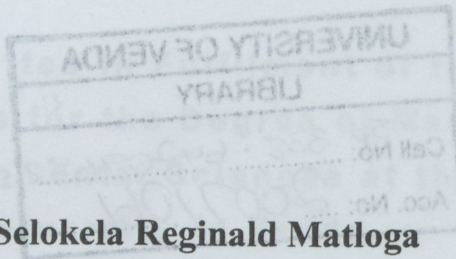


**Rural Small, Medium and Micro Enterprises
And Role of Local Economic Development Agencies
in the Vhembe District, Limpopo Province.**

BY

Selokela Reginald Matloga



Selokela Reginald Matloga

2006

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BY

Selokela Reginald Matloga

Submitted in Fulfilment of the
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.....
Supervisor: Prof. A Musyoki

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Signature: *[Handwritten Signature]* Date: *05/09/2016*

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DECLARATION



I, **Selokela Reginald Matloga**, hereby declare that the dissertation for the **Master of Environmental Science degree at the University of Venda**, hereby submitted by me, has not been submitted previously for a degree at this or any other university, that it is my own work in design and in execution, and that all reference material contained therein has been duly acknowledged.

Signature.....*Matloga*.....Date.....*05/09/2006*.....

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Small, Medium and Micro Enterprises (SMME) are vital factors in the economy of less developed countries. It has been a major source of employment, motive force for local economic development and poverty alleviation in developing countries including South Africa. It is agreed world wide that strong SMMEs give a country strong economic growth. In South Africa, SMMEs are not strong especially in rural areas, which comprise mainly of emerging SMMEs owned by Africans.

There are hosts of institutions in South Africa which are active in the development of rural SMMEs. Local Economic Development Agencies (LEDAs) in the study areas are engaged in helping rural SMMEs to flourish. However, rural SMMEs are still facing many problems and are unable to flourish.

This research is aimed at evaluating Local Economic Development (LED) support on local rural SMMEs in the study area in order to advance feasible strategies for support to enhance rural SMME's growth from the survival stage.

Social survey methods involving interview schedules were used, providing descriptive and analytic data. The qualitative and quantitative data was analysed using an SPSS programme.

The research findings indicate that LED support in the study area is failing to enhance rural SMME growth. The support does not cover the entire business requirement necessary for rural SMME growth. The study therefore advances strategies for LED support, which would be effective enough to enhance rural SMME growth and sustainability.

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1. **ABET-** Adult Basic Education Training
2. **BEE-** Black Economic Empowerment
3. **BOC-** Business Opportunity Center
4. **CBO-** Community Based Organisations
5. **CSD-** Council for Small Business
6. **CPSB-** Council for Promotion of Small Business
7. **DTI –** Department of Trade and Industry
8. **FAO-** Food and Agriculture Organisation
9. **GDP-** Gross Domestic Products
10. **GTN-** Global Trade and Technology Network
11. **ISRDS-** Integrated Sustainable Rural Development Strategy
12. **JCS-** Juhudi Credit Scheme
13. **KREP-** Kenya Rural Enterprise Programme
14. **LED-** Local Economic Development
15. **LEDA-** Local Economic Development Agency
16. **LIMDEV-** Limpopo Economic Development Enterprise
17. **LBSC-** Local Business Service Center
18. **MCO-** Micro Credit Outlet
19. **NALMI-** Norfolk Arable Land Management Initiative
20. **NBI-** National Business Initiative
21. **NEFA-** National Empowerment Funding Agency
22. **NGO-** Non Governmental Organisation

23. **NMC**- National Manpower Commissions
24. **NPDC** – Northern Province Development Corporation
25. **OER**- Office of Economic Research
26. **REAP**- Rural Enterprise Assistance Project
27. **RDP**- Reconstruction and Development Programme
28. **SA** – South Africa
29. **SAIC**-Southern Africa Cotton Industries
30. **SB**- Small Business
31. **SBA** -Small Business Administration
32. **SBDA** - Small Business Development Agency
33. **SBDC**- Small Business Development Corporation
34. **SED**- South East Development
35. **SMME** – Small, Micro and Medium enterprises
36. **SPSS**- Statistical Package for the Social Sciences
37. **TAC**- Tender Advice Center
38. **UK** – United Kingdom
39. **USA** – United State of America
40. **USAID**- Unite States Agency for International Development
41. **VHEDA**- Vhembe Economic development Agency

1.1 INTRODUCTION

This introductory chapter provides the background to the study, research objectives and the methods of data collection. The aim of the study is to evaluate local economic development support to local rural small, medium and micro enterprises in the Vhembe District, Limpopo Province (South Africa).

1.2 BACKGROUND TO THE STUDY

In South Africa, there is a high rate of unemployment and poverty especially among Africans in the former homeland states. Empirical evidence shows that Small, Medium and Micro Enterprises (SMMEs) contribute to employment creation by creating balanced socio-economic development especially in developing countries including South Africa. There is world-wide agreement that a strong small business sector gives a country strong economic growth. In South Africa small business is not strong especially in the former homeland areas. Businesses owned by Africans for many years were unfairly taxed, fined, zoned, and confiscated by government imposed structures of the economy (Hetherington, 1989).

The importance of the small business sector in development is now widely recognised in South Africa. It is regarded as an essential element in a successful formula for achieving economic growth by solving problems of unemployment (Vosloo, 1994). SMMEs in South Africa account for 60 % among all employed people. The sector is growing fast comparatively. Many South Africans are forced every year into informal sector activities because of the inability of formal macro enterprises to create jobs. Growing small business is the only vehicle to address extreme inequalities in incomes (Nqcuca, 1998).

Small, Medium and Micro Enterprises (SMMEs) in South Africa, according to the White Paper on the National Strategy for the Development and Promotion of Small Business (1995), are categorised as follows: small business is established business with employment ranging between 5 and 50 persons. They are owner-managed, operate from business or industrial areas, are tax-registered, and meet other formal registration requirements. Medium enterprises are basically viewed as owner/ manager controlled businesses with employment of 2000 and capital assets, excluding property of about R5 million. Micro enterprises including survivalist enterprises are very very small businesses. They often involve only the owner, some family members and at most one or two paid employees. They usually lack business licenses, VAT registration, formal premises, an operating permit and accounting procedures (Government of South Africa, 1995).

Trade, services and agriculture represent the majority of all SMMEs in rural areas where unemployment is high. Also, previously disadvantaged people are engaged in self-employment activities that are in the informal sector (Mbone, 2003). Oberhauser (1998) indicates that rural areas are comprised mainly of emerging SMMEs owned by blacks. Established micro-enterprises owned by whites, who benefit from support agencies and financial services that seem to favour established SMMEs, are found in urban areas (Rogerson, 2002). Therefore, the government and non-government SMME agencies are faced with the challenge of moving businesses from the survivalist stage and make sure that they do not remain in the stagnant market by allowing them to access various markets in the country.

In the reconstruction initiatives of the post apartheid South Africa, the promotion and support of the SMME sector has become a significant policy issue. As early as 1994, the government, through the Department of Trade and Industry set out to formulate new policies and put new structures in place that were geared to support the development of strong and vibrant SMMEs. These include the national networks of Local Business Service Centers (LBSCs) operated by local NGOs. The Khula Enterprise Finance Company for financial services and Ntsika Enterprise Promotion Agency (NEPA) which provides entrepreneurial training,

access through the LBSCs; carry out research and policy development in support of entrepreneurs (Rural Development Framework, 1997).



The Department of Trade and Industry (DTI) and Department of Provincial and Local Government (DPLGA) have reformulated the Local Economic Development (LED) policy. Both departments have worked together since 1995 in developing a National Framework for Local Economic Development. LED planning refers to the process through which local stakeholders identify the resources and opportunities accessible to their areas and engage in stimulating sustainable economic development. Municipalities are now encouraged to engage in LED planning (Rajarathnam et al, 2000).

Small business development is an essential component of Local Economic Development strategies. LED operations have to establish an appropriate business climate by supporting local indigenous enterprises to address local market failures and to facilitate access to finance by SMMEs. The Department of Provincial and Local Government (DPLGA) launched the LED fund in 1999 which saw 344 municipalities apply for over 800 projects with a total value 18 times greater than the R42 million available (Friedrich-Ebert Foundation, 2000).

In response to the government's call for institutional, local structures and stakeholders to be involved in LED planning to address the financial needs of small businesses and enterprises, different SMME support programmes and projects with different objectives and functions were established to help SMMEs in both rural and urban areas: ABSA Group, SHELL Southern Africa, Petro SA and TELKOM SA (Ntsika Enterprise Promotion Agency, 2001).

The Small Enterprise and Human Development Programme (SEHD) of the United Nation Office for Project Services (UNOPS) has established local structures referred to as the Local Economic Development Agency (LEDAs) in three provinces in South Africa, namely: Northern Cape, Mpumalanga and Limpopo Provinces. In the Limpopo Province, the Vhembe Economic Development

Agency (VHEDA) was recently launched. The LEDAs provide local communities with services such as strategic economic and entrepreneurial planning, financial planning and support, business and enterprise management assistance and information gathering and processing of market access opportunities for products and services of small business (Musetha, 2003).



There are various Local Business Service Centers in the Limpopo Province: Akanani Rural Development Association, Baobab Technology Holdings, Bushbuckridge Local Business Center, Lowveld Tertiary College (Northern Entrepreneur College), Phalaborwa Foundation Business centres and University of Venda (Center for Entrepreneurship). These centres were established to help and support local SMME entrepreneurs (Ntsika Enterprise Promotion Agency, 2001). Despite government and non-government agencies support on rural SMME promotion and development, rural SMMEs remain vulnerable, stagnant and unable to flourish. Therefore, it is necessary to explore concrete measures to support rural SMMEs in South Africa.

This study will therefore, focus on rural SMMEs and LED agencies operating in rural areas, excluding SMMEs operating in rural towns in the Vhembe District-Limpopo Province. There are many local economic development agencies and institutions, government departments and municipalities active in supporting rural SMMEs in the Vhembe District. However, little is known about their performances. Local rural SMME's problems such as poor business management and finance remain problematic. They hinder business growth and as a result rural economic development and job creation are also affected. The focus of the study is the local economic development support to previously marginalised rural SMMEs. Particular attention will also be given to gender issues affecting rural SMME development and the way in which service providers relate to the gender issues when providing/ administering support to local rural SMMEs in the study area.

1.3 PROBLEM STATEMENT



SMMEs are the motive force for local economic development and poverty alleviation in developing countries including South Africa. Ntsika Enterprise Promotion Agency (2001) indicated that SMMEs in South Africa account for over 50% of employment and Gross Domestic Products. SMMEs enable people to meet their basic needs and survival. It is believed that survivalist enterprises can become micro and small enterprises through the growth of the SMME sector, thereby creating jobs and raising the standard of living for hundreds of thousands of South Africans in rural areas.

There is a host of institutions (government, parastatals, NGOs and the private sector) active in the development of the SMMEs in the study area. However, the local economic environment and problems faced by local rural SMMEs still persist despite such efforts. Businesses especially those owned by previously disadvantaged people are closing down, some are being rented and others are operating periodically. Rural SMMEs are not flourishing, as a result poverty and unemployment continues.

Rajaratnam et al (2000) indicate that many LED practitioners and SMME agencies lack or have little knowledge of the local economic environment within which they operate. This results in unfocused support with little impact on SMME development especially rural SMMEs, which might be the case in the study areas. The importance of LED agencies is to establish an appropriate climate by supporting local indigenous enterprises to address local market failures and facilitations of access to finance by rural SMMEs (Friedrich-ebert Foundation, 2000). Therefore, there is a need for study of these support systems in order to propose targeted interventions to address the special challenges facing rural SMMEs.

The central questions for this study's investigation are as follows:

1. What are the spatial and structural characteristics of rural SMMEs in the Vhembe district?

2. What is the nature and role of LED initiatives for rural SMME support?
3. How do entrepreneurs perceive and view SMME support?
4. What gender dynamics exist in the LED support?
5. How should rural SMME support be structured to effectively support enterprises?

1.4 AIM:

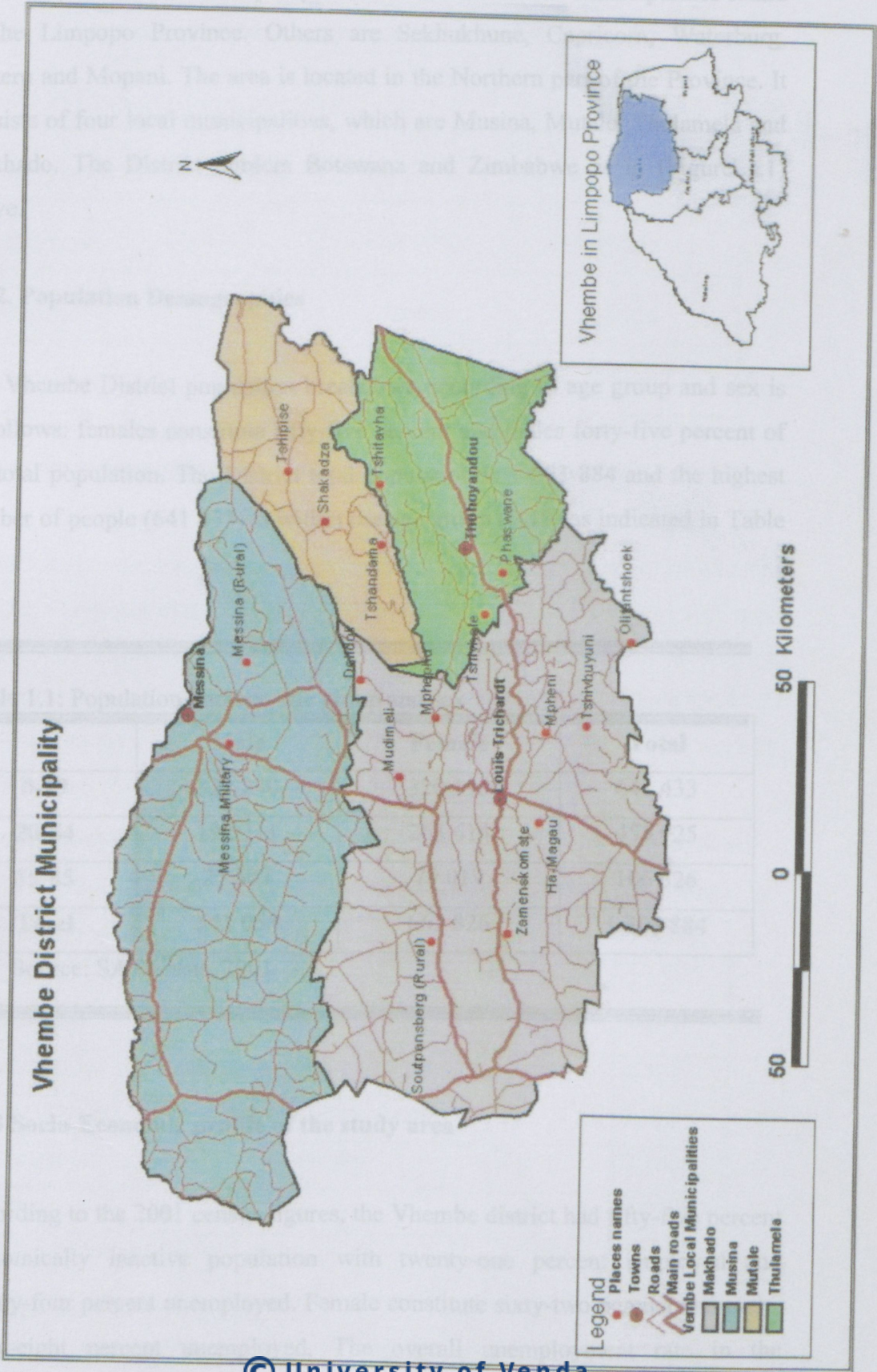
The main aim of the study is to evaluate local economic development support to local rural SMMEs in the Vhembe District. This will assist LED practitioners and agencies working with local rural SMMEs to understand the local economic environment within which they are operating in order to review their support programmes and strategies to facilitate local rural SMME development. As a result poverty alleviation and job creation will be enhanced in the Vhembe District, Limpopo Province.

1.5 OBJECTIVES:

1. To analyze the spatial and structural characteristics of SMMEs in the Vhembe district;
2. To assess the nature of local economic development support for local rural SMMEs in the District;
3. To determine how entrepreneurs perceive and view the support received from LED agencies and institutions for SMME development;
4. To determine the extent to which support is gender specific and the dynamics of inclusion and exclusion;
5. To identify strategies for increased LED support and how it may be restructured in order to realise equitable economic benefits to both men and women.

1.6 THE STUDY AREA

Figure 1.1: Orientation map of the study area



The Vhembe District municipality is one of the six district municipalities found in the Limpopo Province. Others are Sekhukhune, Capricorn, Waterburg, Eastern and Mopani. The area is located in the Northern part of the Province. It consists of four local municipalities, which are Musina, Mutale, Thulamela and Makhado. The District borders Botswana and Zimbabwe as in (Figure 1.1) above.

1.6.2. Population Demographics

The Vhembe District population breakdown according to age group and sex is as follows: females constitute fifty-five percent and males forty-five percent of the total population. The District total population is 1 203 884 and the highest number of people (641 433) is within the age group (0-19) as indicated in Table 1.1.

