

UNIVERSITY OF KWAZULU-NATAL

**THE INFLUENCE OF PUBLIC AND PRIVATE
SUPPORTING INSTITUTIONS ON SMALL, MEDIUM
AND MICRO ENTERPRISE DEVELOPMENT: A
COMPARATIVE STUDY BETWEEN LESOTHO AND
SOUTH AFRICA**

By

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DECLARATION

I, Refiloe Gladys Khoase declare that

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- (ii) This dissertation has not been submitted for any degree or examination at any other university.
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Refiloe Gladys Khoase

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ACRONYMS

ADF:	African Development Fund
ANOVA:	Analysis of variance
BDS:	Business Development Services
BSC:	Business Support Centre
BEDCO:	Basotho Enterprises Development Corporation
COAG:	Council of Australian Governments
CSBP:	Centre for Small Business Promotion
DEDTEA:	Department of Economic Development, Tourism & Environmental Affairs
DSBD:	Department of Small Business Development
DTI:	Department of Trade & Industry
EESE:	Enabling Environment for Sustainable Enterprises
GEM:	Global Entrepreneurship Monitor
GoL:	Government of Lesotho
IFIs:	International Financial Institutions
ILO:	International Labour Organization
KZN:	KwaZulu-Natal
LCCI:	Lesotho Chamber of Commerce & Industry
LEAP:	Lesotho Enterprise Assistance Program
LHDA:	Lesotho Highlands Development Authority
LNDC:	Lesotho National Development Corporation
LRA:	Lesotho Revenue Authority
LTDC:	Lesotho Tourism Development Corporation
MCC:	Millennium Challenge Corporation
MEC:	Member of Executive Council
MENA:	Middle East and North Africa
MGYSR:	Ministry of Gender and Youth, Sport and Recreation
MSMEs:	Micro, Small and Medium Enterprises
MTICM:	Ministry of Trade and Industry, Cooperatives and Marketing
NEF:	National Empowerment Fund
NSBAC:	National Small Business Advisory Council
NYDA:	National Youth Development Agency
OECD:	Organisation for Economic Corporation and Development
OBFC:	One-stop Business Facilitation Centre
PAS:	Policy Analysis Section

PCB:	Pietermaritzburg Chamber of Business
PCA:	Principal Component Analysis
PCG:	Partial Credit Guarantee Scheme
PESTEL:	Political, Economic, Social, Technological, Environmental and Legal
PSDCP:	Public Sector Development Competitiveness Project
PSFL:	Private Sector Foundation of Lesotho
RBP:	Regulatory Best Practice
RIA:	Regulatory Impact Assessment
RUFIP:	Rural Financial Intermediation Programme
SA:	South Africa/South African
SARS:	South African Revenue Services
SBDA:	Small Business Development Agency
SBP:	Small Business Promotion/Project
SEDA:	Small Enterprise Development Agency
SEF:	Small Enterprise Foundation
SEFA:	Small Enterprise Finance Agency
SMEs:	Small and Medium Enterprises
SMMEs:	Small, Medium and Micro Enterprises
SPSS:	Statistical Package for the Social Sciences
SUFIL:	Support for Financial Inclusion in Lesotho
SWOT:	Strengths and Weaknesses, Opportunities and Threats
UKZN:	University of KwaZulu-Natal
UN:	United Nations
UNDP:	United Nations Development Programme
UNIDO:	United Nations Industrial Development Organisation
USA:	United States of America
UYF:	Umsobomvu Youth Fund
VAT:	Value Added Tax

ABSTRACT

Due to high rates of poverty and unemployment, economies are taking both immediate and long-term measures to tackle the issue. Amongst the measures economies have taken, are the development of SMMEs, especially in developing countries. It is perceived that SMMEs are high contributors of economic growth. To develop SMME sector, there are established public and private supporting institutions. The presence of these institutions perceived to create a favourable environment where SMMEs are able to grow sustainably and contribute to the country's economy. If these institutions are not utilised, SMMEs could fail to develop and close down at the early stages.

The aim of this research is to investigate the influence of the public and private supporting institutions with regard to businesses start-up and sustainable growth. Both Lesotho and South Africa have put in place a number of initiatives in the quest to support business development. However, there is not much said about the success or failure of such interventions from the public and private supporting institutions' perspectives. Thus, there is a need to investigate the positive outcomes emanating from such institutions as well as the pitfalls resulting from their interventions that may hinder the start-up and growth of SMMEs.

Qualitative and quantitative methods were used to collect data. Semi-structured interviews with six supporting institutions in Maseru Lesotho, and six from Pietermaritzburg in SA were conducted. The survey covered a sample size of 379 owner-managers of registered SMMEs across all sectors in Maseru, and 384 in Pietermaritzburg. These sample sizes were generated using an online sample size calculator. A non-probability sampling method known as snowball sampling was used for the interveners (implementing agencies). Probability sampling methods known as stratified random sampling and cluster sampling methods were used for the SMMEs. The coded responses obtained from the interviews and questionnaires were analysed using NVivo 10 for Windows and SPSS for Windows, Version 22 respectively.

Most SMMEs' owner-managers in both Maseru and Pietermaritzburg are aware of the available supporting institutions and the assistance they provide at start-up and growth phases. However, entrepreneurs do not make full use of these institutions. Some entrepreneurs perceive that services provided by the supporting institutions are satisfactory, while some are not satisfied with such services. The main support they use is registering with these institutions which then allows them to operate formally. However, not making full use of supporting institutions' programmes hampers SMMEs' establishment, and they also do not grow sustainably. It is anticipated that the

research findings will inform policy makers about factors that may contribute to or hinder the effectiveness of supporting institutions' interventions at SMMEs' start-up and growth phases. This is perceived will help policy makers and supporting institutions in devising adequate strategies to improve policy implementation or their service provision to SMMEs.

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CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1 Introduction

Globally, national economies are concerned about developing businesses within their territories. This has propelled such economies to intervene either directly or through the establishment of private supporting institutions. Governments (public institutions) together with the private supporting institutions provide necessary services to newly established and already existing businesses. These services are meant to contribute to the start-up, growth and the sustainability of businesses that are provided with these services.

Lesotho a tiny country surrounded by South Africa (SA) has implemented most business development services in a quest to support business establishment and development. This is hoped to eradicate poverty and elevate the rate of job creation. However, through the government's direct intervention and the intervention through the private supporting institutions, the micro, small, and medium enterprises (MSMEs) in Lesotho are still not satisfied with the services provided by these public and private supporting institutions. Therefore, the researcher finds it imperative to conduct this comparative study to find out what South Africa is doing from which Lesotho may learn, as it is perceived that South Africa has shown much improvement in the establishment and development of small, medium and micro enterprises (SMMEs) (African Development Fund (ADF), 2009:4). It is also perceived that, SA might possibly learn from Lesotho as well.

In this chapter, the background, problem statement, research questions, objectives, research methodology and the significance of the study will be discussed.

1.2 Background

Economies are concerned about the rate of poverty that is rapidly escalating (Organisation for Economic Cooperation and Development, (OECD), 2004:49). It is believed that this could be problems, due to the high rate of unemployment (World Bank, 2011). This has compelled governments to call for both immediate and long-term measures to tackle the growing global crisis (Ban, 2008 and Musahara, Akorli & Rukamba, 2014:8). Ban at the United Nations (UN) meeting further suggested that trade support as an engine of growth should be given to developing countries. He requested that such countries be given the necessary assistance in addressing their development processes. He further suggested that the increased investment and technology

transfer be provided to the least developed countries by the donors. Moreover, he argued that innovative and robust regulations are implemented to protect financial systems and sustain continued growth and expansion. He notified the participants that regulatory checks and balances have long failed to keep pace with the massive growth, demonstrating that this gap is unsustainable.

Leduka, (2012:12), reports that to eradicate poverty, the United States of America (USA) established the Millennium Challenge Corporation (MCC) in 2004. This organisation focuses on eradicating poverty through sustainable economic growth. Lesotho and South Africa are UN members committed to fulfilling the Millennium Development Goals. Leduka further reports that member countries establish their own implementing agencies, and Lesotho established the Millennium Challenge Account-Lesotho in 2008. This implementing agency gives priority to private sector development among others (Leduka, 2012:12).

Countries such as Lesotho and SA are characterised by high rates of unemployment (ADF, 2008:1, 2009:4 and Enabling Environment for Sustainable Enterprises (EESE), 2014:21). Based on the view that SMMEs are more labour intensive than large firms, there is a good reason for SMME promotion, thus the growth of SMMEs would result in higher levels of employment (Beck, Demirguc-Kunt and Maksimovic, 2003:1). However, besides the evidence that SMMEs contribute to job creation which results in the eradication of poverty, according to Ngcobo & Sukdeo (2014:1) firms are established and even graduate to a higher level, but they do not exist sustainably. Thus, the establishment and sustainable growth of SMMEs is not seen manifested to its maximum. The perception is that the intervention by the public (public and government used interchangeably) and private institutions hinders the establishment and the sustainable growth of SMMEs, instead of assisting SMMEs to achieve their goals.

Governments intervene through the setting of policies for SMMEs' development and the establishment of supporting institutions with the aim of improving the performance of the businesses (that is, their establishment and sustainable growth) (Smorfitt, 2008:66). The Business Development Service (BDS) providers could be both public and private institutions. These supporting institutions are established to equip SMMEs with amongst others, relevant training support through their start-up to their growth phases; business advice; business linkage promotion; financial assistance; access to premises and licensing procedures (Chetty, 2009:124 and Ahmad & Xavier, 2012). The supporting institutions are meant to assist SMMEs at strategic and operational levels (United Nations Development Programme (UNDP), 2004:5). However, some SMMEs are not aware of such institutions and therefore, do not use the services provided by these institutions. Jackson (2004) and Chetty (2009:258) report that SMMEs' owners are

unaware of supporting institutions and do not use their services. It is also perceived that even the institutions that are used do not satisfy the needs of the SMMEs (Pillay, 2006:42; Meltzer, 2010:1). The question is, are public and private supporting institutions able to effectively deliver quality services to the businesses?

There are public and private institutions in both Lesotho and SA that were established to develop SMMEs. However, based on a study conducted by Khoase (2011) and Khoase & Govender (2013:604), MSMEs in Lesotho still experience challenges in amongst others access to finance, acquisition of business management skills, licensing of businesses, and accessibility of suitable business premises. According to Small Business Promotion (SBP) (2008:90), MSMEs' owners in Lesotho are confronted with heavy costs of compliance, insufficient working premises, and limited access to finance, all due to outdated regulations which impose problems on MSMEs and increase the number of informal sectors. Moreover, according to the SMME Support Network-Lesotho (2007:1), business development services providers in Lesotho are often insufficiently equipped to meet the demands of the sector. These raise concern about the effectiveness of the Lesotho public and private supporting institutions in implementing policies meant to develop the establishment and sustainability of MSMEs.

From 1992 the South African government focused more on SMMEs' development, thereby creating a conducive business environment for SMMEs in which to operate (SBP Alert, 2009:4). This is demonstrated by the establishment of a number of supporting institutions that provide different development support to SMMEs and the set of trade policy reforms (Chetty, 2009:1). Constant policy reforms result in amongst others, simplified licensing procedures; improved tax structure; and ultimately encourages formal sectors. For instance, simplified licensing procedures have a positive impact on SMMEs' start-up and growth, as entrepreneurs are able to register their businesses and operate formally which also contributes to the payments of income tax which benefits the government (Chetty, 2009:1). The ability to develop the SMME sector consequently brings an environment that is conducive to a reliable and an attractive investment destination in South Africa (Matola, 2014).

Despite the establishment of a number of supporting institutions that promote enterprise development, the failure rate of SMMEs in SA is still very high (Ladzani & Netswera, 2009 and Ferreira, Strydom & Neuwenhuizen, 2010). Short lifespan of SMMEs restricts their graduation to the formal sector and the sustainable growth (Global Entrepreneurship Monitor (GEM), 2013 and Mutyeniyoka & Madzivhandila, 2014:93). Challenges faced by SMMEs could be due to poor delivery of programmes by the supporting institutions. According to Friedrich and Isaacs (2010:10), supporting institutions experience challenges that impact negatively on the delivery of

their programmes. These challenges according to Maluleke (2013:5-6), include amongst others, poor accessibility to services, poor quality of trainers and poor monitoring and evaluation of programmes.

1.3 Problem statement

In developing economies SMMEs are perceived to be high contributors of economic growth, consequently more attention is focused on SMMEs' development (OECD, 2015). Countries have established public and private supporting institutions to establish and enhance the sustainable growth of SMMEs (Chetty, 2009:1). However, the impact of supporting institutions' initiatives on SMMEs' development is unknown. This constitutes the main research problem guiding this study. The study uses a comparative approach to underpin the perceptions vis a vis services provided to SMMEs (supporting institutions perspective) and services received from supporting institutions (SMME perspective). Furthermore, the study compares two cities in different countries, that is, Maseru in Lesotho and Pietermaritzburg in SA with specific emphasis on the current interventions to support the start-up and growth of SMMEs. It is anticipated that the two countries' perspectives will shed more light into the performance of supporting institutions in their quest to assist SMMEs in their start up and growth phases. According to Thompson, Strickland and Gamble (2008:40), it is good for countries to learn from successful industrialised countries when designing economic strategies or policies. However, the choice of a specific model has to suit the conditions of the country in which it is applied Thompson *et al.*, (2008:40). Supporting institutions might learn what SMMEs' owners are expecting from them, and in turn, SMMEs' owners from both urban and rural areas might also learn of available services provided which were unknown to them. It is further presumed that SA has made considerable investments in support of business development (Peyper, 2013 & Goldstuck, 2014). If that is the case, then the Government of Lesotho can learn from what SA is doing and adjust the economic strategies accordingly. Such informed but contextualised adjustment may assist the country in terms of devising interventions that yield positive returns on SMMEs growth. It is also perceived that SA can possibly learn from Lesotho as well with the aim of improving their initiatives towards supporting SMME growth. There is enough evidence from the literature to attest that SMMEs play an important economic role. For instance, in South Africa, Abhor and Quartey (2010) highlighted that SMMEs contributed between 52% and 57% of the country's GDP and up to 61% of the overall employment in South Africa. Al Qirim (2005:2) further argues that SMMEs "constitute more than 95% of the enterprises and account for more than 60% of the employment levels in different countries in the world". Thus, it is anticipated that this study will assist both

countries in devising SMMEs' supporting strategies that will have a positive net effect of the countries' growth.

1.4 The purpose of the study

Economies can employ selective interventions as some of the initiatives influencing the start-up and growth of SMMEs (Smorfitt, 2008:2). Based on the above problem statement, the purpose of this research is to assess the influence of public and private supporting institutions on SMMEs' development in both Lesotho and SA. It is right that interventions by public and private institutions can sometimes create problems and constraints for entrepreneurs, as Tolentino (2008:18) asserts. However, it is anticipated that if Lesotho for instance, can learn how SA's institutions support SMMEs' development and follow such strategies, then a conducive environment for business would be created for MSMEs in Lesotho. Equally, SA can possibly learn from Lesotho and minimise constraints that hinder SMMEs' start-up and growth. Favourable business environments enable businesses to effectively operate and contribute towards the enhancement of economic growth (Dessing, 2004:575).

According to van Buul (2010:16), it is important to monitor and evaluate the programmes put in place of SMMEs' development. If such programmes are constantly reviewed and reformed, economies would not accrue expenses of formulating programmes that are not implementable.

1.5 Aim and significance of the study

The aim of this research is to investigate the influence of public and private supporting institutions with regard to businesses' establishment and sustainable growth. The literature confirmed that, both Lesotho and SA have put in place a number of initiatives in the quest to support business development. However, there is little said about the success or failure of such interventions from the public and private supporting institutions' perspectives. Thus, there is a need to assess the effectiveness of such interventions and the impact of these interventions on SMMEs. The study focused on i) the effect of services provided by supporting institutions on SMMEs' start-up and growth phases, ii) the relevance of training provided by supporting institutions, iii) the accessibility of financial support from supporting institutions, and iv) SMMEs' owners' satisfaction levels regarding services provided to them (OECD, 2004a). A previous study by Khoase (2011) identified accessibility to funds and lack of training as the major hindrances to SMMEs start up and growth in Lesotho. However, although there are supporting institutions in Lesotho that aim at assisting SMMEs, the effect of their support and the satisfaction level vis a

vis such support have not been investigated. This prompts an assessment of what the supporting institutions are currently doing vis a vis the support of SMMEs. It is important to note that, the effectiveness of the supporting institutions, according to Chetty (2009), contributes to the high performance of business organisations. For instance, there could be a high rate of business start-up, sustainable business growth and ultimately contribution to the growth of the economy. Thus, this research, brings a comparative two dimensional inputs (from South Africa and Lesotho) into the assessment of the effect of such support on SMMEs start up and growth.

This research will contribute to adding more to the knowledge of challenges that developing countries face and announce the importance of effective implementation of policies and programmes, as this is believed could assist in alleviating such challenges. It is perceived that if the existing challenges are not dealt with, this will continue to the worst point where it cannot be controlled. However, if dealt with, the long-term effective public and private supporting institutions influencing the successful start-up and growth of SMMEs will be created. This study also serves as a reference for researchers interested in the field of business management where there are uncontrollable external forces influencing the macro-environment. The research can also serve as feedback on the effectiveness of the programmes and possible recommendations for improvement, if necessary.

1.6 Research questions

The main research question of this study is **“What is the influence of public and private supporting institutions on SMMEs’ development?”**

This research question brings about the following research sub-questions:

- 1) What are the existing supporting institutions that have been put in place in developing SMMEs?
- 2) What is the role of supporting institutions on SMMEs’ start-up?
- 3) What is the role of supporting institutions on sustainable growth of SMMEs?
- 4) Do the supporting institutions provide relevant training to SMMEs?
- 5) How accessible are supporting institutions’ finances by SMMEs?
- 6) Are SMMEs’ owners satisfied with the services provided by supporting institutions?

1.7 Research objectives

The overall objective is to investigate the positive outcomes emanating from supporting institutions as well as the pitfalls resulting from their interventions that may hinder the establishment and growth of SMMEs. More specifically, the research objectives are:

- 1) To ascertain the existing supporting institutions meant to develop SMMEs.
- 2) To determine the role of the supporting institutions on SMMEs' start-up.
- 3) To determine the extent to which the supporting institutions influence sustainable growth of SMMEs.
- 4) To assess if relevant training is given to SMMEs' owners by the supporting institutions.
- 5) To measure the ease of access to supporting institutions' finances by SMMEs.
- 6) To assess if SMMEs' owners are satisfied with the services provided by supporting institutions.

1.8 Methodology

For the purpose of this study, two types of research designs, namely, exploratory and descriptive research designs were used in order to attain the research objectives/problem. Descriptive research design explains the current situation in connection to the research problem (Saunders, Lewis and Thornhill, 2012). Descriptive research was used to obtain information concerning the effectiveness of supporting institutions. This was best obtained through surveys that were sent to SMMEs' owner-managers. The supporting institutions were able to provide the researcher with the insight of the phenomenon as the exploratory research is flexible in addressing the research questions of all types, for instance, why, how and what.

This study employed mixed methods, that is, qualitative and quantitative methods. Data were gathered by means of face-to-face semi-structured interviews with the interveners within selected supporting institutions in Lesotho and SA. The second method that the researcher used is the quantitative method. Through the use of questionnaires, the researcher gathered data from SMMEs' owner-managers in Maseru and Pietermaritzburg. Quantitative method is suitable for this study as, according to Creswell (2014:156), it enhances the generalisation of the results.

In this study the population included interveners and owners of registered SMMEs in different sectors located in Maseru, Lesotho and Pietermaritzburg, SA. For this study, information was obtained from six interviews with the interveners from both locations. A non-probability sampling method known as the snowball sampling method was used for interveners. This enabled the researcher to gain access to rich views of expert participants, as, according to Sekaran and Bougie (2010:272), snowball sampling method allows the researcher to reach the experts and gain valid information. Subsequently, 379 questionnaires were sent out to MSMEs' owner-managers in Maseru, and 384 to SMMEs' owner-managers in Pietermaritzburg. The probability sampling method known as stratified random sampling method was used for registered SMMEs from different sectors. This often improves the representativeness of the sample by reducing sample error (Creswell, 2015).

According to Cooper and Schindler (2003:207), measurement tools can be evaluated using major criteria, namely validity and reliability. Validity is measured with Factor Analysis while reliability is measured with Cronbach's alpha. This is to find out if there are items that need to be modified based on the feedback received from the selected respondents (Zikmund, 2003:302).

The analysis of the coded responses obtained from the semi-structured and structured questions were achieved through the use of NVivo 10 for Windows and SPSS for Windows, Version 22 respectively. The interviews were made up of qualitative questions. The objective of this type of research is to promote self-understanding and increase insight into the phenomenon under study (Creswell, 2013b). The questionnaires were on a Likert-based scale and dichotomous strategy.

1.9 Definition of terms

One word can have different meanings, therefore, it is important to have definition of terms in a research. This definition of terms is intended to assist the reader to consistently understand the concepts and generally used terms when reading this thesis. There are also phrases defined within the context of how they apply to this research.

Business clusters: group of sellers or suppliers in a particular field operating in one geographic area (Januska, Kurkin and Miller, 2010:8).

Business networks: these are linkages with other businesses operating in the same or different value chains, developed out of trust between the concerned parties (Misner, 2008:1).

Capacity building: is an ongoing process through which individuals, groups or organisations enhance their ability by strengthening their skills and resources to identify and meet development challenges in the fast changing world (Eade, 2007).

Conducive environment: an atmosphere or condition favourable for businesses to establish, operate and sustainably grow (Findley and Varble, 2006:2).

Formal vs informal: formal refers to a business that is formally registered or licensed, and operating from a fixed building structure located on a business stand while informal businesses are not registered and are operating outside the formal rules and regulations. Informal businesses operate as street vendors and in-home businesses established on residential sites (Ligthelm, 2013:59).

Interveners: interviewed officials at the public and private supporting institutions implementing set policies, or providing SMMEs with development assistance.

Small, Medium and Micro Enterprises (SMMEs): small businesses operating in different sectors. Classification of SMMEs is based on a combination of total number of employees, annual turnover, and whether the business is operating formally or informally (DTI, 2004).

Programmes: policies, services or assistance provided by supporting institutions to SMMEs with the aim of developing this sector.

Selective interventions: assistance by the government, focusing on a particular segment of the economy (in this case, SMMEs) (Smorfitt, 2008:16).

Supporting institutions: these are public and private business supporting institutions established to assist in the development of SMMEs. They could provide financial or non-financial support to SMMEs. In this study, they are sometimes referred to as interveners (Delić, Alpeza and Peterka, 2012:4).

1.10 Limitations of the study

To study the phenomenon in depth, the study conducted was limited to Maseru in Lesotho and Pietermaritzburg in SA. Due to the focus on only two cities, the findings cannot be generalised to other cities; however, some of the findings may be transferable to other similar contexts.

Further research to obtain a better perspective of the influence of the public and private supporting institutions on SMMEs' development could be undertaken, as this study focused only on six supporting institutions in Maseru and six in Pietermaritzburg. A clear picture of how programmes are implemented and accepted could be revealed if in-depth research is conducted focusing on all the available support institutions, as to whether the available support programmes they offer are appropriate. It is perceived that this could assist the policy makers during their policy formulation, by formulating easily implementable policies.

1.11 Structure of the thesis

Chapter 2 is a literature review concerned with the role that the public and private supporting institutions play in influencing the start-up and growth of SMMEs. The arguments for and against government interventions are also taken into consideration.

Chapter 3 provides an overview of the public and private supporting institutions meant to stimulate SMMEs' development in Lesotho.

Chapter 4 provides an overview of the public and private supporting institutions meant to stimulate SMMEs' development in South Africa.

Chapter 5 provides the research design and methodology used in this study. Through the use of mixed method approach, data were gathered from both the supporting institutions and SMMEs' owners to identify the influence of these institutions on SMMEs' development.

Chapter 6 reports data presentation of this study. Perceptions of the interviewees concerning their influence on SMMEs' development at start-up and growth phases are presented.

Chapter 7 presents the tables and figures indicating the perceptions of SMMEs' owners about the influence of the supporting institutions on their businesses' start-up and growth.

Chapter 8 discusses data analysis of this study. Data were analysed to compare the perceptions of the interviewees and the SMMEs' owner-managers concerning the influence of the supporting institutions on SMMEs' development.

Chapter 9 presents the conclusions that have been drawn from this study based on the perceptions from both the interviewees and the SMMEs' owner-managers. From the analysed data, the

recommendations for the supporting institutions and SMMEs' owners were made and they are also presented in this chapter.

1.12 My role as the researcher

This research was primarily conducted by myself with the guidance of my supervisors. Throughout the data collection phase, the researcher minimised the interference with participants' opinions by always giving enough time and clarity wherever it was deemed necessary. This was done in order to maintain objectivity and thus validity of respondents' opinions. I personally interviewed twelve participants from the supporting institutions. In my status as a researcher, I was the primary data collector, interpreter and I analysed the data.

All the participants showed respect for my research by spending their time and sharing their knowledge and experience with me. On the other hand, the limitation I noticed was that, at the beginning when I was in the process of setting appointments with the relevant interviewees, it took much time before I could be accepted. However, I did not give up, I had to be patient to overcome this disadvantage. Perseverance equipped me, as I gained insight into being a researcher and managed to collect valid data from the relevant participants.

My previous experience with data collection for my previous degrees (BCom Honours and Master of Commerce) made me to be a skilled researcher, which I believe will reflect in the quality of this present research. It is anticipated that the perspectives from the two cities (different country) based research will give a better insight into the performance of supporting institutions in their quest to provide support to SMMEs.

1.13 Summary

Lesotho and SA are concerned about the development of the SMME sector. Both economies have established public and private supporting institutions in a quest for developing this sector, from start-up to growth phases. However, despite the extensive initiatives put in place, SMMEs' owners from both economies still encounter some challenges in their daily operations. This compels the researcher to examine the influence the existing supporting institutions have on SMMEs' development in both countries.

In this chapter, the background of both countries, statement of the problem, purpose of the study, aims of the study, research questions and objectives, and limitations of the study were briefly discussed. In Chapter 2 the literature review on public and private supporting institutions in both Lesotho and SA is discussed.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The previous chapter introduced the background, research problem, objectives and the significance of this study. This chapter discusses the theoretical and conceptual frameworks for this study. It further discusses the macro environment, businesses operating in. Also public policy, interventions by supporting institutions, argument for and against intervention, policy implementation are discussed. Moreover, functions of supporting institutions which entails the following (role of supporting institutions on SMMEs' start-up; role of supporting institutions on SMMEs' sustainable growth; relevance of training by supporting institutions; ease of access to finance; and satisfaction by SMMEs regarding services provided), and barriers to entry and growth are discussed.

At the start-up phase, both Lesotho and SA have established public and private supporting institutions to develop the SMME sector. There are various programmes provided by these existing institutions to back up the small businesses (SBP, 2008 and Chetty, 2009), as at this early stage businesses are exposed to numerous challenges (Renawat and Tiwari, 2009:16). However, SMMEs' owner-managers still continue to encounter different challenges which hinder them from graduating to the growth phase. If SMMEs' owner-managers receive appropriate assistance (meaning operating in a favourable business environment), this helps their businesses to grow to the next level and become sustainable (Smorfit, 2008). The interveners (supporting institutions) can determine the impact or influence of their intervention through assessing the rate of emerging businesses; the ability of small businesses to graduate from start-up to growth phase; the sustainability of such businesses; ability of businesses to access support services (especially finances); and the satisfaction by the SMMEs' owner-managers (Chetty, 2009:124).

According to the Small Business Promotion (SBP) Alert (2014:1), the contribution of SMMEs on the growth of the economy in developing countries has been globally acknowledged by institutions such as the World Bank. Döckel and Ligthelm (2005:61) support this by stating that small businesses grow faster which is a symbol of higher employment growth rates. They posited that, due to the importance of the SMME sector, the survival of the sector needs closer attention. Molapo, Mears and Viljoen (2008:6) argue that even though it has been accepted around the globe that small businesses create jobs, these businesses do not grow to the expected level.

Since economies are concerned about high unemployment and poverty, the promotion of SMMEs has become the key element in governments' strategies, as SMMEs are believed to contribute to employment creation and poverty alleviation (Nyamunda, 2009:6 and Renjith, 2009:1). Thus, according to SBP (2008:16), economies that desire to have sustainable businesses, have to make the enhancement of their infrastructure a priority, as this makes it easier for businesses of all sizes to operate smoothly. In other words, functional intervention should be a priority, subsequently the selective intervention. According to Smorfitt (2008:84), functional intervention is when the government enhances the infrastructure that will benefit all the sectors, while selective intervention is when priority is given to a particular sector to assist its development, in this case SMMEs.

Having given the definition of functional and selective interventions, it is worth, at this juncture to note that this study is on selective interventions. Selective intervention encourages businesses operating informally to shift to the formal sector and enjoy the benefits found in the formal sector, for instance, possibility for growth. According to Riley (2006:1), there are incentives for businesses operating in the formal sector, also governments benefit from the revenue collected from the formalised businesses, hence the enhancement of the whole economy.

It is perceived that small businesses operating informally are either not aware of the existing business support centres, or consider procedures involved in the formal sector to be cumbersome. The Organisation for Economic Cooperation and Development (2004a:42) reports that small and medium enterprises (SMEs) are commonly unaware of business support programmes available to them. This could be due to the means of communication, business support centres use. Business support centres use formal means of communication, such as brochures, bulletins and so on. The OECD (2004b) emphasises that generally small business' owners learn effectively through verbal interaction with their companions, as what matters most to these entrepreneurs is 'know who', rather than 'know what'. This implies that if their companions do not know what is happening, they too will not know, as they greatly believe in their counterparts and that what they know or say is most crucial.

It is important to note that economies use SMMEs, MSMEs, and SMEs acronyms. In Lesotho the acronym MSMEs (micro, small and medium enterprises) is used. In SA, the acronym SMMEs (small, medium and micro enterprises) is used. Other countries use the SMEs (small and medium enterprises) acronym. In this study, these acronyms are used in context of where the data were sourced. The following section discusses the theoretical and conceptual frameworks of this study.

2.2 Theoretical and conceptual framework

The theoretical framework that guides this study is discussed below. According to Tidwell (2012), the theoretical framework is a collection of interrelated concepts. The theoretical framework determines the entire process of the research study, for instance, things to measure and statistical relationships to look at.

