, availing of economic opportunities and setting up of district offices to ease the cost of travelling and aid convenience.

It is hoped that information in this section, sheds light on the plight of SMMEs in accessing support services which to some extent contributes to their demise. Hence, the Department is encouraged to improve the extension of its support programmes to SMMEs in an effort to broaden its reach and enhance the productivity and growth of SMMEs.

Conclusion

This study interviewed a total of 128 SMMEs across all five regions in the province. Majority of respondents (74%) in the province operate in the micro business space, followed by very small business at 24%, thirdly 1.5% small business, and lastly at less than 1% medium business. These sizes pose a pressing need for DEDaT to not only advance the rate of formation of new SMMEs but increase the rate of graduation of micro enterprises into other categories. This is to allow SMMEs to play an even meaningful role in creation of employment, income generation and innovation.

On the other hand, manufacturing is also popular. The prominent manufacturing services or products offered by SMMEs in the province include among others brick-making, steelworks, manufacturing of clothing and textiles, upholstery and baking of foodstuffs (i.e. cakes and biscuits). Interestingly, construction is yet another popular industry for provincial SMMEs. A concern however is that SMMEs in the construction industry either lack proper equipment or are not registered with relevant sector specific regulatory bodies such as National Home Builders Registration Council (NHBRC), thereby prohibiting their participation in big infrastructure projects currently in progress in the province.

It is not surprising to find the focus of SMMEs largely skewed towards services, specifically in retail given that it provides relatively easy market entry and requires relatively little start-up capital. Businesses included in the retail sub-sector range from caterers, selling of clothing and stationary. The popularity of these services can partly be attributed to their non-Specialised nature. Over reliance on government in some of these services is however a concern.

It is encouraging to note that crime and theft is not cited as a challenge by provincial SMMEs. Similarly, the regulatory environment (for instance taxes or levies) seems to pose no threat to provincial SMMEs. The common challenges cited by SMMEs relate to funding, institutional support, physical infrastructure, marketing and access to markets as well as skills development. In spite of these challenges, provincial small businesses have the resilience to contend with their challenges. This commendable dedication is seen in the years of operation of interviewed SMMEs.

Lastly, the study reveals poor extension of DEDaT support to SMMEs. Only 9% of the respondents indicated to have previously received support from the department, whilst many respondents especially in the Namakwa, Pixley Ka Seme and John Taolo Gaetsewe regions did not know of the department at all. Thus signaling a need by the department to robustly increase awareness through a wide variety of media on an on-going basis on the support products and services it offers, to ensure that the SMMEs are extensively reached. It is important for the department to note and customize its interventions in relation to respondent needs.

Recommendations

In light of the findings of the study, the following recommendations are put forward:

- The need to improve the quality and usefulness of the Departmental SMME database cannot be over-emphasized, equally important is the use of recognized industry classification systems so as to aid consistency and comparability with other databases.
- With finance being regarded as a major challenge by many SMMEs, an efficient process that allows easy access and timely funding of SMMEs needs to be put in place by the department.
- Increased Monitoring & Evaluation is recommended. Together with Enterprise Development, these units need to conduct regular site visits to SMMEs in order to monitor their growth trajectories, check how many of them have ceased operating, what challenges do they encounter and how can they be assisted.
- Setting up of DEDaT satellite offices in remote areas in an effort to be more accessible to SMMEs and to maximise the extension of departmental support programmes.
- Enterprise Development Unit and other relevant stakeholders working with SMMEs i.e. SEDA, SEFA and NYDA to regularly hold SMME roadshows for regular interactions and feedbacks with the sector.

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