Table 1.1: Population number, age group and sex

	Male	Female	Total
0-19	321 240	320 193	641 433
20-54	192 311	263 614	455 925
55-85	27 507	79 019	106 526
Total	541 058	662 826	1 203 884

Source: SA Census, 2001

1.6.3 Socio-Economic profile of the study area

According to the 2001 census figures, the Vhembe district had fifty-five percent economically inactive population with twenty-one percent employed and twenty-four percent unemployed. Female constitute sixty-two percent and male, thirty-eight percent unemployed. The overall unemployment rate in the

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Limpopo province in 2002 was thirty-five percent, but in 2003 unemployment rose to thirty-eight percent due to drought (Mufamadi, 2004).

Table 1.2: Employment status and sex

Employment status	Male	Female
Unemployed	58 777	97 350
Employed	76 450	62 014
Economically inactive	144 959	213 271

Source: SA Census, 2001

Table 1.2 above shows the employment status according to sex in the Vhembe District. It reveals that most female than male are unemployed and that more female than male are economically inactive. Table 1.3 below shows the occupation categories according to sex in the Vhembe District. There are 4 771 skilled agriculture and fishery workers, 15 742 craft and related trades workers, 10 734 clerks, 9 309 professionals and 15 002 service workers.

Table 1.3: Occupation categories and sex (Local Income Distribution)

Occupation	Male	Female
Legislators; senior officials and managers	3 337	1 223
Professionals	5 398	3 911
Technician and associate professionals	8 076	8 124
Service workers; shop and market sales workers	10 077	4 925
Skilled agricultural and fishery workers	2 971	1 800
Clerks	4 721	6 013
Craft and related trades workers	12 430	3 312

Source: SA Census, 2001

Twenty-one percent were employed in crafts and related trades, seventy-nine percent were female workers and twenty-one percent were male workers. Two percent of the population was employed as technical and associate professionals. Sixty-one percent of the households had access to electricity, twenty-three percent used candles, fifteen percent relied on paraffin and the rest used gas and solar heating as their main source of energy (South Africa census, 2001).

Limpopo Province budgeted R30 million in 2004 for the development of co-operatives. An amount of R5 million was utilised for the necessary research and development in this regard. Five model co-operatives received a total of R11,7 million and R50 million was allocated to Limpopo Economic Development Enterprise (LIMDEV) to enable access to finance by SMMEs (Mufamadi, 2004).

1.7 CONCEPTUAL FRAMEWORK OF THE STUDY

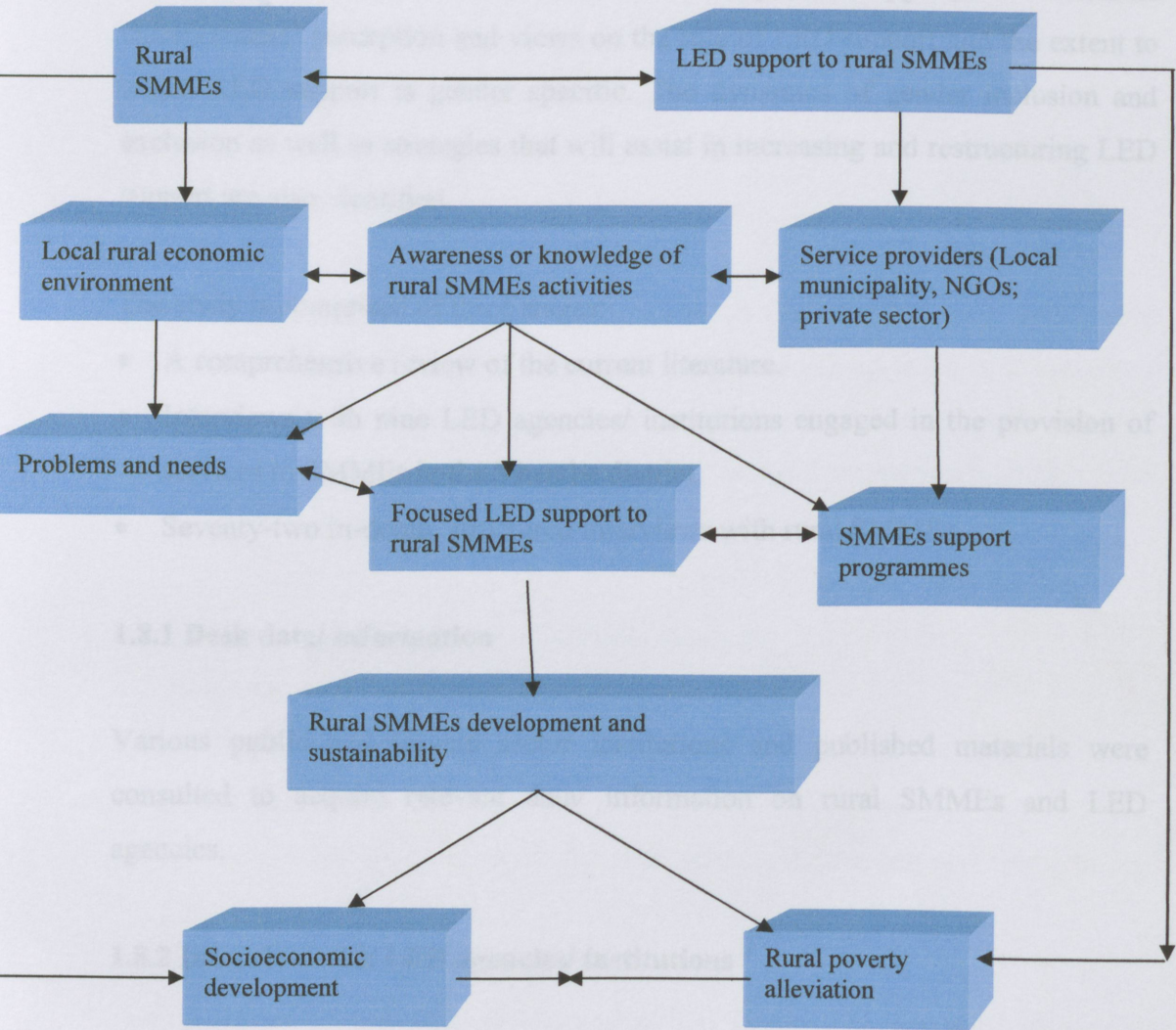
In South Africa the SMME sector is the country's only real hope for meaningful economic growth and job creation. SMME development forms a key component of South Africa's vision for sustainable development, especially in rural areas. They have a potential to contribute to local economic development and poverty alleviation. There are a host of institutions (government, parastatals, and private sector) active in the development of SMMEs. Despite such support, rural SMMEs remain stagnant and unable to flourish. As such there is a need for a targeted intervention to address the special challenges hindering rural SMME development.

The rural SMME sector is very diverse and complex. The service providers, (SMME agencies), before embarking on support must first understand the local rural economic environment within which they will be working. This will result in focused support that will impact on rural SMME development and sustainability.

Rural SMME development and sustainability will lead to rural socio-economic development and poverty alleviation. This achievement will imply that both rural SMMEs and support agencies attain their goals namely rural economic development and poverty alleviation, as many people will be employed as shown

in Figure 1.2 below. The evaluation of LED support to rural SMMEs will help service providers to understand the nature of the local rural economic environment within which they operate and will assist in designing appropriate strategies and approaches that will result in focused support for rural SMMEs.

Figure 1.2: Conceptual framework of the study



Source: Researcher, 2005

The social survey methods involving face-to-face, structured interviews with SMME owners/ managers and LED agencies were employed to collect information/ data on the spatial and structural characteristics of rural SMMEs; to assess the nature of local economic development support; to determine entrepreneurs' perception and views on the role of LED support and the extent to which LED support is gender specific. The dynamics of gender inclusion and exclusion as well as strategies that will assist in increasing and restructuring LED support are also identified.

The study is comprised of three stages:

- A comprehensive review of the current literature.
- Interviews with nine LED agencies/ institutions engaged in the provision of services to SMMEs in the Vhembe district.
- Seventy-two in-depth, structured interviews with rural SMMEs.

1.8.1 Desk data/ information

Various public and private sector institutions and published materials were consulted to acquire relevant data/ information on rural SMMEs and LED agencies.

1.8.2 Interview with LED agencies/ institutions

In-depth interviews were conducted with nine LED agencies/ institutions engaged in the provision of finance and non-financial support to SMMEs. They were identified through the NTSIKA local business service centre, Department of finance, trade and industry, and the University of Venda-Institute for Entrepreneurship. The first contact with them was made through cell-phones to arrange for interviews and interview schedule no. 1 was used.

The interviews were conducted to address the following issues:

- the nature of local economic development support for local rural SMMEs;
- the extent to which this support is gender specific and the dynamics of inclusion and exclusion;

The results of the interviews were analysed using the Statistical Package for the Social Sciences (SPSS), to generate descriptive statistics as well as tabulating contingency tables, and to provide substance for the development of in-depth interviews, for rural SMME owners/ managers.

1.8.3 In-depth interview

The structured interview schedule no. 2 was developed based on a comprehensive review of literature and initial interviews with the LED agencies/ institutions to support the face to face interviews. The interview schedule contained open and close- ended questions aimed at drawing out in-depth responses relating to the following issues:

- the factors affecting choice of business location;
- the structural characteristics of businesses;
- the determination of entrepreneurs' perceptions and views on the role of support; and
- the identification of strategies that will assist in increasing and restructuring LED support.

Businesses to be interviewed were identified from LED agencies/ institution offering assistance to SMMEs in the Vhembe district. They included LIMDEV; ESKOM; Agriculture Department; Far North Local Business Service; Department of Finance, Trade and Industries, and the Vhembe District, Makhado and Thulamela municipalities.

The resulting list (n=92) was further analysed to remove businesses that were not found in the Vhembe District rural areas. In total, seventy-two out of ninety-two business owners/ managers were interviewed. Sixty-two owners/ managers were



female and ten male. It is important to highlight that ten business owners/managers were not interviewed because they were unavailable for interview during the research period. The potential participants were first contacted through cell-phone calls to arrange for face-to-face interviews using interview schedule no. 2. To reduce respondent bias, they were first given assurance regarding confidentiality and were informed about the aims and importance of the study.

income and responsibility for spending that income (William and Rohlf, 2004).

The qualitative and quantitative data arising from these interviews was analysed using SPSS to generate descriptive statistics as well as tabulators. The qualitative data was also grouped and discussed according to the research objectives.

1.9 DEFINITIONS OF TERMS

An entrepreneur is a person who identifies a need not met by the market as yet, new markets for existing products, new processes by which products can be made and seeks to exploit this opportunity through investment (Buckley, 1994)

Entrepreneurship is the managerial function that combines land, labour and capital in a cost effective way and uncovers new opportunities to earn profit; it includes willingness to take risks associated with a business venture (William and Rohlf, 2004).

Economic growth is an increase in an economy's production capacity or potential gross domestic product (William and Rohlf, 2004).

Business is the activity of buying and selling goods, manufacturing goods or providing services in order to make a profit (French and Saward, 1983).

Gender refers to the rules, norms, customs and practices by which biologically associated differences between male and female of human species are translated into socially constructed differences between men and women, boys and girls which give them unequal value, opportunities and life chances (Spence, 2003).

Gross Domestic Products (GDP) is the measure of output generated through production by labour and property that is physically located within the confines of a country in a given time period, usually a year (Spence, 2003).



Household is a living unit that also functions as an economic unit. Whether it consists of a single person or a large family, each household has a source of income and responsibility for spending that income (William and Rohlf, 2004).

Laws and Legislative Acts are legal instruments that help in implementing policies (ILO, 1997)

Local economic development is a locally driven process design to identify, harness and utilise available resources to stimulate the local economy of the area, which will contribute to employment creation and other economic opportunities that will benefit the local communities (Rogerson, 2002).

Local Economic Development Agency (LEDA) is a new, democratic, participatory, non-profit development company (incorporated as section 21 under the companies Act, 1993) established to encourage sustainable economic development, employment, decent jobs and income generation at local level (The World Bank Group, 2001).

Medium Business is an owner/manager control business with employment of two thousand and capital assets, excluding property of about R5 million (Government of South Africa, 1995).

Micro Enterprises are very very small enterprises; often involve only the owner, some family members and at most one or two paid employees (Government of South Africa, 1995).

Policies are basically expressions of national goals and strategies. They are statements of general principles, goals and procedures intended to guide and determine present and future decisions (Tolentino, 2000).

Poverty is the denial of opportunities and choices most basic to human development to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and respect for others (Hirschowitz, 2000).

Programme is a coherent framework of action to achieve certain development objectives (Tolentino, 2000).

Rural areas are areas that have the lowest level of services, and the greatest average distance to the nearest service points, they include large scale farming areas, much but not all of the ex-bantustan areas and small municipalities with little potential to raise taxes sufficient to meet the costs of services. They are characterised by high level of poverty and economic underdevelopment (Ramathlodi, 1995).

1.1 CHAPTER PROGRESSION

Small Business is an established business with employees ranging between five and fifty. They are owner-managed, operate from business or industrial areas, are tax registered and meet other formal registration (Government of South Africa, 1995).

1.10 JUSTIFICATION FOR THE STUDY

SMMEs represent an important vehicle to address the challenges of job creation and economic growth in a country. However, for SMMEs to make meaningful contributions to the local economy there is a need for government and non-government support. However, such support needs to be focused to have positive impacts on SMME development. Various programmes and projects in SA were established by different government departments, municipalities and institutions to establish a conducive local economic environment and local playing field for SMME development. Such a situation is not obviously enough to support the development of SMMEs.

The study attempts to understand the extent of LED support for rural SMME expansion and retention. The rural SMME landscape is very diverse and complex, as such, it needs a proper understanding in order to design appropriate support

strategies and approaches. Each business sector has a specific size and particular group related problem that needs to be understood and addressed before embarking on any kind of business support. Therefore, there is a need for more studies on rural SMME climates to understand the rural economic environment within which they operate.

The study, therefore, is important and crucial for rural SMME development and sustainability since it will facilitate an appropriate or proper understanding of the rural SMME environment by service providers and LED practitioners. This will help service providers to design appropriate strategies and approaches with focussed support to enhance rural SMME sustainability and development; hence poverty alleviation will bring about rural economic development.

1.1 CHAPTER PROGRESSION

The study is divided into four chapters (see figure 1.3 below).

Chapter 1 introduces the background of the study, research problems, aims, objectives, the study area, methodology, and definition of terms and the importance of the study.

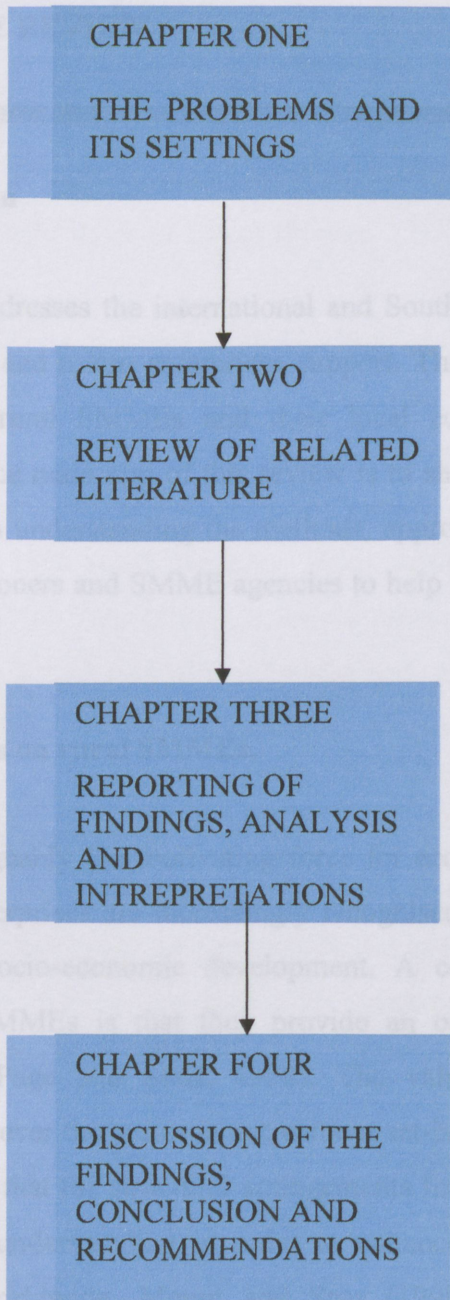
Chapter 2 deals with literature review: the nature of rural SMMEs and LED in different parts of the world.

Chapter 3 Presents the findings of the study.

Chapter 4 Presents the discussion, conclusion and recommendations.

1.11 CONCLUSION

This chapter has introduced the background to the study, the research problem, aims and objectives of the study, location of the study area as well as working definitions. The following section discusses the literature review.



LITERATURE REVIEW

2.1 Introduction

This chapter addresses the international and South African perspectives on rural small, medium and micro enterprises support. The chapter reviews literature on the nature of rural SMMEs and their local economic development support programmes. The main aim of this review is to show the conceptual frameworks that will help in understanding the methods, approaches and strategies employed by LED practitioners and SMME agencies to help rural SMMEs in different parts of the world.