The theoretical framework depicted below is an extract from Khalid's (2001:88) research paper. Khalid focused on education policy which covered the library and documentation sector in Pakistan. He advocates that policy making (general) and implementation (operational) are theoretically and practically different, as implementation is more complicated than policy making. He encouraged the urgent implementation of the recommendations made in the policy. He emphasised that if the continuous and more committed efforts are not initiated, then the government's goal will not be achieved.

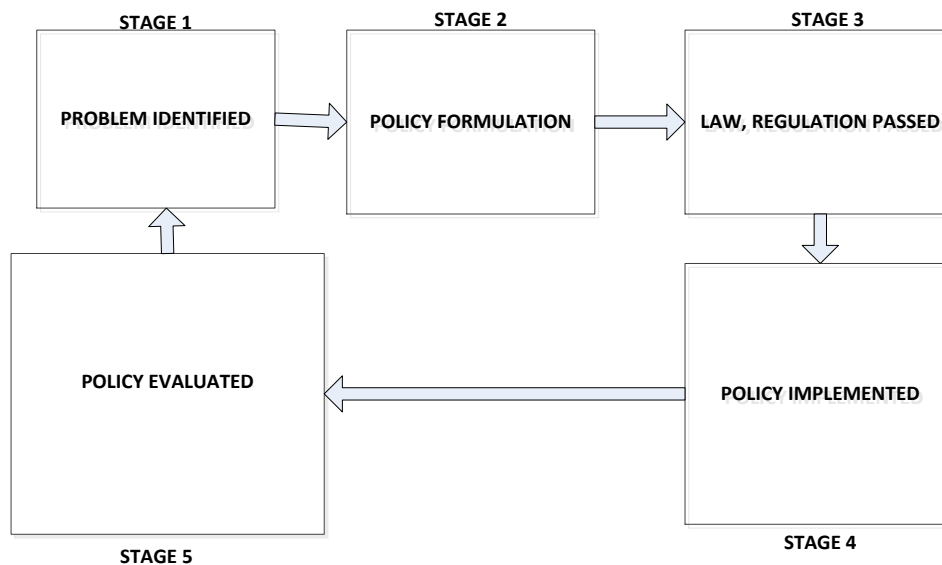


Figure 2. 1. Theoretical framework

Source: Stages of the policy making process by Khalid (2001)

The researcher of this study posits that policy formulation and implementation are the cornerstone for effective public and private institutional support for SMMEs' development. At the national level, the government is entrusted with the task of formulating policies based on the existing macro and micro environment set up. The outcome is the draft of policies to be implemented at different spheres of the country. The policies are then approved by parliament and translated into

government interventions (Khalid, 2001:87). Such policies include those designed specifically for SMMEs' development (Smorfitt, 2008:1).

When intervening in developing businesses, governments firstly identify the problem, for instance, the low rate of business establishment (van Buul, 2010:16). The solution is for the government to step in with policy decisions which will resolve the issue. It is perceived that involving the stakeholders in the policy making process assists in formulating implementable policies (van Buul, 2010:16). Parliament passes such policies after a thorough review which are then strategically implemented to allow businesses to easily comply. This research focuses on the policy implementation phase. These policies are constantly evaluated to monitor their effectiveness, so that mistakes can be timeously rectified.

The researcher of this study advocates for effective policy formulation which would result in effective implementation, as this is believed to be what can assist in the successful development of businesses. Thus, the outcome of policy implementation by public and private agencies could be used to reshape/amend the policy formulation and practices. The policy formulation and the implementation processes should be monitored and evaluated. The monitoring and evaluation processes provide feedback which is used to reformulate/redesign the interventions to suit the needs of SMMEs or to address challenges faced by SMMEs (Mahembe (2011:11). This study concentrates more on policy implementation and less on policy evaluation.

2.2.1. The conceptual framework

The conceptual framework of this study will be guided by the framework depicted above. Following the above theoretical framework, this study focuses mainly on stages 4 and 5. The conceptual framework according to Tidwell (2012), is the researcher's own position on the problem investigated, and it gives direction to the study. It could be an adaptation of a model used in previous studies, with modification to suit the inquiry.

Looking at the theoretical framework depicted above, it is important to note that public and private interventions are implemented at the policy implementation stage. This research is particularly focused on the influence of such interventions on SMMEs' start-up and growth phases. Thus the conceptual framework that underpins the study is depicted below:

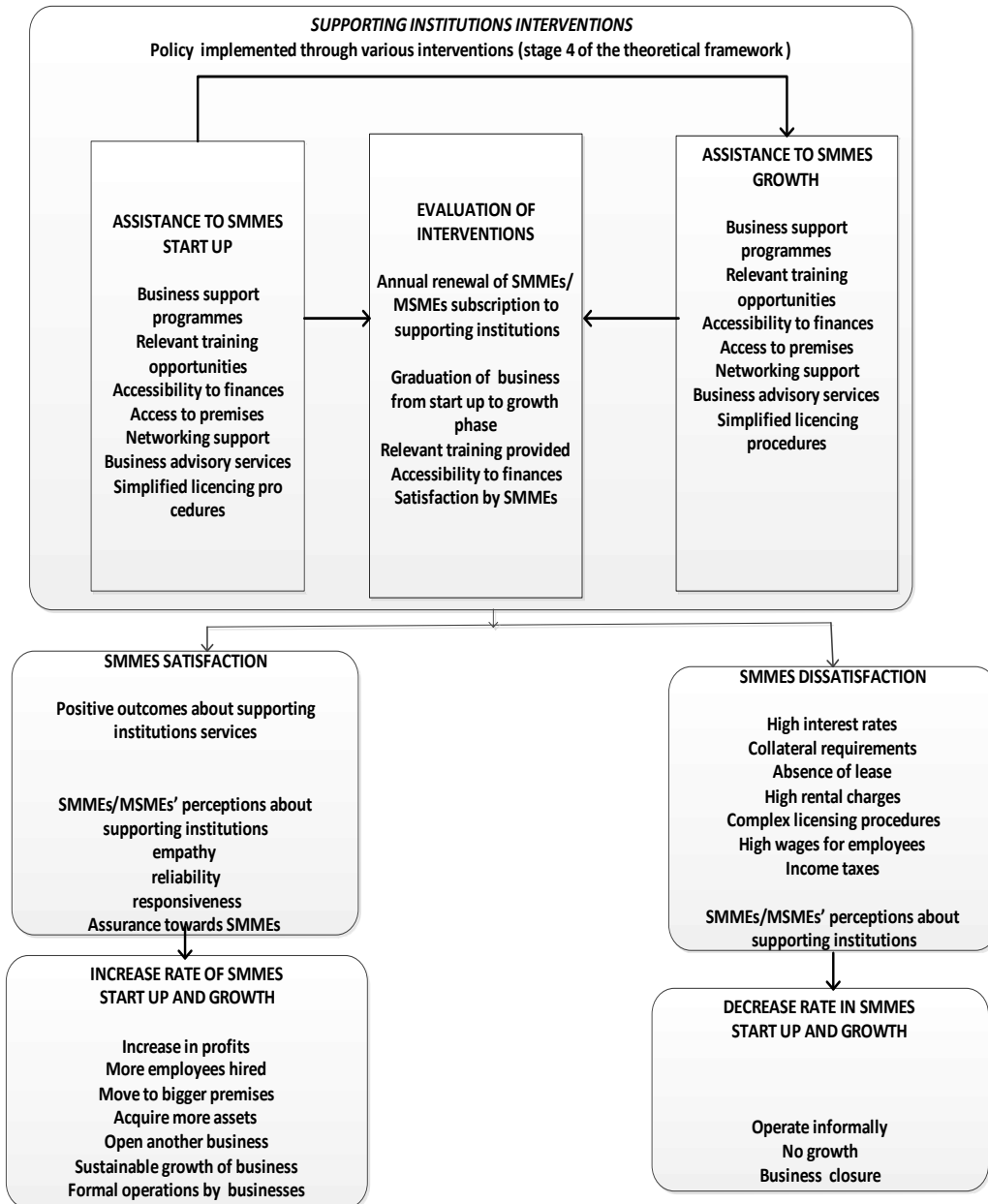


Figure 2. 2. Conceptual framework

Source: Conceptual framework – sub-constructs from the literature (OECD, 2004a)

Globally public and private supporting institutions give assistance to SMMEs either at the start-up phase or growth phase or both (Chetty, 2009:124). Assistance given might differ depending on the stage the SMME is in. It is through this assistance that SMMEs achieve their goals of establishment and growth. This also brings satisfaction to SMMEs’ owners and managers, hence, more establishment of SMMEs and sustainable growth. However, when intervening, public and private supporting institutions might impose positive or negative impact on SMMEs. According to the World Bank (2010:5), when yearning for positive results, economies implement Regulatory

Impact Analysis (RIA) approaches which systematically estimates the impact of new and existing regulations, and identifies alternative policy options. The use of this system in many developed countries has resulted in less costly regulations and easier compliance without changing the benefits of the regulation. In addition, according to Christianson (2003:1), when formulating new regulations, Regulatory Best Practice (RBP) has to be applied. Regulatory Best Practice is a tool used to eliminate impediments that hinder the effective implementation of the small business policy.

A previous study by Khoase (2011) identified the gaps between the supporting institutions services and SMMEs' perceptions of such services. Hence, this research builds on the findings of the study and further advocates that effectiveness of the policy formulation and implementation could be evaluated through i) the rate of emerging businesses; ii) graduation of businesses from start-up to growth stage; iii) sustainable growth of businesses, iv) relevant training provided; v) accessibility to finance; and vi) satisfaction by the businesses with regard to services provided to them, as the OECD (2004a) reported. According to OECD (2004a:19), SMME development policies can be evaluated upon their impact on start-up, survival, growth of SMMEs, stakeholder empathy (which is a variable of the satisfaction construct) and enterprise culture. Enterprise culture will be strong where there are high rates of SMME growth.

The next section is on macro environment. The macro environment provides a holistic view of the environment in which businesses operate. Thus, the macro environment analysis contextualises the study and sets up the scene for a better understanding of issues and challenges faced by SMMEs' owners. Such understanding is crucial as it assists in assessing the performance of supporting institutions in their quest to address such challenges.

2.3 Macro environment

According to Nenzhelele (2014:608), the business world, in which the enterprises are operating, is very dynamic and unpredictable. This kind of business environment compels economies to back up enterprises' survival through the establishment and use of public and private supporting institutions. Ahmad and Xavier (2012) assert that the availability of public and private supporting institutions creates a favourable environment for businesses, signifying that the absence of public and private supporting institutions could be considered a powerful barrier to business operations. These institutions provide small businesses with amongst others, training, finance, business advice, access to premises, networking support, and assistance with licensing procedures. Enterprises' owner-managers require management skills, amongst others, according to Döckel

and Ligthelm (2005:61) to fully understand and succeed in the dynamic and unpredictable business environment.

The macro environment consists of internal and external factors that affect the firm's management. Internal factors are controllable and can be used as a measure of a firm's strengths and weaknesses (Thompson *et al.*, 2008:40). External factors are unchangeable and uncontrollable to businesses, and they can be measured by opportunities or threats available in the external environment, and they have a major impact on business operations. The external factors could bring opportunities to potential and existing firms, for instance, profitable performance. However, the same factors could create a threat to other firms, and create a barrier to entry or growth. In such a case, the affected firms need to be flexible and adapt to the current situation affecting them. Examples of external factors could be ease of access to finance, simplified licensing procedures, free training opportunities, reduced income tax, and subsidised business premises (Thompson *et al.*, 2008:40).

It is important for firms to understand the macro-environment in which they operate. To identify and examine internal and external factors in the macro-environment, firms use the Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis; and Political, Economic, Social, Technological, Environmental and Legal (PESTEL) model respectively. The purpose of a macro-environment analysis is to predict potential opportunities and threats to the industry as a whole. Using the PESTEL model enables owner-managers, as decision makers, to strategically determine whether these factors will have a positive or negative impact on their businesses (Thompson *et al.*, 2008:40). For example, potential opportunities and threats help businesses to determine available public and private supporting institutions that could assist them develop, or to cope with the challenges that are imposed by these institutions, if there are any (Keegan & Green, 2008:35 and Ghauri & Cateora, 2010:138). Changes in the environment according to Mahadea and Pillay (2008:432), can have positive or negative consequences for business growth. They posit that entrepreneurs become alert and adapt to changes with suitable strategies when external factors change. Being alert and adapting suitable strategies would assist SMMEs' owners not to miss available business opportunities.

This study focuses on political and economic factors. An example of political factors could be the degree of government intervention in the economy through among others, set policies. The government could set a policy to develop businesses through the creation of a conducive business environment (Ahmad and Xavier, 2012). Examples of some of the economic factors that affect the firm's behaviour within a country's economic environment are interest rates and changes in

taxation. For instance, if a country's economic set up allows high interest rate charges, there may be discontinuation of investment as it becomes costly for firms to acquire funds from banking institutions (Nieuwenhuizen, 2007:10 and Khoase, 2011:10).

According to Ahmad and Xavier (2012), there are public and private supporting institutions established to develop SMMEs. It is the obligation of existing and potential owner-managers to acquaint themselves with the business environment in which they are operating. The presence of the supporting institutions assist SMMEs to develop as they create a favourable environment for businesses. If not utilised, SMMEs could fail to develop and close down in the early stages (Chetty, 2009). If businesses take this opportunity they become sustainable, attract more customers and ultimately contribute to the economy of the country (Döckel and Ligthelm, 2005:61).

2.4 Public policy

In the macro-environment in which businesses operate, there are policies that governments set if they realise any gap that needs to be filled. Cochran and Malone (2005:1) assert that policy is an intervention put in place to achieve desired goals or improve a given situation. As indicated earlier in the theoretical framework section of this study, van Buul (2010:16), stresses that the problem is first identified, then the government intervenes with a policy decision to resolve the issue. For the policy decision to be effective, Bryson (2004) suggest that stakeholders' involvement during the policy making process and the continuous assessment of policy initiatives are most essential as they render good quality services.

Döckel & Ligthelm (2005) and Chetty (2009), propose that SMME policy initiatives should focus only on businesses that hold the key to economic growth, not the small business sector as a whole. Their reason is that the success of each small business depends on the owner's ability and desire to grow. They emphasise that policy initiatives that are generated for the small business sector as a whole have proven ineffective. However, the researcher's opinion is that, it might be expensive to consider the whole sector, but the small businesses that do not seem to have potential for growth, have also to be considered. This might contribute to such businesses' success, hence, the country's economic growth.

As mentioned in the preceding paragraphs, it is important to involve stakeholders in the formulation of policies as this could contribute to the effective implementation by supporting institutions, and ultimately the success of the business in the current and future environment

(Young, 2009). In previous sections it was stated by different authors that the involvement of key stakeholders with valuable knowledge of the market conditions in the policy formulation process is most essential as this assists in formulating implementable policies (van Buul, 2010:16). The involvement of key stakeholders eliminates costs of formulating policies that need to be amended because they are not implementable (Young, 2009).

According to Freeman, Harrison, Wicks, Parmar and de Colle (2010), stakeholders include among others, shareholders, governmental bodies, suppliers, employees, customers and financiers. They emphasise that stakeholders' needs should be given prompt attention in every circumstance, as an attempt to increase their value. According to Phillips (2003), stakeholder theory is considered to be a theory of organisational management and ethics that gives attention to more than maximising the wealth of shareholders. However, Blattberg (2004) criticises stakeholder theory by saying the interests of various stakeholders are often in opposition and cannot be balanced against each other.

According to Elhiraika and Nkurunziza (2006:23), economies should involve concerned stakeholders in designing policies meant to develop the private sector at both national and sectoral levels. According to FinScope (2010:1) and van Buul (2010:4-16), it is essential to have an understanding of the sector, and the specific challenges with which entrepreneurs are faced. Therefore, involving key stakeholders would assist in developing effective interventions for the SMME sector. However, if key stakeholders encourage governments to write the rules in their favour, competitive positions are strengthened and potential competitors are disadvantaged (Chetty, 2009:219). In such situations, unnecessary government failure occurs (Winston, 2006:7).

This section discussed the public policy as one of the means governments use to intervene. The following section will discuss the interventions by both the public and private supporting institutions.

2.5 Interventions by supporting institutions

Governments intervene in the development of SMMEs, because it is assumed that SMMEs play an important role in the economic growth of any country. It is essential to have a look at the role of SMMEs before discussing the need for public and private supporting institutions' interventions in the economy. It is perceived that SMMEs contribute to the countries' economies and development, through job creation, as globally SMMEs contribute approximately 50% of the economic gross domestic product and 95% of total employment (Middle East and North Africa

(MENA)-OECD Initiative, 2010:10 and Dalberg, 2011:7). Hence, SMMEs have received significant attention from governments in terms of establishment and sustainable development (South Africa Business Guidebook, 2002-2003). The concept of developing small businesses started from developed countries, namely in the United States of America in the early 1980s (Ngcobo & Sukdeo (2014:1). In developing countries, business development has gained momentum and is evolving rapidly as some developing economies have become innovative just like industrialised economies (Ngcobo & Sukdeo (2014:1).

The economic goal of governments is to have a high and sustained rate of economic growth, consequently governments are concerned about business development (Leduka, 2012:12). Given the discussion in the previous sections, it is imperative to define the word “development”. Development is a process associated with a better future, meaning it is a term with a positive connotation. It can be measured among others by increasing income or gross domestic product (MENA)-OECD Initiative, 2010:10). Sustainable development can be interpreted as development that can continue “forever” or at least for a very long time; say, for several generations (Pritchett and Kenny, 2013:8).

The development of a country’s economy depends on the economic activities within such a country. The government plays an essential role in overseeing the economic development of the country (Leduka, 2012:12). Governments achieve this by amongst others, creating a favourable business environment that attracts investors. Attracted investors, either domestic or foreign, need government support for them to be established and grow sustainably. This implies that government support is necessary for the sustainability of SMMEs. The government does not get into the development of the country alone as private institutions are also involved, to ensure a favourable environment that could benefit everyone. It is evident that economies are paying careful attention to business development, because SMMEs are considered to play a crucial role in employment creation and economic growth (Ackah and Morrissey, 2005:19).

There is evidence to suggest that governments establish public and private supporting institutions to assist in achieving the overall goal of business development (Hunter, 2010:366). Governments find it important to periodically assess the effectiveness of the frameworks that manage SMMEs. Policies, economic factors and regulatory frameworks are re-evaluated to create appropriate incentives for enhanced SMMEs’ development. Careful measures are taken to ensure that unintended effects are not imposed on the regulated parties (Council of Australian Governments (COAG), 2007:7). This has contributed to governments playing an important role in providing a prosperous environment for businesses which ultimately leads to a nation gaining a competitive advantage. It is believed globally, that public and private interventions are essential to help

businesses to succeed in the constantly changing business environments in which they operate (Ahmad and Xavier, 2012). For instance, both public and private supporting institutions provide services to SMMEs aiming at developing this sector and if training offered to SMMEs' owners is attended and applied effectively, the useful skills acquired could lead SMMEs to growth level and sustainability in business.

Economies realise the importance of creating a conducive environment for businesses. The OECD (2004a), affirms that countries such as Albania recognised that it is essential to provide small businesses with a favourable environment that eases their operation. The initiative Albania took in 2002 was to launch the Enterprise Policy Performance Assessments aimed at assessing the quality of government policy for the SME sector and regularly monitor its implementation.

However, when creating a conducive business environment, governments can either encourage or discourage the activities of the businesses (Ghauri and Cateora, 2006:120). There are arguments for and against public and private supporting institutions' interventions. Some authors support institutions' interventions (Borooah, 2003:3 and Hausman, 2008:1). Others say interventions by public and private supporting institutions have limited effectiveness in promoting business development (Jordana and Levi-Faur, 2004:31).

2.5.1 Argument for and against intervention

There is a debate concerning the intervention by the governments in SMMEs' development. SMMEs' owners lack confidence in the proficiency of the governments in providing services aimed at supporting and growing the sector (Chetty, 2009:194). They argue about the effectiveness of governments' initiatives which they perceive are always less effective and hinder their growth and sustainability (Meltzer, 2010:1). They assert that governments neither have the experience nor skills to advise them (Pillay, 2006:42 and SBP Alert, 2009:2). They believe that flexibility, innovation and responsiveness to unique and rapidly changing circumstances are required in order to be effective in promoting economic activities (Atkinson, 2004).

These authors additionally declare that even private agencies fail to sufficiently understand their businesses ((Dubihlela and van Schaikwyk, 2014). According to Chetty (2009:33), it is advisable to measure public and private supporting institutions' efficiency in providing services to SMMEs. Surprisingly, Smorfitt (2008) argues that participation of private agencies in providing services to SMMEs has risen due to governments' failure. For instance, Dubihlela and van Schaikwyk (2014) and Kongolo (2010) posit that amongst others, SMMEs in South Africa are faced with the challenge of inadequate institutional support, financial challenges, and lack of managerial skills.

Smorfitt (2008), however, have not commented on any failure by private agencies when they are providing services to SMMEs.

What is not said, is an uptake of the available support by the entrepreneurs. Supporting institutions are there to develop the SMME sector, and entrepreneurs are aware of such institutions, but it is perceived entrepreneurs make little use of these institutions. A study by Cunningham and Trah (2004) conducted on the usage of business development services and satisfaction levels, indicated relatively low overall usage of most forms of BDS in Nelspruit. Chetty (2009:266), confirms that SMMEs' owners are aware of the existing supporting institutions, however, they do not make use of such institutions.

2.6 Policy implementation

As mentioned earlier, the government set policies for business development. These policies are implemented by public and private supporting institutions to enhance small business development and allow small businesses to easily comply (Smorfitt, 2008:1). The implementation stage of the policy process forms the basis for this research. The researcher seeks to explore the extent to which implementation is done by the public and private supporting institutions, whether it is done according to how it needs to be done, and the effectiveness of processes employed in moving towards achieving the intended objectives.

For the realisation of the public policy goals as an outcome of governmental activity, there should be an established implementation task. Implementation, therefore, involves the creation of a policy delivery system which is expected to guide the user to arrive at a particular end (Cochran and Malone, 2005:1). Effective policy implementation is dependent on establishing effective programmes and carrying out the programmes as effectively and efficiently as possible (COAG, 2007:7).

According to van Buul (2010:4-16), during policy implementation, there should be sufficient resources, effective communication, and implementable strategies that will bring about the expected results. He posits that for the strategy to be implementable, key stakeholders with valuable knowledge of the market conditions should be involved in the formulation process. Neilson *et al*, 2008 support that by reporting that a number of actions on different levels of the organisation are needed, failing which, the organisation will experience strategy implementation failure. Olson, Wood, Fisher, Herrington and Segal (2005), suggest that brilliantly formulated strategies should be put into practice so as to make such a strategy valuable.

The implementation is a process that involves multiple decisions, actions and corrections (Hill and Jones, 2009). The interveners, in this case supporting institutions, according to the researcher of this study, have to assess the potential barriers to implementation. They do this by, according to Stevenson, St-Onge and Finnegan (2007), developing clear implementation plan with tasks and time lines to facilitate the implementation of the programme. The interveners have to learn from their previous mistakes and develop system solutions when appropriate, rather than allowing problems to repeat themselves. It might happen that initially there are new issues encountered which might compel the practice or implementation to be too complex.

Complexity of the implementation process sometimes is perceived to bring a challenge to the interveners as they are not the ones involved in policy formulation, only in implementation (OECD, 2004a:31 and COAG, 2007:5-17). This point brings us back to the previous sections, where the researcher of this study suggested that policy formulation be made as effective as possible, as this will result in effective implementation of the programmes. According to United Nations Industrial Development Organisation UNIDO (2008), a crucial requirement to bridge the gap between good policy formulation and good policy implementation is the existence of strong, efficient institutions.

In order to clarify the intention of the policy and compliance requirements' expectations, policy makers should ensure that effective guidance is provided to people for whom the policy is intended, as this would simplify the policy and enable the concerned parties to better understand the implications of such a policy (COAG, 2007:5-17). Policy reform reduces unnecessary costs incurred by both the supporting institutions and the SMMEs owners (Langwenya, Mabuza and Tshabalala, 2011:18). Policy makers should be aware that priorities must be reviewed regularly to reflect new development challenges (OECD, 2004a:31).

According to Mboniyane (2006:6), effective policy implementation is influenced by the understanding of the economics of the sector in question, in this case, the SMME sector. As mentioned earlier, economies implement Regulatory Impact Analysis (RIA) approaches which systematically estimates the impact of new and existing regulations, and identifies alternative policy options. The use of this system in many developed countries has resulted in less costly regulations and easier compliance without changing the benefits of the regulation (World Bank, 2010:5).

At this juncture, it is essential to look at the functions of the supporting institutions when implementing the programmes for which they are mandated to offer.

2.7 Functions of supporting institutions

Business Support Centres used interchangeably with supporting institutions effectively provide a range of services to all the diverse sectors at different stages of business development, regardless of their size (UNDP, 2004:6-8). The services they provide are designed to develop SMME sector. Business Support Centres also stimulate sustainable SMMEs' development by improving the general business environment. The role they play assists MSMES/SMMEs to operate efficiently and grow, thereby contributing to job creation, poverty reduction and sustainable economic growth (UNDP, 2004:6-8).

Supporting institutions have different functions such as, training; guidance with licensing procedures; assistance with access to premises; developing financial initiatives, improving the access of small firms to finance; facilitating local network development; provision of business support; and assisting in reducing costs of accessing information and advice (Ahmad and Xavier, 2012). Furthermore, these centres provide counselling and consulting services, with the aim of raising the performance and the potential of new firms, and encouraging a higher start-up rate and growth. The services provided, amongst others, aim to reduce the costs of information and transactions involved in the start-up and expansion of small firms (Chetty, 2009 and Olufisayo, 2014). For instance, public support centres provide necessary guidance and information for the support of small businesses, at a reasonable price or at no cost at all (Rogerson, 2006). According to Mahembe (2011:7), a healthy SMME sector contributes to the growth of the economy through amongst others, creation of more job opportunities.

According to Olufisayo (2014) supportive agencies are established by the government to facilitate the promotion of SMMEs, and these agencies are expected to cope with the dynamics of the economy at that particular time. The supporting agencies have basic functions which are participatory, regulatory, and facilitating. The participatory agencies assist in providing subsidised goods and services which are best produced by the government. The next function performed by supporting agencies is to regulate businesses by implementing and enforcing laws. Agencies have a responsibility to monitor businesses to ensure they are complying with set regulations. The last function is to facilitate the establishment and successful existence of SMMEs by ensuring a favourable business environment through the provision of specialised funds to SMMEs. The functions this study focuses on are the last two, namely, regulatory and facilitating

(Olufisayo, 2014). This research focuses on these two as they have a direct impact on the establishment and growth of SMMEs.

There is a different range of services provided by business supporting institutions at the start-up and growth phases as mentioned earlier in this chapter. This variety of services is aimed at achieving a common goal of developing small businesses. These services are provided in a dynamic environment where business development support providers (referring to supporting institutions) are expected to cope with ever changing trends of the economy (Olufisayo, 2014). When providing these services, some of the consequences are, public and private supporting institutions might have a positive or negative impact on SMMEs' start-up and growth. It was highlighted earlier in this study that businesses operate in an external macro environment, which might affect businesses either positively or negatively. Due to a range of programmes offered to develop small businesses, a "one-size fits all" approach has proven inappropriate, hence why it is advisable to customise the programmes to the local specificities (UNDP, 2004:6-7). Provision of general training to SMMEs' owners, according to Maluleke (2013:57), is somehow acceptable, as it simplifies training and enables the supporting institutions to reach a large number of SMMEs in a short period with fewer resources compared to customised training. On contrast, Maluleke (2013:57), argues that customising training programmes to a specific SMME group or sector is very expensive, however, it is rewarding.

Khoase (2011:52), reported that, MTICM as one of the public supporting institutions in Lesotho, has created a Policy Analysis Section (PAS) responsible for a regulatory review. The PAS suggests recommendations for reform based on identified regulatory obstacles on business activities. Furthermore, Lesotho implemented Regulatory Best Practice (RBP) in the quest to eliminate impediments that hinder effective implementation of the small business policy. This initiative taken by the MTICM, gives the impression that other public and private supporting institutions in Lesotho are also concerned about the implementation of their programmes. However, according to the EESE survey (2014:35), Lesotho's performance in ability to provide sound policies and regulations for the promotion of the private sector has been very poor and below 0 between the years 2006 and 2012, when using the "Regulatory Quality Index". The report alerts the readers to the fact that, for the promotion of start-up and enterprise development, well designed and clear regulations are proved to be useful.

Chetty (2009:120) concurs with Döckel and Ligthelm (2005) that programmes provided to SMMEs should target mainly those who make the best use of them, as this might maximise the effectiveness of such services. Chetty further posits that adopting this strategy would be of benefit to the enterprises, society, and the public and private supporting institutions. It is understood that

targeting those who make the best use of the programmes provided might be effective. However, developing the SMME sector aims at satisfying SMMEs' needs and wants, and if the strategy Chetty is proposing, is fully adopted, then it might be difficult to satisfy some of the target group which would be just to create barriers for SMMEs. It is perceived that it is also rewarding to convince entrepreneurs that do not make use of the services provided by supporting institutions to make use of such services. If these entrepreneurs are not encouraged or equipped with necessary skills, they could be unable to grow or start businesses.

2.7.1 Role of supporting institutions on SMMEs' start-up

Entrepreneurs have valuable business ideas, however, sometimes they lack some resources (Mbonnyane, 2006:6). Newly established businesses sometimes need assistance in terms of licensing procedures, funding, appropriate business premises, training and networking support, among others (Renawat and Tiwari, 2009:16). Mahembe and Underhill Corporate Solutions (2011:41) stress that entrepreneurs frequently depend on their own start-up capital to run their businesses. The study they conducted found that this is because entrepreneurs did not know the procedures to follow when applying for a loan, furthermore, they were not aware of the available financial institutions. According to Wright and Marlow (2012) and Herrington and Kew (2014), the start-up stage is a very crucial period in the development cycle of small businesses, that needs careful attention.

This struggle of SMMEs at the early stage has called for the intervention by public and private supporting institutions (Ngcobo and Sukdeo, 2014:436). At the start-up stage, supporting institutions in both cities provide amongst others, business registration, access to finance, and incubation services to SMMEs (OECD, 2004a). Incubation services means that supporting institutions provide management training and office space to SMMEs. Most potential entrepreneurs have the ambition to start their own businesses yet they lack necessary skills to do so (Ensor, 2013). It is the responsibility of the supporting institution to provide such owner-managers with the necessary skills. At times, this training is also needed by the employees, who are the ones involved in the daily operations of the businesses. If all the staff is equipped then such a business has the potential to grow and be sustainable (SBP Alert, 2009:4).

