

THE IMPACT OF THE NATIONAL CREDIT ACT ON THE GROWTH OF SMALL
BUSINESS LENDING IN THE VHEMBE REGION OF LIMPOPO

by

VICTOR NOAH ABEL GOLD SANDAMELA

thesis

Submitted in fulfillment of the requirements for the degree

MASTER OF COMMERCE (M COM) ECONOMICS

in the

DEPARTMENT OF ECONOMICS

at the

UNIVERSITY OF VENDA

THOHOYANDOU

SUPERVISOR: Professor. A.B. Gyekye

MARCH 2012

ABSTRACT

The main purpose of this study is to assess the impact of the National Credit Act (NCA) no 34 of 2005 on the growth of the small retail business lending in the Vhembe region of Limpopo.

Over the years there has been an outcry by the small business industry that the banks were unwilling to offer lending products to this sector. The banks on the other hand maintained that this was a high risk sector, especially in the rural areas presenting difficulties to avail financial loans especially when the high costs of delivery were also taken into consideration.

Government, acknowledging the importance of small business viability and growth and the sector's role in alleviating poverty and addressing unemployment intervened by introducing the NCA. The National Credit Act provides and establishes various administrative bodies which are involved with the regulation of credit in the country and have legal powers to ensure compliance. Importantly it creates an environment in which debtors in need can be assisted and mediation between parties can happen to control over-indebtedness.

Data was collected on a group of 100 small retail businesses in the Vhembe region of Limpopo comprising of 4 municipalities of Thulamela, Makhado, Mutale and Makhado to evaluate the impact of the NCA on the access of business loans from the banks. Also to assess whether the small business sector was growing because of the financial support due to the implementation of the Act.

Chi-Square tests and correlation analysis were utilized to establish relationships amongst variables including the access to loans, the growth of small businesses, business location and the awareness, knowledge and education about the NCA.

Based on the findings of this study the following recommendations were made: Government has to continue to regulate the sector and execute effectively on the following aspects: education and training in order to develop relevant skills; unlock opportunities in both rural and urban areas in the form of tenders and infrastructure developments to support small business initiatives; inform and communicate effectively about the NCA; promote stakeholder participation in cooperating and coordinating services to promote small business initiatives and growing the industry(eg. Chambers of Commerce, Small Business Agencies etc.) with special emphasis on banks.