2.2 Perspectives on rural SMMEs.

SMMEs are arguably the motivating force for economic growth internationally. Small-scale enterprises are increasingly recognised as having a rightful place in strategies for socio-economic development. A central theme in much of the literature on SMMEs is that they provide an outlet and training ground for entrepreneurs (Page and Steel, 1998). The value of SMMEs is recognised worldwide, however the sector is not without set-backs and challenges. Empirical evidence shows that the structural arrangements for the sector is complicated and needs a better understanding in order to enhance its importance in economic development worldwide. Moran and Sear (1998), Mole (2000), Castellanos (2000), and Fielden, Davidson, Dawe and Makin (2003) focus primarily on SMMEs in urban areas. A diversity of literature exists on SMME activities in rural areas. The review will therefore focus on the economic activities of rural SMMEs in different parts of the world with special reference to their nature, policy, strategies and approaches adopted.

2.2.1 Rural economic activities and job creation



Most rural populations engage in small businesses initially as survival strategies to provide household income for the alleviation of poverty. The fastest growing segment of the job market in Britain and USA is self-employment, which is likely to be higher in developing countries. Nearly 95% of the new jobs being created worldwide are in the informal sector (Sunter, 1997).

In the United States of America (USA) Small business in rural areas accounted for 95% from 1990 to 1995. However, the number of enterprises such as retail and finance were found to be decreasing more in rural than in urban areas. Small Business Development Center's research found that 70% of businesses were in the service sector, 19% retail business, 4,3% wholesale and 3,6% construction business from 1992-2000 (Small Business Administration, 2001). In the United Kingdom (UK) urban SMMEs outperformed rural SMMEs in terms of job creation from 1994-1997 9 (Small Business Service, 2001).

In developing countries such as in Africa women in rural areas undertake a large percentage of micro-enterprises. They are successfully turning to self-generated employment in small-scale enterprise activities in the informal sector. Forty-seven percent of rural women in Africa are economically active in small scale agriculture (World Bank, 1997).

In Kenya small business (Jua Kali) constitutes 98% of all businesses in the country. It absorbs 50% of new non-farm employment seekers annually and has an employment growth rate of 12-14%. It contributes 30% of total employment and 3% of GDP (ILO, 1996-2003). About 46% of job holders in Ghanaian agriculture have a second job in addition to their primary jobs. The bulk of the poor in Sub-Saharan Africa concentrate on small scale agriculture. In Uganda for example in 1989, 90% of the people in rural areas engaged in small scale agriculture (ILO, 1997).

SMMEs in South Africa like in other countries are regarded as a practical way of solving problems of unemployment and enhancing economic growth. Most rural populations start small businesses as a survival strategy to provide household income to alleviate poverty (Vosloo, 1994). Trade, service and agriculture represent the majority of rural SMMEs in rural areas, where unemployment is usually high. The majority of self-employment activities are in the informal sector, prone to easy entry and lateral expansion (Mbone, 2003).

In 1994, the South Africa Government formulated SMME policies and put structures in place to support the development of strong and vibrant SMME through the Department of Trade and Industry (DTI). The National Small Business Council was created in terms of the National Small Business Act of 1996 to promote and represent the interests of SMMEs. The National Business Initiative (NBI) was launched in March 1995 as a business collective response to the socio-economic challenges facing a new South Africa. The NBI was formed as a non-profit business based public interest organisation with over 180 leading South African and international companies as members. It focuses on the contribution of the business community to socio-economic delivery, job creation and the delivery of basic service within local government structures. The NBI's programmes within the LED create enterprising individuals and communities by focusing on enterprise development. Its three programmes are on access to finance business support and project initiation for SMMEs. The SMMEs, black and white businesses, have an equal chance to participate or compete globally under the democratic order. The economic barriers to compete in global markets have been removed (National Business Initiative, 2002).

Ray (2003) indicates that there is a concerted effort to shift the focus from retailing to manufacturing through the provision of funding in favour of manufacturers in South Africa. This is facilitated by the establishment of incubation process and plans to help SMME access national and global market.

Before the new political dispensation the Limpopo Province was characterised by poverty. Jobs were scarce, economic growth hopeless, and racial inequality deeply entrenched. The Province is now the fastest growing province. It is growing at a

rate of 3, 8% per annum, compared to the national average of 2.7% per annum in the period 1995-2001 (Statistics South Africa, 2003).



Agriculture is one of the competitive advantages of the Province and 90% of tomatoes are grown in the Province. It also produces 60% of the national Potatoes, 55% of avocados and 35% of bananas. Mining contributes 7,8% and trade 12,4% of the South African Gross Domestic Product (GDP). Manufacturing is another sector showing a pattern of development where both micro and medium sized enterprises are making inroads. The Province has twice won the Technology for Women in Business Awards. The disabled in the SMME sector also scooped first prize in 2000 at the Innovative Disabled Enterprise Awards Scheme (Lewis, 2003).

2.2.2 Rural SMME environment and challenges

The rural SMMEs worldwide face more or less the same challenges, which include access to finance and technology, social capital and markets. The introduction of new business technology fails to guarantee the success of businesses in different countries as it requires social skills associated with the educational level of entrepreneurs. Rural SMMEs have no personnel or teams specifically devoted to research and development. Most rural entrepreneurs lack the culture of change and innovation; they prefer the traditional way of running business (Piccioniv, 2003).

Rural SMMEs in Canada often have no access to nearby technological assistance due to lack of social capital and skills. Telecommunication and broadband deployment in rural areas increased competition with urban based SMMEs. Seventy-nine percent of small business owners in the USA showed the Internet to have little or no impact on them (Field and Teslyk, 2004).

Source: Westhead P, Ucbasaram and Binks M, 2004: 9

Table 2.1: Rural small firms' reasons for not exporting their products or services in UK, 1997.

Strategic Obstacles (78%)	Information Obstacles (4.3%)	Processed based obstacles (4.3%)	Operation obstacles (13.1%)
<ul style="list-style-type: none"> • Focus on local market • Lack of management time • Not enough capacity and resources • Management perceive exporting to be risky • Financing difficulties • Lack of qualified staff • No perceived demand abroad for products/services 	<ul style="list-style-type: none"> • No contacts abroad • Not enough information regarding foreign opportunities, markets and culture 	<ul style="list-style-type: none"> • Problem of red tape/documentation • Language barrier • Various kinds of trade impediments • Cultural differences 	<ul style="list-style-type: none"> • Difficulties in foreign marketing • Initial cost too high • Difficulties in distribution

Source: Westhead P, Ucbasaram and Binks M, 2004: 9

Rural entrepreneurs in the United Kingdom (UK) were found to lack creative business skills and were reluctant to utilise external funding for new business technology equipment and instrument. They have limited information networks of domestic and foreign market opportunities. Rural small firms identified various reasons for not exporting their products or services in the UK as indicated in Table 2.1 above. The reasons are strategic, information, processed based and operational obstacles. The table shows that 78% of rural SMMEs are affected by strategic obstacles, 4.3% information obstacles, 4.3% process based obstacles and operation obstacles 13.1% (Westhead, Uchasaran and Binks, 2004).

Rural areas in the UK have less developed financial and business sectors compared to urban areas. Small firms are reluctant to send either owner managers or employees to distant training centres especially in rural areas. Seventy-five percent of business advisors in the UK were found to be more than 25 km away from their rural clients. Thirty-eight percent of business links had information or data on rural entrepreneurs because few had undertaken research on the activities of rural SMMEs (SBS, 2001).

Low social capital, weak local governance and low institutional capacity discouraged business start-up in rural areas in many European countries. In Evrytania, Greece, lack of skilled labour, transport infrastructure and the small size of local markets deterred the development of the secondary sector. Rural depopulation in Serra Algarvia, Portugal, facilitated low productivity in agriculture due to the lack of human resources (Skuras et al, 2003).

In Central and Eastern Europe, credit financial services and stock exchange boards are often unavailable for rural SMMEs. Lack of information and experience in dealing with rural SMMEs discourage the banks to lend money. In Czech Republic, the low telephone density with 25% in rural areas compared to 50% in urban areas also discourages banks to work in rural areas. In Bulgaria, 90% of rural SMMEs have problems with tax registration procedures and provision of premises because of corruption and bureaucracy. Bulgarian banks like those in the Czech Republic offer loans at a high interest rate. They are unwilling to offer

ancillary services because of poor business plans, unrealistic ideas of the entrepreneurs and poor management skills (Davis and Pearce, 2001).



In Asia, rural SMMEs face more or less the same challenges experienced elsewhere. Banks in Thailand focus heavily on collaterals because of high risk and business failure among SMMEs. Paetkau (1999) shows that rural entrepreneurs lack marketing skills, accurate financial information and the absence of business plans discourages banks to lend to them. In Vietnam, 83% of SMMEs operate locally because they have limited access to sources of business information. Many businesses have no access to telephones in rural areas due to poor rural communication infrastructure (Anderson, 2000).

In Africa, most rural entrepreneurs lack technical and business management skills necessary for business sustainable success. They lack administrative, technological, legal and financial aspects of running a business. Seventy to eighty percent of Africans live in rural areas, where access to communication facilities is almost non-existent (UNIDO, 1999). Wolf (2001) points out that most rural SMMEs are unable to compete with bigger enterprises because of high transport and communication costs. This forces them to resort to serving local niche markets.

In West Africa, few Formal Financial Institutions (FFIs) provide services to the rural sector. Fifty percent of micro enterprises have no access to financial services. Credit procedures are complicated for the illiterate rural poor. The absence of suitable collateral and lack of banking experience among rural entrepreneurs disqualify them from getting their loans approved. In Accra, many farmers and other micro entrepreneurs were found to be unable to comply with standard documentation requirements of banks. In Lome, lack of infrastructure: water, electricity and roads were found to discourage banks from investment. The banks staffs are also unfamiliar with agricultural sector. They lack records on informal businesses. (Nwanna, 1996).

In Tanzania, rural SMMEs have no access to financial services because they are considered bad debtors. This causes them to end up in the hands of informal

money lenders with high interest rates. Most rural entrepreneurs were found to be ignorant and lacked appreciation for any development services which resulted in the lack of information and finance (Joel, 2003).

Rural SMMEs in South Africa, like in other countries, face many challenges. The challenges include the limited demand for goods and services, lack of business and technical skills, insufficient local government and community structures to facilitate local economic development programmes and the depressed state of the rural economy. These force them to engage in survivalist -micro enterprises. Many of the small players lack business management skills, exacerbated by low education levels and high illiteracy rates. Access to funding combined with limited access to markets, especially in the agricultural sector, is also a problem. Eighty-five percent of rural small scale poultry farming in Kwazulu Natal are unable to participate in urban markets because of transportation costs (Wynne and Lyne, 2004).

Trollip (2001) found that party politics in the Limpopo Province caused conflicts in projects. Political leaders try to take ownership of project in order to share in the donor funds. Poor roads and expensive transport disadvantage transportation of their products to markets and in getting raw materials.

Rural enterprises, especially in rural areas, lack strategic capacities, and sufficient and sustainable structures needed to be connected to the Internet. They also lack knowledge regarding their information needs and up to date information sources. The development of computerized information systems assists business managers in their decision making, planning and control of the enterprises. Computerized information systems arrange, analyze and present information in such a way that it can be easily understood. There is an absolute lack of familiarity with the changing technology especially the Internet among small and medium-sized enterprises in Acornhoek, South Africa. Many small business managers lack information on managing their businesses. They are unaware of how business information services can support and advance their business activities. The majority of small and medium sized enterprises in Acornhoek preferred informal methods of communication to obtain information for their enterprises as indicated

in Table 2.2 below. About 78.1% of small and medium enterprises owners/managers discuss their businesses with colleagues compared to 6.3% who used a computer for business information. They used friends, relatives, customers and associates to a very large extent more than the radio, television, library and computer for gathering business information. This was attributed to the remoteness of the areas and illiteracy. There were no libraries that would provide information on small and medium-sized enterprises in Acornhoek. The only library that existed adjacent to these enterprises was approximately 44km in Hoedspruit (Shokane, 2003).

Local Business Service Centres in South Africa focus mainly on well established businesses especially manufacturing because it is perceived to have a high potential for job creation. The distribution of financing NGOs is biased. Eighty-five percent of small businesses are unable to participate in urban markets because of high transaction costs, access to information and technology transfer (Wynne and Lyne, 2004).

Table 2.2: The methods of communication preferred in Acornhoek to obtain business information (N=32)

Communication methods	Very important	Somewhat important	Not important
Discussion with colleagues	25(78.1%)	3(9.4%)	4(12%)
Asking the librarian	-	1(3.1%)	31(96%)
Telephone conversation	-	15(46.9%)	3(9.4%)
Conferences	13(40.6%)	5(15.6%)	25(78.1%)
Computerised information	2(6.3%)	9(28.1%)	14(43.7%)
Discussion with people	7(21.8%)	9(28.1%)	3(9.4%)
Discussion with subordinates	19(59.3%)	6(18.8%)	6(18.8%)
E-mail	20(62.5%)	-	26(81.2%)
Others	6(18.8%)	1(3.1%)	3(9.4%)

Source: Shokane, 2003: 7-9.



2.2.3 Marketing systems

The market or trading place has attracted a good deal of academic attention both in terms of their spatial-temporal structure and social activities for which the market is a focus. Market place is defined as an unauthorised concourse of the buyers and sellers of commodities, meeting at a place more or less strictly limited or redefined at an appointed time. The market place in some areas developed because the casual and relatively informal exchanges between individuals and families were too frequent to be carried out in a piecemeal fashion. The permanent market, therefore, developed and functional location emerged at a certain time and place. A lot of studies have attempted to explain the structure and function of an integrated market in terms of trading theory or the hierarchical ordering principles of central place theory (Swiddle and Swindell, 1990).

Hollier cited in (Swiddle and Swindell, 1990, 90) identified three types of rural marketing systems that explain the spatial ordering of a rural market. They are Dentritic-Mercantile, Solar and Network marketing systems. Travel pattern and marketing strategies were used to identify the market hierarchy. In the Solar Marketing system, a network of markets is organised by a single articulation centre. A group of rural periodic markets, usually with specific commodity specialisation, meet on different days. They supply a single urban market or two consuming centres. In the Dentritic-Mercantile system, centre periphery forces are especially prevalent. The distribution channels only flow to and from the centres. Producers in more remote rural areas are seriously disadvantaged compared to those living closer to the centres.

The Network marketing system was established because the horizontal social and economic marketing mechanism of trading rings came increasingly under pressure from outside traders. The marketing ring within the Network system has unstructured peripheral ends of the broader Dentritic marketing system. This type of marketing system has been identified in West Africa. Five types of markets were distinguished in Ibadan and Oyo (Southwest Nigeria) according to location and periodicity. They are urban daily markets, urban night markets, rural daily markets and rural periodic night market. The markets were arranged to serve the

mutual advantage of rural buyers and sellers who have to travel and transport goods on foot. These marketing structures are prevalent in East and West Africa and many of the participants are women (Swiddle and Swindell, 1990).

2.2.4 Gender perspectives of rural SMMEs.

Socio-economic characteristics of entrepreneurs have an effect on the level of business development in many countries. Meyer-Stamer (2002) show that society and community structures pose challenges to SMMEs entrepreneurs. Fielden, Davidson and Makin (2000) and Castellanos (2000) concentrated on the general problems affecting SMME development, undermining the fact that each specific business sector in a different geographic location has different needs and problems. The needs and problems are also associated with gender dimensions. The study, therefore, will focus on the gender dimension that affects rural SMME development.

Women in the USA account for 38% of business ownership. In Sweden women are responsible for 23% of all business start-ups and 25% of all private firms. However, women are often discriminated against by financial institutions. The banks in Sweden require guarantees that are beyond the scope of most women's personal assets and credit records of accomplishments thereby giving men-owned firms an advantage. Men traditionally owned everything in the household and had more working experience than women, which is required by financial institutions (Sandberg, 2003).

Fielden, Davidson, Dawe and Makin (2003) show that women in rural areas are socially deterred to access local business support due to inappropriate child care facilities and lack of empathy by business advisory staff. Eighty percent of women are responsible for child-caring and domestic responsibilities that make it difficult for them to concentrate on their business activities (SBS, 2001). Sandberg (2003) indicates that a gender difference has an influence on business networking. Female business owner's networking levels are lower than that of their male counterparts because they are less welcome in social networks. As such they are left with limited access to business information.

Field et al (2003) indicate that lack of business networking groups such as mentor type of schemes is a significant barrier for women's business development. Men have negative attitudes towards businesswomen as most of them refuse to work with women.

In Asia, Karim (2001) and Finnegan (2000) indicate that most female entrepreneurs are illiterate and are found in the micro-enterprise sector of which the majority are in agriculture. In Bangladesh, 80% of female-headed and 77% of male-headed enterprises conduct production manually due to low levels of education. Women are less exposed to modern ideas and technology. Men have more access to loans than women because they have more collateral and longer working histories as required in credit ratings. Family members are also jealous of a women's success. They are not sympathetic and are unwilling to help in household responsibilities. Women, therefore, have to balance the responsibilities of the business and the household; this limits their business time and development.

In Africa, the majority of women entrepreneurs lack technical business management skills compared to men. They have limited knowledge of administration, technological, legal and financial aspects of running a business. Low educational levels and cultural obstacles influence this circumstance. Women are not encouraged to attend school and are assigned to carry the home responsibilities such as child caring and cooking (UNIDO, 1999). Social and power distance, along gender lines in society, produced a constricted opportunity for interaction for women entrepreneurs in Tanzania. The low position in society, stereotypes and biases against women as incompetent human beings, limit their ability to develop heterogeneous relationships or networks instrumental for their business success (Joel, 2003).