Entrepreneurs may be willing to start businesses, however, one finds that they are challenged with the issue of obtaining business premises. This is where the supporting institutions play their part through supply of premises to such entrepreneurs (Ghobakhloo, Arias-aranda and Benitez-amado, 2011). These premises are normally subsidised, consequently, the rentals are affordable. The other important aspect of these premises is, that they are normally in close proximity to the

customers and/or suppliers (Renawat and Tiwari, 2009:16). This grouping together of SMMEs forms clusters, which assist SMMEs to be productive, competitive, and be able to benchmark themselves with their counterparts. This is also of benefit to customers as they receive the quality services they need and they have variety of product choices (Lesáková, 2012:93).

The use of incubation services results from the identification that incubation is an effective way of developing small businesses at the start-up phase and connects them with more established enterprises, according to Ensor (2013). Ghobakhloo *et al.* (2011) and Lesáková (2012:93) claimed that the majority of businesses who have been assisted by business incubators during their initial stage have a better chance to grow and be sustainable.

2.7.2 Role of supporting institutions on SMMEs' sustainable growth

Entrepreneurs start businesses expecting to see such businesses grow from small to medium and ultimately to large. However, this is not always the case. Many businesses are established, and sometimes even grow, however, after a few years such businesses close down. According to Dubihlela and van Schaikwyk (2014:265), small businesses normally close down during their first two years of operation. This reflects that businesses are established but they do not sustainably grow. Failure to the sustainable growth of SMMEs could be because entrepreneurs are not aware of business development service providers and do not make use of services provided (OECD, 2004b:42). At this stage, generally, supporting institutions provide services such as business advisory services, training, networking services, and access to finance. According to Muzondi (2014:635), the failure of SMMEs to grow could be a result of the entrepreneurs not being ambitious enough to grow their businesses.

According to Perks and Struwig (2005:171), there are different kinds of growth which makes it difficult to define the growth of a business. They further proclaim that there are many factors that can be used to measure business growth. These include, size of the business; number of employees; diversification; opening of more new businesses; and turnover.

2.7.3 Relevance of training by supporting institutions

Some entrepreneurs start businesses without much experience or skills for running a business. Subsequently, in the long term, due to the constantly changing business environment, their businesses start diminishing, and ultimately shut down (McGrath, 2005 and OECD, 2010). It is evident that training programmes significantly contribute to the success of SMMEs in this

complex and competitive world (Audet, Berger-Douce and St-Jean, 2007:44). Therefore, it is advisable for entrepreneurs to participate in training programmes whether they are on the start-up or growth stage (Botha, Nieman, and van Vuuren, 2007:176). Studies have found that SMMEs owners who attend the training programmes declare the importance of such trainings. These SMMEs owners say the training programmes improve their entrepreneurial skills which contribute to their sustainable success (Mahadea and Pillay, 2008:434).

Among the necessary skills needed by small business owner-managers to run and grow their businesses successfully, Perks and Struwig (2005:171) and Rogerson (2008:71) stated the following: personal skills, managerial skills, technical skills and business operation skills. They affirm that these skills are composed of thirteen other specific basic skills. According to Department of Trade & Industry (DTI) (2013:37), necessary entrepreneurial skills include, risk-taking, information processing, opportunity recognition, market awareness, decision-making, resources organisation, and product management.

Economies are concerned about the effectiveness of the training offered to small businesses. This has compelled them to explore ways of improving SMMEs' competitiveness and development. It is evident that public and private supporting institutions have really established a number of training programmes with the aim of assisting SMMEs (Chetty, 2009:96). However, according to Audet *et al.* (2007:27), in both developed and developing countries, despite the initiatives put in place, there are still challenges encountered in providing effective training to SMMEs. Challenges identified include amongst others, poor accessibility and awareness of training programmes; supply-driven programmes; poor quality of trainers and mentors; short duration of training programmes; and lack of monitoring and evaluation.

It is anticipated that SMMEs' owners are not making full use of business development service providers because they are not aware of offered services as service providers fail to vigorously market their existence (Johnston and Loader, 2003:274). The other reason perceived is that, SMMEs' owners find training programmes to be very time consuming and impact negatively on their daily operations (Chetty, 2009:95). It is proposed that training programmes are demand-driven rather than supply driven (as supply-driven is delivered in a controlling pattern). Training provision can be designed according to different needs of business organisations, not what the trainer assumes is needed by SMMEs (Maluleke, 2013:57). For instance, in the pre-start-up phase, training can focus on opportunity identification and strategy development, while in the post start-up phase training focuses on management skills that assist owner-managers in developing a competitive advantage (Audet *et al.*, 2007:4 and Chetty, 2009:108). It is important to note that the application of quality and level of skills can affect the effectiveness of a training programme.

For example, a contributing factor to the poor quality of training programmes is a shortage of skills by supporting institutions (Monkman, 2003:24). The other concern is the duration of training, which normally takes a few days, which is perceived to be too short to make a valuable impact (Chetty, 2009:107 and Maluleke, 2013:21).

Stepwise approaches, according to Iseal Alliance (2011:11), are also used to assist trainers to eliminate the barriers that hinder trainees to perform sustainably. For instance, stepwise approaches operate on the assumption that businesses do not grow sustainably because the entrepreneurs are not equipped with necessary skills to successfully operate their businesses. Equipping entrepreneurs with necessary skills is perceived to make it easier for entrepreneurs to run their businesses successfully which will eventually lead the businesses to grow sustainably and contribute to the economic growth (Iseal Alliance, 2011:11). Subsequent steps have to be created in a stepwise approach. Subsequent step defines exactly what sustainable growth must be attained at each step (Iseal Alliance, 2011:14).

It could happen that entrepreneurs or managers do not receive the relevant training they need, and this affects their business operation negatively. The business environment in the 21st century requires individuals equipped with skills and knowledge for them to remain competitive in this rapidly changing business world (Mazanai and Ngirande, 2014:44). The relevance of training the entrepreneurs receive, contributes greatly to their coping with challenges of these rapidly changing times. If well trained, entrepreneurs become effective and competitive, this translates to a business success. Training has to be done continuously to equip owner-managers with current knowledge and skills which add to the sustainability of a business (Mazanai and Ngirande, 2014:44).

2.7.4 Ease of access to finance

Countries with highly developed financial and legal systems are known to contribute greatly to the start-up and growth of small businesses (Mbedzi, 2011:9). This initiative adds to the ease of doing business and allows SMMEs to grow and prosper, which ultimately contributes to the countries' economic growth (Chetty, 2009:101). Consequently the World Bank and the International Finance Cooperation find it important to rank economies according to their ease of doing business. Moreover, the availability of financial resources for SMEs is considered by the Global Entrepreneurship Monitor (GEM) as a key factor for stimulating entrepreneurial activity (Mahembe, 2011:61).

It is evident that SMMEs' access to finance is determined by external factors (available institutional framework), where SMMEs' owners do not have control, but just have to align themselves with the situation (Quan-Baffour and Arko-Achemfuor, 2009:408). It is determined by internal factors (knowing how to manage finances). For instance, if a business is growing, that is, more profits are being gained, more workers are being hired, more assets acquired, and other businesses are opened, and then such a business has an opportunity of getting a loan from a financial institution (Mbedzi, 2011:9).

There are existing formal and informal financial institutions which assist businesses with financial resources. However, access to finance seems to be easier for older businesses than for young ones (Beck & Demirguc-Kunt, 2006). In developing countries particularly, as Chetty (2009:97) asserts, access to finance by SMMEs that are in a start-up phase is a huge challenge. However, according to OECD (2006:7), it is evident that micro-credit and micro-finance schemes play an important role in developing countries. The OECD, therefore, encourages developing countries to put more effort into boosting the effectiveness of these schemes. In contrast, Dalberg's Survey (2011:9) declares that micro-finance loans are too little to meet SMMEs' capital needs. According to Chetty (2009:98), SMMEs' access to finance largely depends on the development of financial markets and the regulatory environment within which financial institutions operate.

Numerous studies, Viljoen (2008) and Mahembe (2011:33), have attested that most entrepreneurs rely on their personal savings or loans from friends, as they find it a challenge to access finance from financial institutions. The OECD (2015) report ascertains that there is a need for small businesses to diversify their sources of funding by tapping into alternative finance instruments. According to Cull and Xu (2005) and Siringi (2011), in developing countries, small businesses are normally funded by family and friends. It is perceived this is because the banks and other financial institutions demand high interest rates and collateral (Dalberg Survey, 2011:20). This exclusion from certain financial sources, according to Quan-Baffour and Arko-Achemfuor (2009:408), makes it very difficult for entrepreneurs to expand their businesses.

It is a general belief that SMMEs need to be boosted financially to assist them grow sustainably. According to Orford, Wood, Fisher, Herrington & Segal (2003:46) and Cronje, Du Toit, Marais & Motlatla (2006:415), SMMEs can be funded, however, the ultimate success relies on how SMMEs' finances are managed. They assert that proper financial management skills are necessary for the entrepreneurs to monitor their financial position and should be able to take advantage of opportunities and reduce risk of failure.

Mahembe (2011:11), recommends that policy makers should focus on designing how efficiently finances should be offered to meet the needs of the SMMEs they are intended to serve, rather than focusing on increasing the amount of credit available to the sector. Furthermore, monitoring and evaluation of programmes on a regular basis is alleged would assist both public and private supporting institutions to be abreast of the applicability of the various programmes. Mbedzi (2011:9), concurs with Mahembe that, one of the reasons why government interventions fail, is because of the uneven distribution of services. They criticise that in most cases, services are solely concentrated in metropolitan areas. This implies that services are not distributed to entrepreneurs who might need such services. It further implies that there is poor service delivery as there is no competition, which allows the officials to be incompetent.

All the services discussed above create a favourable business environment and bring satisfaction to SMMEs' owners if these services are efficiently offered. Supporting institutions' programmes can possibly contribute to the sustainable growth of small businesses, if such businesses accept and utilise provided services.

2.7.5 Satisfaction by SMMEs regarding services provided

If the business environment is conducive to business for the SMMEs' owners, there is an assurance of job creation, poverty reduction and ultimately the experience of economic growth. As a result, governments' goal of developing SMME sector is achieved, as more businesses are generated and even grow sustainably (Matola, 2014). Conversely, if the business environment is not favourable for SMMEs, this becomes a barrier to SMMEs' establishment and growth (Derera, 2011:21). SMMEs become dissatisfied and arguments against supporting institutions' interventions are raised. It is perceived that public and private supporting institutions' reliability, responsiveness, assurance and empathy towards SMMEs are important factors that influence SMMEs' satisfaction (Wamuyu, 2015:269). If these factors together with existing barriers are thoroughly addressed, SMMEs' satisfaction can translate into the increase of SMMEs' start-up and growth.

The perceived important factors that influence SMMEs' satisfaction are considered in details in the following sub-sections:

2.7.5.1 Reliability

Regardless of the situation, SMMEs' owners can depend on supporting institutions, if such supporting institutions are trustworthy and always willing to assist. For instance, if supporting institutions show ability to perform the promised support to SMMEs' owners dependably and accurately and are also able to consistently perform their intended duties without failure (Chetty, 2009:290).

Willingness to assist the clients and the trust developed between the two parties, benefit both the supporting institutions and the SMMEs' owners. In this regard, SMMEs' owners long to use the services provided by the supporting institutions. Likewise, the supporting institutions become willing to serve SMMEs' owners, therefore, they ensure that their services are of a high quality (Wamuyu, 2015:269).

2.7.5.2 Responsiveness

The business world is rapidly changing and a flexible response to its dynamics is of paramount importance. It is rewarding if supporting institutions are able to adjust quickly to external conditions and resume stable operations without undue delay (Zeithaml, Bitner and Gremler, 2006). If supporting institutions are able to complete assigned tasks at a given time, this pleases SMMEs' owners and daily operations are performed without any delay (Atkinson, 2004). Willingness of the supporting institutions to help SMMEs and provide prompt support is crucial. Zeithaml *et al.* (2006), suggest that it is advisable for service providers to be active and prompt when providing their services.

The needs for SMMEs' owner-managers are expected to constantly change as the environment they are operating in continuously changes. Supporting institutions have to be flexible and respond to the matters arising, so that they do not hinder SMMEs from operating smoothly. Their ability to perform a given task on time, brings satisfaction to SMMEs' owners, and both parties experience no delay in their daily operations (Atkinson, 2004).

There are many factors that can influence responsiveness of supporting institutions, such as poorly set business development policies. It is generally good practice to use the regulatory impact assessment tool before the set regulation is put in place. This allows for the rectification of any errors before incurring unnecessary costs. Successful programmes depend on effective

implementation. According to Young (2009') good policy poorly implemented can be ineffective as can a well-implemented but poorly conceived policy.

2.7.5.3 Assurance

Entrepreneurs have trust and confidence in supporting institutions if services provided to them meet their expectations. This implies that supporting institutions' competency, courtesy and credibility to inspire trust and confidence in SMMEs' owners are essential. If entrepreneurs' expectations are met, then it means the goal of satisfying entrepreneurs is achieved. Supporting institutions are also expected to be able to provide enough information to entrepreneurs which assist SMMEs' owners more in making concrete decisions (Wamuyu, 2015:269).

It is the responsibility of the supporting institutions to make sure that the services they provide satisfy the needs of their clients. If entrepreneurs' expectations are met, entrepreneurs develop trust and confidence in supporting institutions (Chetty, 2009:290).

2.7.5.4 Empathy

Caring for other people and having a desire to help them can bring satisfaction to the person being helped and ultimately can nurture long-term relationships. Caring and providing individualised attention to SMMEs' owners is considered significant. In the context of this study, empathy can contribute to the satisfaction of entrepreneurs hence, the achievement of the governments' goals (Wamuyu, 2015:269). The OECD (2004b:18) reports that, if the organisational culture of supporting institutions lacks empathy with SMMEs' owners, then the SMME sector will struggle and not grow.

Looking at literature on supporting institutions, it is found that, countries have established international financial institutions (IFIs) to assist in managing the global financial system, which reflects the empathy of such countries. It is evident that IFIs play an important role in improving access to finance for SMMEs in developing countries. Besides the provision of capital performed through working with local financial intermediaries, IFIs support SMMEs' owners more efficiently and effectively through programmes such as policy advice, technical assistance and capacity building (Dalberg Survey, 2011:25).

It was highlighted earlier in this chapter that the same services or programmes provided to enhance SMMEs can become a barrier and hinder SMMEs from starting or growing sustainably.

2.8 Barriers to entry and growth

In the previous sections, it was mentioned that businesses operate in a dynamic environment where they have no control, but have a chance to comply or not. The same initiatives put into place to develop SMMEs, can on the other hand hinder SMMEs to develop. In that case they become a barrier to entry or growth. A barrier, according to Derera (2011:21), is a condition that makes it extremely difficult and discouraging for potential entrepreneurs to start or grow businesses.

Small business owner-managers are sometimes faced with conditions that are beyond their control. Martins (2004) points out that there are regulatory, cultural and social, and economic and financial barriers that impose burdens on SMMEs. When discussing the economic and financial barriers, Martins states that entrepreneurs are faced with inadequate owners' funds and/or inaccessibility to external finance mostly at the start-up phase. The example he gave for cultural and social barriers, is when there is no information about the available institutions meant to develop SMMEs which becomes a barrier and as a result, there might be no businesses created.

An example of a regulatory barrier is, say for instance, the potential entrepreneur is planning to start a business, but, due to the requirements to obtain a trader's license such an entrepreneur ends up not obtaining a trader's license. The registration procedures are then considered a barrier to entry to the business world. This has a negative impact as the aspiring entrepreneur with valuable business idea is now unable to put into practice what he has planned. The consequences of this are amongst others, a loss for the government as there is no contribution to economic growth (Fatoki, 2014:31). The OECD (2004b), listed amongst others, high market entry barriers, lengthy and complex licensing procedures, inadequate financial institutions for the sector and complex tax regulation as common external barriers to the start-up and survival of businesses.

2.9. Summary

Small businesses operate in a macro environment where they do not have full control, but depend on the government to create a favourable business environment for them to be successful. When creating a conducive business environment for SMMEs, governments establish public and private supporting institutions to enhance the development of the sector. For instance, at the start-up phase, various programmes are provided by the existing institutions to back up the small businesses. The start-up phase is the most vulnerable stage for SMMEs. When implementing the programmes or policies set to develop SMMEs, it sometimes happens that SMMEs' owners find

such interventions to be barriers hindering their businesses from graduating to the growth phase, which consequently creates dissatisfaction for entrepreneurs. This has initiated a debate about the interventions of the public and private supporting institutions in the development of the SMME sector.

It is evident that the external environment brings opportunities or threats to businesses. There are constantly changing needs for the customers, which require that the entrepreneurs are constantly alert, so that the needs of the customers are satisfied. Firms have to understand the environment they are operating in and try to cope with its changes. If opportunities are available, firms that are alert are in a position to seize the opportunities and prosper. It is the obligation of existing and potential owner-managers to acquaint themselves with the business environment in which they are operating. If for instance, firms fail to utilise the available public and private supporting institutions meant to develop them, negative results follow, that is closing down of such firms as they are not nurtured to operate sustainably. If entrepreneurs are lacking necessary skills and are not even aware of the recent changes, obviously such entrepreneurs' businesses will close down with no customers.

Public and private supporting institutions have compelling economic reasons why they become involved in promoting businesses. One of the reasons is, small businesses are regarded as engines for economic growth. For this reason, public and private supporting institutions are concerned about the creation and sustainable existence of SMMEs and consequently why, different business programmes have been designed to ensure that entrepreneurs that need any kind of assistance are helped.

It has been brought to the attention of the reader throughout this study that the SMME sector is very diverse. Interventions to develop this sector have initiated massive debates. There are arguments for and against interventions by supporting institutions. Some authors support public and private supporting institutions' interventions, while others are against them. Authors who are against interventions by these institutions, argue that they slow down the processes of start-up and growth of SMMEs, hence negative impact on economic development. On the other hand, authors who support interventions by these institutions, argue that these institutions assist firms to grow because when left alone, firms are unable to achieve their countries' economic objectives.

The next chapter reviews the interventions by the public and private supporting institutions in Lesotho.

CHAPTER THREE: OVERVIEW OF SUPPORTING INSTITUTIONS' INTERVENTIONS IN LESOTHO

3.1 Introduction

The previous chapter covered the theoretical and conceptual frameworks for this study, the literature which investigated the macro-environment in which firms operate, public policy, interventions by public and private supporting institutions, policies implementation, and functions of supporting institutions. This chapter (3) covers the literature on the public and private supporting institutions in Lesotho.

As mentioned in earlier chapters, economies could create a favourable environment that makes it easier for businesses to operate. According to Smorfitt (2008:16), this could be through the enhanced infrastructure of the country as a whole including education and health systems. This kind of intervention is known as a functional intervention. The other way could be through developing a particular sector, in this case SMMEs. This is done by focusing regulations on the development of such a sector and institutional infrastructure aimed at skills training. For instance, economies pay attention to the development of SMMEs through the creation of public and private supporting institutions. Khoase (2011), reports that this kind of intervention is referred to as selective intervention. In order to develop particular sectors, for example SMMEs, governments encourage businesses to operate formally and grow. If businesses are formalised, it is not only for them to grow but also more revenue is collected by the government, through taxes paid by formalised SMMEs, hence the enhancement of the economy (Riley, 2006:1).

Lesotho is a developing country landlocked in South Africa (ADF, 2008:2). In Lesotho the unemployment rate is high, therefore, a high level of poverty is also experienced. According to Langwenya *et al.*, (2011:10), due to the high rate of poverty, individuals migrate from rural to urban areas looking for jobs so that they can survive with their families. These authors assert that this is where the development of MSMEs needs more priority, as this may act as a tool to lessen the rate of unemployment, reduce poverty, thereby stimulating the economy of the country as a whole. According to the list obtained from the Ministry of Trade & Industry, Cooperatives & Marketing (MTICM) in Maseru, there is an estimated number of 15,856 registered businesses in the Maseru District alone. This number however, included both small and large enterprises from various sectors. The number of existing public and private supporting institutions is estimated to be 20 in the Maseru District (Lesotho Government, Business Ownership, 2015). However, findings of the 2014 EESE Survey carried out by International Labour Organisation (ILO) in

Lesotho, indicate that Lesotho's performance in the "Easy of Doing Business Index" is considerably worse than that of its direct neighbours.

Small business is defined as an independently owned firm that is owner managed (Langwenya *et al.*, 2011:14). To determine the category of where the business falls, the Lesotho's White Paper uses the number of employees rather than the firm's turnover. Micro enterprise employs less than 3 employees; small enterprise employs between 3 and 9 employees; while medium enterprise employs between 10 and 49 employees (Langwenya *et al.*, 2011:15). It is important to note that Lesotho presently uses the acronym MSMEs instead of SMMEs.

3.2 The situation in Lesotho

The MTICM initiated a study on MSMEs in 2008 through SBP. This study served as a baseline and guidance as to what the MSME Policy has to focus on, in order to achieve the intended goals (Government of Lesotho (GoL)/MTICM 2, 2011:16). The major obstacles that needed to be tackled are, amongst others; access to finance, inadequate MSME business advisory services, lack of skills, provision of business operating space and accessing business licenses (SBP, 2008).

The MTICM has created a Policy Analysis Section (PAS), which is responsible for the initial regulatory review. The PAS suggests recommendations for reform based on identified regulatory obstacles on business activities. The PAS was involved in the drafting of the MSME Policy (GoL/MTICM 3, 2002:28). Lesotho implemented Regulatory Best Practice (RBP), in its quest to eliminate impediments that hinder the effective implementation of the MSME policy (GoL/MTICM 3, 2002:7-16). The MSME policy was finalised in 2011. It is stipulated in this policy that its objective is to clearly define how the government, private sector and other development partners can participate in creating a favourable environment that could enhance MSMEs' growth and sustainability. The roles and responsibilities of all the key players in MSME development were clarified. An appropriate institutional mechanism for facilitation of MSME development was provided. The policy is expected to amongst others, ensure proper coordination of different programmes and policies at national level to avoid duplication (SBP, 2008 and GoL/MTICM 2, 2011:18).

The government of Lesotho realised that existing interventions have experienced some problems. It was noted that MSME programmes were lacking focus on outcomes, impact and sustainability, and they were not designed and implemented in a systemic manner (GoL/MTICM 2, 2011:8-11). Therefore, it was concluded that establishing an appropriate legislative and regulatory framework

is essential to the successful establishment and development of MSMEs. Amongst others, it was proposed that focus be put on improving the MSME business operating environment in areas such as, simplifying of business licensing and registration to enable the formalisation of large numbers of MSMEs who previously operated informally (GoL/MTICM 2, 2011:8-11).

According to Khoase (2011:50), GoL has established both public and private supporting institutions to assist in the development of MSMEs. She notably listed the following institutional support agencies: MTICM, Lesotho Revenue Authority (LRA), Ministry of Gender & Youth, Sports & Recreation (MGYSR), Lesotho National Development Corporation (LNDC), Basotho Enterprises Development Corporation (BEDCO), The Central Bank of Lesotho, Bodiba, Post Bank and SMME Support Network-Lesotho. Langwenya *et al.*, (2011:36) supports Khoase by publicising that in Lesotho, BDS providers such as MGYSR, BEDCO, The SMME Support Network-Lesotho and LNDC all offer important basic services and information to MSMEs.

It is evident through the study conducted by Leduka (2013:9), that Lesotho like other economies, has paid significant attention to MSMEs' establishment and growth. As highlighted earlier, to improve MSMEs' start-up and growth, the GoL has put in place initiatives such as the set-up of micro finance activities, networking support, businesses assistance through MTICM, businesses skills development through private training institutions (BDS), and Maseru City Council to assist MSMEs to access business premises.

According to the ADF (2008:2), Lesotho is a landlocked country, surrounded by SA. According to the EESE survey (2014:57), Maseru the capital city of Lesotho is a four-hour drive or one-hour flight from Johannesburg and is 600 kilometers away from the busy port of Durban, which processes most of Lesotho's goods destined for export. Due to this, developments in SA have sustained Lesotho's economic progress. The EESE survey carried out by ILO (2014:22&29), attests that the arrangement of Lesotho, Namibia and Swaziland, having pegged their currencies to the South African Rand (meaning effectively surrendering monetary policy to the South African Reserve Bank), has contributed to, amongst others, a large increase in trade volume and cross-border financial transactions. The study further claims that SA is Lesotho's main trading partner in Africa.

3.2.1 Role of supporting institutions on SMMEs' start-up

In Lesotho businesses are encouraged to operate formally, that is, register with MTICM. To develop MSMEs at the start-up phase, MTICM uses a one-stop business facilitation centre

(OBFC) that provides a wide range of services including company registration, site location, and partner identification to mention just a few. There are other institutions such as BEDCO and LNDC established to equip MSMEs with training, access to business premises and finance at the start-up level (Langwenya *et al.*, 2011:32). As depicted earlier, this is a stage where small businesses are more vulnerable and desperate for support from these institutions. The question is, are these institutions able to satisfy MSMEs' owners expectations at this level? Langwenya *et al.* (2011:32), reported that in Lesotho, BEDCO for example, which is an organisation that provide integrated services (financial and non-financial), is unable to perform as expected, perhaps due to funding limitations. They further report that, due to ineffectiveness and inefficiency by this institution, small businesses are confined in their growth. Three years earlier, before Langwenya *et al.* (2011:15) conducted a study in Lesotho, the SBP (2008:50) had already raised the issue of ineffective supporting institutions in Lesotho. The ineffectiveness of the supporting institutions should not be prolonged, as it hampers the success of MSMEs. According to the World Bank (2004:4), outdated laws and regulations hamper the development of the SMME sector, as it imposes unnecessary time consuming and complex procedures for obtaining traders' licenses (World Bank, 2004:4).

Khoase (2011:52&56), reported that in Lesotho, during the year 2011, there were 7 procedures involved in starting a business, and it took 40 days to complete the whole process with the MTICM. There was a plan that the licensing regime be further simplified by reducing the licence application process to 15 days. The World Bank's ease of doing business (2011), ranked Lesotho 140 in starting a business based on four sub-indicators, namely the number of procedures to be followed, time measured in number of days taken, costs incurred, and the minimum start-up capital requirement. It is important to note that the high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm.

The Ministry of Trade & Industry, Cooperatives & Marketing has created a one-stop shop. The one-stop shop simplifies and centralises formal administrative procedures required to register a business. The aim is to reduce costly company transactions (ADF, 2009:4). Changes have been taking place in terms of licensing procedures. The licensing regime has been further simplified in terms of the registration system. The time limit for license applications processing has been reduced to 15 days, from 40 days that it took in 2010 (GoL/MTICM 2, 2011:8). The World Bank (2014), ranked Lesotho 108 out of 189 countries in terms of starting a business, this is an indication of a huge improvement within the past three years. This could mean the four sub-indicators have reduced (number of procedures, time taken, the costs incurred, and the minimum start-up capital requirements). However, this ranking (108 out of 189), indicates that the Lesotho

business environment is not conducive enough for starting a business and some improvements still have to be made.

According to the study carried out by SBP (2008:50), in Lesotho, the challenge is not only the ineffectiveness of the supporting institutions, also businesses in Lesotho do not seek business development support. They most frequently consult families, friends and other business owners for advice on starting or running a business (SBP, 2008:9). Consulting families and friends for business advice could be an indication of businesses operating informally. The researcher of this study, emphasises that, there is no how it can be justified that the existing supporting institutions are ineffective, if the MSMEs' owners do not seek assistance from such institutions.

It was mentioned in the preceding paragraphs that the MSME Policy has stipulated the responsibilities of the supporting institutions in a quest to create a favourable environment that could enhance MSMEs growth and sustainability. Constraints with respect to the provision of business operating space are highlighted in the MSME Policy as inhibiting the development of MSMEs. To minimise this constraint, the policy states that, apart from providing land, through the cooperation of a wide variety of stakeholders, MSMEs would be in a position to access business premises with adequate access to electricity, water, toilets, and other essential services such as roads and transport. These services are critical to enable entrepreneurs to carry out their daily business operations successfully (GoL/MTICM 2, 2011:8-9).

3.2.2 Role of supporting institutions on SMMEs' sustainable growth

According to SBP (2008:16), there is no universal formula for growth. However, if a country wants sustained growth, enhanced infrastructure that facilitates the operation of businesses of all sizes, needs to be a priority.

The intervention by governments in the development of small businesses, on its own, is a sufficient indication that economies are ambitious for the growth of their businesses. In Lesotho, according to Langwenya *et al.* (2011:36), there are supporting institutions established to assist MSMEs to grow sustainably, which were mentioned in the previous chapter. These institutions provide amongst others, business advice, training, networking services, and finances to MSMEs' owners. For access to additional funds, entrepreneurs can also use bank loans to expand their businesses. The Mohloli Chamber of Business (2013), identifies and establishes business opportunities for MSMEs' owners registered as members of the Chamber. The Mohloli Chamber

of Business perceives that it contributes to the creation of a conducive business environment that enables Lesotho's businesses to grow and become globally competitive.

3.2.3 Relevance of training by supporting institutions

The government of Lesotho is concerned about the development of entrepreneurial skills and as a result, funds for the training of entrepreneurs and programmes designed to empower entrepreneurs are set aside for the fiscal year (GoL/MoF 4, Online: 29 April 2013). Entrepreneurship training and skills development is a key intervention area prioritised in the MSME Policy. In this intervention area, focus is on developing an entrepreneurial culture in the Basotho population through the design and implementation of comprehensive and innovative business development services (GoL/MTICM 2, 2011:11). The Lesotho EESE survey (2014:62), indicated that in Lesotho, entrepreneurial skills are not part of the public education system, however, some efforts have been taken to promote an entrepreneurial culture, and an example given was the revision of the curricula. According Schmidt, Bennison, Bainbridge and Hallsworth (2007:257), creating a conducive business environment through, for instance, designing and continuously reforming development programmes to suit the current situation, strongly promotes an entrepreneurial culture and enhances economic growth.

Supporting institutions in Lesotho offer training to MSMEs' owners for the purpose of equipping the entrepreneurs with knowledge and skills. However, the training programmes offered in Lesotho according to Langwenya *et al.* (2011:32), are broad-based and not specific to a particular business needs. It is perceived that it is important for MSMEs to receive relevant training depending on what phase they are in. Micro, small and medium enterprises can be at different phases, for instance, the start-up or growth phase. Offering broad-based training impacts negatively on MSMEs as it is difficult for them to graduate to the next level of business development. Simply put, the businesses in the micro and small category, for instance, remain in this category and cannot advance to medium and large enterprise status. Audet *et al.* (2007:4), suggested that training be designed according to different needs of business organisations, for example, the pre-start-up phase should have different training from a post start-up phase.

When training is offered, some supporting institutions charge the entrepreneurs for this service, while others do not (Chetty, 2009:204). Most governments who offer support services to MSMEs do not charge for such services while private sector suppliers do charge for their services. It is perceived that MSMEs' owners have become accustomed to highly subsidised government services and are therefore reluctant to pay for services that they require to improve their

businesses (Chetty, 2009:204). However, according to Rogerson (2006), paying for the training provided makes it more meaningful and valuable to the receiver.

According to the SMME Support Network-Lesotho (2007:1), the Lesotho entrepreneurs lack innovative business skills which results in over saturation of certain products and services, hence, no business expansion and no profit. The SMME Support Network-Lesotho (2007:1), further mentions that business development service providers in Lesotho are often insufficiently equipped to meet the demands of the sector. This opinion supports the findings by the (SBP, 2008:9&50).

According to Timmins (2005), 20 business and technical advisors in the highlands were trained by the UNIDO to improve the skills of small entrepreneurs. This signifies the effort the government of Lesotho is making to develop the MSME sector, not only in the lowlands but also in the highlands. It is also essential, according to Monkman (2003:24) and Audet *et al.* (2007:27), to have well equipped trainers to provide MSMEs owners or managers with necessary training. It is perceived that well trained entrepreneurs experience sustainable success regardless of the complexities and the intensity of the competition in the business world (Audet *et al.*, 2007:44 and Maluleke, 2013:8). Consequently, Mazanai and Ngirande (2014:44) suggest that training be done continuously. Attending relevant training contributes to the growth and sustainability of the business, as the entrepreneurs are well informed and can cope with the ever changing trends in the business world.

3.2.4 Ease of access to finance

According to SBP (2008:8-11), businesses in Lesotho are faced with the challenge of having limited access to finance. Most business owners rely entirely on their own savings, due to inaccessible bank loans. The perception is that interest rates are high and entrepreneurs do not meet collateral requirements. According to Elhiraika and Nkurunziza (2006:7) and Khoase (2011:59), SMMEs' owners experience difficulties in accessing bank loans and overdraft facilities, due to high interest rates and lack of collateral. Most businesses rely entirely on their own savings and on advice from families and friends, which hinder SMMEs' growth, as most of the time their personal savings are not enough and their advisors do not have necessary skills. Financial problems according to Riley (2006:1) and SBP (2008:6), bring about limitations to expansion and development. In addition, according to Berry *et al.* (2009) and Chetty (2009:97), the challenge of accessing finance, especially at the start-up phase, is commonly experienced in developing countries.

The government has established a number of financial institutions to assist MSMEs. For instance, organisations such as Moliko Micro-Credit Trust, and BEDCO which offer easy loans to MSMEs' owners, give the impression that formal businesses are able to access loans easily due to the availability of these soft loans. However, that is not the case, as mentioned in the above paragraph. The Enabling Environment for Sustainable Enterprises survey (2014), stated that access to finance is one of the major challenges faced by MSMEs' owners in Lesotho. This report suggests that access to finance, good loan management and repayment mechanisms should be the cornerstone of the development and promotion of the MSME sector. As cited in Ngcobo and Sukdeo (2014:436), the issue of a business financial position all depends on the 'know how' or skills of the owner-managers in terms of managing finances. They further assert that proper financial management skills are necessary in enabling entrepreneurs to seize the available opportunities and reduce the risk of failure.

Strategies on improving access to finance, focus first and foremost on financial sector reforms which enables the creation of innovative credit schemes targeting MSMEs, such as MFIs and cooperative banks (GoL/MTICM 2, 2011:8). Special attention is made to improving access to finance to those MSMEs working in the informal sector as well as those in the more established formal sector. According to GoL/MoF 4, Online: 29 April 2013 and Khoase (2011:50), the Moliko Micro-Credit Trust was established to assist youth with soft loans that are paid back in instalments and at a low interest rate of three percent. This helps the youth to start businesses under less restricted terms compared to commercial banks. According to the SMME Support Network-Lesotho (2007:1) and Langwenya *et al.* (2011:36), MSMEs in Lesotho are expected to be able to access loans easily due to the availability of easy loans offered by the government through BEDCO. They further declare that, there is however not much progress in the growth of the economy. This could be because, BEDCO sometimes faces financial deficits.

In an effort to develop MSMEs, a Tax Special Task Force has been established with the aim of minimising the compliance costs impact of value added tax (VAT) on small businesses (GoL/MTICM 3, 2002:17). The Lesotho Revenue Authority enforces the tax laws and promotes voluntary compliance with tax laws. To facilitate businesses coping with customs administrations, the LRA collaborated with the South African Revenue Services (SARS). This has introduced more user-friendly procedures for claiming back South African VAT, and avoiding time-consuming duplication checks on both sides (GoL/MTICM 3, 2002:28). This simplification of the tax regime, according to the EESE Survey carried out by ILO (2014), could encourage entrepreneurs to comply with tax requirements and improve start-up rates for potential entrepreneurs who want to start businesses.

3.2.5 Satisfaction by MSMEs regarding services provided

The government of Lesotho as has been asserted throughout this chapter, has taken major steps to improve the business environment by establishing supporting institutions that develop the MSME sector. It was also pin pointed that public and private supporting institutions' reliability, responsiveness, assurance and empathy towards MSMEs are perceived to be the important factors that influence MSMEs' owners' satisfaction. If these factors are thoroughly addressed, MSMEs' satisfaction can translate into the increase of MSMEs' start-up and growth.

3.2.5.1 Reliability

The low rate of the utilisation of the available supporting institutions by MSMEs in Lesotho, brings an assumption that MSMEs do not trust, or rely on the supporting institutions. It is learnt from the literature by Langwenya *et al.* (2011:32), that the regularly used supporting institution (BEDCO), is sometimes unable to provide services to its clients, due to funding limitations. This, it is believed, reflects an element of unreliability to MSMEs, subsequently it becomes difficult for them to trust and rely on the supporting institutions. However, there could still be other reasons for MSMEs' owners not trusting and relying on the supporting institutions.

If there is trust between two parties, in this case supporting institutions and MSMEs' owners, both groups benefit as MSMEs' owners make use of services provided, and the supporting institutions improve their services and constantly perform their intended duties without failure.

3.2.5.2 Responsiveness

Entrepreneurs do not want anything to stand in their way, to them time is money and every second counts. They do not have time for anything but for their businesses. If MSMEs' owners need a solution to their problem, supporting institutions should be ready and able to provide a prompt support to MSMEs (Atkinson, 2004). If the supporting institutions are able to complete assigned tasks at a given time, this pleases MSMEs' owners, and daily operations are performed without any delay. The issue of difficulty in accessing finance in Lesotho portrays that supporting institutions are not responsive to MSMEs needs. This delays MSMEs' operations and even hinders the generation of other potential businesses. According to Langwenya *et al.* (2011:32), there is a gap between training needs assessments and training programme design. However, BEDCO is unable to fill this gap (conducting training needs assessments to inform training

programme design) due to financial constraints. This is an indication that supporting institutions in Lesotho are not responsive.

3.2.5.3 Assurance

According to SBP (2008:50), supporting institutions in Lesotho are inefficient, that is why MSMEs do not seek development support from them. This shows that MSMEs' owners do not have trust and confidence in supporting institutions, since their services do not meet their expectations. It is suggested that supporting institutions in Lesotho should adopt courtesy, credibility and competency to inspire trust and confidence in entrepreneurs (Wamuyu, 2015:269).

3.2.5.4 Empathy

In Lesotho, MSMEs' owners seem to be utilising BEDCO's services more than services from other institutions (Langwenya *et al.*, 2011:32). This could be because this institution shows empathy by providing incubation services, where they provide MSMEs with premises and training at the start-up phase (Langwenya *et al.*, 2011:41). Even though the literature confirmed that BEDCO sometimes faces funding limitations, which results in MSMEs struggling to graduate to the next level, the facts are that during the MSMEs' vulnerable time, BEDCO intervened and consequently entrepreneurs are satisfied with everything that BEDCO does compared to other supporting institutions (Dalberg Survey, 2011:25 and Wamuyu, 2015:269).

3.2.6 Barriers to entry and growth

As mentioned in earlier chapters, the same initiatives put in place to develop MSMEs can become a barrier to entrepreneurs in terms of starting or improving their businesses. Lesotho is faced with economic and financial barriers, regulatory barriers, and cultural and social barriers mentioned by Martins (2004). Most of the entrepreneurs are faced with inadequate owners' funds and inaccessibility to external finances. This hinders potential entrepreneurs from starting businesses, and the existing entrepreneurs are unable to grow their businesses. Furthermore, according to SBP (2008) and Khoase (2011), the trader's license procedures are still found to be cumbersome by some potential entrepreneurs. This also has a negative impact, as some potential entrepreneurs decide to operate informally due to the tiring time one has to spend and cost incurred when registering a business. Moreover, it is evident that, the information concerning the existing supporting institutions is available, meaning entrepreneurs are aware of such institutions, however, these entrepreneurs are reluctant to use these supporting institutions established to

develop their businesses (Chetty, 2009:266). This entrepreneurs' behaviour also becomes a barrier. All these issues impose a burden on the government as there is no contribution to economic growth.

The EESE survey (2014:22&55), reported that, MSMEs' owners concede that income tax is a hindrance to their business growth. Furthermore, insufficient collateral was also reported by the respondents to be a barrier for MSMEs when applying for finances. Several studies carried out in Lesotho confirmed that entrepreneurs find income tax and collateral requirements to be barriers to starting a business and to sustainable growth of a business.

3.3 Summary

This chapter mainly focused on the interventions by the public and private supporting institutions in Lesotho. It is evident that the supporting institutions in Lesotho are involved in promoting MSMEs which means that Lesotho like many other countries, considers small businesses as engines for economic growth. However, there are some gaps that need to be filled, as the utilisation of these institutions is very low, which gives the impression that MSMEs do not trust these institutions and they are not satisfied with their services.

According to the literature, amongst others, small businesses in Maseru are faced with the challenge of inaccessibility of funds. This signifies an unfavourable business environment in which they are operating, which is perceived to hinder them from success. The available public and private supporting institutions provide necessary services to the MSME sector, however, most of the time the intervention by these institutions tends to be a barrier for both start-up and growth. As has been previously mentioned, barriers produce dissatisfaction for entrepreneurs, which compels them to operate informally and often result in having to close down their businesses.

The next chapter reviews the interventions by the public and private supporting institutions in South Africa.

CHAPTER FOUR: OVERVIEW OF SUPPORTING INSTITUTIONS' INTERVENTIONS IN SOUTH AFRICA

4.1 Introduction

The previous chapter covered the literature on the situation in Lesotho concerning the public and private supporting institutions in put place. The functions of these supporting institutions were discussed together with the role they play in the start-up and growth phases of MSMEs. This chapter covers the literature on the public and private supporting institutions in SA.

South Africa has used both functional and selective interventions just like Lesotho. The infrastructure in SA is highly advanced, and the development of SMMEs is given the highest priority (SBP Alert, 2009:4). These initiatives have compelled SMMEs to operate formally since there are incentives available for formalised businesses (Ngcobo and Sukdeo, 2014:1). For instance, Business Partners Limited was established to finance formal small and medium enterprises in SA. Since this organisation does not operate in the informal or micro enterprise sector, financing applications that are below R500 000 are usually not considered and only applications up to R25 million are considered in all sectors of the economy (Business Partners, 2013).

In SA, SMMEs' owners receive services from the public, private sectors, community-based and non-governmental organisations dedicated to supporting the sector (Chetty, 2009:200 and Maluleke, 2013:4). However, Meltzer (2010:1), argue that although SA has established public and private supporting institutions to develop SMMEs, the effectiveness of these institutions has not been fully researched. The little research undertaken to specifically assess the effectiveness of these institutions indicated that there is incapacity in these institutions in terms of raising awareness about their existence to SMMEs (Meltzer, 2010:1). Furthermore, there is weak implementation and ineffective coordination of programmes (Chetty, 2009:125 and Muzondi, 2014:638). There is similarity in this issue, with Lesotho, as SBP (2008:9&50) has declared that there is inefficiency in supporting institutions in Lesotho.

In SA, a 'small business' is officially defined as "... a separate and distinct business entity including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy..." (Mahembe, 2011:24). Furthermore, a small business employs fewer than 50 employees, a micro business employs fewer than 5 employees and a

medium business employs fewer than 100 to 200 employees, however, this varies across industry sectors (Falkena, Abedian, von Blottnitz, Coovadia, Davel, Madungandaba, Masilela and Rees, (pp.26).

4.2 The situation in South Africa

From 1992, the South African government turned its focus on SMMEs' development. More support was given to this sector with the aim of expanding it further (SBP Alert, 2009:2). Institutional support agencies including Khula Enterprise Finance Limited were established to provide financial services. Khula provides micro-finance loans of less than R10 000 (Khula, 2008). The Small Enterprise Development Agency (SEDA) provides business development services meaning, it incorporates all existing small enterprise support programmes as different product offerings under one organisation. Furthermore, SEDA is responsible for incubation and technology acquisition and transfer services. SEDA's programmes or support services include, business registration, business planning, access to markets, access to finance, co-operatives support, small enterprise training and mentoring, and access to technology (DTI, 2004). Moreover, the Umsobomvu Youth Fund (UYF) was established to facilitate youth enterprise development. This supporting institution uses a voucher programme which assists in selecting entrepreneurs for training (Ladzani & van Vuuren, 2008 and Maluleke, 2013:5).

Other initiatives that the South African government has put in place are facilitated by the DTI and associated organisations. These initiatives include the establishment of the Centre for Small Business Promotion (CSBP) which was put in place to foster SMMEs' development. The CSBP implements and administers the aims of the national strategy, which includes job creation (Dlovi, 2012 and Mutyenoyoka & Madzivhandila, 2014:67). There is also the Small Enterprise Foundation (SEF) which is a non-profit NGO which aims at eliminating poverty and unemployment. Small Enterprise Foundation provides micro enterprises with micro-loans (SEF Report, 2014). To demonstrate its commitment to SMMEs' development, the South African government established a new Department of Small Business Development (DSBD) in 2013. This department has been established to deliver dedicated and focused support for small businesses and is expected to ensure that common challenges faced by the sector are addressed in a coordinated way. The DSBD pin pointed the improvement of the effectiveness and reach of the supporting institutions as among their priorities (SBP Alert, 2014:1).

Many programmes are available to support SMMEs in SA but the level of awareness and the utilisation of these programmes are very low, indicating that initiatives put in place have not been

as successful as intended (GEM, 2009 and Dubihlela & van Schaikwyk, 2014:265). These findings match the one Langwenya *et al.* (2011) reported about Lesotho, where they declared that MSMEs' owners are aware of the available programmes, however, they do not use these available programmes to the maximum.

Further initiatives put in place by the SA government are reported in the study conducted by (Mahembe, 2011:64). Mahembe attests that the DTI developed the National Directory of Small Business Support Programmes that is revised annually. This Directory provides easily accessible and detailed information to SMMEs' owners concerning the public and private supporting institutions. The Directory guides entrepreneurs as to how the available programmes work, who qualifies for these programmes, procedures to follow in accessing such services and how to contact the institutions implementing these programmes. This contradicts what is mentioned in the previous paragraph, as it gives the impression that, due to the existence of the Directory for support programmes, current SMMEs' owners are aware of the available support programmes intended to develop their businesses. According to Chetty (2009:195), SMMEs' owners depend more on government support programmes than on private sector providing business development services.

In connection with policy, the National Small Business Act was passed in 1996. Inequality issues related to the SMME sector were built into the Black Economic Empowerment Codes of Good Practice (DTI, 2008 and SBP Alert, 2009:2). In 2002 the South African government decided to ensure the sustainable competitiveness of SMMEs and released a new policy aimed at increasing the number of SMMEs (SMMEs' South Africa Business Guidebook, 2004/2005 and Maluleke, 2013:5).

According to Fatoki (2014:270) and SBP Alert (2014:3), in SA, the rate of business establishment is much lower than the rate of discontinuance, which raises a concern about the role the supporting institutions play in business start-up and growth phases. Fatoki further states that, the Total Entrepreneurial Activity rate is still relatively low in SA despite some improvements since 2013. SBP Alert (2014:1) infers that in spite of the creativities the government has made in supporting SMMEs, these firms still face extremely unfavorable business environments.

However, the SME Survey (2014), reports that more than half (53%) of SMMEs' owners claimed to be pleased with the overall quality of government support programmes established to start and grow their businesses. Goldstuck, the principal researcher for the SME Survey confirmed that SMMEs' owners expressed their satisfaction about the support programmes that the government

offers. He purported that SARS' services were considered to be the most effective in terms of business support.

4.2.1 Role of supporting institutions on SMMEs' start-up

It was mentioned in earlier chapters that supporting institutions offer incubation services to SMMEs at the start-up phase, with the intention of nurturing SMMEs and linking them to more established enterprises. Incubation services refer to provision of management training and business premises to SMMEs' owners, by the supporting institutions. In SA, these business incubation centres, according to the Budget Policy Speech (2014:10) are established in all the provinces, just like the business support centres. Business incubators in SA were initiatives mainly launched by the DTI and Department of Science and Technology with the objective of creating new businesses and new employment opportunities (Buys and Mbewana, 2007). The literature confirms that the majority of businesses who receive assistance from business incubators during their initial stages have a better chance of becoming sustainable (Ghobakhloo *et al.*, 2011). The increasing number of business incubators in SA, according to Lesáková (2012:93), shows that the right kind of business environment is increasingly being acknowledged as an important factor contributing to the success of SMMEs. However, it will be noticed in the subsequent sections that entrepreneurs in SA are still faced with some challenges in accessing some of the services provided by the supporting institutions. This signifies that the business environment entrepreneurs are operating in, is perceived not to be favourable.

Services delivered by incubators and the types of clients they serve vary. Incubators' organisational structures also differ. There are classical incubators oriented towards giving business support through advice, offering of administrative infrastructure, and assistance with access to business premises. There are also technological incubators who support technologically oriented enterprises mostly at the start-up phase (Lesáková, 2012:87). The Ithala Development Finance Cooperation acts as an incubator to support emerging SMMEs with incubation services. Enterprises are incubated for at least twelve months. Regardless of the role Ithala plays in these emerging enterprises, Ithala is still expected to ensure the sustainable growth of these businesses. It is worth noting at this juncture, that, if businesses grow sustainably, there is a possibility of more businesses being created, hence more job opportunities, and ultimately poverty reduction and high economic growth (Budget Policy Speech, 2014:9-10).

However, despite all the promising efforts that the government has taken, the SBP study highlights that businesses in South Africa have to spend time acquainting themselves with

regulations that affect them after which much time is also spent trying to comply with such regulations and keeping up with changes (SBP, 2005:7).

4.2.2 Role of supporting institutions on SMMEs' sustainable growth

Rogerson (2006), states that the policy framework for the sustainability of SMMEs, has shortcomings in effectiveness. It is perceived this is due to the government not being sufficiently organised and coordinated to implement programmes. Rogerson claims that there are differences in the support needs of the different segments of the SMME economy. He confirms that this resulted in poor communication between the supporting institutions concerned with SMME sustainability. Twelve years later, after Rogerson had argued about the ineffectiveness of the policy framework to sustain SMMEs, it is believed that the South African government is doing its best to rectify the challenges concerning SMMEs' development (SME Survey, 2014).

Development policies or programmes designed for SMMEs, become a threat when for instance, SMMEs' owner-managers seek business premises to start a new business or to expand the existing business. However, accessing such premises is not easy, due to high rental charges or unavailability of suitable business premises which hinder the growth of SMMEs. Amongst others, in SA, according to Mahembe (2011:36), unavailability of business premises is considered a barrier to business growth, yet there are organisations such as Ithala.

When delivering the Budget Policy Speech 2014/2015 to the KwaZulu-Natal (KZN) Provincial Legislature, the Member of Executive Council (MEC) for Economic Development, Tourism and Environmental Affairs, Mr Michael Mabuyakhulu, announced that the KwaZulu-Natal Small Business Development Agency (SBDA) was successfully established in November 2013. The responsibility of this entity, according to Mabuyakhulu, is to coordinate, and provide a fully combined and clear business support system to SMMEs in the province. He further explained that, the KZN SBDA is a "one-stop shop" public entity established to assist the SMME sector in the province with both financial and non-financial support. According to Mabuyakhulu, entrepreneurs are concluded to be time conscious, and this "one-stop shop" concept is, therefore, expected to minimise the time entrepreneurs would be spending visiting each separate institution. This probably would also reduce entrepreneurs' transaction costs. The organisation is expect also not to experience duplication of resources, as it is negotiating partnership agreements with similar entities that are providing business support services to SMMEs. These services are not only meant for SMMEs in cities, but also those in townships and rural areas (Budget Policy Speech, 2014:6).

From the announcement above, it is deduced that the South African government is highly committed to the development of the SMME sector. Even though the literature indicates that businesses close down in their early stage and do not grow sustainably (Dubihlela and van Schaikwyk (2014:265), it is believed the efforts taken by the government should be given credit. This still brings a question, considering the valuable initiatives taken, why SMMEs' owners are still not satisfied or growing?

It is perceived that it is the entrepreneurs' character that hinders progress of the businesses. According to Falkena *et al.* (pp.208), one can grow only if one is determined to grow. They put it this way, "willingness by SMMEs to grow is one of the determinants for growth."

4.2.3 Relevance of training by supporting institutions

Some entrepreneurs start businesses without much experience or skills for running a business. Later on, due to the constantly changing business environment, their businesses start diminishing, and ultimately shut down (McGrath, 2005 and MENA-OECD Initiative, 2010). It is evident that relevant training programmes significantly contribute to the success of SMMEs in this complex and competitive world (Audet *et al.*, 2007:44 and Botha *et al.*, 2007:176).

It is perceived by Harrison (2008) and Tambunun (2009), that knowledge, skills and attitudes are important to the survival and growth of small businesses. If the entrepreneurs lack these managerial competencies, there is a high possibility of experiencing business close down (Underwood, 2012). According to McGrath (2005) and Witboi & Ukpere (2011), small businesses in SA fail due to lack of education and training. The importance of participating in training programmes was mentioned in Chapter 2 of this study. It was discussed that due to the constantly changing business world, up-to-date entrepreneurs acquire skills which contribute to their sustainable success.

There is not much literature found about training programmes in SA, however, the failure SMMEs' owners encounter could be because they find training time consuming and does not allow them to generate more income. According to Chetty (2009:95), both the entrepreneurs and the employees in SA do not receive the training they need to remain competitive in the market and increase their productivity. The challenges are that training fees are not affordable and training is time consuming. Most small business' owners cannot release employees for training and they are unable to hire consultants to conduct in-house training for them.

According to Maluleke (2013:12-19), South African management training programmes tend to be more traditional than entrepreneurial at the start-up phase. Furthermore, trainers are not properly accredited and do not have the required skills to effectively facilitate training courses. Training providers are expected to be equipped with the necessary training skills as it is perceived that experience and business skills are essential for the officials to be capable of providing efficient services within the institutions. Weaknesses of lack of competency within the personnel, negatively contribute to the available programmes and delivery mechanisms (Chetty, 2009:259).

In SA, a voucher programme which assists in selecting entrepreneurs for training was introduced through UYF. This voucher programme can stimulate higher quality of training since SMMEs' owner-managers have the opportunity to select whichever training institutions they wish. Ultimately, the voucher programme ensures that trainers themselves adapt to offering higher quality training in order to attract SMMEs' owners to their programmes (Ladzani & van Vuuren, 2008 and Maluleke, 2013:5).

4.2.4 Ease of access to finance

According to Mahembe (2011:11), in SA there is a sufficient amount of funding available (which he refers to as quantity), however, the product design/services being offered (which he refers to as quality of funding), does not match the needs of the sector.

According to Lopriore (2009), business owner-managers in SA view access to finance as a significant problem despite the various public and private sector initiatives available. The financial institutions are available, however, the utilisation of these institutions is very low (Mahembe, 2011:10). In the previous chapters it was mentioned that countries with highly developed financial systems greatly contribute to the growth of small businesses. Conversely economies with weak financial systems hinder SMMEs growth (Mbedzi, 2011:9). Utilisation of financial institutions is low in SA, which could be due to the procedures to be followed to access funds. However, a study by Khoase (2011:45), reported that procedures are simplified and taxes are reduced for SMMEs. For instance, only enterprises that generate more than R150 000 annually are taxed.

If SMMEs' owners are facing challenges of accessing finances, then it could mean they have to rely on their personal savings for every activity. The inaccessibility of funds has compelled SMMEs' owners in SA not to only rely on their personal savings, but to also rely on loans from family and friends, according to SBP (2008:8-11) and Mahembe (2011:33). Mahembe further

declared that only SMMEs' owners in the stable stage rely on bank loans for financing. It was highlighted earlier in this study, that other perceived hindrances to accessing finance are collateral requirements and high interest rates charged from SMMEs (Elhiraika & Nkurunziza, 2006:7 and Dalberg Survey, 2011:20). The issue of inaccessibility to finance, impacts negatively on SMMEs, as paying wages to employees becomes a problem. Acquiring suitable business premises is also becoming a challenge as the rental charges could be high, there is also a probability of entrepreneurs not paying income tax, all of which hamper the growth of the economy (Berry *et al.*, 2009 and Quan-Baffour & Arko-Achemfuor, 2009:408).

4.2.5 Satisfaction by SMMEs regarding services provided

Economies demonstrating the four factors that influence SMMEs' owners' satisfaction are expected to experience a high rate of business creation and the growth of the existing businesses (Wamunyu, 2015:269). South Africa, has demonstrated the four factors, that is, reliability, responsiveness, assurance and empathy. The care they show for small businesses can be expected to influence satisfaction of SMMEs' owners (Peyper, 2013 and Goldstuck, 2014). Furthermore, based on the efforts put in place, one can attest that SA flexibly responds to SMMEs' external condition through amongst others, the establishment of public and private supporting institutions meant to develop SMMEs. This is an indication of the creation of a conducive business environment. One could expect that SMMEs' owners are happy and there is no interference in their operations. However, this perception is not always the case. So the questions is, are these supporting institutions effective, or are SMMEs not interested in using them?

4.2.5.1 Reliability

The literature by Chetty (2009:290) has confirmed that some SMMEs' owners are not utilising supporting institutions because they do not trust such institutions. Chetty further perceives that, not making use of the services could mean these supporting institutions are not consistent and their services are not reliable. Furthermore, the assumption is that, supporting institutions are not willing to assist SMMEs' owners, hence, entrepreneurs are not interested in using these services. The consequence here could be low quality services, as the supporting institutions do not find a reason why they should improve their services (Wamuyu, 2015:269). Not utilising supporting institutions' services, could be due to the entrepreneurs' character, however this is unknown to the researcher. The question is, are SMMEs willing to use these services?

4.2.5.2 Responsiveness

South Africa seems to be responsive to current situations and demonstrates flexibility as a number of programmes are put in place to assist SMMEs' owners to operate smoothly, and to enable the institutions to complete their given tasks without delay (Zeithaml *et al.*, 2006). This shows that SA responds flexibly to the dynamics of the current business environment, which makes one to believe that the SMMEs' owners are satisfied with the great initiatives put in place to assist in developing its sector.

4.2.5.3 Assurance

Numerous business support centres have been established to assist SMMEs. However, SMMEs' owners do not make use of this opportunity. It is assumed SMMEs' owners are aware of the existence of these supporting institutions, however, they do not utilise them (Chetty, 2009:290). Perhaps the supporting institutions are unable to inspire trust and confidence to SMMEs' owners or SMMEs' owners have different expectations that these institutions are unable to meet or satisfy. The assumption is that SMMEs' owners do not have assurance from the supporting institutions (Wamuyu, 2015:269), which could mean their expectations (which are not known to the researcher of this study) are not met.

4.2.5.4 Empathy

The great initiatives SA has put in place, show how much SA cares about the development of the SMME sector but the uptake of these institutions is minimal. A reason for this, according to Wamuyu (2015:269), could be that the supporting institutions do not take good care of and are not providing individualised attention to SMMEs, and they do not take a good care of SMMEs, as a result, SMMEs' owners do not use their services. Not making use of available services by SMMEs, is an indication of dissatisfaction. According to OECD (2004b:17), if the culture of public and private supporting institutions lack empathy with SMMEs, then it will be difficult for the sector to operate and grow.

4.2.6 Barriers to entry and growth

According to Ngcobo and Sukdeo (2014:435), there are institutional barriers that hamper the development of the SMME sector in SA. This has raised a concern to the National Small Business Advisory Council (NSBAC) (2010:6) and as a result this council has planned to eliminate institutional barriers through creating a support system for business development.

For instance, the programmes offered by business support centres have become barriers to entry and growth to some SMMEs. It is perceived that supporting institutions are unreliable, not responsive, give no assurance to SMMEs, and show no empathy. This perception on its own is a barrier to entry and growth for SMMEs. According to OECD (2004b:101), SMMEs' owners find it costly to move from the informal to the formal sector. Barriers are also created through inadequate or strict financial institutions and lengthy and complex registration processes. To overcome these, OECD (2004b:76) asserts that governments identify key barriers that need policy attention and propose actions needed to overcome such barriers.

4.3 Summary

The interventions in SA by public and private supporting institutions, were discussed in this chapter. The literature indicates little utilisation of the services provided by these institutions. Little utilisation of services provided could mean entrepreneurs are not willing to use these services, probably because entrepreneurs are time conscious. Furthermore, the perception is the supporting institutions are not efficiently raising awareness about their existence and effectiveness. Conversely, the initiatives SA has put in place are known everywhere. Various programmes are available at the start-up and growth phases to back up small businesses, however, SMMEs' owners find such interventions to be barriers hindering them from graduating to the growth phase.

Small businesses in SA are also faced with other challenges perceived to be created by the public and private supporting institutions. This could mean the business environment in which small businesses operate is not conducive for their sustainable success. This produces dissatisfaction for entrepreneurs, which consequently compels such entrepreneurs to think that operating informally is the best solution. When operating informally, there is a high possibility of businesses closing down as they fail to grow.