The majority of women in South Africa are engaged in the least remunerative areas of the local economic development. They engage in survivalist micro enterprises. They lack business and technical skills due to low education. Female entrepreneurs, like in other countries, have problems of accessing finance from banks due to lack of collateral, credit record and discrimination: assets are

registered in their husband's names. Business site acquisition and communication are serious problems for female entrepreneurs because of poor education and land ownership restrictions (O'Neill and Viljoen, 2001).

Trollip (2001) found that women in the Limpopo Province lacked understanding/knowledge of sophisticated markets because of their poor educational backgrounds. Most of the businesswomen have insufficient knowledge of target markets, which causes their products to be unmarketable.

2.2.5 Local economic development (LED) policy

Local economic development is a broad field, which is an about local person working together to achieve sustainable economic growth that brings economic benefits and quality of life and improvements for all communities: cities, towns and sub-national regions. LED offers local government, the private sector, the not-for profit sector and the local community the opportunity to work together to improve the local economy. Local Economic Development has become a major focus for development activities since 1950 in developed countries. The significance of SMME to achieve economic growth, job creation and poverty alleviation made them an integral part of National and local economic development planning and policy. Countries develop various policy frameworks to enhance healthy local economic and business environments by supporting local enterprises (World Bank, 1997).

The target of LED policy varies from sector to sector in different countries. Governments and private institution LED policy facilitates the development of local economic development agencies to foster the Economic Development of the territory where it exists. Local Economic Development agencies (LEDAs) are all public and private sector entities that aim to participate or get involved in the decision-making bodies. They are community groups and civic associations, trade unions, producer organisations, business associations, service centers, city governments, the local offices of ministries, vocational training institutes, special public structures, banks and universities. Through local economic development agencies, various programmes and projects have been introduced to support local

rural small, medium and micro-enterprises in different countries (The World Bank Group, 2001). Smith and Ferguson (1995) indicate that local rural economic development organisations spend much of their resources in retaining and expanding existing business, followed by outside business and start up business.

In the USA, the government's economic policy encourages the assistance of small businesses through the Small Business Act, 1982. The Department of Commerce and Small Business Administration work together to foster small business development. The Small Business Administration has an Office for Advocacy which assists rural small businesses through its Office of Economic Research (OER). The Office conducts or sponsors research reports on rural small businesses that are valuable to institutions serving rural areas. LED policy targets start-up, existing and outside businesses in different districts in USA (SBA, 2001).

USA Universities developed a business retention and expansion model, which was quickly embraced as a viable economic tool by industries and local communities. Various institutions and government departments fund Business Retention and Expansion (BR&E) strategy programmes that help local communities with technical assistance, training and research. The University of Minnesota Extension Service and Department of Applied Economics sponsored BR&E programme aimed at helping rural communities in Minnesota to address concerns relating to tourism, agriculture, manufacturing and other types of business (University of Minnesota Extension Service, 2002).

South East Development (SED) together with six local government economic development units, the region's tertiary education sector, other business development resources and networks implemented a business retention and expansion programme in Swinburne region in 2000 (Business Retention and Expansion International, 2002).

A Rural Enterprise Initiative scheme backed by 'Yorkshire Forward' and 'the Price's Trust' encourages young people living in rural areas to set up businesses. They assist in pre-business start up training, opportunity for a low interest loan, provision of IT hardware and software, Internet connection and marketing

support. The Rural Enterprise Assistance Project's loan programme provides capital for rural Nebraska-based start-up and existing businesses. The loan products are combined with business technical assistance and counselling. The loan products are divided into three categories namely, Direct loan programme, Peer loan programme and Quick grow loan programme. Direct loan programme provides assistance for working capital, machinery, inventory and supplies. Peer loan programme loans money at various levels. The first level is \$1,000 followed by levels of \$2,000, \$4,000 and up to \$10,000. A borrower steps up to the next levels if she/ he has successfully paid back the previous loan. The Quick Grow loan program assists exclusively start-up and existing businesses in Nebraska. No collateral is required for loans less than \$ 1,000 (Yorkshire Forward, 2001).

The Nebraska Legal Services together with the Rural Enterprise Assistance Projects (REAP) provide rural micro-enterprises with legal services. Entrepreneurs are given free sessions and individual consultation on legal issues related to financing, real estates, law and employment issues affecting micro-businesses (Rural Enterprise Assistance Project, 2004).

REAP's Women's Business Centres help rural women in Nebraska with business plan counselling, one-to-one technical assistance and networking opportunities. Basic business plan counselling includes marketing, customers relations, financial management, advertising and goal setting (Nebraska Department of Economic Development, 2004). The Iowa State University and the Board of Regents through its Vendor Diversity Initiatives policy, educates vendors on how to conduct business with the university. They provide business opportunities to businesses owned by local women and disabled person as suppliers, contractors and sub-contractors (Iowa State University, 2002).

In the UK, as in the USA, the government assists small businesses with grants, loans, and development support training and advice. Grants are offered to encourage SMMEs to continue their activities, which, without support, would be unable to survive. Support is given by government at national and local levels. Small Business Services like the Small business Administration in the USA provides small firms with loan guarantees to act as security. The agency gives a

75% loan guarantee for businesses that have stable security. The government guarantees three quarters of the loan in the event that one cannot pay back. Small Business Service (SBS) in the UK was established with the vision of building an enterprise society, in which all small businesses thrive and achieve their potential. SBS intends to help small business to realise their potential by minimizing the burden of regulation and promoting a world class business service to enhance the performance of small businesses. It also promotes enterprise across society, particularly in under represented and disadvantaged groups and intends to achieve the highest standards of service delivery (SBS, 2001).

The Rural Development Commission Agency in the United Kingdom (UK) provides support to rural small businesses through its Business Advise Service. Despite the wide range of advice and tangible support offered, they make regular contacts including visits to firms offering assistance. Northern Rural Partnership Initiative supports community enterprise developments specifically for the long term unemployed in the rural coal field areas of Northumberland. North Walsham Outreach initiative operated by Norfolk and Waverly Enterprises gives general assistance to rural SMMEs. Norfolk Arable Land Management Initiative (NALMI) assists farms in West Norfolk in planning and trains them for future development (Smallbone et al, 2002).

Various governments and private institutions in Asia introduced economic policies and programmes to specifically help in SMME development. The Bangladesh government, between 1990 and 1995, developed a five-year plan to increase expansion of skills development and credit facilities. Linkages between existing vulnerable group development programmes and training for women were developed. Credit and employment generation activities were established. Thailand, like in Bangladesh, introduced a SMME Promotion Bill. The bill supports and promotes decentralisation of SMMEs in rural areas and communities. Government, through the SMME Promotion Bill, supports NGO enterprises that promote rural industrial development projects and sub-contracting activities from central factories to rural areas (White, 1999).

The Indian government also encourages dairy cooperatives, which have been successful at expanding milk production through decentralised structures of village collection. The dairy memberships are multi-caste and in some cases women only (Piparia). Piparia Women's Milk Cooperative Dairy was started in 1996 and comprises of 148 members who own at least one milk cow. The milk is transported twice daily to Khetrej where there is a cheese processing plant. As part of the integrated cooperative networks in the district, the Dairy also sells cattle feed and provides veterinary and artificial insemination services. The Malan Milk Producer's Cooperative Dairy established in 1968 buys milk from local producers and sells it to Banas Dairy. The dairy also acts as a guarantor for members taking loans for buying cattle (Marsh, 2002).

The Grameen bank in Bangladesh started in 1983 and emerged as a successful NGO credit programme for rural poverty alleviation. It has inspired similar efforts in both developing countries such as Malaysia and Indonesia, and the United States of America. The bank has a Group Based Lending programme aimed at meeting the credit needs of the rural poor. The group served as social collateral and uses peer pressure to monitor and enforce contracts and to screen good borrowers from the bad. The bank targets poor landholders with less than 0.50 acres of land. Borrowers are required to attend weekly meetings and discuss the viability of their project proposals in group meetings. This enhances the transparency of the loan disbursement and reduces the adverse selection problems. The peer pressure and the group monitoring of the projects almost terminate the chances of moral hazard in the loan utilization process. Their principal targets are women, who constitute 94% of the total bank membership and receive 80% of total lending. Along with loans, they receive training in maternity health, nutrition, and childcare as part of the Bank's comprehensive social development program (Goheer, 1999).

Bank Rakyat Indonesia has a micro-finance window that provides financial services to micro-enterprises in rural areas. The bank has a policy to establish more unit outlets per year up to 2005 to be able to reach rural areas. It collaborates with export development agencies to provide opportunities for SMMEs to export their product abroad through trade shows. The bank also provides technical

assistance to the SMMEs with little knowledge in small business aspects (Rudjito, 2003).

In Africa, countries such as Mali and Togo with the help of FAO's decentralised Chamber of Agriculture structures serve as the principal rural development institution. The Chamber also provides information to farmers, supports farmer organisations and trains them. The Mali government in 1992 established a Rural Development Programme, Sche'ma Directeur du Develoment Rural (SDDR) to address specific rural and agricultural concerns. Togo in 1996 and 1997 established a network of regional Chambers to serve regional farmer communities (Bingen, 2004).

Morocco in 1996, through the national office for drinking water, started an initiative for rural water supply. They provided micro-credit and trained young agents in technical and management skills for operations and maintenance to community-based micro-enterprises. The micro-enterprises also assisted in legal and administrative procedures for registering them to access credit and marketing (Dubai International Awards, 2002).

In Kenya, The Kenya Rural Enterprise Programme (KREP), Juhudi Credit Scheme was a leading non-governmental organization (NGO) in the area of micro-enterprise financing set-up in 1984. Its mission was to empower low-income people to participate in development processes. In the 1990s, the Juhudi Credit Scheme (JCS) was introduced to provide loans, training and technical assistance to generate and promote micro enterprise development in the formal sector. The JCS uses client groups, savings and peer pressure to reduce the risks on lending to poor people and to spread the burden of transaction costs. A voucher programme also designed to screen available service providers and advertise qualifying service providers in the project's directory to overcome market failure. The programme subsidizes the initial contact between service providers, and micro and small enterprise clients. The subsidy depends on whether the client is a micro or small firm to overcome market failure (ILO, 1996-2003).

LED in South Africa since 1995 has become a major focus for development activities. The Friedrich-Ebert Foundation in South Africa (2000) indicates that LED approaches in South Africa are 'welfaristic' in nature, which is mostly led by social scientists and politicians who have relatively weak economic vision. The main strategies and instruments are survivalist in mode. They are mainly characterised by establishment of new institutions to attract funding and to re-direct foreign investment, and a poorly defined strategy to support SMMEs.

The government through the constitution and various policy documents such as the Reconstruction and Development Programme (RDP) and Local Government White Paper, manifest the LED strategies or concept. RDP was an integrated, coherent, socio-economic policy framework passed by the South African government (RDP document, 1994-1997). The policy framework sought to address the following points:

- Small businesses, particularly those owned and operated by black entrepreneurs, to form an integral part of the national economy and economic policy. The economic policies must focus on women who are represented disproportionately as in this sector, especially in rural areas.
- It also seeks government agencies to provide infrastructure and skills to create healthier working conditions for small businesses.
- Local government to review zoning and licensing regulations to end discrimination against small and micro enterprises.
- Specific programs to be established to ensure government support for women entrepreneurs
- Land Reforms Initiatives to reduce land hunger that drives more people into the informal sector.

The National Small Business Act no.102 of 1996 was introduced in South Africa to act as a guideline for organs of the state to promote small businesses. The Act facilitated the formation of the National Small Business Commission which works in close cooperation with the Department of Trade and Industry to become an effective national sounding board of small business interests. The Black Economic

Empowerment Commission was also introduced in 1995 to accelerate the National Black Economic Empowerment (BEE) Strategy. The BEE commission emphasised the formation of a National Empowerment Funding Agency (NEFA) to act as a component of the Black Economic Empowerment strategy. The strategy aimed at addressing the lack of affordable finance for black entrepreneurs. NEFA was to incorporate Khula Regional Equity Funds, the Umsobovmvu Trust and the Provincial Development Corporations to increase efficiency in assisting small and medium businesses, owned by blacks, which require debt and equity funding ranging from R50 000 to R5 million (Ntsika Enterprise Promotion Agency, 2001).

The Broad Based Black Economic Empowerment Act, 2003 facilitated the formation of the Black Economic Empowerment Advisory Council. The Council advises the government on black economic empowerment and reviews progress in achieving the goals (Government of S.A., 2004). The Act also facilitates the promotion of economic transformation to enable meaningful participation of black people in the economy by:

- empowering rural and local communities and by enabling access to economic activities, land, infrastructure ownership and skills;
- promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development; and
- promoting access to finance for black economic empowerment.

The Department of Provincial and Local Government Affairs is instrumental in ensuring that LED is firmly on the agenda at the local government level. Small business development is now an essential component of LED strategies. The constitution calls on municipalities to promote social and economic development. LED agencies should establish an appropriate business climate by supporting local indigenous enterprises to address local market failure and to facilitate access to finance by SMMEs (Rogerson, 2002).

The South African government, in 2000, launched the Local Economic Development Fund which is also available for SMME support. The local municipalities used the fund as part of regenerating local economic programmes. Three hundred and forty six municipalities, in the same year, applied for over 800 projects with a total value 18 times greater than R42 million of available funds. For instance, the Thabazimbi Hydroponics Farming Project benefited from the LED fund. The project involves the erection of ten hydroponic units and one hectare of shade net structure. The project is intended to cultivate high value vegetables such as tomatoes and peppers and low value products such as carrots, spinach and beans. The project also aims at creating 60 direct and 20 indirect job opportunities. Municipalities in South Africa have adopted several strategies to promote job creation, broaden the local economy and redistribute income. The LED strategies adopted include developing and maintaining infrastructure and services, retention and expansion of existing businesses, plugging leaks in the local economy, development of human capital, community economic development, SMME development and investment attraction (Friedrich-Ebert Foundation, 2000).

Government departments, the private sector, parastatals and private agencies have established various programmes and projects to support rural SMME development in South Africa. The National Land Reform programme has a grant funding and lending scheme to assist small farmers. The purpose of the grant funding is to assist emerging farmers and small-scale food producers to develop and/or improve their production efficiency. The projects generally target small-scale irrigation schemes and community gardens (Government of South Africa, 1997).

A Micro Credit Outlet (MCO) scheme initiated by NGOs targets historically disadvantaged communities, particularly women in rural and peri-rural urban areas. The Regional Equity Fund by KHULA targets communities and managers from previously marginalised communities (Business Referral and Information Network, 2002).

The Land Bank of South Africa provides innovative and flexible loan packages to meet every diverse need. It finances commercial clients while at the same time

develops appropriate products to suit the needs of developing small farms. The bank develops agriculture and contributes to sustainable rural development by supporting emerging and resources poor farmers. This makes the bank a part of an Integrated Sustainable Rural Development Strategy (ISRDS). The ISRDS aims to improve the opportunities and well-being of the rural poor, and to attain stable rural communities with viable initiatives and sustainable economies. The Limpopo Integrated Sustainable Rural Development Strategy ensures effective provincial implementation of rural development and poverty alleviation. The key elements of the framework are to oversee the investment increment in physical infrastructure and delivery of social services in rural areas and to ensure gender equity particularly to women and youth empowerment. These challenges are important in bolstering rural SMME development (Land Bank, 2002).

The Global Trade and Technology Network (GTN) assist SMMEs to access global markets and technology. The GTN is funded by the USA Agency for International Development (USAID). The programme provides opportunities to build global experience and establish contacts with international suppliers of modern technology. The GTN helped Khumbulazulu craft to display and sell their African design products at Sothebay's sixth year. In May 2002, GTN facilitated the signing of a major joint venture deal between the Southern Africa Cotton Industries (PTY) ltd (SACI) and the International supplier of modern technology. The cotton industry represents more than 600 South African farmers in the Northwest Province (National Business Initiative, 2002).

The Department of Science and Technology through *GODISA* (Nurturing/ help to grow) programme provides technology support for SMMEs. The programme intends to improve enterprise profitability and growth, reduce SMME failure and enhances access to technologies and business/ management support services. It also undertakes a national baseline study on technology intended for SMMEs and has developed a training and development resource for incubator managers and staff. The Business Opportunity Center (BOC) was established in Gauteng to encourage big businesses to link with small businesses, to nurture the growth of disadvantaged entrepreneurs and to provide support services in sustainable

procurement relationship between big and small businesses (Ntsika Enterprise Promotion Agency, 2002).

The Ntsika Enterprise Promotion Agency in South Africa provides a wide range of non-financial services to local service delivery group. It provides resources to local service providers that work with SMMEs. The local service providers are the Local Business Centres (LBSCs), Non-governmental Organisations (NGOs) and Community Based Organisations (CBOs). The services offered include training programmes for entrepreneurs, mentoring of individual firms and technology assistance. Khula Enterprise Financial Limited was established in 1996 to improve access to finance for SMMEs. The agency provides capital for small businesses especially those in disadvantaged communities, which the banks are unwilling to support. Khula gives business loans and capacity building grants to intermediaries, who lend to entrepreneurs (Ntsika Enterprise Promotional Agency, 2001). Tati (2003) indicated that Khula through its network of intermediaries assisted about 190 000 South Africans since its inception. Seventy-two percent of the people assisted are women.

The Tender Advice Center (TAC) provides non-financial support to small businesses in South Africa in terms of accessing market and procurement. The center provides information on government tenders, counselling and support service to entrepreneurs. Tendering support includes assistance in the completion of tender documents and the provision of advice on tender opportunities. Accredited organisations around South Africa conduct seminars and workshops about tendering procedures to SMMEs (Ladzani, 2001).