The next chapter discusses the methodology adopted in this research.

CHAPTER FIVE: RESEARCH METHODOLOGY

5.1 Introduction

The previous chapter gave an overview of the role public and private supporting institutions in SA play in SMMEs' development. This chapter reviews the research methodology used for the purpose of answering the research questions of this study. The study used combined methods, being qualitative and quantitative methods to achieve the most accurate results pertaining to the influence of the public and private supporting institutions on SMMEs' development. The topics discussed in this chapter are as follows: research design; research approaches/paradigms; study site; target population; sampling strategies; sample size; sample; data collection methods; data quality control; data analysis; ethical considerations; and limitations of this study.

5.2 Research design

A research design is the plan for obtaining research participants and collecting data from them (Welman, Kruger and Mitchell, 2007:52). For the purpose of this study, two types of research designs, namely, exploratory and descriptive research designs were used in order to attain the research objectives and answer the research questions. The researcher used exploratory research, because, to the researcher's knowledge, the research phenomenon is relatively new and limited research has been done. Descriptive research is used by the researcher of this study to be able to report the current situation in a descriptive way.

According to Brown (2006:43) and Saunders *et al.* (2012), exploratory research is conducted to determine the nature of the problem that has not been clearly defined, meaning, its intention is to explore the research question. It relies on primary research such as formal approaches through in-depth interviews. Furthermore, it generally uses a small sample size. Responses may not be statistically measurable, however, they give richer quality information. According to Welman *et al.* (2007:23), exploratory research assists the researcher in gaining background information on a study in question. Exploratory study was conducted as there are few earlier studies on the influence of public and private supporting institutions to the researcher's knowledge. Exploratory research was expected to assist in exploring why the existing situation took place which is important as the descriptive research does not answer the question why. The supporting institutions provided the researcher with the insight of the phenomenon as exploratory research is flexible in addressing the research questions of all types, for instance, why, how and what.

Exploratory research design was used to attain the research objectives and question from the interveners.

On the other hand, descriptive research, according to Mirzaee (2014), is conducted to help in describing behaviour, meaning, it obtains information concerning the current situation or describes what exists. It acquires more quantifiable information that can be used for statistical inferences. This means, it yields rich data that lead to important recommendations. It is often used as a pre-cursor to quantitative research (Mirzaee, 2014). Descriptive research allows the researcher to use the survey method, which also permits the researcher to use amongst others, a Likert-type scale. The Likert-scale is very easy to analyse statistically (Jackson, 2009:89). According to Saunders *et al.* (2012), descriptive research design explains the current situation in connection to the research problem. It assists the researcher with answers to questions such as what, how, who, where and when. Descriptive research was used as a research design to obtain information concerning the influence of supporting institutions on SMMEs development. This was best obtained through surveys that were sent to SMMEs.

5.3 Research approaches/paradigms

This study employed mixed methods, that is, a combination of qualitative and quantitative methods. Mixed methods research involves mixing qualitative and quantitative data in a single study. This leads to greater validity, as it answers question from a number of different perspectives (Creswell, 2013a). The researcher of this study used the mixed method because, she needed to see if the qualitative results and quantitative results match. This, therefore, brings a more complete understanding of the current situation.

5.4 Study site

The study was conducted in Maseru, Lesotho and Pietermaritzburg, SA. Lesotho is a small mountainous, landlocked country, completely surrounded by SA. Lesotho is a poor country, depending on water as its important economic resource, and diamonds as its mineral resource. Lesotho's main economy is based on the exportation of diamonds along with water sold to SA. This has made Lesotho mainly depend on South Africa. Lesotho's currency is 1 Loti and it is equivalent to 1 Rand, South African currency.

Lesotho covers an area of around 30,355 square kilometres (km) and is divided into lowlands and highlands regions, and has 10 administrative districts (Statistical Year Book, 2010:3). The capital

city is Maseru, which is situated in the lowlands. The district of Maseru the capital city, is only 600 km away from Durban, SA's busiest harbour, and is one-hour's drive from Bloemfontein, the capital city of the Free State. Lesotho is also one-hour by air, and four hours by road from Johannesburg, SA. Lesotho, as mentioned earlier, has boundaries that run with those of KwaZulu-Natal to the east, with those of the Eastern Cape to the south, and with those of the Free State to the north and west. In 2014, Lesotho's population was estimated at 1,942,008 with Maseru the capital city being estimated at 239,000.

On the other hand, due to the presence of gold, diamonds, natural resources and its coastal location, SA is one of the most economically prosperous nations in Southern Africa (South Africa Year Book, 2012/13:2). South Africa occupies the southern tip of Africa, with its coastline stretching more than 2 500 km. South Africa is a medium-sized country with a surface area that covers 1 219 912 square km. South Africa measures about 1 600 km from north to south, and roughly the same from east to west. In 2014, it had an estimated population of 48,375,645. The country has provinces, regions, cities and suburbs. Its nine provinces vary considerably in size. South Africa has three capital cities; Cape Town, Bloemfontein and Pretoria. The largest and most important city is Johannesburg, the economic hub of the country. Other important centres include Durban and Pietermaritzburg in KwaZulu-Natal, and Port Elizabeth in the Eastern Cape. Pietermaritzburg is the capital city of KwaZulu-Natal (South Africa.info, 2012). According to GeoNames' geographical database, the population of Pietermaritzburg was 750 845 in 2012.

Both these locations are capital cities, from which one could expect tremendous developments, as it is perceived that governments give priority to such geographical areas. These sites are expected to have diverse SMMEs and public and private supporting institutions. These are the populations of interest with necessary information needed to complete this study. These sites were selected to study the phenomenon in depth, as they are both capital cities.

5.5 Target population

In this study the population included interveners from the public and private supporting institutions and SMMEs' owners/managers in different sectors located in Maseru, Lesotho and Pietermaritzburg, SA. The target population for this research was public and private supporting institutions, and owners/managers of SMMEs registered and operating in Maseru, Lesotho and the Pietermaritzburg in KwaZulu-Natal (KZN). These cities were selected because of accessibility coupled with the fact that they are both capital cities. Supporting institutions are

heterogeneous, as they provide a different number of services. Businesses are also heterogeneous as they fall under different categories.

5.6 Sampling strategies

The sampling strategies used for this study are non-probability and probability sampling methods. Non-probability sampling method known as the snowball sampling method was used for interveners by the researcher. This enabled the researcher to gain access to rich views of expert participants – who have experience and ability to solve problems (Sekaran and Bougie, 2010:272). As the sample builds up, it is believed enough valuable data are gathered.

The probability sampling methods known as the stratified random sampling and cluster sampling methods were used for registered SMMEs from different sectors (Cooper and Schindler, 2003:188). It was realised by the researcher of this study that other industrial sector groups might not be included if the simple random sampling is used on the list obtained from the supporting institutions. With the stratified random sampling, SMMEs' target population was divided into homogenous subgroups known as strata and then a simple random sample was used in each subgroup. According to Remenyi, Williams, Money and Swartz (2005:193), through the use of stratified random sampling, there is a possibility of having enough cases from each group to make meaningful subgroup inferences. The stratified random sampling method often improves the representativeness of the sample by reducing sample error (as key subgroups and overall population are represented), and it helps to generalise the findings obtained (Hair, Money, Samouel and Page, 2007:173).

Furthermore, cluster sampling method was also used for SMMEs. The researcher targeted places where SMMEs are clustered and distributed questionnaires to them. Targeting clustered places helped the researcher to distribute questionnaires to the large number of SMMEs within a reasonable time.

5.7 Sample size

The sample in this study included the public and private supporting institutions established to develop the SMME sector in both Maseru and Pietermaritzburg. The sample also included the SMMEs' owner-managers in Maseru and Pietermaritzburg. These sample groups consisted of a mixture of female and males of different age groups. The interviews were conducted with 6 supporting institutions (interveners) in Maseru Lesotho, and six supporting institutions in

Pietermaritzburg KZN. These interveners included top, middle and lower managers. The survey covered a sample size of 379 MSMEs across all sectors in Maseru Lesotho; and 384 SMMEs across all sectors in Pietermaritzburg KZN. These sample sizes were generated using an online sample size calculator. It is estimated that in Maseru alone, there are 25,856 registered MSMEs (GoL, Business Ownership, 2015:1-277). When calculating, it was found that, at a confidence level of 95 percent and confidence interval of 5, a population value of 25,856 results in a sample size of 379 respondents. In Pietermaritzburg 770,007 registered SMMEs resulted in 384 respondents when calculations were done at a confidence level of 95 percent and confidence interval of 5 (FinScope, 2010:7 and Survey Systems, 2014). However, calculations for Pietermaritzburg were based on 770,007 that was for the year 2010 covering the whole KwaZulu-Natal province. According to SBP (2009:3), due to poor information sources in SA, it is difficult to access data including the official statistics.

5.8 Sample

The sample used in this study was composed of the public and private supporting institutions and SMMEs' owner-managers in both Maseru and Pietermaritzburg. The researcher found the existing public and private supporting institutions in Maseru and Pietermaritzburg through secondary data (available literature) and the referral by the first interviewed institutions.

On the other hand, the researcher requested for the lists of SMMEs registered with the interviewed supporting institutions in both Maseru and Pietermaritzburg. In Maseru, the list was obtained from the Ministry of Trade (MTICM), which is an organisation that registers all the formal businesses in Maseru. In Pietermaritzburg, the lists were obtained from two organisations, namely, Business Support Centre (BSC) and the Pietermaritzburg Chamber of Business (PCB).

5.9 Data collection methods

For this study, primary qualitative data were obtained by means of face-to-face semi-structured interviews with six interveners within the selected supporting institutions in Maseru and six interveners from Pietermaritzburg. Semi-structured interviews consist of several key questions that help to define the areas to be explored, but also allows the interviewer or interviewee to deviate in order to track an idea or response in a more detailed manner. Simply put, this method assists with gathering more qualitative information through the use of probing questions. Through the use of interviews, the qualitative method helped the researcher to capture exact verbal accounts about participants' perceptions and experiences. The qualitative method answers

research questions of all types, and it generates rich detailed data gathered from structured, semi-structured or unstructured questions. This method is suitable for this study as it offers rich information that assisted the researcher in understanding the current situation in depth (Anderson, 2010 and Creswell, 2014:184). The objective of qualitative research is to promote self-understanding and increase insight into the phenomenon under study (Creswell, 2013b). The researcher had direct contact with participants, hence, it was easy to understand the phenomenon under study. In general, interviews are useful in obtaining detailed information, as they provide a deeper understanding of a phenomena. Interviews allow follow-up on incomplete answers, and allows the researcher to investigate issues in an in-depth way.

The interveners were firstly consulted in order to set up the appointments with them. Then the interview guide was emailed to the interveners to acquaint themselves with the procedure before the day of the interview. This eased the interview process on the day of the interview, as the interveners had prepared their answers well in advance. The interviews were held at the participants' place of work, and the time spent in every interview was less than expected. The duration time of each interview varied, and ranged between 30 and 45 minutes. All the interviews were recorded, with each respondent's permission.

In addition, during the interviews, the researcher was guided to the existing institutions by the interviewees, as there was a question asking the respondents to mention other appropriate supporting institutions which could be approached for an interview. The responses from this question assisted the researcher by knowing which other institutions to consult. The researcher would call such institutions and set up an appointment with the right person.

On the other hand, the researcher used the quantitative method to collect data from the SMMEs' owner-managers in both Maseru and Pietermaritzburg. When using a quantitative method, personal bias is avoided as the researcher keeps a distance from the participating subjects. This method is suitable for this study as it enhances the generalisation of the results. With this method, data can be collected from a larger sample size using structured research instruments, thus, allowing greater accuracy of results (Creswell, 2014:156). According to Remenyi *et al.* (2005:150) and Sekaran & Bougie (2010:197), a questionnaire is an accurate method of collecting data from a large sample in a cheap way within a very short period of time. Questionnaires were used because they allow a researcher to obtain a large sample of people in different geographical areas.

In Maseru, the list of formally registered MSMEs was obtained from MTICM. Some of the entrepreneurs appearing on the list obtained from the MTICM, are physically clustered together

in groups, which made it easier for the researcher to distribute more questionnaires in one area. The researcher of this study was also given an opportunity to distribute questionnaires to over fifty MSMEs' owner-managers who were having a one-week workshop with one of the supporting institutions (BEDCO) in Maseru.

The lists obtained from Pietermaritzburg could not cover the sample size, therefore, the researcher had to visit forums in Sweetwaters and other places in town where respondents are clustered. Concerning the lists obtained from the organisations in Pietermaritzburg, the researcher had to call the entrepreneurs on the lists and emailed them, requesting appointments. Some entrepreneurs requested the researcher to email the questionnaire and they responded online and emailed it back while other entrepreneurs asked the researcher to bring a hard copy of the questionnaire for them.

The SMMEs' respondents completed the questionnaires in their own time, and any doubts that they had regarding any question were clarified during the time the questionnaires were collected. A careful record of the date when questionnaires were distributed and were to be returned was kept. In the case of unreturned questionnaires, the researcher consequently had to follow-up by repeatedly visiting and reminding the SMMEs' owner-managers. According to Bell and Waters (2014:169), not all questionnaires are returned on the specified date therefore, follow-up is needed on the non-respondents, and a clear record of distributed questionnaires eases the process. Although initial costs may be low, the costs of follow-up and non-responses can be high, as they sometimes involve the issue of reprinting more questionnaires for respondents who misplaced the first issued questionnaires (Fink, 2003:39). In a case where the owner-managers were not available due to their tight schedule, they would appoint a staff member to complete the questionnaires.

Some business owner-managers were reluctant to provide information since they presumed that the information was required for tax purposes. However, the researcher had to convince them that it was for academic purposes and their information was confidential, therefore, there would be no disclosure of their names. Out of 379 questionnaires distributed in Maseru, only 270 responses were received, and only 210 out of 384 were received from Pietermaritzburg.

5.9.1 Interview questions design

Interview questions were used as a research instrument for the purpose of gathering the in depth (rich and detailed) data from the public and private supporting institutions (Bowen, 2003:53). The

researcher of this study created the open-ended interview questions based on the available literature on previous studies (secondary data). Open-ended questions give narrative responses which may be analysed qualitatively, or may be converted into a form suitable for quantitative analysis (Hair *et al.*, 2007:265 and Sekaran & Bougie, 2010:200). The interviews were conducted in a semi-structured manner, because the supporting institutions offer various services. For instance, some do not offer training, but they offer financial assistance, while others offer both. This allows collection of in-depth information.

The interview guide was divided into six sections. When designing interview questions, the focus was more on determining the existing public and private supporting institutions and interventions that are put in place to develop the SMME sector. The aim was to find out if the interviewed supporting institutions are providing entrepreneurs with any form of relevant assistance that contributes to the start-up or growth of the business. It is important for the researcher to know the role that the supporting institutions play on SMMEs' start-up and sustainable growth. The researcher was also concerned about the procedures that have been put in place by the existing supporting institutions for the entrepreneurs to access services from such institutions. It is also believed that it is important to find out if it is easy or difficult to access services provided by the supporting institutions. Furthermore, the researcher was interested in finding out about the challenges if any, that the supporting institutions encounter when providing services to SMMEs. Moreover, this research seeks to investigate the perceptions of the supporting institutions in terms of intervention satisfaction vis-a-vis the start-up and growth of SMMEs.

5.9.2 Questionnaire design

The questionnaire structure was aligned with the research objectives and question. Words that are perceived to be familiar to the entrepreneurs were used during the process of formulating the questions which was in consideration of the respondents' literacy levels. Since early questions can influence responses to later questions, sequencing is important; it is advisable to ask general questions early and specific ones later. The first questions on a questionnaire are referred to as opening questions, designed for gaining a respondent's attention and stimulating interest in the topic. The second group, referred to as research topic questions, include questions designed to provide information on the topic being researched (Hair *et al.*, 2007:270).

When structuring the questionnaire, closed-ended questions and the Likert-based scale were used. Closed-ended questions are used in quantitative studies as they simplify the collection and analysis of data and make the task of the respondent easier. Closed-ended questions however

involve large samples, and are difficult to design (Remenyi *et al.*, 2005:152 and Hair *et al.*, 2007:265). The Likert-scale is an ordered scale from which respondents choose one option that best aligns with their view resulting in respondents being able to express their feelings or opinions about the research topic.

The questionnaire, as shown in Appendix 2, was divided into seven sections. The sections are as follows:

Section A – Demographic information

This section comprises questions 1 to 5 and focuses on the standard demographic data questions which determine the gender, age, and race of the respondents. The educational level of the respondents is requested and the role the respondents play in a business (i.e. owner or manager). This information assists in the assessment of the parties that make use of services provided by the supporting institutions.

Section B – Supporting institutions

Section B is composed of two questions, that is, questions 6 and 7. This section determines if SMMEs are aware of the existing supporting institutions and if they have received any assistance from such institutions. It further examines in particular the supporting institutions from which SMMEs have received assistance. This assisted in assessment of the availability of the supporting institutions and the kind of services they provide to SMMEs. If there are adequate diverse supporting institutions providing numerous services to SMMEs, this means there is a high possibility of SMMEs developing as they would receive all the necessary support they need to be sustainable.

Section C – Role of supporting institutions on SMMEs' establishment

This section focuses on questions 8, 9 and 10. It attempts to determine if the respondents make frequent use of the supporting institutions. It also examines in particular the supporting institutions from which SMMEs have often received assistance at the start-up phase. It further determines the extent to which the supporting institutions' procedures make it easier or more difficult for SMMEs to access their services. This assisted the researcher in identifying the available supporting institutions established to develop SMMEs, and the role they play in SMMEs' development.

Section D – Sustainable growth

This section is made up of questions 11 to 13. It is on sustainable growth brought by assistance provided to SMMEs by supporting institutions. It investigates the role of supporting institutions on SMMEs' growth and sustainability. It was mentioned earlier in previous chapters that SMMEs are established, then they grow and when expected to be sustainable, they close down. Therefore, these questions were expected to assist the researcher in determining the influence supporting institutions have on SMMEs' development.

Section E – Relevant training

This section is composed of questions 14 and 15. It tries to find out if SMMEs have received relevant training from the supporting institutions at the start-up and growth phases. It also examines if the training provided at different phases is relevant to what SMMEs are expecting, as SMMEs are diverse with diverse training needs. It is believed this section will assist the researcher in determining whether the training provided is of benefit to SMMEs in terms of coping with the current changing situation. Needs of customers are changing rapidly every day, which has affected the needs of the SMMEs to try to be in line with what the customers are looking for. Therefore, the supporting institutions are also expected to be up-to-date and provide SMMEs with the necessary training and skills. For instance, technology that is changing all the time, compels SMMEs to stay abreast, so the supporting institutions are expected to equip these SMMEs with the necessary skills.

Section F – Ease of access to finance

This section comprises questions 16 to 20. It is concerned with the effectiveness of the financial supporting institutions. It first investigated where entrepreneurs obtained funds when they were starting their businesses. It also reviewed if it is easy or difficult for SMMEs to get funding from the supporting institutions. It further went on to determine if there are barriers to obtaining funding at different stages (that is, start-up and growth). More often SMMEs argue that access to finance is a huge challenge, which compels some SMMEs to operate informally, or even close down quickly. This challenge could be due to inaccessibility of financial institutions or stringent procedures that need to be followed to access the funds. For instance, collateral requirements may hinder SMMEs from accessing the funds, as they will not qualify for funds if they do not meet these requirements. It was mentioned earlier that the very programmes put in place to help SMMEs to develop, could be barriers to other SMMEs.

Section G – Service satisfaction

This section is made up of question 21. Supporting institutions have been established to assist SMMEs in their start-up and growth phases. However, the perception is, the very same supporting institutions are not delivering the services to SMMEs in a satisfactory manner. The blame is on the supporting institutions as SMMEs' owners perceive that they can succeed at a high level if supporting institutions are not interfering with their operations (Winston, 2006:76 and Smorfitt, 2008:15). Thus, this section is establishing the satisfaction of SMMEs' owner-managers on services provided to them by the supporting institutions.

5.10 Data quality control

Validity and reliability tests were undertaken. This is basically to examine the consistency of the study process, and its reasonable stability over time and across researchers and various methods (Babbie, Halley, Wagner and Zaino, 2013:16). In addition, carrying out the validity test, reflected whether this study makes sense and has truth value (Miles, Huberman, and Saldaña, 2014:312).

According to Meadows (2003:563), questionnaires have to be reliable and produce consistent results when being tested at different times. Measurement tools can be evaluated using major criteria, namely validity and reliability. Validity is measured with Factor Analysis while reliability is measured with Cronbach's alpha (Churchill & Iacobucci, 2002:416 and Coakes & Steed, 2003:140). Table 7.1 of this study, indicates that the questions tested for reliability have high internal consistency, as they are all above the value of 0.7. To improve the reliability of the questionnaire, the questions were clear and simple. A Likert-based scale measurement and closed-ended questions were used. According to Pallant (2007:96-98), to ensure the reliability of the questionnaires, all the negatively worded questions should be reversed prior to checking reliability (calculating total score).

In terms of testing the validity of the interview questions and questionnaire, the questions were set based on the available literature. Open-ended interview questions were semi-structured, which permitted the interveners to give in-depth information. The questions tried to cover issues found in the literature review (Zikmund, 2003:302 and Creswell, 2015). The pilot study was then undertaken through pre-tested questionnaires among Management students at University of KwaZulu-Natal (UKZN) in Pietermaritzburg. This peer/colleague review, was undertaken to find out if there were items that needed to be modified based on the feedback received from the selected participants/respondents.

5.11 Data analysis

The researcher was guided by the suggestions provided by a number of authors on how to approach data analysis. The interviews were made up of open-ended qualitative questions that give narrative responses. The analysis of the responses obtained from the semi-structured interview questions was achieved through the use of NVivo 10 for Windows. The questionnaires were made up of closed-ended questions using a Likert-scale. The responses obtained from the SMMEs' structured questions were first coded. Then the analysis of the coded responses was achieved through the use of SPSS for Windows, Version 22 (Bazeley & Jackson, 2013 and Miles *et al.*, 2014). Detailed presentations and analysis of each interviews and questionnaire sections are in chapters 6, 7 and 8.

5.11.1 Qualitative data analysis

All the 12 recorded interviews were listened to and a summary of notes was written down by the researcher. When analysing qualitative data, NVivo 10 for Windows was used. For qualitative data analysis, a deductive approach was considered adequate. Therefore, themes were allocated to data relating to research questions and classified into nodes using the NVivo statistical analysis tool. Subsequently, responses from the interviews were coded into these nodes, which further revealed additional themes. These themes were included in the research according to their relevance vis a vis the aim of this research. NVivo 10 was used to code and arrange the interviewees' responses for ease of interpretation. Text search query and tree map output for each theme are found in Appendix 3. NVivo is a computer software package designed to assist qualitative researchers in organising, analysing and reporting on unstructured or semi-structured data. The researcher can view, edit, rearrange and add to the initially created set of nodes (Yin, 2011 and Jackson & Mazzei, 2012). In this current study, selected data were dragged and dropped to the nodes by the researcher. Nodes were used to re-organise data (i.e. collected all responses to an interview question).

Initially, the project was created, then a hierarchy of nodes was created to contain the researcher's coding. Coding is the process of gathering material by theme, topic or case. Simply put, coding is a process of categorising information to bring meaning to data (Bazeley & Jackson, 2013 and Miles *et al.*, 2014). Nodes let the researcher gather related material and put it together in one place. Further child or sibling nodes were created by the researcher of this study. Interviewees were assigned a referencing code as presented in the table below for easy referencing of their responses in the discussion section.

Table 5.1: Referencing guide

Interviewee	Location	Referencing guide
BEDCO	Maseru	Intervener 1
SMME Support Network-Lesotho	Maseru	Intervener 1a
The Lesotho Post Bank	Maseru	Intervener 1b
Lesotho Chamber of Commerce and Industry (LCCI)	Maseru	Intervener 1c
MTICM	Maseru	Intervener 1d
Private Sector Foundation of Lesotho (PSFL)	Maseru	Intervener 1e
SEDA	Pietermaritzburg	Intervener 2
Msunduzi Municipality	Pietermaritzburg	Intervener 2a
Absa Small Enterprise Development	Pietermaritzburg	Intervener 2b
Department of Economic Development, Tourism and Environmental Affairs (DEDTEA)	Pietermaritzburg	Intervener 2c
BSC	Pietermaritzburg	Intervener 2d
PCB	Pietermaritzburg	Intervener 2e

5.11.2 Quantitative data analysis

The results of quantitative data analysis were presented through frequency tables and statistical analyses appropriate to the data collected. Collected data were analysed through assigning numbers to the responses. The analysis of the coded responses obtained from the structured questions was achieved through the use of SPSS for Windows, Version 22. The coding assisted in obtaining an understanding of the collected data and allowed for easy interpretation (Remenyi *et al.*, 2005:209 and Saunders *et al.*, 2012:327).

Statistical analysis was carried out as follows: through the use of SPSS for Windows Version 22, the Chi-square test was used to test the significance of the research questions or to determine the level of the difference from support given. Frequency distribution was calculated to indicate the number of respondents per question, and the descriptive statistics were calculated for some questions. Descriptive statistics included the mean and standard deviation. A few bar charts were used as basic statistical tools to interpret the quantitative data. Analysis of variance (ANOVA) test was undertaken, to test if there is statistically significant differences between the institutions and services provided. Then, latent factor (principal component) was calculated to test the

coefficient between the responses. Furthermore, Cronbach's alpha was measured to test the reliability of the questions. Moreover, Pearson's correlations were calculated to test if the services provided correlate with the institutions providing such services.

5.12 Ethical considerations

In order to comply with the ethical requirements of the University of KwaZulu-Natal, ethical clearance was sought from the University. There was no data collection prior to receiving permission from the University of the KwaZulu-Natal Research Office.

An informed consent letter was issued to each participant in this study. The purpose of the study and the request of the participation of the respondents were clearly explained in the letter. Respondents were further informed that they had the right to choose not to participate. Each letter was signed by the respondents indicating that they understood the nature of the research (Appendix 5).

Data gathered from interviews and questionnaires were kept confidential. Respondents' names were not used as this had no relevance to this study. Only the approved thesis will be submitted to the library to ensure the confidentiality of the information gathered. The research data were saved on a hard disk and on a flash disk, both being password controlled. All collected data were handed over to the supervisor on the completion of the research. After the final thesis was produced, information on both the hard disk and flash disk was deleted. However, all the questionnaires, recorded interviews and a copy of the analyses results were supplied to the researcher's supervisor on a compact disc.

5.13 Limitations of the study

The study conducted focused on two data-rich cities, which are Maseru in Lesotho and Pietermaritzburg in SA. Out of 379 questionnaires distributed to SMMEs' owner-managers in Maseru only 270 were received, while only 210 out of 384 questionnaires were received from Pietermaritzburg. This is because in both locations the respondents were reluctant to participate as they thought the researcher was representing revenue collection organisations (LRA and SARS). The respondents from both locations had complained that the government has been gathering information from them, but their needs have never been attended to. The researcher had to convince them that this study is for academic purposes, as the informed consent had stated. Moreover, the respondents were reluctant to participate, due to their busy schedules. During the

research process, the researcher was always asked to return the following day, which consumed much of the researcher's time. Consequently it took almost a year for the researcher to collect data from both countries. However, the quality of the information has not been affected by the limitations and the research still has its validity.

Further research to obtain a better perspective of the influence of the public and private supporting institutions on SMMEs' development could be undertaken. This study focused on only six supporting institutions in Maseru and six in Pietermaritzburg. If the in-depth research is conducted, focusing on all the available supporting institutions, as to whether the available support programmes they offer are appropriate, a clear picture of how programmes are implemented and accepted could be revealed. Both economies have established a number of institutions to assist in the development of SMMEs. Opinions from these supporting institutions could provide an insight as to whether they are able to contribute to the development of SMMEs or not. It is perceived that this could also assist even the SMMEs' owners in rural areas to know about the assistance provided by these institutions, above all, make use of such assistance. Furthermore, the policy makers during their policy formulation, could be able to formulate easily implementable policies.

5.14 Summary

This chapter dealt with the research design, research approaches/paradigms, study site, target population, sampling strategies, sample size, sample, data collection methods which included interviews and questionnaires, data quality control, qualitative and quantitative data analyses, ethical considerations and the limitations of the study.

The study used both exploratory and descriptive research designs. The reason for mixing the two research designs was to have a greater validity, and confirm if responses from both designs do match. This study was conducted in both Lesotho and SA. The target population comprised the supporting institutions and SMMEs' owners. The study used both the non-probability and probability sampling methods. Furthermore, the data were collected using research instruments such as interviews and questionnaires. Validity and reliability of the questions were tested using factor analysis and Cronbach's alpha. Data were analysed using NVivo 10 for Windows and SPSS for Windows, Version 22. Moreover, ethical considerations involved in this study and the limitations of this study were discussed. The next chapter presents the findings of this study.

CHAPTER SIX: QUALITATIVE DATA PRESENTATION

6.1 Introduction

The methodology used in this research was discussed in the previous chapter. This Chapter reports the findings from the qualitative data collection. As mentioned in chapter 5, interviewees were assigned a reference code for ease of referencing in this and subsequent chapter(s). Firstly the chapter delineates the research objectives and questions that guide this study. It subsequently introduces the demographics of the respondents and further presents their perceptions according to each research question. Thus, the role these supporting institutions play on SMMEs' start-up and growth phases are discussed. The relevance of training and ease or difficulty of access to services provided by the supporting institutions, more especially finances, are presented. Furthermore, the level of satisfaction by SMMEs' owner-managers in relation to services offered by supporting institutions is discussed. The findings from this chapter will be combined in Chapter 8 with survey responses (from Chapter 7) to provide an enhanced view of the role of the supporting institutions at the start-up and growth of SMMEs.

6.2 Research objectives and questions

The study was supported by the research objectives which are in line with the research questions. The qualitative data presentation of each research objective or question, is done in the following sections.

Research objective: To ascertain the existing supporting institutions meant to develop SMMEs.

Research question: What are the existing supporting institutions that have been put in place in developing SMMEs?