The Akanani Finance Company (Khula micro credit organisation) in Limpopo Province loans money to start-up and existing businesses managed by groups of 3 to 10 members. It specifically targets women and youth in rural areas. The loan amount varies from R300 to R3500. The repayment time is from 4 to 12 months with the interest rate of 2.5% per months (Business Referral and Information Network, 2003).

The Vhembe Economic Development Agency (VHEDA) was recently established to assist SMMEs financially, as well as poor people with entrepreneurial potential, and promote the active involvement of women as sustainable economic boosting factor. The agency offers loans between R500 and R100 000 to small businesses. It also aims to provide counselling and business training (Musetha, 2004).

2.3 Conclusion

SMMEs worldwide play a major role in socio-economic growth. The majority of SMMEs in rural areas are managed and owned by women. Most women in Africa are involved in agriculture. SMMEs are the fastest growing segment of the job market. However, this sector worldwide faces many challenges and setbacks. The challenges such as low social capital, weak local governance, poor management skills, illiteracy and low institutional density discourages small business development in rural areas. This was also shown as a barrier that makes it difficult for small business to access business information.

This section revealed that in many countries, various SMME programmes and projects were established to support local rural SMMEs. Government departments, municipalities, the private sector, NGOs and community organisations were all involved in local economic development. It also looked specifically at the perspectives on rural SMMEs and LED support worldwide. The next chapter presents findings on the nature of rural SMMEs and local economic development support in the Vhembe district. Although the findings presented were based on district level survey, the issues identified may have implications for other areas in the Limpopo Province.

CHAPTER THREE

ANALYSIS

3.1 Introduction

This chapter focuses on five key issues: the spatial and structural characteristics of businesses, the nature of local economic development support for rural SMMEs, entrepreneurs' perceptions and views on the support received, gender dynamics of support inclusion and exclusion, and recommended strategies for increased support. It provides descriptive statistics as well as supporting evidence through quotations from respondents.

3.2 Spatial and structural characteristics of businesses

The analysis of spatial and structural characteristics of businesses reveals that businesses are located near government premises and main-street thoroughfares. Business owners/ managers consider accessibility and personal factors when choosing their business locations. They also own and manage businesses differently and have different business backgrounds. Their business barriers and needs vary from one business to another.

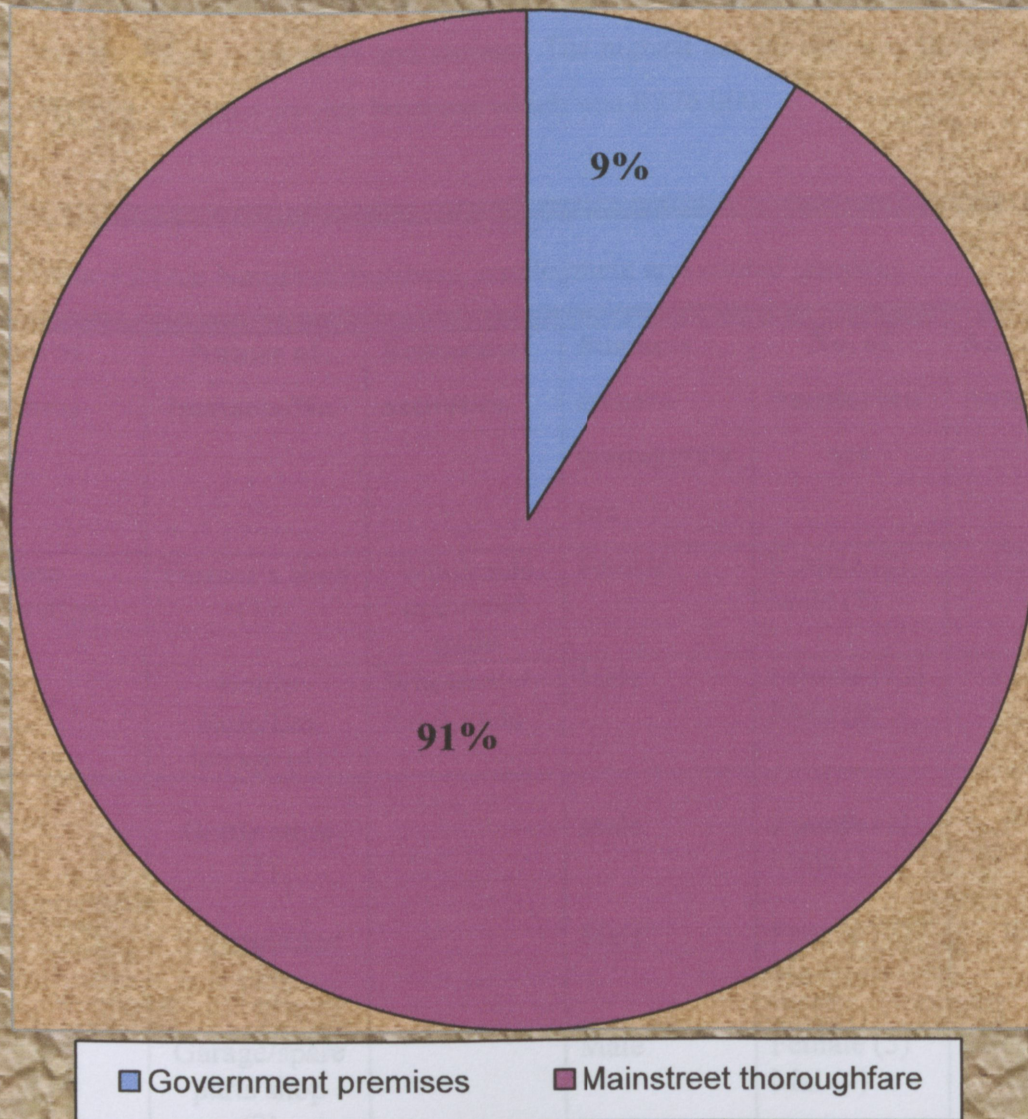
Respondents consider business accessibility and personal factors, when choosing business locations as indicated in Table 3.1 below. About 83,3% respondents from 72 considered business accessibility and 54,4% personal factors. The respondents considered the ability of the business location to attract customers from around and nearby villages. Others indicated personal favours and familiarity of the location. Businesses are often located near clinics, schools and offices, and along main-main roads and streets as indicated in Table 3.1 below. The results show that government premises and main-street thoroughfares are the best locations for businesses. Ninety-nine percent businesses were found to be located along the main-street thoroughfare while 9,7% businesses were located near government premises.

Table 3.1: Business location pattern and/ or trends

Names of businesses (N=72)	Business location (site) (multiple responses)		Location choice trends considered (multiple responses)	
	Near government premises	Main-street thoroughfare	Accessibility	Personality
Atchaar making project	-	1 (1,4%)	1 (1,4%)	-
Bakery	3 (4,1%)	10 (13,9%)	7 (9,7%)	8 (11,1%)
Bottle store and Bar Lounge	1 (1,4%)	5 (6,9%)	6 (8,3%)	3 (4,2%)
Bricks making project	-	16 (22,2%)	6 (8,3%)	16 (22,2%)
Candles/Polish making project	-	1 (1,4%)	1 (1,4%)	1 (1,4%)
Chicken farming	2 (2,8%)	17 (23,6%)	17 (23,6%)	1 (1,4%)
Community garden	-	13 (18,1%)	13 (18,1%)	5 (6,9%)
Farmers' shop	1 (1,4%)	-	1 (1,4%)	1 (1,4%)
Juice making project	-	1 (1,4%)	1 (1,4%)	1 (1,4%)
Motor spare parts shop	-	2 (2,8%)	2 (2,8%)	2 (2,8%)
Peanuts butter making project	-	1 (1,4%)	1 (1,4%)	-
Supermarket	-	1 (1,4%)	1 (1,4%)	1 (1,4%)
Tiles making project	-	1 (1,4%)	1 (1,4%)	-
Transport service	-	1 (1,4%)	1 (1,4%)	-
Weaving/knitting project	-	1 (1,4%)	1 (1,4%)	-
TOTAL	7 (9,7%)	71 (98,6%)	60 (83,3%)	39 (54,2%)

Source: Survey, 2005

Figure 3.1 Business location expressed in percentage



Source: Survey, 2005

Figure 3.1 above shows that 91% of the businesses were located along the main street thoroughfare (main streets and roads) and 9% near government premises such as clinics, schools, post offices and other government offices in the study area.

The analysis of structural characteristics of rural businesses in the study shows that businesses are organised and run differently. Table 3.2(A) below shows that of the 5 close corporation businesses, which were wholesale and retail trade, 1 was managed

by a women and 4 by men. Sixty-three per cent of the employees in this sector were women and thirty-seven were men. Fifty percent of both women and men employees were in sole trade/ proprietorship businesses of which 4 businesses were wholesale and 1 transport and storage. The highest annual business turn-over made was by a transport service business which was R276 000.

Table 3.2 (A): Nature of business, employment and annual turnover

Types of business	Names of business/No.	Economic activities	Business owners/managers's sex	No. of employees/sex	Annual turnover
Close corporation	Farmer's shop (1)	Wholesale and retail trade	Female	Female (2) Male (1)	R204 000
	Bottle store/Bar lounge (4)	Wholesale/retail trade	Male	Female (13) Male (8)	R200 000- R240 000
Sole trade/proprietor	Bottle store (1)		Male	Female (1) Male (1)	R37 000
	Supermarket (1)		Male	Female (7) Male (5)	R18 000
	Garage/spare parts shop (2)		Male	Female (5) Mal (4)	R180 000- R200 000
	Transport service (1)	Community services	Male	Female (4) Male (7)	R276 000

Source: Researcher, 2005

Table 3.2(B): Nature of business, employees and turnover

Types of business	Names of business/ No	Economic activities	Business owners/ managers's sex	No. of employees by sex	Average annual turn-over
Section 21 companies	Bakery (10)	Manufacturing	Female	Female (72)	R12 000- R48 000
	Bricks making project (16)		Female	Female (120) Male (15)	R72 000- R240 000
	Atchar project (1)		Female	Female (8)	-
	Candles/polish project (1)		Female	Female (16)	R24 000
	Juice making project (1)		Female	Female (8)	-
	Peanuts butter project (1)		Female	Female (10)	R36 000
	Tiles making project (1)		Female	Female (12)	-
	Weaving and Knitting project (1)		Female	Female (15)	R18 000
	Chicken farming (17)	Agriculture, hunting and forestry	Female	Female (116) Male (3)	R6 000- R48 000
	Community garden (13)		Female (12) Male (1)	Female (89) Male (4)	R7 000- R9 000

Source: Researcher, 2005

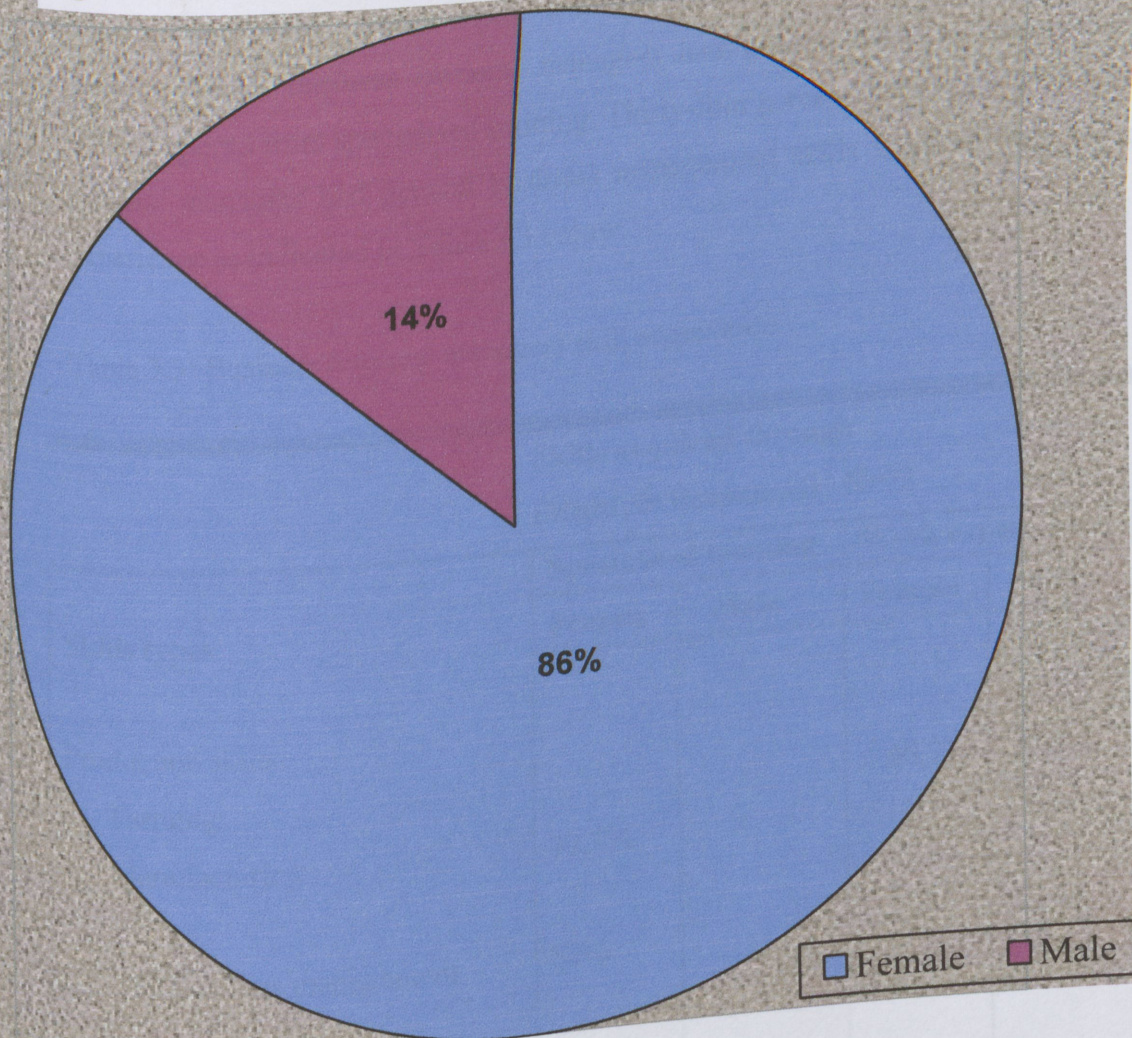
Table 3.2(B) above indicates that of the section 21 companies, 32 were manufacturing companies and 30 agricultural. Five percent of the employees were men and 95% were women. The highest annual business turnover in agricultural businesses (chicken farmers) was between R6 000 and R48 000. In manufacturing businesses the highest annual turnover made by brick projects was between R72 000 and R240 000. Bakery business made R12 000 to R48 000 per annum.

Business owners/ managers who registered their businesses/ projects as Section 21 companies revealed that they were encouraged by the high percentage of acquiring funds from government and most LED agencies. They showed that government and the majority of LED agencies preferred to fund community based-projects/ businesses.

The community-based projects were preferred because they created more employment opportunities for the unemployed masses. They also explained that businesses registered as section 21 companies were not taxed. Those who registered their businesses as sole traders pointed out that they were influenced by the need to have full control of their businesses and to be their own bosses. A businesswoman disclosed that her financial status forced her to look for a business partner to work together in running a successful business. They reached an agreement to form a close corporation. They registered their business as a close corporation so that everyone could have an equal number of shares.

Figure 3.2 below indicates that the majority (86%) of businesses/ projects in Vhembe district were owned by women. Men owned only 14% of the businesses/ projects.

Figure 3.2: Business owners/ managers by sex



Source: Researcher, 2005

Respondents had different business skills, formal education, needs and barriers. Business owners/ managers (n=72) had acquired business skills from specialised training and work experience. The business skills acquired were production and general business management skills as shown in Table 3.3 below.

More than forty-five percent (46,7%) female and about two percent (1,6 %) males had farming skills acquired from work experience while 11,3 % female business owners/ managers had manufacturing skills acquired from work experience. Businesswomen (40,3%) had manufacturing skills acquired from specialised training. All the respondents had the following general business management skills: filing, stock control, pricing and marketing. Eighty-two percent female business owners/ managers had general business management skills acquired from specialised training. Thirty-four percent female and 14% male owners/ managers had general business management skills acquired from work experience as indicated in Table 3,3 below.

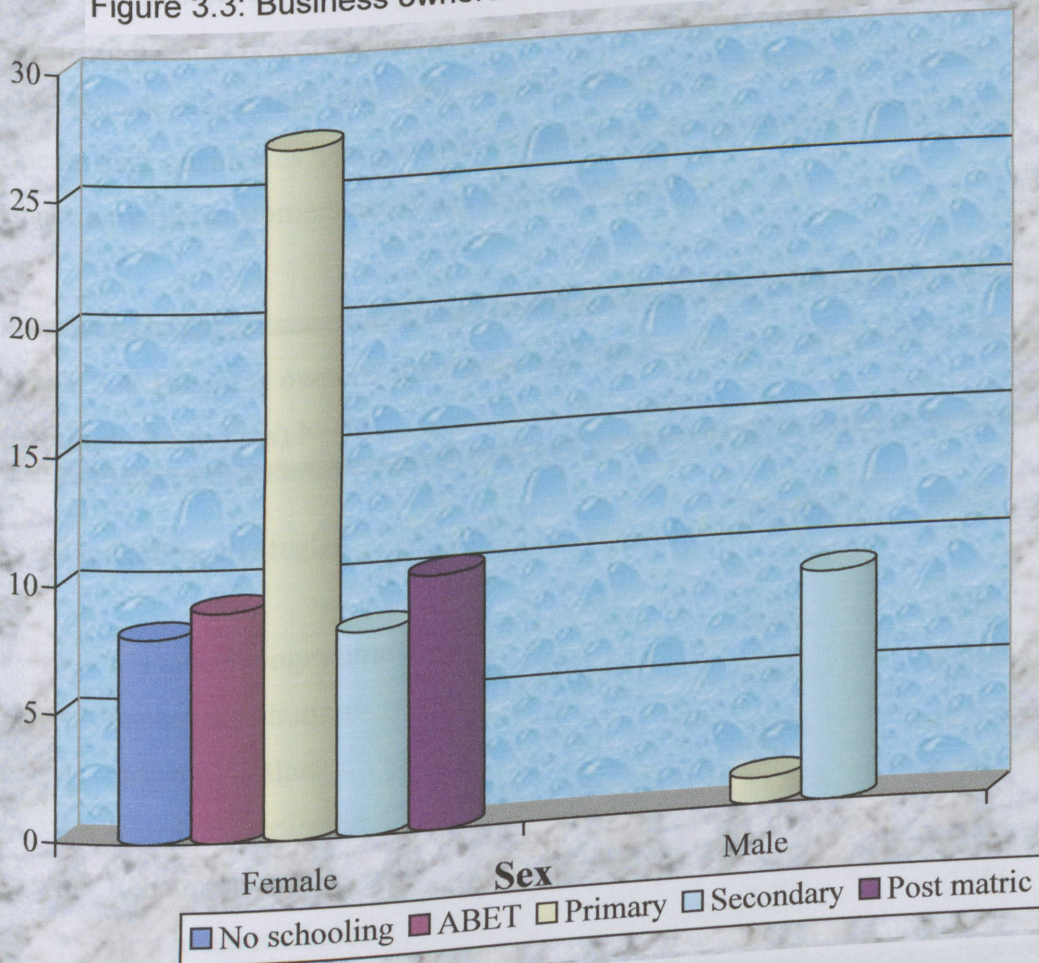
Table 3.3: Business owners/ managers skill acquisition

Skills types	Skills acquired through (Multiple Responses) N=72			
	Specialised training		Work experience	
	Female	Male	Female	Male
Production skills				
• Farming	-	-	46,7%	1,6%
• Manufacturing	40,3%	-	11,3%	-
General business management				
• Filling/recording	82%	-	34%	14%
• Stock control				
• Pricing				
• Marketing				

Source: Survey, 2005

Business owners/ managers had different educational backgrounds as indicated in Figure 3.3 below. Out of seventy-two business owners/ managers, 27 female business owners/ managers never went beyond primary school, 9 schooled through ABET and 8 had no schooling. Only 7 businessmen as compared to 9 businesswomen had standard 10 and post matric qualifications. The majority of business owners/ managers were women with a low level of education. These businesswomen had problems with understanding complex and modern business transactions, as they were not educationally empowered to do so.

Figure 3.3: Business owners/managers educational level



Source: Survey, 2005

Business owners/ managers (72) used more or less the same marketing strategies. They explained that they preferred simple and cheap strategies. The media advertisement (radio, television and newspapers) was considered expensive. They employed strategies such as visitation programmes, organising bashes, paper

distribution, board advertisements, rebate (discount) and best location as shown in Table 3.4 below.

Female (84,7%) and male (1,4%) business owners/ managers pointed out that they marketed their businesses through visitation programmes. They visited schools, clinics and community gatherings to display their business products. Some respondents, 1,4% female and 12,5% male explained that they organised bashes. They invited musicians to entertain customers at their businesses. Others, 16,6% female and 8,3% male placed business boards on the road to direct customers to their businesses. About 1,4% female and 12,5% male respondent preferred to sell their products/ services at discounted prices. Some respondent, 9,7% female and 12,5% male stated that they used business location as marketing strategies. They locate their businesses near government premises and main street thoroughfares to make sure that customers easily see their businesses.

Table 3.4: Business owners/ managers marketing strategies expressed in percentage. (Multiple Responses) N=72

Marketing strategies	female	male
▪ Visitation programme	8,4%	1,4%
▪ Papers distribution	1,4%	8,3%
▪ Organise bashes	1,4%	12,5%
▪ Boards advertisement	16,6%	8,3%
▪ Rebate (discount)	1,4%	12,5%
▪ Best location choice	9,7%	12,5%

Source: Survey, 2005

Business owners/ managers had the following business barriers (n=72):



- inability to draw and work according to business plan;
- lack of tendering knowledge;
- lack of transport;
- child caring;
- security; and
- financial problems.

Business owners/ managers admitted that they had little business knowledge that could enable them to draw business plans. This forced them to seek help from business professionals who charged them a lot of money. They also indicated that such business plan became problematic for them because they could not understand them as they were beyond their business scope. They only used them **when applying for funds and not for simplifying their business transactions**. Out of **sixty-nine respondents, ninety-five percent indicated that business professionals** drew their business plans and **five percent were helped by friends and relatives**. One respondent explained:

“I only used a business plan when applying for funds, but now I do not know when I last saw it. I will only use it again when I want to apply for more funds. In fact, I do not understand why donors need business plans for fund approval. It is just a waste of time. They must just visit us to observe our business performance.”

Tendering is also problematic to many business owners/ managers. Respondents disclosed that they lacked tendering knowledge. They did not know tendering procedures and requirement. Only three businesses out of seventy-two had small tenders with government clinics. One respondent articulated that:

“I only see government tendering advertisements in newspapers, which even when I am interested I do not know where to start. I hear people talking about the government tenders that they have and the money involved. I am dying to get someone who can help our business to get tenders.”

Transportation was one of the major problems that hindered business growth. Respondents (n=71) did not have their own transport to deliver goods to their customers and to collect goods from their suppliers. Some hired private cars and others used public transport. A brick-making project manager singled out transport as a major factor that hindered their business progress. The customers needed quick service and as such they preferred to do business with those who could deliver on time. Hired transport was said to be unreliable and was difficult to find. When found, the owners did not respond in time because they had many customers to service.

Child-care was viewed as problematic by businesswomen (n=62). It restricted them from maximising their business potential, as they had insufficient time to spend in their businesses. The circumstances forced them to compromise business time for family duties. Some revealed that they worked on shifts, to make time available for child-caring especially after school hours. Others showed that they woke-up as early as 04h00 in the morning to do house duties. They cleaned and prepared food for children early in the morning, and at 15h00, family duties forced them to be at home to take care of schoolchildren.

Sixty-eight from seventy-two respondents highlighted that they had security problems in their businesses. They indicated that they experienced stock theft and burglary because they lacked financial muscle to hire security guards or install electronic security systems to safeguard their properties.

Respondents generally lacked financial capacity to buy business stock and equipment and to erect proper business structures that enabled them to operate smoothly. Businesswomen, specifically, had no money to pay for their housekeepers to assist them with family duties.

3.3 The nature of LED supports for local SMMEs



The local municipalities, Far North Local Business Service Center, University of Venda, LIMDEV, Department of Agriculture, Department of Trade and Industries, and Eskom render services to local rural SMMEs in the Vhembe District. The services rendered by these agencies or institutions vary from financial to non-financial support as indicated in Table 3.5 below.

The Far North Local Business Service Center, University of Venda, Institute for Entrepreneurship and Department of Agriculture (Extension officers) provide non-financial support to SMMEs. They support businesses with training and workshops. LIMDEV, Eskom, the Department of Trade and Industries and municipalities provide financial support to local rural SMMEs as indicated in table 3.5 below.

The University of Venda, Institute for Entrepreneurship renders non-financial services to local entrepreneurs. It offers business management training and conducts research to all business people or organisations that need to be helped in their respective fields. The maximum duration of business management training or workshops is from 1 to 2 weeks.

The Department of Agriculture (Extension officers) assists small farmers with technical knowledge in agricultural activities. The extension officers assist in the treatment of various chicken diseases, proper knowledge of chicken food, medicines and crop fertilizers. Small farmers are trained at their respective businesses. The Department sometimes invites small farmers through the media to attend workshops at specific organised places.

The Department of trade and Industry finances the Far North Local Business Service Centers to conduct business management skills training and workshops to interested SMME entrepreneurs. SMME entrepreneurs are invited through the media to attend workshops. The Department also finances LIMDEV to assist SMMEs with money. ESKOM buys material or equipment for SMMEs to enhance their performance. The criteria used to select businesses to be supported are based



on business ability to create jobs and sustainability. LIMDEV loans money to SMMEs specifically for buying business stock. The loan requirement is tangible security like a house, a car and a good bank account. The money is not deposited directly into the customers' bank account but goes to the clients chosen stock suppliers.

The Vhembe District, Makhado and Thulamela Municipalities provide financial support to SMMEs particularly those owned by previously disadvantaged people. However, the selection of target groups or projects differs from one municipality to another.

In the Makhado municipality, councillors and ward committees choose the projects to be supported and each chosen project is given R10 000 while the Thulamela Municipality finances training for SMMEs in their area of jurisdiction. The Vhembe District Municipality finances SMMEs, especially community based projects owned by women. The criteria used to select projects are the ability of the project to create jobs.

Plate 3.1 below shows the equipment/ machines supplied to one of the businesses by ESKOM. These businesswomen are crying for more help in terms of business management skills to improve their business knowledge, which as a result will enhance their business performance.

Source: Researcher, 2005



Source: Researcher, 2005

Table 3.5: Services rendered to SMMEs by LED agencies and institutions

Service Providers	Services: Non financial	Target Group	Selection Criteria	Service Delivery
1. University of Venda Institute for Entrepreneurship	General business management training	SMMEs	None	Classroom/group training/workshop
2. Far North Local Business Service Center	General business management training	SMMEs	None	Classroom/group training/workshop
3. Department of Agriculture - Extension officers	Technical knowledge in Agriculture	Small farmers	None	Field / on work training
	Financial			
4. Dept. of Trade and Industries	Finance workshops on business management	SMMEs	Job creation	Involve various training agencies to conduct workshops
5. LIMDEV	Loans	SMMEs	Security	Give checks to suppliers
6. Eskom	Equipment /materials	SMMEs	Job creation	Buy business materials/ equipment
7. Municipalities				
▪ Vhembe District Municipalities	Equipment/ material and training	Previously disadvantaged business groups	Job creation	Project officers control finance
▪ Thulamela	Training	Previously disadvantaged groups	Job creation	Organise training with relevant institutions / Agencies
▪ Makhado	Direct finance to projects	Previously disadvantaged groups	Ward councillors/ committees choose projects	Buy materials/pay for on job training

Source: Researcher, 2005

3.4 Entrepreneurs' perceptions and views on LED support



SMMEs managers/ owners view and perceive the support offered by LED agencies and/ or institutions differently. The support offered has different conditions attached. Some funds are non-refundable while others are. The non-refundable funds are preferably offered to community projects owned by women and refundable funds are mostly accessed by men-owned businesses.

Business managers/ owners have different views on the support depending on their level of business knowledge and planning. Respondents expressed a high level of dissatisfaction, especially on matters relating to financial support and general counselling on specific aspects of their business. Generally, business support agencies/ institutions were shown by respondents to place great emphasis on business plans and collaterals as criteria for accessing funds (n=72). A business plan is important for the smooth running of a business. It shows the operational structure of the business. However, business owners/ managers understood it differently. They considered business plan requirement as another way of depriving them the opportunity of accessing funds. As one business owner put it:

“I have been running the business without a business plan and now I am forced to spend a fortune for a professional business plan, which I do not understand and know its importance. I cannot read and write properly but I know my business. There is no need for me to have a written business plan. Business just needs a person to be honest and responsible. The money I spent on a business plan, I could have used it for other business activities like buying stock.”

Ninety-nine percent of all those interviewed business owners and/or managers did not understand the importance of a business plan. They started businesses without a structured business plan. The need for financial assistance forced them to pay business professionals to draw business plans for them.

The requirement of security by LED support agencies for funding approval is viewed as a stumbling block for loan accessibility (n=10). Eighty percent of the respondents revealed that they requested friends and relatives to use their properties and money as security for loan approval. This is difficult because people are afraid to lose their property if the business owners/ managers fail to

pay the loan. Other respondents were also satisfied with the 2% interest rate charged and the time for repaying the loan. The interest rate was said to be high and the time of repayment short. A businesswoman highlighted that:

“My loan is R69 000 and I am paying R3 500 per months, which sometimes I am unable to pay. My loan, as a result, keeps on increasing and now I doubt whether I will be able to finish the bill. On the other hand, the business is not yielding enough profit and it is as if I am working for the loan repayment. If it were not for my new supplier, my business would have closed. I do not know what was going to happen to the money I owe. The instalment is giving me a headache because it is not going down. The business stock that I bought using the loan is finished, but the instalment is continuing. This burden is too heavy for me; I need someone to help me to pay-up my terrible instalment.”

Other respondents reacted differently on loan usage conditions. The money is strictly for buying business stock and is directly transferred to the supplier. Five percent of the respondents indicated that they had problems with this procedure. They wanted to use the money for other business activities that would improve their business performance. They wanted money for business management education training and marketing. One respondent revealed that:

“I am not well trained on business management. The business knowledge that I have, I learned it from my parents, who never went for formal business skills training. I cannot use the new business technology such as a computer for acquiring business information. I thought that buying more stock automatically implies getting more profit, but I am proven wrong. I am disappointed because I cannot use the loan for business management skills training. I also cannot use it for media advertisements.”

Ninety-five percent of the respondents were satisfied with the deposit of funds into the supplier's account, because they could not transfer the money or buy something that was not important for their businesses. This procedure was considered as a security for stock availability. The availability of money for the business stock guaranteed the availability of stock in businesses all the time.

Plate 3.2 below shows the structure that is used by one of the women's baking projects funded by LED support agencies. The project was still operating in the shack even after the new business premises constructed for them was completed as shown in Plate 3.3 below. The project premises was

importance of attending training  the little information that I acquired, I do not use. LED support agencies must put extra money for frequent training in all aspects of business management.”

Respondents were dissatisfied with the way LED support agencies handled the funds. They revealed that they were not involved when the money was used. The agencies/institutions used the money the way they liked. One business manager postulated:

“We were just told that our project got R2.5 million and from there the officers in charge took control of the money. They organised and approved everything without our consent. As a manager, I should be consulted whenever they want to utilise the money and the money should be deposited in our account. To my surprise, I also do not understand why we were not officially handed over the keys of the buildings as they were completed in December 2003. They organised a big party to celebrate the completion of the buildings, using our money and later I was told that the money was finished. The reaction that we got from the officers when we wanted to find out how the money was spent was very unhealthy. I am afraid to make follow-ups on the issue because we were told to be happy that we were funded. We got R2, 5 million but we are still having liabilities and still use the same old business building.”

Others revealed their dissatisfaction with the choice of suppliers and the funding amount. They indicated that choosing one supplier by LED support agencies was problematic because not all materials required were found from one supplier. It also does not give them a chance to compare individual item prices from different suppliers, which forced them to buy unwanted material.

The R10 000 offered was considered to be insufficient to cater for all business financial needs. As one business owner/ manager said:

“Mine is a Weaving project and I got R10 000. We were forced to buy materials that we did not want because the chosen supplier did not have all materials required. I am not happy about the way the money is distributed. It does not help us. If the cheque could be changed, I was going to buy many raw materials. I was going to compare individual items and buy from the cheapest store.”



Source: Researcher, 2005

Plate 3.3 shows the buildings constructed by donors, which were still not used by beneficiaries even after completion.

One project manager explained that their business was supplied with stony sand for making bricks. This forced them to sift the sand to make it suitable for making bricks. The sifting process reduced the quantity of sand and as a result, the number of bricks produced was reduced. The sand supplier was the officer who had control over the fund. This caused problems:

“When I complain about the quality of sand no changes are brought forward because the person that I report to is the supplier. My project

is now bankrupt and owes people many bricks. The same person (supplier) is owed twenty thousand (R20 000) for his sand that caused my project to be bankrupt.”

One project that was offered R10 000 had only managed to buy fencing materials. The project had no money to hire people and a tractor to prepare land for cultivation. The manager revealed that she required money for a water boreholes and water pump machines.

Plate 3.4: Women’s weaving project



Source: Researcher, 2005

The project shown in Plate 3.4 above was valued at R10 000, but was still not satisfied. The manager indicated that the fund was not enough compared to their business needs. They needed a lot of money for various business needs such as security and marketing.

Farmers highly rated and appreciated the support offered to them. They indicated that they were able to deal with all kinds of chicken diseases. Cash crop farmers revealed that they were able to choose the right fertilizers for their crops. One chicken farmer noted:

“My chicks were dying and I had no idea what was the problem. The agriculture extension officers helped me to determine the problem. I was giving the chicks the wrong type of food. If it was not for them, I do not know what was going to happen to my business. They were even willing to assist on weekends”

Crop farmers required rich irrigation system's knowledge required for producing good crops. Farmers were very impressed by the fact that training was done in their working place. They were taught practically. On-duty training reduced travelling costs and time. This provided farmers with more time to concentrate on their work. Some showed the ability to produce good quality products, which they supplied to the SPAR Supermarket.