This objective has been reviewed and assessed in the literature review section of this thesis. Both Lesotho and SA have established public and private supporting institutions in the quest to develop the SMME sector. These governments even set aside budgets for the fiscal year specifically for this purpose. These institutions have different mandates but are working towards one goal of achieving economic growth. Lesotho and SA consider the development of SMMEs essential to assist in achieving this goal. However, some obstacles such as access to finance still exist in both countries. This impacts negatively on entrepreneurs, as they start businesses but such businesses are unable to grow sustainably. It is important to investigate the existing supporting institutions

in both countries, as it is perceived that some SMMEs might be closing down at an early stage because they are not aware of the available institutions meant to develop them.

Research objective: To determine the role of the supporting institutions on SMMEs' start-up

Research question: What is the role of supporting institutions on SMMEs' start-up?

Lesotho and SA have taken initiatives to develop the SMME sector which has been reviewed in the literature. For instance, both public and private supporting institutions have been established to assist in SMMEs' development. However, despite the efforts these governments have taken, some SMMEs might still find the business environment not conducive to favour businesses, while others find it suitable. Therefore, it is necessary to assess the frequency, ease or difficulty of accessing services from the supporting institutions, which in turn will determine whether the role the supporting institutions play encourages or hinders SMMEs' start-up.

Research objective: To determine the extent to which the supporting institutions influence sustainable growth of SMMEs

Research question: What is the role of supporting institutions on sustainable growth of SMMEs?

There are supporting institutions established to help SMMEs to grow sustainably, however, as it has been a point of interest in this study, it is perceived these institutions are unable to accomplish their goal. It is possible for micro enterprises to graduate to small enterprises and ultimately to medium enterprises, however, in some cases these enterprises do not even graduate to the next level, instead they close down at an early stage. Governments set small business policies to develop these enterprises, but as already mentioned it is not always the case. It is therefore, necessary to determine whether SMMEs only graduate from inception to survival, to growth, to expansion, or to maturity (Chetty, 2009:254).

Research objective: To assess if relevant training is given to SMMEs'-owners by the supporting institutions

Research question: Do the supporting institutions provide relevant training to SMMEs?

This objective has been reviewed and assessed in the literature review section of this thesis. As mentioned earlier governments even set aside budgets for the training of entrepreneurs. Business Development Service providers are expected to equip entrepreneurs with the necessary training.

It is perceived that a proper training needs analysis has to be done before training commences. After the training, entrepreneurs are expected to be able to prepare business plans that would enable them to obtain start-up funding, and to have acquired business management skills that will assist them in running their businesses. Therefore, it is essential to assess if SMMEs' owners are provided with the relevant training at different phases.

Research objective: To measure the ease of access to supporting institutions' finances by SMMEs

Research question: How accessible are supporting institutions' finances by SMMEs?

This objective was achieved through a detailed analysis of secondary data. It is perceived that finance contributes in the start-up, survival, growth, expansion and sustainable maturity of the business. Without sufficient funds SMMEs struggle to grow to the expected level. In an attempt to improve the overall economic environment in both economies, these governments have established financial institutions in an effort to develop the SMME sector. However, SMMEs' owners still find accessibility to finance as a huge challenge. It is also perceived that high interest rates, collateral requirements and absence of a lease are barriers to funding. The inaccessibility of funds impacts negatively on SMMEs, as they close down early because they are unable to grow sustainably.

Research objective: To assess if SMMEs' owners are satisfied with the services provided by supporting institutions

Research question: Are SMMEs' owners satisfied with the services provided by supporting institutions?

This objective was achieved through a detailed analysis of primary and secondary data. There are existing supporting institutions which are perceived to be well established. They provide necessary services to SMMEs' owners, however, their effort is frequently questioned. It is crucial to assess if SMMEs' owners are satisfied with the services provided by supporting institutions, so that services are not just continually provided yet they are not meaningful to the recipients or beneficiaries. Amongst others, the satisfaction of the SMMEs' owners can be measured by the demand for further service provision and paying back the borrowed money from the financial institutions on time.

6.3 Supporting institutions

6.3.1 Demographics of interviewees

In Maseru six supporting institutions that were interviewed comprised both public and private institutions. The interviewees from these supporting institutions were five males and a female. These institutions were: Basotho Enterprise Development Cooperation (BEDCO) which is a parastatal, SMME Support Network-Lesotho which is a private institution, Lesotho Post Bank which is a public institution, Lesotho Chamber of Commerce and Industry (LCCI) which is a private institution, Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) which is also a public institution, and Private Sector Foundation of Lesotho (PSFL) which is a private institution.

On the other hand, six public and private supporting institutions were interviewed in Pietermaritzburg. The interviewees comprised of three males and three females. These institutions include: Small Enterprise Development Agency (SEDA) which falls under public institutions, Msunduzi Municipality which is also a public organisation, Absa Small Enterprise Development which is a private entity, Department of Economic Development, Tourism and Environmental Affairs (DEDTEA) which falls under public organisations, Business Support Centre (BSC) which is a private agency and Pietermaritzburg Chamber of Business (PCB) which is also a private agency.

There are still many other public and private supporting institutions established to develop SMMEs in both locations. The above-mentioned are the supporting institutions with which the researcher had set up appointments and interviewed as they are popular institutions and could be easily reached by the researcher.

The following sub-section lists other existing institutions in both locations.

6.3.1.1 Other institutions and services they provide

In Maseru and Pietermaritzburg, there are public and private supporting institutions established to develop the SMME sector. This is done to equip SMMEs' owner-managers with the necessary skills to contribute to the daily operation and sustainable growth of their businesses. When interviewees were asked to mention other existing public and private supporting institutions in Maseru that are established to develop MSMEs, they mentioned the following institutions:

“Lesotho National Development Corporation (LNDC), Lesotho Enterprise Assistance Program (LEAP), Moliko Micro-Credit Trust, Support for Financial Inclusion in Lesotho (SUFIL), Rural Financial Intermediation Programme (RUFIP), Ministry of Gender and Youth, Sports and Recreation (MGYSR), Lesotho Tourism Development Corporation (LTDC), United Nations (UN), Public Sector Development Competitiveness Project (PSDCP), Partial Credit Guarantee Scheme (PCG), Bodiba Cooperative Bank, Standard Bank, Care and Maluti Mountain Brewery” (Interveners, in-depth interview, 2015).

Services provided by the above-mentioned supporting institutions are as follows:

“There are non-financial institutions that provide business development services or technical support to MSMEs. The MGYSR assists youth in starting and improving businesses through trainings. LTDC, helps artisans’ businesses to grow into big businesses. LNDC and PCG help MSMEs in terms of collateral or security. There are also formal and informal financial institutions that provide MSMEs with financial assistance. Moliko Micro-Credit Trust, for instance, provides financial assistance to youth trained by MGYSR. These youth pay back the soft loans in instalments at the low interest rate charged at 3%. While PSDCP mainly supports MSMEs with finances. PSDCP takes 80 – 20%, MSMEs remain with 20%. SUFIL mainly strengthens the MSME sector financially” (Intervener1, in-depth interview, 2015).

On the other hand, participants interviewed in the public and private supporting institutions in Pietermaritzburg mentioned the following institutions as other supporting institutions established to develop SMMEs:

“National Youth Development Agency (NYDA), Small Enterprise Finance Agency (SEFA), National Empowerment Fund (NEF), Ithala and individually owned service providers” (Interveners, in-depth interview, 2015).

One of the participants gave a brief discussion of the services provided by the above-mentioned supporting institutions:

“The role NYDA plays is to grant micro finance and non-financial business development support to young entrepreneurs. On the other hand, Ithala provides

financial services to SMMEs. Furthermore, SEFA provides short and long-term loans to entrepreneurs. While NEF promotes and facilitates black economic participation by providing financial and non-financial support to black empowered businesses, and also promotes a culture of savings and investment among black people” (Intervener 2, in-depth interview, 2015).

6.3.2 Influence of supporting institutions on SMMEs start-up

6.3.2.1 Assistance provided and procedures to follow

This answers research question 2. Interviewed supporting institutions in Maseru provide assistance such as incubation services, assistance in germinating business ideas, develop business plans, start-up capital, counselling, business advisory services, advocacy, capacity building, training opportunities, mentoring and coaching to MSMEs at the start-up stage (Interveners 1, 1a, 1b, 1c, 1d and 1e, in-depth interview, 2015).

“BEDCO provides amongst others, incubation services to MSMEs. That is, BEDCO assesses the prospective entrepreneur if he has an entrepreneurial spirit. If it is realised that such an entrepreneur lacks entrepreneurial skills, he is assisted in developing such skills. Having the necessary skills assists entrepreneurs to be sustainable. BEDCO also helps entrepreneurs to germinate (develop) business ideas. For entrepreneurs who already have ideas, they present such ideas to BEDCO for evaluation. In addition, BEDCO helps MSMEs to develop business models and business plans. Apart from that, BEDCO provides businesses with training and management of books. Our training is designed in three manuals: start your business; operate your business effectively; and grow your business. Furthermore, BEDCO offers mentoring and coaching services to MSMEs. For instance, BEDCO helps businesses to choose mentors after training or BEDCO delegates mentors for the MSMEs. Then BEDCO, entrepreneur and the mentor (who has skills for operating a real business) operate as a tripartite in assisting the concerned entrepreneur. BEDCO does not offer non-financial assistance only, moreover, soft loans are also offered by BEDCO to entrepreneurs” (Intervener 1, in-depth interview, 2015).

The intervener from BEDCO further claims that, for MSMEs to access assistance from BEDCO, they go to BEDCO’s website and register online. Once registered, they can put up their queries then BEDCO promptly responds. However, this is limited to entrepreneurs who have access to the Internet. To enable entrepreneurs who do not have access to the Internet to access services

from BEDCO, northern and southern regional offices are opened, where entrepreneurs are provided with necessary assistance. There is a marketing and communications department which organises MSMEs summits where entrepreneurs say their views and BEDCO addresses such opinions (Intervener 1, in-depth interview, 2015).

The SMME Support Network-Lesotho as one of the interviewed supporting institution in Maseru, provides consultancy services to MSMEs, that is, information, counselling and advisory services. SMME Support Network-Lesotho also provides some training at a start-up phase. To access assistance from SMME Support Network-Lesotho, entrepreneurs just walk-in through referrals or having read newsletters. There are no formal procedures to be followed when accessing services provided (Intervener 1a, in-depth interview, 2015).

The Lesotho Post Bank supports MSMEs financially with start-up capital. Entrepreneurs just come to Post Bank for consultation, and they are made aware of the requirements in place. For instance, financial statements, business plan, resolution to borrow, options of the collateral that they may provide and so on (Intervener 1b, in-depth interview, 2015).

The other interviewed supporting institution is LCCI. This institution (LCCI) is also known as a Chamber and assists MSMEs mainly with advocacy. The LCCI also has associates members, who mainly support MSMEs with any kind of assistance needed. The Chamber is in a relationship with the existing supporting institutions in Lesotho, if for instance, MSMEs need training, the Chamber connects MSMEs with the relevant supporting institutions for training assistance. To access services from LCCI, one has to be a member of the Chamber (Intervener 1c, in-depth interview, 2015).

The MTICM (also known as the Ministry of Trade) assists MSMEs with compliance issues. The Ministry encourages entrepreneurs to register their businesses and operate formally. Entrepreneurs are provided with manuals that offer information as to how to start their own businesses. However, this does not mean that MTICM offers training. To access assistance from the MTICM, entrepreneurs do not have to come to the Ministry. If they have access to the Internet, they can access the necessary information through a Trade portal, put together the necessary documents and register online (Intervener 1d, in-depth interview, 2015).

The last interviewed supporting institution was PSFL. This institution assists MSMEs with development advocacy and start-up training. First and foremost, entrepreneurs have to be members of PSFL for them to access assistance (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg:

“SEDA offers various forms of non-financial assistance, mainly promotion of entrepreneurship, through company registration, assistance to access the market, and assistance with training opportunities, just to mention a few. Training workshops on how to start and manage your business, are provided for potential entrepreneurs. In addition, SEDA assists entrepreneurs in accessing funds. However, SEDA does not offer funding, but links the entrepreneurs with the relevant financial institutions. To access SEDA’s services, an entrepreneur has to be a registered member” (Interview 2, in-depth interview, 2015).

The other supporting institution interviewed is the Msunduzi Municipality. The Msunduzi Municipality works together with other institutions like SEDA and DEDTEA to create a conducive business environment in which SMMEs can operate (Intervener 2a, in-depth interview, 2015). The Municipality provides non-financial support to SMMEs, for example, through the delivery of necessary information. Normally the Municipality is approached by people who want to start businesses with no knowledge of running a business. The Municipality links such potential entrepreneurs with relevant institutions or stakeholders to equip them with the necessary information. For instance, the Municipality links SMMEs with the South African Revenue Service (SARS) concerning tax compliances. Furthermore, if the potential entrepreneur falls under the age group of 35 years, he is referred to NYDA for assistance. However, businesses already in operation also come back to the Municipality looking for assistance such as funding. Such entrepreneurs are referred to the funders, such as Industrial Development Corporation and SEFA in Durban. There are no procedures to follow if entrepreneurs want to access assistance from the Municipality. Entrepreneurs just walk in and are referred to relevant institutions as mentioned earlier (Intervener 2a, in-depth interview, 2015).

The other interviewed institution is Absa Small Enterprise Development which assists entrepreneurs financially and with network support. Also basic training is offered, where entrepreneurs are equipped in how to start their businesses, and how to identify their prospective customers. Furthermore, Absa assists entrepreneurs in registering their businesses to operate formally. There are no procedures to follow, entrepreneurs just walk in for assistance, which they then get (Intervener 2b, in-depth interview, 2015).

Amongst the interviewed institutions in Pietermaritzburg, is DEDTEA. This institution provides non-financial support to SMMEs. The support provided includes, company registration, capacity building, training, access to market, and linkage of SMMEs with the relevant supporting

institutions. For instance, SMMEs are linked with financial institutions for access to finance. There are no strict procedures to follow, SMMEs just walk-in or come through referrals, then they are assisted (Intervener 2c, in-depth interview, 2015).

Participants in the Business Support Centre as one of the institutions where the interviews were conducted, give support to SMMEs in the form of back office support, that is, administration work, bookkeeping, and all human resource services. The BSC makes sure that entrepreneurs comply with all statutory legislation, makes sure that entrepreneurs pay a correct statutory rate for their sector, and BSC also creates a market for SMMEs. There are no procedures to follow, SMMEs just walk-in and they are served (Intervener 2d, in-depth interview, 2015).

The other supporting institution where interviews were conducted is PCB (also referred to as a Chamber). This institution works with businesses that are already operational, therefore, there is no assistance offered to businesses at the start-up phase. The Chamber does not have a desk to assist start-up as they only deal with already existing businesses. This institution advertises in the media, provides many networking opportunities and runs many calendar events, however, this is for already existing businesses (Intervener 2e, in-depth interview, 2015).

The following section presents the challenges with which supporting institutions are faced.

6.3.2.2 Challenges and how to address them

This part also answers research question 2. In Maseru, direct quotes from BEDCO as one of the supporting institutions, where interviews were conducted are displayed below:

“BEDCO is mainly faced with the challenge of lack of funds for start-up business. To address this challenge of lack of funds, BEDCO has signed a memorandum of understanding with the Lesotho Highlands Development Authority (LHDA). Basotho Enterprise Development Corporation is also in a process of opening customer care line as to easily address queries raised by the entrepreneurs” (Intervener 1, in-depth interview, 2015).

When entrepreneurs want to attend training offered by SMME Support Network-Lesotho, it becomes a challenge, because SMME Support Network-Lesotho does not offer free training. There is a certain number for whom SMME Support Network-Lesotho conducts training which cannot be for an individual or just two, three people, and it has to be paid for. Entrepreneurs have

to pay for training and it seems very expensive for them (Intervener 1a, in-depth interview, 2015). The other challenge is, SMME Support Network-Lesotho's clients basically do not know what they want (they lack knowledge). Their lack of knowledge even affects solution process to be longer, as one assumes this is what the client is looking for, only to find that the client is looking for something else. It is quite a widespread cultural issue that needs SMME Support Network-Lesotho to influence entrepreneurs' understanding to some extent, through counselling and advisory services (Intervener 1a, in-depth interview, 2015).

The challenge that the Lesotho Post Bank raised, is the level of skills entrepreneurs have. The Lesotho Post Bank attests that, entrepreneurs sometimes run businesses without keeping records. They insisted it is advisable that entrepreneurs associate themselves with institutions such as BEDCO which equips entrepreneurs with the necessary skills as to how to run their businesses (Intervener 1b, in-depth interview, 2015).

What the Chamber finds to be a challenge is the fact that the Chamber only assists its members. If one needs assistance and one is not a member, it is impossible for the Chamber to intervene. Since the Chamber is playing the advocacy role, they sometimes encounter problems such as delays in amendments of regulations that the Chamber recommended that need to be reviewed. For instance, 1984 regulations are still operational in Lesotho, and this creates an unfavourable environment for MSMEs. The Chamber perceives that working with other stakeholders might assist in addressing the challenges they are facing (Intervener 1c, in-depth interview, 2015).

It was mentioned earlier that entrepreneurs have an opportunity to register online with the Ministry of Trade. Registering online however, is a challenge to most of the MTICM clients who are computer illiterate (Intervener 1d, in-depth interview, 2015). The other challenge is with the entrepreneurs in the rural areas, as some of the services are centralised which makes it difficult for entrepreneurs in the rural areas to access some of the services that entrepreneurs in the urban area are able to access. To address these challenges, it is necessary that entrepreneurs are capacitated so that they acquire computer skills. Furthermore, there should be promotion over radio and television continuously about the services MTICM provides. Moreover, these services have to be decentralised to enable all the users to easily access such services regardless of their location (Intervener 1d, in-depth interview, 2015).

When addressing these questions, PSFL argued that normally implementation of the decisions reached at their Business Council is a challenge. It was suggested that every concern raised at the business council has to simply be addressed so that in the next meeting feedback can be given (Intervener 1e, in-depth interview, 2015).

In contrast, in Pietermaritzburg, some of the challenges SEDA is facing when providing services to SMMEs are:

“Challenges that SEDA is faced with are as follows, shortage of staff that are qualified in business advisory field; lack of funds; entrepreneurs’ lack of knowledge. Recruiting such advisors internally takes long. So being government sponsored agency is a challenge, as the budget sometimes runs out. Lacking funds hinders SEDA from doing what is supposed to be done at that particular moment. Some entrepreneurs got into business just for survival, this is also a challenge as the business environment needs passionate entrepreneurs who will base themselves on the trend, and try to cope with the dynamics of the business world. To address the aforementioned challenges, SEDA needs to consider budget issues and variations such as seasonal businesses. For instance, if in the first six months, R200 000 was spent, that does not mean even in the next six months the amount to spend will be the same. Business advisors should be hired as they will equip SMMEs with the understanding of what an entrepreneur is, and how to deal with the dynamics of the business world” (Intervener 2, in-depth interview, 2015).

There is a shortage of staff in the SMME unit (Msunduzi Municipality). This hinders SMMEs’ owners, as they come for services, and at times there is no one available to assist. This challenge according to Intervener 2a (2015) could be addressed through good communication between internal and external departments. This might assist in internal quality service provided to SMMEs, it might also make it easier for the Municipality to refer entrepreneurs to the external departments (Intervener 2a, in-depth interview, 2015). Absa’s response was, SMMEs in the start-up phase are very inexperienced compared to the well established businesses, so Absa has the challenge of networking with SMMEs at the start-up phase which is not easy. Absa suggested that provision of extensive training programmes, such as mentorship programmes, would greatly assist in filling the gap between the start-up and well established businesses (Intervener 2b, in-depth interview, 2015).

There is an internal challenge at DEDTEA when SMMEs come for services, as they are not assisted by one section and entrepreneurs’ requests have to go through many desks. Frequently, officials take their time to do their part, which presents a challenge to both the client and other colleagues. To deal with this internal challenge is very tricky as it is not easy to tell the officials how to go about their business (Intervener 2c, in-depth interview, 2015). The Business Support Centre believed, they are not faced with any challenges when providing services to SMMEs, therefore, there are no challenges to be addressed (Intervener 2d, in-depth interview, 2015). The

Pietermaritzburg Chamber of Business also mentioned that they encounter no challenges at start-up level. Therefore, from the perspective of PCB, there are no challenges to address (Intervener 2e, in-depth interview, 2015). This claim can be compared with the SMME data. Renawat and Tiwari (2009:16), declared that, mostly at start-up stage, businesses are faced with numerous challenges, which call for attention by supporting institutions.

6.3.3 Sustainable growth

6.3.3.1 Assistance to growth and awareness of growth programmes

This answers research question 3 of this study. In Maseru, this interviewee said:

“BEDCO helps businesses to grow, by putting more emphasis on entrepreneurial skills. BEDCO uses start, operate and grow manuals to assist MSMEs to grow. Some of the entrepreneurs are aware of the development programmes designed for their growth” (Intervener 1, in-depth interview, 2015).

To help MSMEs to grow, SMME Support Network-Lesotho provides more training to the existing MSMEs. Most of the MSMEs are aware of the development programmes designed for their growth (Intervener 1a, in-depth interview, 2015). The Lesotho Post Bank assists MSMEs with working capital and monitors them intermittently to make sure that they grow, and continue with their operations. In Maseru for example, MSMEs are all aware of the development programmes designed for their growth. However, in the districts where information is not easily distributed, the challenge is that they are not all aware (Intervener 1b, in-depth interview, 2015). The Chamber works together with the MTICM to help MSMEs to grow. They do this through suggesting amendments on laws, regulations and policies that contribute to MSMEs’ growth. However, the Chamber still encounters difficulties in this area, as their recommendations have not been implemented as yet. The Chamber claimed that, MSMEs, especially the members of the Chamber are aware of the services meant to assist them to grow (Intervener 1c, in-depth interview, 2015).

According to Intervener 1d, in-depth interview, (2015), there is the UNIDO project under the MTICM, which assists MSMEs with the adoption of modern technology. Modern technology according to Intervener 1d, (2015), assists MSMEs to grow as business technology plays a large role in business development. A business can use technology to gain competitive advantage. With good implementation and management of technology, a business can improve its services and

production which satisfies its customers and increases on its profit margin. Also businesses use technology to reduce costs of operation and improve on the quality of service and products.

The LEAP project under the Ministry also provides 50 million partial guarantees which assists MSMEs that do not have collateral. The Ministry agreed that MSMEs are aware of the development programmes designed for their growth (Intervener 1d, in-depth interview, 2015). The last interviewee, at PSFL said, its members equip each other as to how to improve their businesses. This institution at its advocacy level, has proposed to the policy makers that the government also fund MSMEs in order for them to grow. Currently, MSMEs do depend on commercial banks alone for funding. Members of PSFL are aware of the initiatives this institution is taking, as they are always updated during their meetings (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg, a participant from SEDA gave the following response:

“We assist already existing SMMEs by enhancing their competitiveness. To help SMMEs to grow, SEDA also intervene by conducting an assessment after six months of training (first intervention). SEDA looks for the gaps if there is any, and suggests what the entrepreneurs could do. For instance, if the issue is the expansion of the business, SEDA links the entrepreneur with the funding institution. Some SMMEs are aware of the development programmes designed for their growth, some are not” (Intervener 2, in-depth interview, 2015).

To assist in business growth, the Municipality creates business linkages between SMMEs and relevant institutions. For instance, institutions that assist SMMEs with business advisory services and mentoring and coaching programmes are connected with SMMEs to assist them grow. The Municipality conducts outreach programmes so as to create awareness of their services to the public, therefore, SMMEs are aware of the development programmes offered (Intervener 2a, in-depth interview, 2015).

Absa encourages businesses that want to go to the next level, to study their current situation and helps them to plan their future. This strategy assists SMMEs to grow. Absa confirmed that SMMEs are aware of the development programmes designed for their growth (Intervener 2b, in-depth interview, 2015). The DEDTEA uses four pillars to help SMMEs to grow. These are: capacity building, for instance, DEDTEA links SMMEs with SEDA for management training, assistance with access to markets, district company registration and assistance to access to finance. SMMEs are aware of the development programmes available, as DEDTEA holds

workshops giving information on the programmes offered (these workshops are called information days) (Intervener 2c, in-depth interview, 2015).

The Business Support Centre links SMMEs with experts as mentioned earlier. Growth for business is done through business linkages, which assists businesses with growing their market and generating more income, which eventually enables them to establish more businesses. Growth for individual entrepreneurs is done through mentoring, coaching and training, which BSC does not do. Members for BSC are aware of the programmes designed for their growth, however, for other SMMEs, BSC is not sure whether they are aware of the programmes designed for small business growth or not (Intervener 2d, in-depth interview, 2015). The Pietermaritzburg Chamber of Business helps SMMEs to grow through providing them with networking support and training opportunities. Networking support assists SMMEs with learning opportunities from their counterparts. The Chamber agrees that most of the SMMEs are aware of the development programmes designed for their growth (Intervener 2e, in-depth interview, 2015).

6.3.3.2 Assistance to sustainability and sustainability programmes

This sub-section answers research question 3 of this study. In Maseru, for MSMEs to be sustainable, participants who were interviewed from the supporting institution indicated that:

“BEDCO offers networking support so that MSMEs are not alone. Mentors that are experienced in business are invited to assist MSMEs. As mentioned earlier, these mentors work together with MSMEs and BEDCO to ensure the sustainability of MSMEs. We also arrange trade fares for businesses to learn from other entrepreneurs with expertise. However, not all of the entrepreneurs are aware of the development programmes designed for their sustainability. Therefore, we are still launching campaigns so that people are made aware” (Intervener 1, in-depth interview, 2015).

It has been realised by SMME Support Network-Lesotho that due to the nature of the sector, entrepreneurs are forced into the business world instead of being attracted to it. More often than not, entrepreneurs establish businesses to sustain their lives (meaning for survival). Money comes in and it is spent on other things that are not business related. For this reason, SMME Support Network-Lesotho offers advanced training programmes to existing businesses to assist them to be sustainable. However, MSMEs are not aware of the development programmes designed for their sustainability (Intervener 1a, in-depth interview, 2015).

The Lesotho Post Bank provides additional financial assistance to entrepreneurs who come and ask for assistance, and continues to monitor MSMEs to help them to be sustainable. The Lesotho Post Bank confirms that in Maseru, MSMEs are all aware of the development programmes designed for their sustainability, however, in rural areas, it is still a challenge (Intervener 1b, in-depth interview, 2015). The Lesotho Chamber of Commerce and Industry has networked with various supporting institutions to assist MSMEs to be sustainable. That is, where the Chamber is unable to assist MSMEs, they refer them to the relevant institutions that the Chamber is in relationships with. The Chamber declared that its members are aware of the development programmes designed for their sustainability, and it is easy to refer them to the relevant institutions due to relationships the Chamber has with such institutions (Intervener 1c, in-depth interview, 2015).

The modern technology provided by the UNIDO project under the MTICM, also assists MSMEs to be sustainable, and MSMEs are already aware of this (Intervener 1d, in-depth interview, 2015). The Private Sector Foundation of Lesotho is in the process of capacitating MSMEs to be sustainable, and MSMEs are aware of this (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg, one of the participants who were interviewed at a supporting institution said:

“Small Enterprise Development Agency offers relevant training to SMMEs, links them with necessary organisations and frequently makes follow-up. All this is done to help SMMEs to be sustainable. Entrepreneurs are aware of the development programmes SEDA has designed for their sustainability, as SEDA mostly runs workshops and advertises provided services on popular newspapers” (Intervener 2, in-depth interview, 2015).

The Municipality links entrepreneurs with the relevant stakeholders with the aim of helping SMMEs to be sustainable. These stakeholders hold workshops for the SMMEs and give them the background and challenges that entrepreneurs may encounter when running their businesses. The Municipality proclaims that SMMEs are aware of the programmes designed to help them to be sustainable (Intervener 2a, in-depth interview, 2015).

Absa offers training and finances for SMMEs to be sustainable. Training and finances that are offered with less restrictions enable SMMEs to cope with the rapidly changing business environment. Absa announced that SMMEs even return to Absa for more assistance and clarity.

According to Absa, SMMEs are aware of the development programme designed for their sustainability (Intervener 2b, in-depth interview, 2015). The Department of Economic Development normally invites experts in sustainability areas to train SMMEs. Therefore, SMMEs are aware of the development programmes designed for their sustainability (Intervener 2c, in-depth interview, 2015).

Through linking SMMEs with well established businesses, BSC helps SMMEs to be sustainable. In terms of awareness, SMMEs can tell whether they are aware of the programmes BSC offers for their sustainability or not (Intervener 2d, in-depth interview, 2015). The Pietermaritzburg Chamber of Business posits that linking or networking SMMEs with the entrepreneurs who have been long in the field, helps SMMEs to be sustainable, as they learn from one another. Small businesses are aware of the development programmes PCB designed for their sustainability (Intervener 2e, in-depth interview, 2015).

6.3.4 Relevant training

6.3.4.1 Training given and its relevance

The responses to research question 4 of this study are as follows: in Maseru, BEDCO provides entrepreneurship development training to MSMEs.

“The type of training BEDCO provides to MSMEs is entrepreneurship development training. We start from germination of business plan, to management aspects such as marketing. We also provide technical training. We have drawn an incubation model in such a way that it matches the stage that the venture is in, and the capability of the entrepreneurs. This model is in three phases: pre-incubation; real-incubation; and post-incubation. Above all we do training needs assessment/analysis (TNA)”
(Intervener 1, in-depth interview, 2015).

SMME Support Network-Lesotho provides entrepreneurship, management and financial literacy. Aspects of business management such as business plan and business finance are taken into consideration. As was mentioned earlier that MSMEs do not know exactly what they need, SMME Support Network-Lesotho conducts a training needs analysis that assists in training needs of the particular MSMEs (Intervener 1a, in-depth interview, 2015).

The Lesotho Post Bank does not provide training as such, however, MSMEs are monitored from start-up to growth phases (Intervener 1b, in-depth interview, 2015). The Lesotho Chamber of

Commerce and Industry does not provide training for MSMEs but links MSMEs with relevant training institutions (Intervener 1c, in-depth interview, 2015). The Ministry of Trade does not offer training as such, however, MTICM facilitates by connecting MSMEs with relevant supporting institutions with expertise (Intervener 1d, in-depth interview, 2015). Members of PSFL provide business management training to their fellow MSMEs, using start and improve your business International Labour Organisation (ILO) manuals. However, according to the interviewee at PSFL, in Lesotho the training is tailor-made not like in SA where they provide specialised skills/training (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg, SEDA said each phase is separately dealt with.

“Basic training is provided at the start-up phase, this includes marketing skills and financial management. At the growth phase, each entrepreneur is assessed, and if there is a gap, then entrepreneurs are trained according to their needs” (Intervener 2, in-depth interview, 2015).