Respondents showed different opinions on LED support agencies/ organisations aftercare services (n=72). Eighty seven percent indicated that they were disappointed with aftercare services. The after-care counsellors manifested an inability to deal with issues that affected business performance. As one respondent put it:

“My business (peanut butter making project) is unable to acquire a manufacturing license. I do not know the procedures to be followed to get the license. I explained the problem to the after-care service officer. Still there is no solution. The after-care officer is unable to solve the problem. This problem is making it difficult for us to get tenders. We are also producing a lot of butter, but we are not getting enough customers because our business is unknown. We do not have a manufacturing licence. This inhibits us to acquire contracts with big businesses. We are still waiting for the answer from the after-care officer who promised us to solve the problem. When we ask him about the issue, he always tells us to be patient. He seems to be failing, but he does not want to admit it.”

A bakery manager also indicated that:



“We were forced to pay double for an electricity account because the after-care officer was unable to help us to solve the problem. Our project had two electricity accounts. When we complained about the issue, the after-care officer did not help us. We were forced to pay R20 000.”

After-care counsellors' skills are revealed to be confined to encouragement, especially for business owners/ manager to stay in business. They also concentrate on checking their properties. One respondent indicated that an aftercare counsellor who visited their business took pictures, encouraged them to pray and had faith that their business performance would one day improve. Sixty percent of the respondents proved to be unaware of the aftercare services. They had not seen any aftercare officers in their businesses.

Twelve percent of the seventy-two farmers indicated that they were satisfied with aftercare services. They got regular visits from aftercare officers who solved any problem affecting their business.

3.5 The extent at which LED support is gender specific and the dynamics of inclusion and exclusion.

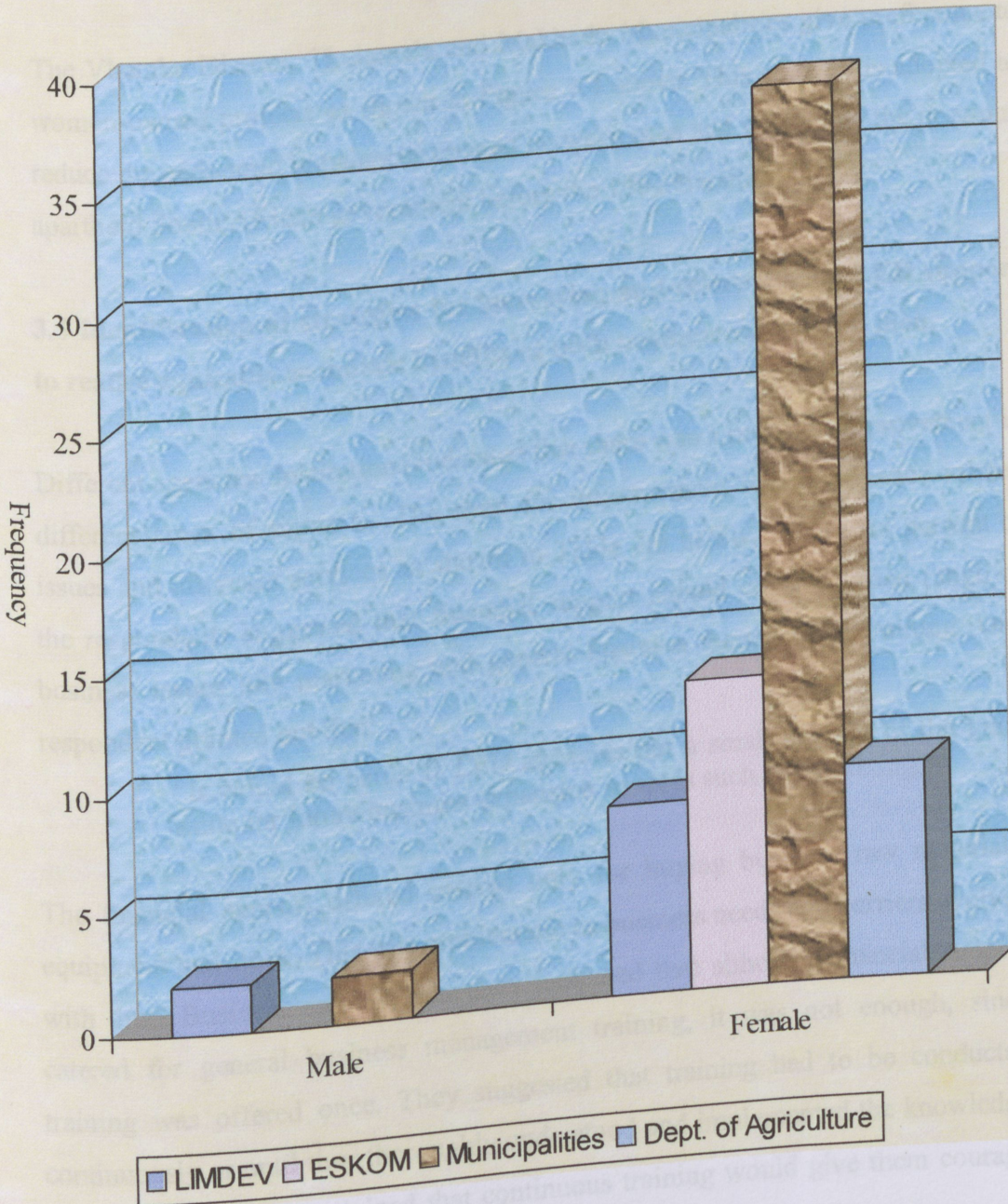
Following from above, most businesses supported by LED support agencies are women owned. Figure 3.4 below indicates the number of businesses/ projects supported by sex. It shows that out of ten businesses/ projects supported by LIMDEV, eight are women-owned and two men-owned. Moreover, all thirteen businesses/ projects supported by ESKOM are women-owned.

LIMDEV targets both male and female entrepreneurs. However, there is a distinction in the manner in which the loan is offered. Female entrepreneurs exclusively receive rebates on loan interest. Male entrepreneurs are offered higher loan limits as compared to their female counterparts. Women are considered high-risk clients compared to men because they lack security.

The Department of Agriculture has best female farmer year awards to encourage more women to be involved in commercial farming. Their products are exhibited at shows free of charge.



Figure 3.4: LED agencies and institutions' clients by sex



Source: Researcher, 2005

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ESKOM targets all previously disadvantaged entrepreneurs. However the majority of the businesses or projects supported are those owned and managed by women. They mostly consider women because they were marginalized, denied the right to own land by the apartheid regime before democracy in South Africa. Women remain poor and unable to acquire loans from banks and micro finance agencies because of the lack of security.

The Vhembe District, Thulamela and Makhado Municipalities give preference to women-owned projects as shown in Figure 3.4 above. This strategy is adopted to reduce the economic imbalances created between men and women by the previous apartheid South African government before the 1994 election.

3.6 Identification of strategies for increasing and restructuring LED support to realise equitable economic benefits of both businesswomen and men.

Different agencies/ institutions indicated that there was a need for improvement in different areas of support. The need for improvement was on finance related issues and aftercare services as shown in Table 3.6 below. Eighty-six percent of the respondents suggested that financial support should cover a broad range of business issues like marketing and general business management training. One respondent pointed out that:

“It would be better if LED agencies put a small amount of the grant aside for future business expansion in areas such as marketing.”

The financial support offered catered only for buying business raw materials, equipment and stock. This was problematic as business needs and barriers evolved with time. Business owners/ managers indicated that although financial support catered for general business management training, it was not enough, since training was offered once. They suggested that training had to be conducted continuously or until they thoroughly understood and implemented the knowledge acquired. They also explained that continuous training would give them courage and confidence, which would influence the smooth running of businesses.

Table 3.6 below reveals that eighty six of the sixty two respondents needed to be included in the planning of fund usage. Agency officers are shown to be taking control of the funds and to exclude their clients when utilizing the funds. They use funds in anything they think would be good for business without consulting business owners/ managers. Forty-seven percent of the respondent suggested that LED agencies and institutions should also pay specific attention to aftercare services, to facilitate experience exchange through business clubs and mentoring.

Table 3.6: Improvement necessary for LED support to be more effective

Area of improvement	Frequency	% (Multiple responses, N=72)
Financial related issues	62	86%
<ul style="list-style-type: none"> • Training • Planning 		
Aftercare services	34	47%
<ul style="list-style-type: none"> • Referral service • Mentoring/business club • Professional business counsellor 		

Source: Researcher, 2005

The findings show that business counsellors lacked the capability to help clients to overcome their problems. They had no information on business referral service centres that could help in any business related issues. Respondents, therefore suggested that the LED agencies and institutions should invest in developing professional aftercare counsellors, who would be able to assist business owners/ managers either by referring them to those who could help or give direct assistance if possible.

This chapter revealed that the majority of business owners/ managers were characterised by poor levels of education and business knowledge. Business owners/ managers experienced problems such as lack of finance, child-care, inability to draw and work according to a business plan, security and acquiring tenders.

The factors affecting rural SMMEs

Business owners/ managers appreciated the support offered to them by LED agencies. However, their area of concern was on the lack of consultations on their funds usage, direction of funds, choosing of suppliers, after-care service and requirement of collateral and business plan for fund approval. The next chapter discusses the findings of the study.

The common element about these agencies was

working together to improve the economic support. The local economic development agencies support rural SMME growth. However, they need more support to maximize its effectiveness in rural areas.

4.2 Spatial and structural characteristics of rural SMMEs

The spatial organisation of business owners of businesses. Business owners seek for maximum profit locations. The major thoroughfares and government services are businesses. The majority of business owners proves that businesses concentrate in urban areas. Businesses are operating at a regional level. Business also depends on the region to broaden their market.

DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

4.1 Introduction

The factors affecting rural SMMEs and local economic development support programmes are documented in most parts of the world. This study tries to understand their nature from a global perspective in South Africa. Different countries are included to enable us to compare and to find out if the nature of rural SMMEs and local economic development support are related all over the world.

The common element about these sectors is their need for understanding and working together to improve the economy of local communities and focused support. The local economic development support is with no doubt important for rural SMME growth. However, there is need for improvement in some aspects of support to maximize its effectiveness on rural SMME growth.

4.2 Spatial and structural characteristics of rural SMMEs

The spatial organisation of business plays a major role in the success and failure of businesses. Business owners/ managers strive to locate their businesses at maximum profit locations. The findings of the study show main-street thoroughfares and government premises as favourable locations for establishing businesses. The majority of businesses were located at these locations, which proves that businesses concentrated on attracting local people. This means that businesses are operating at a limited and small market range. The success of the business also depends on the market range; therefore, businesses must strive to broaden their market.

The concentration of businesses in serving the local market may encourage intense business competition because of the small market range. Business owners/managers must remember that the attraction of customers do not entirely depend on business accessibility. The business can be closer to people, but fail to attract envisaged customers. The potential customers also consider price and quality of goods and services when choosing a business to support.

The choice of business location must not entirely be based on a single aspect of location that affect business growth, as was the case in the study, location accessibility and personal favouritism was mostly considered. Various location factors such as competition, socio-economic status, which have influence on business performance, must be taken into consideration when one has to choose the best business location.

The structural organisation of the business is important for the smooth running of a business. Businesses, particularly rural SMMEs worldwide are associated with many challenges and barriers. Business management skills are an effective barrier that determines the success of the business. Previous studies have shown that most of the rural entrepreneurs lacked a culture of change and innovation; as such they preferred the traditional way of running the business (Piccioniv, 2003).

This study established that businesses were characterised by poor management, as the majority of the business owners/managers had poor business management skills. It means that business owners/managers had no other option except to use simple and unreliable methods of running the business. This might have had an influence on struggles to create a market in the study.

The modern business environment in which rural SMMEs operate is too sophisticated to be understood by business owners/managers with simple and basic business management skills. Businesses require thorough and advanced business knowledge. This illustrates that business owners/managers in the study required advanced business management training for the smooth running of their businesses. The production, recording and marketing skills acquired from work experience were not enough for modern business transactions that are complicated

and needed professional guidance. The appropriate type of business management education must instil the capacity for the owners/ managers to advance business growth and expansion.

The use of outdated recording and stock filing methods such as the Eye-Ball control method, as indicated in the study, may negatively affect business growth. This method is unreliable, as it cannot show whether the stock in the shelves is finished through buying, expiry or theft. Business owners/ managers just look at the shelves and decide which items to buy, which means there are no proper stock analysis and planning before buying the new stock. This also means that business owners/ managers may run the business at a loss. Modern technology such as computer can simplify stock intake and out-take transactions, an effective barrier that can hinder business growth. The effectiveness of modern technology on businesses is recognised worldwide (Shokane, 2003). Perhaps this had an influence on the poor performance of the businesses in the study, as the majority of business owners/ managers were not sure of their stock transactions.

Business finance is crucial for business growth and development. Most of the business owners/ managers in the study, however, had financial problems which forced them to resort to simple and cheap marketing strategies that have some important business strategic limitations. Those marketing strategies might be useful to some degree, but they cannot guarantee the continuous flow of business information to customers. For instance, business owners/ managers cannot visit community gatherings or distribute papers when they are ill and when it is raining.

Business owners/ managers in the study indicated that they lacked finance to pay for media advertisements. They had the money to organise bashes and type papers with business information. This reveals that either they lacked information on the cost of media advertisements or they did not understand the importance of having reliable marketing tools. Marketing is an important aspect of business because it deals with the attraction of customers, which is important for business growth.

Business knowledge impacts business organisation and planning. A business plan is a guideline for the proper running of the business. It is useful for monitoring the performance of the business. The majority of the business owners/ managers in the study, however, had no thorough knowledge of a business plan. They only used it when they applied for business support. It implies that business owners/ managers regarded a business plans as a tool or key for fund acquisition. They did not consider it as a key factor and guideline for business performance. This proves that businesses were operating without proper planning, an effective barrier that inhibits business growth. If business owners/ managers are serious about improving the performance of their businesses, they must have a tangible business plan that guides them to have a clear picture of what is expected of them.

Tendering knowledge is an acknowledged means by which SMMEs can successfully improve and increase their market share by linking with big businesses. The knowledge is important for SMMEs to access the global market through their corporate benefactors. Business owners/managers in the study lack tendering knowledge, an effective obstacle that hinders access to global markets. This proves that SMMEs in the study are struggling to create the market, the most comprehensive aspect necessary for business growth. If this situation is not addressed, SMMEs in the study will remain stagnant and/or unable to grow. Tender advice centres must double their efforts in reaching rural SMMEs because the majority of business owners/ managers have a low level of business management knowledge.

Child-minding in the study negatively affected businesses owned by women. Business is time demanding, one should have enough time to do business administration and accounting at home. The strategies used by business owners/ managers such as working on shift and waking-up early in the morning are not good solutions. They did not consider fatigue and work burdens or loads. In fact, they were an added burden which restricted businesswomen from what they could achieve in their business activities.

The security of the business is a crucial aspect that affects business performance. However, most of the businesses in the study experienced burglary or stock theft. This proves that business owners/ managers did not regard security as an important aspect that could hinder business growth. Businesses need proper security if they are to function smoothly. Stock loss through theft is an added cost because the owners/ managers have to replace it without gain.

Transportation is very important for business performance because it deals with delivery of business products to the market. Business owners/ managers in the study, however, showed that they lacked vehicles to deliver their products and as such they were forced to hire private transport, which was expensive and difficult to get. This means they spent most of their money on transport. Previous studies had shown that rural SMMEs are unable to compete with bigger enterprises because of high transport costs. Expensive transport disadvantages transportation of products to the market and the receiving of raw materials (Wolf, 2001).

Generally poor management due to lack of technical skills, management skills, poor finances, entrepreneurs' will to undergo training, gender problems and low levels of education characterised rural businesses in the study area. All these aspects impaired decision-making on business matters, business planning and performance.

4.3 Nature of LED support for local rural SMMEs

The findings of the study reveal that the quality of the advice and support available is no doubt important for business success. However, the loan approval requirements by LED agencies and institutions that offer refundable and non-refundable support are stereotypical. They discriminate against the women as they lack collateral and business experience required for loan approval.

Community based projects

The LED agencies appear to have made no effort to recognise that not all business owners/ managers fit this stereotypical image. The lack of collateral is an effective barrier, especially to businesswomen, as they were previously denied the right to own properties such land and houses required for loan approval. As with previous

studies (Nwanna, 1996), rural SMME entrepreneurs lack collaterals, which discourages their loan approval.



LED agencies in the study, need to ensure that their loan requirements are not discriminatory, if they want their services to be effective. Their loan requirements must change to include previously under represented and disadvantaged businesswomen, to overcome the traditional stereotypical image of service providers.

4.4 Entrepreneurs' perceptions and views on LED support

The requirement of a business plan for fund approval is understandable to those who know the importance of a business plan. This study revealed that business owners/ managers did not entirely understand the importance of a business plan. They used business plans to acquire funds because it was a prerequisite for LED support approval.

Business owners/ managers paid business professionals or experts to draw attractive business plans, which made their businesses, look good in the eyes of funders. This nullified the funders' reasons for requiring business plans because there was no relationship between the actual day to day runnings of the business with the drawn business plan. This proves that desperate and unemployed people who want to earn a living simply start a business. The main aim of stating a business is to make money for their families. Small business is an essential element for solving problems of unemployment and the main source of livelihood for many blacks in South Africa that are unable to find employment in the formal sector (Ntsika Enterprise Promotion Agency, 2001). Therefore, LED agencies need to acknowledge that not all business owners/ managers understand the importance of a business plan, as they entered this field through the desperation of being unemployed.