While the Municipality purported that training is not done by them *per se*, however, the Municipality links the SMMEs with relevant institutions or stakeholders to equip SMMEs’ owners with necessary skills at both start-up and growth phases. To make sure that the training provided is relevant, SMMEs are grouped into start-up and growth phases, so that each group’s needs are met (Intervener 2a, in-depth interview, 2015).

Absa trains SMMEs to compete and be ready for the normal banking world. This assists small businesses to contribute to the country’s economy. Training at the start-up level is more on how to start a business, while the one for already existing businesses is on how to improve or promote their businesses to the next level. Absa does not encourage one-size-fits-all training and encourages specific training, for instance, clients with bottle stores are grouped together and trained on how to run a tavern (Intervener 2b, in-depth interview, 2015).

DEDTEA holds pre-finance training for SMMEs at the start-up and growth phases. For SMMEs to attend training, they have to go through a selection process that DEDTEA applies. After following the selection criteria, DEDTEA decides on who qualifies for training and the type of training needed (Intervener 2c, in-depth interview, 2015). The role BSC plays in SMMEs development was discussed in the previous section. It is clearly stated that BSC does not provide training, therefore, section D is not applicable (Intervener 2d, in-depth interview, 2015). The Pietermaritzburg Chamber of Business provides all types of training needed by SMMEs. If an

SMME employs a receptionist for instance, PCB provides the employee with the necessary skills on how to answer the phone, and so on (Intervener 2e, in-depth interview, 2015).

6.3.4.2 Training programmes and trained trainers

When responding to research question 4, one of the interviewees in Maseru said:

“Basotho Enterprise Development Corporation provides pre-start-up and post-start-up training programmes, using incubation model that matches the stage that the venture is in. We have in-house trainers, and trained consultants from outside to manage the diversity of our clients” (Intervener 1, in-depth interview, 2015).

On the other hand, SMME Support Network-Lesotho provides pre-start-up to some extent (entrepreneurship), and post-start-up training programmes (management) is provided fully to already existing businesses. The interviewee demonstrated that trainers from SMME Support Network-Lesotho are well trained and are flexible. For example, where trainers have to conduct training in home language (Sesotho), they do so (Intervener 1a, in-depth interview, 2015).

The Lesotho Post Bank does not offer training. The marketing section advertises services provided by the Lesotho Post Bank to MSMEs, and they equip SMMEs with some necessary information. MSMEs are guided with necessary information by trained Lesotho Post Bank staff (Intervener 1b, in-depth interview, 2015). The Chamber does not offer training however, the members that are already in business, need post-establishment training programmes, and they are normally referred to the training institutions with expertise (Intervener 1c, in-depth interview, 2015).

The Ministry of Trade as already mentioned, does not offer training programmes but links the MSMEs with the relevant supporting institutions which provide pre and post training. The institutions, to which MSMEs are referred, are normally well trained (Intervener 1d, in-depth interview, 2015). At PSFL, pre-and-post training is provided, as ILO manuals provide lessons on how to start and improve your business. These trainers are master trainers who even use a Sesotho edition where necessary to manage the diversity of PSFL clients (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg, SEDA offers both pre and post-establishment training.

“We offer both pre-establishment and post-establishment training programmes. Internal trainers at SEDA are well trained, and if there is a need, SEDA outsource trainers who will provide relevant training” (Intervener 2, in-depth interview, 2015).

The Municipality’s clients are provided with both pre and post establishment training programmes, by the supporting institutions with which the Municipality links SMMEs. The Municipality makes sure that SMMEs are linked with well-trained established stakeholders to train the SMMEs (Intervener 1a, in-depth interview, 2015).

Absa links SMMEs with well-trained trainers who provide such SMMEs with both pre and post-establishment training (Intervener 2b, in-depth interview, 2015). In addition, DEDTEA invites SEDA to offer the pre and post-establishment training programmes. These outsourced facilitators are well trained to focus on the DEDTEA target market (Intervener 2c, in-depth interview, 2015). Furthermore, BSC does not provide training, therefore, section D is not applicable. The PCB refers SMMEs to SEDA concerning the pre-establishment training (Intervener 2d, in-depth interview, 2015). The Chamber only does the post-establishment training as it deals with already existing businesses. The interviewee proved that PCB trainers are well trained (Intervener 2e, in-depth interview, 2015).

6.3.5 Ease of access to finance

6.3.5.1 Number of offices and their locations

This sub-section answers research question 5 of this study. There are financial institutions in both locations established to assist SMMEs in terms of finance. These financial institutions are located mostly in cities, however, there are still branches available in remote areas.

In Maseru, where the study was conducted, BEDCO has one office as a headquarters.

“We have one office here in Maseru, which is our headquarters. Then there are three regional offices, in the central, north and south. There are also offices in seven districts of Lesotho. These offices are estates where MSMEs are provided with a working space. Officers in these regional and districts offices, manage the estates. However, they are allowed to take any queries raised by MSMEs. Meaning BEDCO has offices in both cities and townships” (Intervener 1, in-depth interview, 2015).

There is one office for SMME Support Network-Lesotho, and it is based in Maseru the capital city (Intervener 1a, in-depth interview, 2015). The Lesotho Post Bank has thirteen branches countrywide, meaning in ten districts of Lesotho. Their offices are based both in cities and rural areas (Intervener 1b, in-depth interview, 2015). There is one Chamber office in the city of Maseru (Intervener 1c, in-depth interview, 2015). There is a MTICM headquarters office in Maseru, and branches in all the other nine districts of Lesotho (Intervener 1d, in-depth interview, 2015). At the moment, PSFL has only one office in Maseru, however, they are planning to expand to all the districts of Lesotho (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg, there are institutions that provide funding to SMMEs, and there are some supporting institutions that do not offer funds to SMMEs, but are in a position of linking SMMEs' owner-managers with the financial institutions. It is perceived that it is because these supporting institutions have realised the importance of financing SMMEs.

In Pietermaritzburg, SEDA has one office in the city of Pietermaritzburg (Intervener 2, in-depth interview, 2015). The Municipality has many offices in both cities and townships (Intervener 2a, in-depth interview, 2015). Absa has an office dealing with SMMEs in each region. Absa offices are in cities (Intervener 2b, in-depth interview, 2015).

The interviewee from DEDTEA, said:

“There is DEDTEA office in every eleven districts of KwaZulu-Natal. The offices are situated in cities, however, the department visits rural areas to make SMMEs aware of the services DEDTEA offers” (Intervener 2c, in-depth interview, 2015).

The Business Support Centre and the Chamber, each has one office in the city of Pietermaritzburg (Interveners 2d and 2e, in-depth interview, 2015).

6.3.5.2 Qualification and procedures to access funds

Research question 5 of this study is also answered by this sub-section. To qualify for the services provided by the financial institutions in both study sites, one has to be either a registered member or a willing entrepreneur.

In Maseru, BEDCO provides soft loans to MSMEs' owners, however, there is a shortage of funds at the moment to achieve their goal. The interviewee from BEDCO said:

“An application for any entrepreneur who needs BEDCO’s assistance is supported, and entrepreneurs are linked with the other providers where we cannot assist. Entrepreneurs apply, attach their business plan and submit their applications in order for them to access funding services from BEDCO” (Intervener 1, in-depth interview, 2015).

The interviewee of SMME Support Network-Lesotho stated that entrepreneurs who have enough funds to pay for SMME Support Network-Lesotho services are the ones who qualify for services provided. There are no funds offered, however, to access SMME Support Network-Lesotho services, entrepreneurs can come individually or in a group. Entrepreneurs register for training, so when the number is appropriate, the organisation continues with the training (Intervener 1a, in-depth interview, 2015).

Entrepreneurs come in for consultation, then the Lesotho Post Bank gives them the requirements’ list. If the entrepreneur satisfies all the requirements, then he is considered qualified. The appointment is set with the qualified entrepreneur, where all the necessary documents are produced, then such an entrepreneur is assisted. The Lesotho Post Bank is continuously assisting MSMEs with funds from start-up to growth phases. However, most entrepreneurs still rely on their personal savings (Intervener 1b, in-depth interview, 2015). For one to qualify for the Chamber’s services, one has to register as a member. The Chamber does not provide funds, MSMEs are only linked with the appropriate financial institutions (Intervener 1c, in-depth interview, 2015).

The Ministry of Trade does not offer funding to MSMEs. However, businesses that have been operating for at least one year, are referred to LEAP if they need financial assistance. For MSMEs to access these funds, they have to be one year old and prove that their businesses are growing (Intervener 1d, in-depth interview, 2015). To access PSFL services, one has to be a PSFL member who has registered with the Law office. Funds are not provided, however, MSMEs are referred to the relevant financial institutions after a thorough assessment of their business plans (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg, any SEDA member who needs funding assistance is referred to the appropriate financial institution.

“Any SEDA member who needs assistance with provision of funds, is normally referred to the appropriate financial institutions, as we offer no funds. There are no

procedures to follow for such entrepreneurs as SEDA does not offer funds”
(Intervener 2, in-depth interview, 2015).

The Municipality claimed that anyone who is willing and capable of starting a business, qualifies for the services that the Municipality offers. Still with funding, the Municipality does not provide any funds, however, SMMEs are linked with relevant financial institutions (Intervener 2a, in-depth interview, 2015).

Absa validated that anyone who is willing to start a business qualifies for Absa services. Such SMMEs first register with Absa, then they are assisted with any kind of assistance they need (Intervener 2b, in-depth interview, 2015). The interviewee from DEDTEA asserted that everyone who is willing to start a business qualifies for DEDTEA services. The needs of the SMMEs are firstly assessed, then they are referred to the relevant financial institutions (Intervener 2c, in-depth interview, 2015). The BSC emphasised that there is no criteria used and no procedure to follow, therefore any SMME qualifies for BSC services. However, the BSC does not provide funds (Intervener 2d, in-depth interview, 2015). On the other hand, to qualify for PCB services, the entrepreneur has to join as a member and be active in business. The Chamber is not an avenue for funding, therefore, SMMEs are referred to SEDA or BSC which will link them with the relevant financial institutions (Intervener 2e, in-depth interview, 2015).

6.3.6 Service satisfaction

6.3.6.1 Satisfaction measures and indicators

Research question 6 of this study is answered by this sub-section. The planning, monitoring and evaluation (PME) section has been established by BEDCO in Maseru to measure service satisfaction.

“Our planning, monitoring and evaluation (PME) section, assists in making a follow-up such as, are customers’ expectations met? The PME gets feedback from MSMEs, where entrepreneurs normally indicate that they are satisfied with the services provided by BEDCO” (Intervener 1, in-depth interview, 2015).

The SMME Support Network-Lesotho’s interviewee concurred that service satisfaction is measured through validation every time after training. This is to see if the training has met the expectations of the MSMEs. The implementation of what the SMME Support Network-Lesotho

has equipped entrepreneurs with, is an indication that MSMEs are satisfied with services provided to them (Intervener 1a, in-depth interview, 2015).

Entrepreneurs give their opinions about the Lesotho Post Bank services in the suggestion box. Through the feedback the Post Bank gets from their clients, they are able to generally say their clients are satisfied with their services. Referrals made by their clients indicate how much these clients are satisfied with the services the Lesotho Post Bank provides (Intervener 1b, in-depth interview, 2015). The Chamber on the other hand measures satisfaction of MSMEs by the increasing number of members. The indication that entrepreneurs are satisfied is that they always show appreciation of the services provided by the Chamber (Intervener 1c, in-depth interview, 2015).

The Ministry of Trade asserted that entrepreneurs put their views in the suggestion box and it is through these that the Ministry is able to measure the satisfaction of MSMEs. The increasing number of registered MSMEs is an indication that entrepreneurs are satisfied with the MTICM services (Intervener 1d, in-depth interview, 2015). Conversely, renewal of membership on an annual basis is a clear sign that entrepreneurs are satisfied with the services the PSFL provides. Participation of members in the exhibition indicates that MSMEs are satisfied with what the PSFL is doing (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg, SEDA conducts customer satisfaction survey to find out if SMMEs' owners received positive assistance or not.

“We measure service satisfaction by conducting customer satisfaction survey, which indicates to us as to whether SMMEs owners are satisfied or not. Entrepreneurs' opinions on how SEDA can improve are also sought from SMMEs. Customer satisfaction survey and the improvement assessment SEDA conducts, indicate that entrepreneurs are satisfied with SEDA services” (Intervener 2, in-depth interview, 2015).

Equally, the Municipality conducts monitoring and evaluation sessions where feedback from entrepreneurs about the Municipality services is received. The increasing number of SMMEs' owners that return to the Municipality for services, referral of their colleagues and letters of appreciation the Municipality receives, indicate that SMMEs' owners are satisfied with services provided to them (Intervener 2a, in-depth interview, 2015).

Absa measures SMMEs' satisfaction by their activeness, which reflects the success of Absa's intervention. Entrepreneurs' success and continuity of using Absa services indicate that SMMEs are satisfied with services provided to them (Intervener 2b, in-depth interview, 2015). By way of contrast, DEDTEA holds gatherings where they interact with entrepreneurs to find out whether they are satisfied or not about the services provided to them. There is also a survey box where SMMEs put their opinions. A monitoring and evaluation section measures the performance of the department every month. The increase in start-up and the growth of the existing businesses, is an indication that SMMEs are satisfied with the services provided to by DEDTEA (Intervener 2c, in-depth interview, 2015).

The Business Support Centre has forums where entrepreneurs express their views and from these, the BSC can determine whether SMMEs' owners are satisfied with services provided to them or not. The indication that SMMEs' owners are satisfied with the BSC services is that SMMEs' owners are continually making use of the BSC services (Intervener 2d, in-depth interview, 2015). The Chamber measures SMMEs' satisfaction through the constant use of the PCB services by the members and the rate of their businesses' growth. For them being members of the Chamber for a longer period indicates their satisfaction with the services provided to them (Intervener 2e, in-depth interview, 2015).

6.3.6.2 Prompt assistance and delivering promised support

This sub-section also answers research questions 6 of this study. In Maseru, BEDCO is willing to help MSMEs' owner-managers when they need prompt assistance. According to one participant:

“We are willing to help MSMEs owner-managers when they need prompt assistance. We are also able to perform the promised support to MSMEs dependably and accurately” (Intervener 1, in-depth interview, 2015).

Equally, SMME Support Network-Lesotho is willing to help MSMEs with prompt assistance, especially if they have funds to pay for the services. SMME Support Network-Lesotho is also able to perform the promised support to MSMEs dependably and accurately (Intervener 1a, in-depth interview, 2015).

The Lesotho Post Bank is willing to help MSMEs' owner-managers when they need prompt assistance. The Post Bank provides services to the formal and informal sectors equally, and the

institution is able to perform the promised support to MSMEs dependably and accurately (Intervener 1b, in-depth interview, 2015). On the other hand, the Chamber helps MSMEs' owner-managers when they need prompt assistance. The Chamber is able to perform the promised support to MSMEs dependably and accurately (Intervener 1c, in-depth interview, 2015). The Ministry of Trade assists MSMEs' owner-managers if they need prompt assistance. The Ministry is also dependably and accurately providing promised support to MSMEs (Intervener 1d, in-depth interview, 2015). The Private Sector Foundation of Lesotho is willing to help MSMEs' owner-managers when they need prompt assistance. To some extent, the PSFL provides promised support which is due to some limitations the PSFL still encounters (Intervener 1e, in-depth interview, 2015).

On the other hand, in Pietermaritzburg, SEDA attested that they are willing to offer prompt assistance when SMMEs' owner-managers need it.

“We are willing to promptly assist SMMEs if the need arises. Furthermore, we are able to perform the promised support to SMMEs dependably and accurately”
(Intervener 2, in-depth interview, 2015).

Similarly, the Municipality is willing to help SMMEs' owner-managers when they need prompt assistance. Not only entrepreneurs who come to the office are helped, but even the ones who are unable to come, are assisted by the Municipality who goes to their places and provide them with the necessary information they need. To some extent, however, the Municipality is trying to make use of all the available social networks so that the best quality services can be delivered to the Municipality's clients (Intervener 2a, in-depth interview, 2015).

Absa is willing to help SMMEs' owner-managers if they need prompt assistance. In addition, Absa is able to perform the promised support to SMMEs dependably and accurately (Intervener 2b, in-depth interview, 2015). Likewise, DEDTEA is willing to help SMMEs' owner-managers when they need prompt assistance. The department is also able to perform the promised support to SMMEs dependably and accurately (Intervener 2c, in-depth interview, 2015). By way of contrast, the BSC cannot say SMMEs are given prompt assistance, as it is circumstantial, and it depends on the circumstances at that time. “For instance, if we are in a meeting it would not be possible for me to walk out of the meeting and go attend to the entrepreneurs.” It is difficult to say whether we are able to perform the promised support to SMMEs dependably and accurately or not (Intervener 2d, in-depth interview, 2015). On the other hand, the PCB is willing to help SMMEs' owner-managers when they need prompt assistance. It depends on the situation and if

it is a referral the PCB can do that but they cannot provide funding (Intervener 2e, in-depth interview, 2015).

6.4 Summary

This chapter presented the results that were derived from the semi-structured interviews that were conducted with the public and private supporting institutions in Maseru and Pietermaritzburg. This chapter was divided into six sections, namely, existing supporting institutions; role of supporting institutions on SMMEs start-up; sustainable growth; relevant training; ease of access to finance; and service satisfaction.

It was found that there are existing public and private supporting institutions in both locations, established to develop the SMME sector. These institutions declared that when assisting SMMEs at the start-up phase, there are challenges they encounter. They also proclaimed that they have sustainable growth development programmes designed to assist SMMEs to sustainably grow. This was supported by the relevant trainings they offer at different stages the businesses are in. They further stated that procedures to access finances have been simplified, even though, some of them currently run short of such finances to assist entrepreneurs with. Moreover, the supporting institutions attested that the services they provide are effectively influencing the SMME sector, as entrepreneurs always indicate their satisfaction in the feedback given to the institutions.

CHAPTER SEVEN: QUANTITATIVE DATA PRESENTATION

7.1 Introduction

The qualitative data were presented in the previous chapter. The purpose of this chapter is to report the major research findings of this study. The quantitative data presentation of each research objective or question, is done in the following sections. Findings on the perceptions of SMMEs' owner-managers in both Maseru and Pietermaritzburg are presented in this chapter. The perceptions of SMMEs' owner-managers about the role the supporting institutions play on SMMEs' start-up and growth phases are also discussed. Furthermore, the perceptions of SMMEs' owner-managers concerning the ease or difficulty of access to services (training and finances) provided by the supporting institutions are also presented. Moreover, the views of SMMEs' owner-managers on satisfaction of services offered by supporting institutions are discussed. This research employs a mixed method approach, therefore, the findings from this chapter will be combined in Chapter 8 with interview responses (from Chapter 6) to provide an enhanced view of the role of the supporting institutions at the start-up and growth of SMMEs.

7.2 Quantitative data presentation

Graphical and descriptive statistics related to the primary data are provided. They present an overview of perceptions of the respondents (in this case SMMEs' owner-managers) on the influence of the public and private supporting institutions on SMMEs' development in both Maseru and Pietermaritzburg. The graphs and descriptive statistics were obtained through the use of SPSS for Windows (Version 22). The descriptive statistics reported, included the mean and standard deviation. To ensure the validity and reliability of the data in this study, Cronbach's alpha was calculated, mainly for the questions that have the same scales. Less critical tables were moved from this chapter, to appendix section (Appendix 4).

7.2.1 Reliability analysis

There is a need to ensure reliability of data as this gives the research methodology integrity. This reliability would normally be tested by repeating the same instrument at different times in order to assess whether or not the same results are achieved on both occasions. Cronbach's alpha was used as a reliability test, since according to Pallant (2007:96-98), the reliability of the questionnaire can be tested with Cronbach's alpha. Cronbach's alpha was calculated for the

questions that have the same scales and were found to be reliable. A value of 0.7 or higher is deemed to indicate good internal consistency and reliability amongst the questions (Coakes and Steed, 2003:140).

Table 7.1: Reliability analysis

Construct	Location	N	Number of questionnaire items	Cronbach's alpha	Comment
Q6. SMMEs' awareness of supporting institutions	Maseru	270	3	0.914	High internal consistency (Reliability)
	Pietermaritzburg	210		0.687	Very close to internal consistency (Reliability)
Q10. Ease of access to services from supporting institutions	Maseru	270	6	0.838	High internal consistency (Reliability)
	Pietermaritzburg	210		0.854	High internal consistency (Reliability)
Q11. Growth of SMMEs	Maseru	270	5	0.899	High internal consistency (Reliability)
	Pietermaritzburg	210		0.899	High internal consistency (Reliability)
Q12. Impact of support on growth of SMMEs	Maseru	270	6	0.957	High internal consistency (Reliability)
	Pietermaritzburg	210		0.957	High internal consistency (Reliability)
Q13. Sustainability of SMMEs	Maseru	270	6	0.991	High internal consistency (Reliability)
	Pietermaritzburg	210		0.991	High internal consistency (Reliability)
Q14. Relevance of training	Maseru	270	3	0.958	High internal consistency (Reliability)
	Pietermaritzburg	210		0.975	High internal consistency (Reliability)
Q18. Funding barriers	Maseru	270	3	0.824	High internal consistency (Reliability)
	Pietermaritzburg	210		0.840	High internal consistency (Reliability)

Construct	Location	N	Number of questionnaire items	Cronbach's alpha	Comment
Q19. Start-up barriers	Maseru	270	6	0.800	High internal consistency (Reliability)
	Pietermaritzburg	210		0.810	High internal consistency (Reliability)
Q20. Sustainability barriers	Maseru	270	6	0.816	High internal consistency (Reliability)
	Pietermaritzburg	210		0.834	High internal consistency (Reliability)
Q21. Service satisfaction	Maseru	270	13	0.953	High internal consistency (Reliability)
	Pietermaritzburg	210		0.986	High internal consistency (Reliability)

7.2.2 Demographics

This section focuses on the standard demographic data questions which determine the gender, age, and race of the respondents. This information assists in the assessment of the success of public and private interventions that are targeted at specific groupings of people.

7.2.2.1 Gender

From question 1 to 5, the useful responses from Maseru (270) and Pietermaritzburg (210) showed the following findings: in both Maseru and Pietermaritzburg, the respondents were both males (50.2%) and females (49.8%) with almost the same percentages. This could be because governments have bought the issue of gender equality, where women are no longer undermined but considered having equal rights with men (GoL/Printing 5, Online: 29 October 2015 and EESE Survey, 2014).

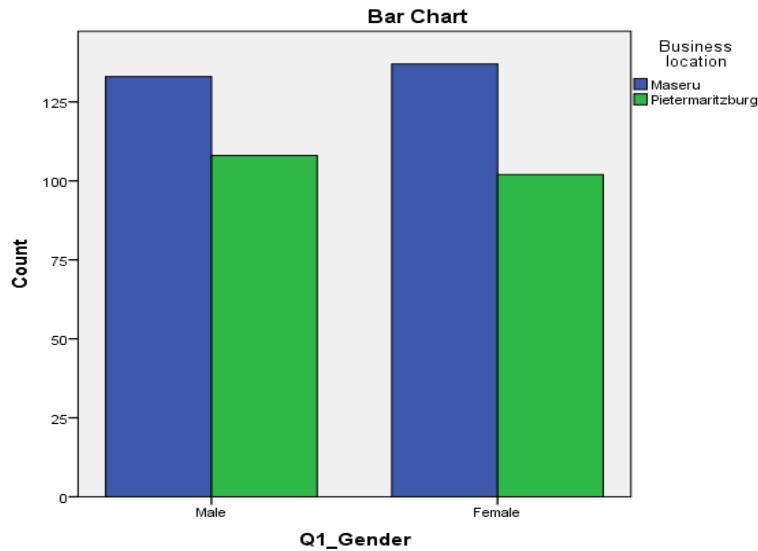


Figure 7. 1. Respondents' gender

7.2.2.2 Role in business

The target sample were both the owners and managers of SMMEs. Where the owners or managers were not available, the staff members were still able to respond to the questionnaires. From both Maseru and Pietermaritzburg more responses were from the owners (27.3%; 21.9%), than managers (20.6%; 14.8%) and lastly the staff members (8.3%; 7.1%) respectively. This could mean that entrepreneurs are more committed to the establishment, daily operation and growth of their businesses, hence why they are the ones equipped with the necessary information concerning their businesses.

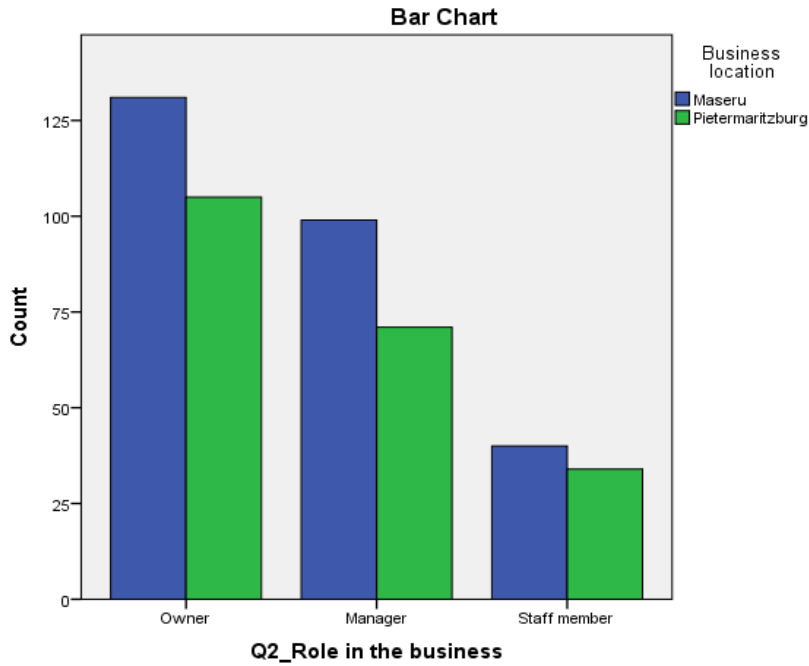


Figure 7. 2. Role in business

7.2.2.3 Age

The respondents were from different age groups, with age groups of 20-39 (30.4%; 22.9%) and 40-59 (20.6%; 18.8%) dominating, in both Maseru and Pietermaritzburg respectively. The dominating groups are middle-aged who are perceived to be very active in running businesses, due to their knowledge and experience of business.

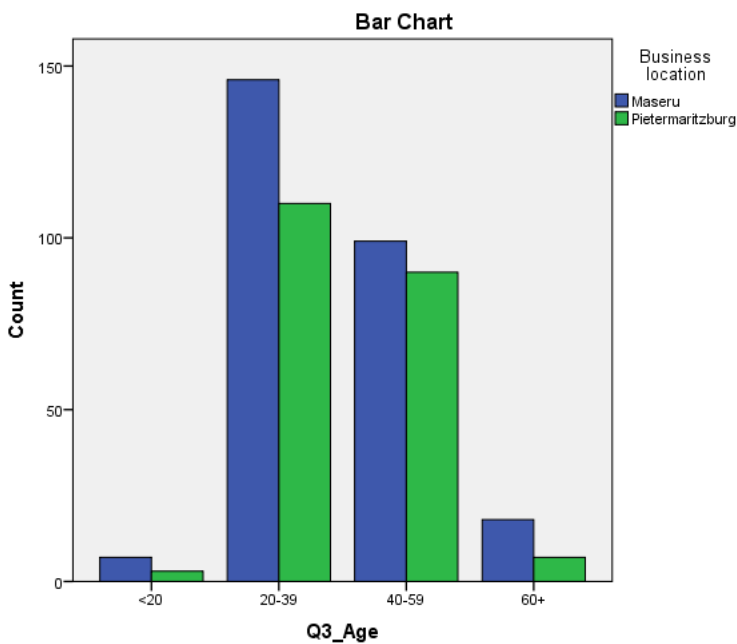


Figure 7. 3. Respondents' age

7.2.2.4 Population group

Most respondents were black (56.0%; 38.3%) people from both Maseru and Pietermaritzburg followed by Indians (0.2%; 4.4%) respectively. Asian and coloured respondents were the lowest proportions of respondents in Pietermaritzburg. Most responses were from one group in both locations. This could be that, other population groups were not willing to participate or these locations have a black population dominating the sector. In a study conducted by Khoase (2011:80), she indicated that the business environment in Maseru is perceived to be attractive to foreign investors, as the respondents of her study represented blacks (87.2%), Indians (7.3%), Chinese (5.0%) and whites (0.5%). However, this study (current) indicates that the business environment in Maseru is not very attractive for foreign investors, and as a result local businesses (56.0%) are dominating. In Pietermaritzburg, there is a mix of blacks and Indians, which indicates that other ethnic groups are attracted to the Pietermaritzburg business environment (See Table 1 in Appendix 4).

According to Eifert, Gelb & Ramachandran (2005) and Elhiraika & Nkurunziza (2006:17), indigenous businesses are able to acquire skills and become innovative when foreign investors are present. In other words, entrepreneurs are able to acquire more skills and become innovative where there is diverse ethnic. The acquiring of skills by these business owners increases competition. Furthermore, ethnicity of the firm owner is also a key determinant of growth. However, according to Ofofiele (2001:5), where there is less ethnic diversity that is where economic growth is experienced.

7.2.2.5 Level of education

In Maseru the highest qualification of the respondents was a Bachelor's degree (17.3%) followed by Matric (15.2%), while in Pietermaritzburg, the highest qualification was Matric (17.1%) followed by a Diploma (15.8%) (See Table 2 in Appendix 4). It is perceived that the level of education contributes to the success of a business, so if entrepreneurs lack specialisation, this brings about a high business risk (Chetty, 2009:262).

In today's competitive and changing business environment, it is not enough to have just the technical understanding of how to start a venture. Entities struggle to graduate to the next level due to the low level of education for the owners and managers who are illiterate and lack necessary skills. Currently, the competitive and changing business environment needs highly skilled human resources who will be globally competitive (DTI, 2012 and Mutenyoka &

Madzivhandila, 2014:93-94). Therefore, for entities to graduate to the next level, SMMEs' owner-managers have to be on a par with the current situation, that is, they have to constantly acquire the necessary skills as the skills that are needed for initiating a business are different from those needed in managing it to a successful market growth stage (Mahadea and Pillay, 2008:434).