Community based projects/ businesses in the study were owned and managed by people without proper knowledge of business plans. They started businesses without a proper and written business plan. This perhaps had an influence on the usage of funds and created misunderstanding and problems between donors and beneficiaries. A businesswoman in the study revealed that she was unaware or did

not know about the fund budget. It means she did not know the contents of her business plan, which consolidates the fact that business plans were drawn to be used for accessing funds and that they were not understood by their users. This proves that LED support agencies in the study did not understand the business environment in which they were working. LED agencies should perhaps start by giving advice on business plans and making sure that business owners/ managers understand it before they fund the businesses.

4.4 Entrepreneurs' perceptions and views on LED support

LED support agencies in the study strove to promote their services, but it appears that the available service did not overcome barriers that inhibited business growth. This is probably linked to the direction of support. The support is specifically directed towards buying business stock, construction of business premises and basic business skills training. This seems to pose more problems than solutions to most of the businesses.

Business owners/ managers viewed the strict targeting of business stock, business premises and business management skills by LED agencies insufficient to enhance business growth. This is because the support does not cover all aspects of the business necessary for business growth. The support does not cater for marketing, security and transportation. Although some agencies support training, the duration and type of training is shown to be inadequate. Business training is conducted once and it focuses mainly on basic technical and management skills. This means business owners/ managers with low levels of education are not given enough time to understand the lessons imparted.

Business owners/ managers required information that was more relevant towards their own business problems, rather than courses just being about general business principles. They mentioned specifically the requirement of field or practical training because it was the easiest way for people with poor educational backgrounds to acquire business knowledge. This, perhaps explains why the business owners/ managers were reluctant to pay and attend theoretical business

training. It was useless for them because their poor educational backgrounds would inhibit them from acquiring the intended business knowledge.

Others expressed the will to improve their educational background, but their ages restricted them. One businesswoman indicated that she was too old to pay attention to theoretical training. This means that it was useless and a waste of money for LED agencies in the study to arrange for theoretical business skills training for business owners/ managers with low levels of education. The approach applied by LED agencies was stereotyped and short-sighted. Business owners/ managers in the study required regular and thorough practical business skills training because of their low levels of education and business skills.

In considering the importance of business training in relation to business development worldwide, it is clear that proper training plays a significant role in business growth. This importance has been recognised for some time as various LED agencies that offer financial assistance to rural SMME cater for other important aspects of business such as technical assistance, counselling and child-minding (Goheer, 1999).

Business owners/ managers were highly dissatisfied with LED support after-care services especially marketing and general management advice. The study indicates that LED support agencies did not seriously consider after-care services as an important aspect of business growth. The lack of qualified counsellors who could assist business owners/ managers to solve their business problems, indicate the need to enhance aftercare services. However, the support in dealing with developing personal attribute, such as motivation is highly rated. After-care counsellors appear to be able to form good relations with clients. This perhaps, had influence on the courage shown by business owners/managers who worked without getting a regular monthly salary.

An effective support can only be provided by individuals who are knowledgeable in that field. This implies that it is important for an after-care counsellor to have business experience and 'know-how' in assisting those who have no experience of working for themselves to become competent in management roles. The service

providers must therefore invest in aftercare services, as it is an effective aspect that can help business owners/managers to overcome their business problems.

4.5 Gender dynamics of LED support

The socio-economic status of entrepreneurs has an influence on their access to business support. The previous studies showed that banks discriminate against women. They require guarantees that are beyond the scope of most women's personal assets and credit track records (Sandberg, 2003). Rural women are socially deterred to access local business support due to inappropriate child-care facilities and lack of empathy by business advisory staff. Men, however, had access to loans than women because they have collaterals and longer working history required in credit ratings (Finnegen, 2002).

The findings of the study show that the majority of LED agencies that offered non-refundable support preferred to fund women-owned community-based businesses/ projects. This is in line with the South African government's call for agencies/ institutions to support women to start their own businesses. However, the requirement of a business plan also poses more problems to businesswomen. Most of them have a low level of education and poor business management knowledge, which are effective barriers that hinder them to have proper knowledge and understanding of business plans.

The requirement of collateral to support approval by LED agencies that offer refundable support favoured businessmen because businesswomen lacked properties that could be used as collateral for loan approval. Although businesswomen were offered loan rebates on interest, the collateral requirement discriminated against women; it forced them to request permission from relatives and friends to use their properties as collaterals. This means that the fate of their loan approval lay in the hands of men because they owned and had properties that could be used as security. Businessmen were also offered higher loan limits than businesswomen. This also confirms that the approach followed by LED agencies had a gender bias; it favoured men.

Small, medium and micro enterprises are an important source of job creation and economic growth in the Vhembe District (South Africa). The success of any business depends on a range of situational factors. Rural SMMEs are encountering many barriers that inhibit their success. These barriers are potentially life threatening to rural SMMEs. LED support agencies/ institutions are responsible for developing a number of barriers that affect business stability. These include lack of adequate ongoing support, lack of investment in other aspects of business, necessary for their growth, lack of flexibility, and lack of recognition of the problems faced by businesswomen and illiterate rural entrepreneurs.

Business owners/ managers also experience problems with funding officers, who take over the control of their businesses, and competition in the business environment that depends heavily on modern technology. These problems are embedded in lack of LED support that can overcome such barriers. In order for rural SMMEs to achieve their potential, in terms of their contribution to the Vhembe District (Limpopo Province) economy, the LED agencies/ institutions must provide the type of services and assistance that would facilitate such a processes. LED support focuses entirely on a single aspect of business. It focuses on buying business stock and equipment, building business premises and basic business management training. This makes LED support to be ineffective because there is a gap that they fail to fill. Businesses are still surrounded by problems despite the support offered to them by various LED agencies/ institutions.

LED agencies/ institutions need to do proper research on the businesses that they are going to support. This research will shed light on the type of support required by local rural SMMEs. This will make them understand the business environment in which they operate and as a result they will provide efficient and focused support that will enhance local rural SMME growth.

The strategies for business support should be broad enough to cover entire aspects of businesses required for growth and to ensure smoothly functioning. The key strategies for LED supports in the study area, to be successful, must ensure that:

- all supported businesses are incubated to ensure continuous support relevant to evolving business needs;
- business clubs are established, for business owners/ managers to share their business experiences. Inexperienced owners/ managers would gain more business knowledge from experienced businesswomen and men;
- mentorship programmes are available: mentors as role models can provide excellent business advice and owners/ managers would be more willing to accommodate advice from them than from unknown ordinary person. *businesswomen would feel free and motivated*, especially when they have businesswomen as their mentors;
- investment is also directed to after-care services to develop professional after-care business counsellors, who can offer quality service ‘know how’ and ‘know where’. the business can be assisted, as the majority proved to lack such knowledge; and
- business owners/ managers understand and work according to their business plans. Most businesswomen and men showed lack of such knowledge. They only used business plans drawn by someone to support approval.

The fact that there are areas of support that need further improvement should not be misquoted by LED support agencies/ institution as ridicule of their support. It should rather be considered as professional challenges that offer them opportunities to build-upon what is considered useful support for rural SMME.

4.6 Limitations of the study

The study was limited by the manner in which information could be accessed. In order to acquire relevant information, one had to be cautious and patient enough. Some LED support agencies and institutional data were not computerised, which made access to their information an inconvenient and very difficult. They kept information in books and files, which when required, more time was spent on searching for information because some were not properly arranged or filed.

The worst part was when I was told to wait for a particular person because the person was the only one who knew about the files. I was forced to visit the office several times to acquire the information required. Other agencies and institutions had only some records of their activities because of office restructuring.

Divulging information was also difficult to other agencies and institutions. For instance, the particular agency is paid by a particular government department to conduct business skills training on SMMEs. To get information I had to go through that particular department. The bureaucratic structure forced me to spend four weeks acquiring all required information. Some businesses had no contact numbers, which made it difficult to arrange for interviews. I had to visit them without any pre-arrangement and most of the time the owners/managers were unavailable.

The strength of the study is that the valid and clear results were found albeit not simple. Some LED support agencies/institutions and business owners/ managers were cooperative and positive enough in such a way that they provided extra information about their activities. In addition, others even suggested that more research of this magnitude should be undertaken as they had little information on the activities of their business, agencies and institutions. They hoped that more research work would help to unravel the business environment in which they were working for their agencies/ institutions and businesses to function effectively.

4.7 The need for further studies

There is a need for further research to deal more effectively with the nature of LED support and rural SMMEs. These sectors contribute significantly to the local economic development of rural areas. Further studies should focus more on the following:

- the usage of modern and advanced business technologies;
- women mentorship and business club programmes, and
- women integrative business practices.

This chapter discussed the spatial and structural characteristics of rural SMMEs, entrepreneurs' perceptions and views on LED support and gender dynamics. It also gave some recommendations on methods, approaches and strategies to be employed by LED agencies in South Africa to help rural SMMEs.

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INSTRUCTION TO THE RESPONDENT

- Answer all questions
- Cross or tick in the relevant boxes if required

A. Service Providers

A.1. Name of Institution/ Agency/ Service provider

A.2. Location

A.3. Services offered

A.4. What is your target group



Interview Schedule No. Area/ Place Contact Person: Date: Time:	The Interview Schedule No.1 is directed to LED practitioners/ SMME agencies' managers in Vhembe District, Limpopo Province in South Africa
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ETHICAL CONSIDERATION

- Permission to participate in the survey will be sort first from the respondent.
- The researcher will ensure confidentiality of the information received from the respondent.
- The researcher will ensure that information received from the respondent will not disadvantage or harm the respondent in any way and that it will be used for the purpose of this research.

INSTRUCTION TO THE RESPONDENT

- Answer all questions
- Cross or tick in the relevant boxes provided

A. Service Providers

A.1. Name of Institution/ Agency/ Service provider _____

A.2. Location _____

A.3 Services offered _____

A.4 What is your target group: _____

A.5 What are the developmental objectives of your programme:



Short- term objective	Long-term objective

A.6 Are you achieving the set goals

Yes No

A.7 If Yes or No, Why _____

A.8 What strategies and approaches used to achieve the set goals: _____

A.9 What criterion is used for identifying the business to be supported: _____

A.10 When do you offer your service:



- 1. During the week
- 2. Weekends
- 3. Holidays

A.11 Specify any problems experienced when providing your service, regarding:

1. Female client

2. Male client

A.12 Any special arrangement done to solve the problems:

1. Female clients	2. Male clients

A.13 What special arrangement is done to attract:

1. Female client

2. Male client

A.19 How do you evaluate your service? _____

A.14 How do you collect debt: _____

A.15 Do you monitor and evaluate the performance of your client

Yes

No

A.20 Implementations necessary for your programme

1. Service delivery

A.16 If Yes, 1. How do you monitor? _____

2. Debt/Loan collection

2. What are the results? _____

3. Human resources

A. 17 If No, 1. Why _____

4. Monitoring strategies

2. What are the results? _____

5. Others; specify

A.18 How do you deliver/transfer the support to you clients _____



A19 How do you evaluate your service to the communities: _____

QUESTIONNAIRE NO. _____

AREA/PLACES: _____

DATE: _____

TIME: _____

A.20 Improvements necessary for your programme

1. Service delivery _____

2. Debt/Loan collection _____

3. Human resources _____

4. Monitoring strategies _____

5. Others; specify _____

QUESTIONNAIRE NO. AREA/PLACE: DATE: TIME:	The Interview Schedule No.2 is directed to the rural SMMEs owners/ managers in the Vhembe District, Limpopo Province (South Africa).
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ETHICAL CONSIDERATION

- Permission to participate in the survey will be sort first from the respondent.
- The researcher will ensure confidentiality of the information received from the respondent.
- The researcher will ensure that information received from the respondent will not disadvantage or harm the respondent in any way and that it will be used only for the purpose of this research project.

INSTRUCTIONS TO THE RESPONDENT

- Answer all questions.
- Cross or tick in relevant boxes provided in the Interview Schedule.

SECTION A

A. BUSINESS OWNERSHIP PROFILE

A.1 Owners/Managers profile

Name of business owners/managers _____

1. Age _____

2. Sex _____

3. Marital status _____

4. Educational level _____

5. Nationality _____

6. Residential area _____

7. Municipality _____

8. District _____

9. Province _____

10. Contact numbers _____

12. E-mail _____

A.2 Business profile

1. Name of business _____
2. Types of business activities _____
3. Types of business:
 1. Close corporation
 2. Private company (Pty.Ltd)
 3. Public company (Ltd.)
 4. Co-operatives
 5. Section 21 company
 6. ~~Sole trader~~/proprietorship
 7. Partnership
4. Specify type of trading license _____

5. Mention any problems experienced associated with trading licenses _____

6. Type of economic activities:

1. Agriculture , hunting, forestry and fishing
2. Mining and quarrying
3. Manufacturing
4. Electricity and water supply
5. Construction
6. Wholesale and retail trade

7. Transport, storage and communication

8. Financial intermediation, insurance, real estate and business services

9. Community, social and personal services

10. Private households, extraterritorial organisation, representation of foreign government

8. Number of employees

1. Number of female

2. Number of male

9. Business age

10. Business turn-over (Monthly/ **Annually**)

SECTION B

B. Business emergence

1. Who started the business/ project

2. Which year

3. Problems experienced when starting business

4. Who funded the business in its initial state

5. How did you access funding

6. Amount of start up capital used

SECTION C

C. Trading place (market)

1. Name of Village _____

2. Trading point (market)

1. Near government premises (specify)

2. Main-street thoroughfare

3. Home

3. Reasons for choosing the trading point (location)

C. Hawkers only

1. Do you have a fixed space at the market?

1. Yes

2. No

2. If yes, how do you identify your space? _____

3. If no, how do you operate? _____

4. What is the distance from your house to the trading point (kms) _____

5. How do you transport goods to your trading place (point) _____

6. Number of hawkers at your trading point _____

D. Business practices

1. Do you have business skills?

1. Yes 2.No

2. Indicate business skills acquired _____

3. How did you acquire the skills?

1. Special training 2. Work experience

4. Who offered training? _____

5. Who sponsored or paid for training _____

6. Amount spend on training, give details _____

7. Do you keep records of your business transaction?

1. Yes 2. No

8. If yes, give details and explain why? _____

9. If no, explain why? _____



10. Do you have a business plan and why? (If yes, provide to 1.8-1.12) _____

11. Who prepared formal business plan? _____

12. How much did you spend on drawing up the business plan? _____

13. Who helped you to pay for the business plan? _____

14. Do you follow/ implement the business plan? _____

1. Yes 2. No

15. If yes or no, explain why? _____

23. What are your main...
16. How do you get your business goods/materials? _____

17. How are they transported/delivered to your business? _____

18. Do you have goods/ materials storage?

1. Yes 2. No

24. Major clients...
19. If yes, mention type of storage _____

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20. If no, Why? _____

- 1. Cost based _____
- 2. Market based _____
- 3. Other _____

21. Do you monitor the performance of the business and why? _____

27. If Yes Specify _____

28. If No, Why _____

SECTION E

22. If yes, give details (what you check) _____

E. Needs analysis _____

E.1. Financial needs _____

23. What are your marketing strategies:

Businesswomen

Businessmen

24. Major clients _____

25. How do you determine your selling price:

1. Cost based	
2. Market based	
3. Other, specify	

26. Do you have any tender/contract with any public/private sector?

1. Yes 2. No

27. If Yes Specify _____

28. If No, Why _____

SECTION E

E. Needs analyses

E.1. Financial needs _____

E.1.1 Is this your only business?

1. Yes 2. No

2. Non financial needs _____

3. Total value of business assets (including business property) _____

3. What constraints do you face in your business and how do you cope with them:

constraints	Source	Coping mechanisms	Amount
1. Loans			
2. Overdraft			
5. Operating/Running expenses			
1. Water			
2. Electricity			
3. Wages			
4. Rent			

SECTION F

6. Do you keep a separate bank account for the business and why?

F. Financial analyses

F.1 Is this your only business?

1. Yes 2. No

7. What other banking facilities do you use for tax business?

2. If no, specify

Other business	Location (Area)
2. Bank loan	
3. Credit card	

3. Total value of business assets (including business property) _____

4. Any business liabilities and their sources?

Liabilities	Sources	Amount
1. Loans		
2. Overdraft		

5. Operating/Running expenses

1. Water	
2. Electricity	
3. Wages	
4. Rent	

6. Do you keep a separate bank account for the business and why?

7. What other banking facilities do you use for the business?

Facilities	Amount	Use
1. Overdraft		
2. Bank loan		
3. Credit card		

SECTION G

G. Support services

1. Name of support institution/ agency _____

2. How did you access support received _____

3. Kind/type of support offered

Support offered	Specify:
A. Advisory	
B. Financial	
C. Technical-Training	
D. Business	

4. How was the support delivered _____

5. What effect does the support have on your business?

A. Marketing _____

B. Finance _____

C. Purchasing _____

D. Human resource _____

E. Product design _____

F. Selling _____

6. What problems do you experience from your service providers: _____

7. What changes/improvements are necessary for support offered to be more effective?

1. Businesswomen

Improvement necessary/ required
A. service delivery
B. Others: specify

2. Businessmen

Improvement necessary/ required
A. Service delivery:
B. Others: specify