7.2.3 Awareness of and assistance from supporting institutions

The awareness of supporting institutions on the start-up and growth stages was captured through question 6 of the survey instrument. Awareness of supporting institutions put in place to assist SMMEs is the first step towards SMMEs' owner-managers seeking assistance from the institutions. Question 6 also captured data on the assistance received by SMMEs from the supporting institutions. In Maseru, most respondents indicated that they are aware of supporting institutions that assist SMMEs at the start-up (94.44% of those who agree and strongly agree) and growth (94.81%) phases. In addition, 93.70% (agree and strongly agree) indicated that they have received assistance from the supporting institutions. On the other hand, in Pietermaritzburg 93.33% of the respondents are aware of the available supporting institutions that assist SMMEs at the start-up and 90.95% at growth phases. 77.62% indicated that they have received assistance from the supporting institutions.

A study by Cunningham and Trah (2004) conducted on the usage of business development services and satisfaction levels, indicated relatively low overall usage of most forms of BDS in Nelspruit. Chetty (2009:266), confirms that SMMEs are aware of the existing supporting institutions, however, they do not make use of such institutions.

The Principal Component Analysis (PCA) was used in order to generate an overall index that represents the SMMEs' awareness of the supporting institutions. PCA is a technique used to reduce a large series of data to smaller numbers or scores that can be meaningfully interpreted. This technique is a preferred method as it maximises the usage of information contained in the variables or questions from the survey instrument. Awareness of the supporting institutions that assist in SMMEs' growth has the highest PCA score in Maseru (0.952) and in Pietermaritzburg (0.914) which means it has more influence on the calculation of the SMMEs' awareness index. The PCA latent factors (scores) accounted for 85.92% and 66.08% of the variation of data contained in question 6 for Maseru and Pietermaritzburg respectively. The overall SMMEs' awareness index assists in the calculation of correlation and regression coefficients to determine the relationship between SMMEs' awareness and other constructs from the study. The overall measure of the SMMEs' awareness as deduced from the PCA is calculated as follows:

SMMEs awareness (of supporting institutions) index (Maseru) =
 $0.932XQ6.1+0.952XQ6.2+0.896XQ6.3$

SMMEs awareness (of supporting institutions) index (Pietermaritzburg) =
 $0.831XQ6.1+0.914XQ6.2+0.676XQ6.3$

Table 7.2: Awareness of supporting institutions

Location	Awareness of the supporting institutions	% Agree/ Strongly Agree	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q6.1: I am aware of supporting institutions that assist in SMMEs' establishment	94.44%	0.932	85.92%	0.914
	Q6.2: I am aware of supporting institutions that assist in SMMEs' growth	94.81%	0.952		
	Q6.3: I have received assistance from the business supporting institutions	93.70%	0.896		
Pietermaritzburg	Q6.1: I am aware of supporting institutions that assist in SMMEs' establishment	93.33%	0.831	66.08%	0.687
	Q6.2: I am aware of supporting institutions that assist in SMMEs' growth	90.95%	0.914		
	Q6.3: I have received assistance from the business supporting institutions	77.62%	0.676		

Almost all of the respondents in both Maseru and Pietermaritzburg are aware of the existing supporting institutions meant to develop SMMEs. The results above indicate that an overwhelming number of entrepreneurs in Maseru and Pietermaritzburg (93.70% and 77.62%) respectively, have indicated that they have received assistance from the supporting institutions. However, it will be seen in the following sections that most assistance received was in the licensing of their businesses. Other services such as training, for instance, were not used that much by the MSMEs' owners. If entrepreneurs make use of such programmes, it is possible that their businesses would grow sustainably, hence, the achievement of the governments' goal of enhancing the economy.

7.2.4 Existing supporting institutions

In question 7 the respondents were asked to specify the supporting institutions where they normally receive assistance. Question 8 was meant to capture how often they received the assistance from the supporting institutions. In Maseru, most of the respondents indicated that they receive assistance from the public supporting institution, mostly for registering their businesses. On the other hand, in Pietermaritzburg, government and private institutions were more involved in SMMEs' support. The assistance that SMMEs receive the most in Pietermaritzburg is training which is provided mostly by the private supporting institutions. In question 9 the respondents were asked to show from which institutions they received assistance indicated in question 8.

The frequency table, (Table 7.3) below, provides data with regard to the existing supporting institutions put in place to develop SMMEs in both Maseru and Pietermaritzburg. In both locations there are public, private and parastatal supporting institutions and some respondents use only public or private, while others use all (public, private and parastatal).

From the analysis, most assistance that MSMEs' owner-managers in Maseru received (n=246, 91.1%) is related to licensing procedures provided by the government. In addition, the few MSMEs' owner-managers who received funding support in Maseru, received such support from the government (n=20, 7.4%) and parastatal (n=19, 7.0%). Furthermore, in Maseru, private and parastatal supporting institutions have the highest number of MSMEs that received assistance in the following areas compared to other supporting institutions: training (5.9%, n=16 for private; 16.7%, n=45 for parastatal), business advice (7.8%, n=21 for private; 17.8%, n=48 for parastatal), premises (23.2%, n=63 for parastatal), and networking support (9.6%, n=26 for private; 2.6%, n=7 for parastatal). Government assistance in Maseru was more prevalent to licensing procedures and very limited in funding. However, in Pietermaritzburg, government and private institutions were more involved in SMMEs' support compared to Maseru. The assistance that SMMEs' owners received the most (52.9%) is related to training, provided mostly by the private supporting institutions. In addition, government and private supporting institutions have the highest number of SMMEs that received assistance in the following areas compared to other supporting institutions: licensing procedures (35.7%, n=75 for government; 8.6%, n=18 for private), funding (9.0%, n=19 for government; 29.0%, n=61 for private), networking support (14.3%, n=30 for government; 21.4%, n=45 for private), business advice (10.5%, n=22 for government; 23.8%, n=50 for private) and premises (4.3%, n=9 for government; 6.7%, n=14 for private).

This means, as mentioned before, that entrepreneurs in both study sites are aware of the available supporting institutions, however, most of the SMMEs' owner-manager have not received any support from these institutions. This may be due to SMMEs' owner-managers not seeking assistance from the supporting institutions, or there might be some factors that hinder entrepreneurs from getting support from the supporting institutions. Not utilising the institutions might hinder SMMEs from operating and growing as expected, which ultimately, hampers the overall economy (Chetty, 2009:266). The latter part of the analysis will assess the hindrances to accessing SMMEs' support.

Table 7.3: Existing supporting institutions

Supporting Institutions		Business location					
		Maseru		Pietermaritzburg		Combined	
Q9.1: From which institution did you receive funding?	Government	20	7.4%	19	9.0%	39	8.1%
	Private	10	3.7%	61	29.0%	71	14.8%
	Parastatal	19	7.0%	0	0.0%	19	4.0%
	None	217	80.4%	121	57.6%	338	70.4%
	Government & Parastatal	4	1.5%	0	0.0%	4	0.8%
	Government & Private	0	0.0%	9	4.3%	9	1.9%
Q9.2: From which institution did you receive training?	Government	1	0.4%	38	18.1%	39	8.1%
	Private	16	5.9%	64	30.5%	80	16.7%
	Parastatal	45	16.7%	0	0.0%	45	9.4%
	None	199	73.7%	99	47.1%	298	62.1%
	Private & Parastatal	6	2.2%	0	0.0%	6	1.3%
	Government & Parastatal	3	1.1%	0	0.0%	3	0.6%
Q9.3: From which institution did you receive business advice?	Government	3	1.1%	22	10.5%	25	5.2%
	Private	21	7.8%	50	23.8%	71	14.8%
	Parastatal	48	17.8%	0	0.0%	48	10.0%
	None	196	72.6%	134	63.8%	330	68.8%
	Private & Parastatal	2	0.7%	0	0.0%	2	0.4%
	Government & Private	0	0.0%	4	1.9%	4	0.8%
Q9.4: From which institution did you receive assistance with access to premises?	Government	0	0.0%	9	4.3%	9	1.9%
	Private	0	0.0%	14	6.7%	14	2.9%
	Parastatal	63	23.3%	0	0.0%	63	13.1%
	None	207	76.7%	187	89.0%	394	82.1%
Q9.5: From which institution did you receive assistance with networking support?	Government	0	0.0%	30	14.3%	30	6.3%
	Private	26	9.6%	45	21.4%	71	14.8%
	Parastatal	7	2.6%	0	0.0%	7	1.5%
	None	232	85.9%	131	62.4%	363	75.6%
	Private & Parastatal	4	1.5%	0	0.0%	4	0.8%
	Government & Private	0	0.0%	4	1.9%	4	0.8%
Q9.6: From which institution did you receive assistance with licensing procedures?	All	1	0.4%	0	0.0%	1	0.2%
	Government	246	91.1%	75	35.7%	321	66.9%
	Private	1	0.4%	18	8.6%	19	4.0%
	Parastatal	2	0.7%	0	0.0%	2	0.4%
	None	20	7.4%	114	54.3%	134	27.9%
	Government & Private	0	0.0%	3	1.4%	3	0.6%

Table 7.3 above indicates that SMMEs received some specific support from certain institutions. It also highlights that the frequency of institutional support differs based on location (Maseru or Pietermaritzburg). The following sections analyse the statistical significance of the difference in

the frequency of institutional support based on the location. To this end a chi-square test was performed to establish the significance of the relationship between the support received from the institutions and the location where SMMEs are based.

7.2.4.1 Association between provision of funding and supporting institutions

Results in Table 7.4 are for the respondents who received funding from the various institutions and how frequently they received such funding. For convenience of tabulation, the categories of “often” and “very often”, which indicate high frequency, have been combined while “not at all” stands alone. If the p-value is very small (less than 0.05), then there is significant association between the two variables of interest. The smaller the p-value, the more significant the effect of one variable on another.

The results show that there is a significant difference in the frequency of service provision by the different institutions in Pietermaritzburg (Chi-square=6.108, df=2, p-value=0.047). This means in Pietermaritzburg, other supporting institutions provide services more than their counterparts. The results show that government provides services more frequently (63.2%) than the private institutions (57.4%). The respondents who received funding from both government and the private sector always received more frequent services (100%).

Table 7.4: Frequency of provision of funding by institutions

	Q8.1R: How often did you receive funding from the supporting institutions?									
	Maseru					Pietermaritzburg				
		Not at all		Often/ Very often			Not at all		Often/ Very often	
	Institution	N	%	N	%	Institution	N	%	N	%
Q9.1R: From which institution did you receive funding?	Government	3	15.0%	17	85.0%	Government	7	36.8%	12	63.2%
	Private	0	0.0%	10	100.0%	Private	26	42.6%	35	57.4%
	Parastatal	2	10.5%	17	89.5%	Government & Private	0	0.0%	9	100.0%
	Government & Parastatal	1	25.0%	3	75.0%					
	Chi-square test	Chi- square value	Df	p-value		Chi-square test	Chi- square value	Df	p-value	
	2.304	3	0.512	Not Signf.		6.108	2	0.047	Signf.	

In Maseru there is no significant association between institution and frequency of service provision (Chi-square=2.304, df=3, p-value=0.512). At least 75% of SMMEs’ owner-managers

receiving funding from either institutions (government, private, parastatal, government and parastatal) received it often or very often. This could mean that supporting institutions in Lesotho focus on the few SMMEs (that keep on receiving funding). Thus, institutions do not expand their support to a large pool of SMMEs but only on few that become repeated beneficiaries.

7.2.4.2 Association between provision of training and supporting institutions

The results in Table 7.5 show that there is a significant difference in the frequency of service provision by the different institutions in Pietermaritzburg in terms of training (Chi-square=9.634, df=2, p-value=0.008) with government providing training services more frequently (89.5%) than the private institutions (67.2%). The respondents who received training from both government and the private sector always got it frequently (100%). This signifies that government on its own effectively provides training to SMMEs. When entrepreneurs use a combination of both government and private then the use of the services becomes higher.

Table 7.5: Frequency of provision of training by institutions

	Q8.2R: How often did you receive training from the supporting institutions?									
	Maseru					Pietermaritzburg				
	Institution	Not at all		Often/ Very often		Institution	Not at all		Often/ Very often	
		N	%	N	%		N	%	N	%
Q9.2R: From which institution did you receive training?	Government	0	0.0%	1	100.0%	Government	4	10.5%	34	89.5%
	Private	0	0.0%	16	100.0%	Private	21	32.8%	43	67.2%
	Parastatal	3	6.7%	42	93.3%	Government & Private	0	0.0%	9	100.0%
	Private & Parastatal	2	33.3%	4	66.7%					
	Government & Parastatal	1	33.3%	2	66.7%					
	Chi-square test	Chi-square value	Df	p-value		Chi-square test	Chi-square value	Df	p-value	
	8.957	4	0.062	Not signif.		9.634	2	0.008	Signif.	

In Maseru, there is no significant association between institutions and frequency of training provision (Chi-square=8.957, df=4, p-value=0.062). At least 66.7% of MSMEs' owner-managers receiving training have received it often or very often. This could mean that supporting institutions in Lesotho focus on the few MSMEs (that keep on receiving training). Thus, institutions do not expand their support to a large pool of SMMEs but only to a few that become repeated beneficiaries.

According to Mahadea & Pillay (2008:434) and Maluleke (2013:8), entrepreneurial skills are acquired and enhanced only by SMMEs' owners who attend training programmes, and this ultimately contributes to entrepreneurs' success. Therefore, it is important for supporting institutions to provide relevant training to entrepreneurs and also spread awareness of the available programmes they offer.

7.2.4.3 Association between provision of business advice and supporting institutions

There is no significant difference in the frequency of business advice provision by the different institutions in both Maseru and Pietermaritzburg. (Chi-square=0.637, df=3, p-value=0.888 and Chi-square=0.671, df=2, p-value=0.715) respectively (See Table 3 in Appendix 4). In Maseru those respondents who receive business advice from government, and from private and parastatal always received it frequently (100%). In Pietermaritzburg, at least 68.0% of SMMEs' owner-managers receive business advice often or very often from the private sector. This means in both Maseru and Pietermaritzburg, there is no difference in how the supporting institutions offer business advisory services. As alluded to in the previous section, there are few SMMEs' owner-managers who received business advice in both locations and the few are repeated beneficiaries.

The EESE survey (2014:65), attested that the utilisation of support programmes is very low in Lesotho. The survey indicated that 51% of the respondents (MSMEs' owners), confirmed that access to support programmes, especially business advice is very limited in Lesotho, particularly for the new start-up businesses.

7.2.4.4 Association between provision of business premises and supporting institutions

Results in Table 7.6 are for those respondents who received assistance with access to business premises from the various supporting institutions and how frequently they received such a service. The table shows those who did not receive any assistance on obtaining premises at all. For convenience of tabulation, the categories of "often" and "very often", which indicate high frequency, have been combined. The results show that there is a significant relationship between institutions and frequency of provision of business premises in Pietermaritzburg (Chi-square=7.078, df=1, p-value=0.008). This signifies that the government provides this kind of service more than the private institutions. On the other hand, the results show that there is no significant relationship between institutions and frequency of provision of business premises in

Maseru (Chi-square=-, df=-, p-value=-), with parastatal assisting with access to business premises more frequently (85.7%).

Table 7.6: Frequency of provision of business premises by institutions

	Q8.4R: How often did you receive assistance with access to business premises?									
	Maseru					Pietermaritzburg				
	Institution	Not at all		Often/ Very often		Institution	Not at all		Often/ Very often	
		N	%	N	%		N	%	N	%
Q9.4R: From which institution did you receive assistance with access to premises?	Private					Government	2	22.2%	7	77.8%
	Parastatal	9	14.3%	54	85.7%	Private	11	78.6%	3	21.4%
	Private & Parastatal					Government & Private	-	-	-	-
	All									
	Chi_square test	Chi-square value	Df	p-value	Comment	Chi_square test	Chi-square value	Df	p-value	Comment
		-	-	-	Not Significant		7.078	1	0.008	Significant

Availability of suitable business premises is essential, as this enables SMMEs' owners to operate in appropriate premises with all the necessary facilities. If developed business premises are not available, entrepreneurs end up operating in remote areas, according to Khoase (2011:96), and these places are normally distant from their potential customers. This impacts negatively on daily business operations, hence, hindrance to business growth and sustainability. Elhiraika and Nkurunziza (2006:16), advised that location can be an important determinant of growth in certain countries, therefore, has to be taken into consideration.

7.2.4.5 Association between provision of networking support and supporting institutions

The results showed that there is no significant relationship between supporting institutions and frequencies of service provision in both Maseru and Pietermaritzburg. (Chi-square=1.525, df=3, p-value=0.676 and Chi-square=1.59, df=2, p-value=0.452 respectively). Respondents who received networking support from private and parastatals in Maseru always received it frequently (100%), with private alone having the highest percentage. The respondents who attained networking support from government and the private sector in Pietermaritzburg always received it frequently (100%), with government alone having the highest percentage (See Table 4 in Appendix 4). As alluded to above, there are only a few beneficiaries of such support. The respondents who benefit from business advisory services are repeated beneficiaries.

Networking with other entrepreneurs assists in building long term relationships, hence, the ability to compete even internationally. Challenges that an individual entrepreneur cannot solve, are easily solved when entrepreneurs have formed networks and linkages with their counterparts, as they share ideas and learn from one another (Chetty, 2009:110&140).

7.2.4.6 Association between provision of licensing procedures and supporting institutions

The results show that there is a significant difference in the frequency of service provision by institutions in Pietermaritzburg (Chi-square=6.549, df=2, p-value=0.038) with private institutions providing service more frequently (72.2% than the government (69.3%). This indicates that in Pietermaritzburg, private institutions provide assistance with licensing procedures more than the public institutions.

Table 7.7: Frequency of provision of licensing procedures by the supporting institutions

	Q8.6R: How often did you receive guidance with licensing procedures from supporting institutions?									
	Maseru					Pietermaritzburg				
	Institution	Not at all		Often/ Very often		Institution	Not at all		Often/ Very often	
		N	%	N	%		N	%	N	%
Q9.6R: From which institution did you receive assistance with licensing procedures?	Government	8	3.3%	238	96.7%	Government	23	30.7%	52	69.3%
	Private	0	0.0%	1	100.0%	Private	5	27.8%	13	72.2%
	Parastatal	0	0.0%	2	100.0%	Government & Private	3	100.0%	0	0.0%
	All	0	0.0%	1	100.0%					
	Chi-square test	Chi-square value	Df	p-value		Chi-square test	Chi-square value	Df	p-value	T
	0.134	3	0.987	Not Signif.		6.549	2	0.038	Signif.	

In Maseru, there is no significant relationship between institutions and frequency of service provision (Chi-square=0.134, df=3, p-value=0.987). At least 96.7% of MSMEs' owner-managers receiving guidance in licensing procedures received it often or very often from the government. Unlike in other services, licencing procedures support is the most provided services to MSMEs' owners in Maseru.

As highlighted earlier in this study, in Maseru, it is perceived that registering ones' business which gives a business an opportunity to operate formally is all that matters. Uptake of other services provided is very low in Maseru, however, almost 100% of the surveyed enterprises were assisted by the Ministry of Trade to register formally.

7.2.5 Ease of access to services in Maseru and Pietermaritzburg

To determine whether getting support from the supporting institutions is made easier or difficult by the institutions' procedures, Table 7.8 was generated. The Principal Component Analysis (PCA) was used in order to generate an overall index that represents the SMMEs' ease of access to services from the supporting institutions. Ease of access to networking support has the highest PCA score in Maseru (0.835) while in Pietermaritzburg, ease of access to training (0.866) has the highest PCA score. This means that ease of access to networking support (in Maseru) and ease of access to training (in Pietermaritzburg) have the highest influence on the calculation of the ease of access to services index. The PCA latent factors (scores) accounted for 56.24% and 58.45% of the variation of data contained in "question 10" for Maseru and Pietermaritzburg respectively. The overall SMMEs' ease of access to services index assist in the calculation of correlation and coefficients to determine the relationship between SMMEs ease of access to services and other constructs from the study. The overall measure of the SMMEs' ease of access to services as deduced from the PCA is computed as follows:

$$\text{SMMEs ease of access to services (from supporting institutions) index (Maseru)} = 0.692XQ10.1+0.736XQ10.2+0.804XQ10.3+0.744XQ10.4+0.835XQ10.5+0.675XQ10.6$$

$$\text{SMMEs ease of access to services (from supporting institutions) index (Pietermaritzburg)} = 0.659XQ10.1+0.866XQ10.2+0.770XQ10.3+0.731XQ10.4+0.797XQ10.5+0.748XQ10.6$$

Table 7.8: Ease of access to services from the institutions in Maseru and Pietermaritzburg

Location	Ease of access to services	% Easy/ Very Easy	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q10.1: Ease of access to finance	46.7%	0.692	56.24%	0.838
	Q10.2: Ease of access to training	53.3%	0.736		
	Q10.3: Ease of access to business advisory services	72.9%	0.804		
	Q10.4: Ease of access to business premises	55.7%	0.744		
	Q10.5: Ease of access to networking support	53.8%	0.835		
	Q10.6: Ease of access to licensing procedures	77.1%	0.675		
Pietermaritzburg	Q10.1: Ease of access to finance	23.3%	0.659	58.45%	0.854
	Q10.2: Ease of access to training	54.3%	0.866		
	Q10.3: Ease of access to business advisory services	56.2%	0.770		
	Q10.4: Ease of access to business premises	20.0%	0.731		
	Q10.5: Ease of access to networking support	63.8%	0.797		
	Q10.6: Ease of access to licensing procedures	51.0%	0.748		

According to Turner, Varghese and Walker (2008:15), there is a huge challenge in accessing funds in SA regardless of the various public and private sector initiatives to facilitate access to financing.

It is evident that there are services that are perceived to be easily accessed in both Maseru and Pietermaritzburg. For instance, based on the information above it is easy to access networking support services in Maseru, while in Pietermaritzburg the service that is easily accessed is training. There are still other services in both locations that are perceived to be difficult to access.

7.2.5.1 Rankings

The results in Table 7.9 below, indicate that institutions in Maseru make it easy or very easy for MSMEs to get assistance with licensing procedures (77.1% find it easy or very easy), and business advisory services (72.9% find it easy or very easy). These findings coincide with those

in section 7.2.4 above. For instance, receiving assistance with the licensing procedures was the most accessed support followed by business advisory services (Table 7.3). Table 7.9 depicts the same order in terms of ease of access to institutional support (licensing procedures and business advisory services). It means that the extent of access to institutional support is determined by how those institutions' procedures make it easier or difficult to get support. However, such a trend is not found in Pietermaritzburg.

Table 7.9: Rankings

Services	Location							
	Maseru				Pietermaritzburg			
	% of supported MSMEs	Ranking (% of supported MSMEs)	% of ease of access	Ranking (% of ease of access)	% of supported SMMEs	Ranking (% of supported SMMEs)	% of ease of access	Ranking (% of ease of access)
Licensing procedures	92.6%	1	77.1%	1	45.7%	2	51.0%	4
Business advisory services	27.4%	2	72.9%	2	36.2%	5	56.2%	2
Business premises	23.3%	4	55.7%	3	11%	6	20.0%	6
Networking support	14.1%	6	53.8%	4	37.6%	4	63.8%	1
Training	26.3%	3	53.3%	5	52.9%	1	54.3%	3
Finance	19.6%	5	46.7%	6	42.3%	3	23.3%	5

When ranking the services provided according to their ease of access in both locations, it is evident that there are services that are perceived to be very easy to access, while with other services the perception is they are very difficult to access.

In general it is easier to receive services in Maseru than in Pietermaritzburg when the percentages of those who get easy or very easy access are compared one on one between the two locations (Table 7.9). In the following section, institutions will be compared with how much they make it easier for SMMEs' owners to access various services. The overall ease of access will be compared between different institutions for the two locations using Analysis of Variance (ANOVA).

7.2.5.2 Ease of access to finance (Question 10.1 versus Question 9.1)

The results in Table 7.10 indicate that in Maseru, there are no significant differences between institutions in the way they make it easy to access finance ($F=2.49$, $df_1=3$, $df_2=49$, $p\text{-value}=0.071$), although parastatals have a slightly greater ease of access to finance (mean=3.47). In Pietermaritzburg, there are significant differences ($F=15.36$, $df_1=2$, $df_2=86$, $p\text{-value}=0.000$) in the way different institutions make it easy to access finance. Government support and a combination of government and private support have higher levels of ease of access to finance (mean=3.53^b and 4.33), with the private sector scoring the lowest points in this regard (mean=2.39). This might mean that the private sector takes a strictly business approach to financing SMMEs and tends to protect themselves from losses whereas government plays a more supportive role rather than adopting a profit based approach.

Table 7.10: Ease of access to finance by institutions

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.1: To what extent do supporting institutions make it easier or difficult to access finance?	Government	20	2.75	1.293	2.49	3, 49	0.071	No significant difference
	Private	10	2.30	1.703				
	Parastatal	19	3.47	1.264				
	Government & Parastatal	4	2.00	.816				
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.1: To what extent do supporting institutions make it easier or difficult to access finance?	Government	19	3.53 ^b	1.172	15.36	2, 86	0.000	Significant difference
	Private	61	2.39 ^a	1.215				
	Government & Private	9	4.33 ^b	0.500				

According to the EESE survey (2014:51), banks set most stringent requirements and have very complex procedures which greatly hinders ease of access to funds for the MSMEs. When testing the respondents' perceptions regarding access to financial services, it was found that there is a consensus among entrepreneurs in Lesotho that MSMEs are faced with the challenge of accessing finances. The majority of the respondents indicated that it was either difficult or very difficult for small businesses to access finances.

In Lesotho, MSMEs are expected to be able to access loans easily due to the availability of easy loans offered by the government through BEDCO (SMME Support Network-Lesotho, 2007:1). This study investigated the procedures followed by entrepreneurs to access funds from BEDCO. The procedures are not stringent and are eased to access finance, especially for start-up firms. According to the interviewee at BEDCO, entrepreneurs simply apply, attach their business plan and submit their applications in order for them to access funding services from BEDCO. However, BEDCO is mainly faced with the challenge of lack of funds for start-up businesses. To address this challenge of lack of funds, BEDCO has signed a memorandum of understanding with the Lesotho Highlands Development Authority.

7.2.5.3 Ease of access to training opportunities (Q 10.2 versus Q 9.2)

In Maseru, there are no significant differences between institutions in the way they make it easy to access training ($F=0.31$, $df_1=4$, $df_2=66$, $p\text{-value}=0.837$), although government has a slightly better ease of access to training (mean=4.00). In Pietermaritzburg also there are no significant differences in the way different institutions make it easy to access training ($F=0.34$, $df_1=2$, $df_2=108$, $p\text{-value}=0.710$). Government has a slightly better ease of training (mean=3.92), which could be because they provide subsidised training (See Table 5 in Appendix 4).

Training has to be done continuously to equip owner-managers with current knowledge and skills which add to the sustainability of a business (Mazanai and Ngirande, 2014:44). The EESE survey (2014:65), attested that utilisation of support programmes is very low in Lesotho. The survey indicated that 51% of the respondents (MSMEs' owners), confirmed that access to training and business services is very limited in Lesotho, especially for the new start-up businesses. This is an indication of slow growth of businesses, as they cannot grow sustainably if the entrepreneurs are not trained with necessary skills of dealing with the current situations. So it is imperative to make training opportunities easily accessible to the SMMEs' owners, as training assists them in acquiring new knowledge and necessary skills and ultimately no costs of being incompetent are incurred.

7.2.5.4 Ease of access to business advisory services (Q10.3 versus Q9.3)

In Maseru, there are no significant differences between institutions in the way they make it easy to access business advisory services ($F=0.72$, $df_1=3$, $df_2=70$, $p\text{-value}=0.541$), although the combination of private and parastatal have a slightly better ease of access to business advisory services (mean=4.00). Equally in Pietermaritzburg, there are no significant differences in the way

different institutions make it easy to access business advisory services ($F=0.05$, $df_1=2$, $df_2=73$, $p\text{-value}=0.949$). However, a combination of government and private have higher levels of ease of access to business advisory services (mean=4.00) (See Table 6 in Appendix 4). This might mean that the government on its own is not well equipped in terms of advising businesses.

Utilisation of support programmes, such as business advice, is very low in Lesotho, according to the EESE survey (2014:65). This gives the impression that access to support services is not made easy by the supporting institutions. This hampers business growth, as entrepreneurs need to be guided and equipped with current knowledge of how to deal with ever changing circumstances.

7.2.5.5 Ease of access to business premises (Q10.4 versus Q9.4)

In Maseru, most of the respondents ($n=63$) received assistance with business premises from one group which is the parastatal, therefore, it was impossible to run ANOVA test. Table 7 in Appendix 4 shows descriptive data only, as ANOVA runs with two or more groups. In Pietermaritzburg, there are no significant differences in the way different institutions make it easy to access business premises ($F=2.18$, $df_1=1$, $df_2=21$, $p\text{-value}=0.155$). However, the government has higher levels of ease of access to business premises (mean=3.78), with the private sector scoring the lowest points in this regard (mean=3.14) (See Table 7 in Appendix 4). This might be explained as to mean that the private sector takes a strictly business approach to assisting SMMEs with access to business premises and tends to protect themselves from losses whereas government plays a more supportive role by providing subsidies rather than adopt a profit based approach.

According to Renawat and Tiwari (2009:16), it is important for the supporting institutions to assist entrepreneurs with obtaining suitable business premises. They purported that ease of access to business premises relieves entrepreneurs from the stress of paying high rental charges and being far from their customers and suppliers. This means that, obtainability of appropriate business premises benefits entrepreneurs in several ways. Firstly, entrepreneurs are in close proximity to customers and suppliers. Secondly, rental charges might be affordable, as entrepreneurs can even share the premises if they find the space is too large. Thirdly, entrepreneurs become competitive as they are normally in clustered places where they learn from their counterparts and become innovative. All these enable entrepreneurs to produce the best quality that customers are looking for, hence, an increase in profits and sustainable growth of the business.

7.2.5.6 Ease of access to networking support (Q10.5 versus Q9.5)

It is reflected that in Maseru there are no significant differences between institutions in the way they make it easy to access networking support ($F=1.60$, $df_1=3$, $df_2=34$, $p\text{-value}=0.208$), although a combination of all these institutions has a slightly greater ease of access to networking support (mean=5.00). In Pietermaritzburg also there are no significant differences ($F=1.18$, $df_1=2$, $df_2=76$, $p\text{-value}=0.313$) in the way different institutions make it easy to access networking support. A combination of government and private sectors has higher levels of ease of access to networking support (mean=4.75), with the private sector scoring the lowest points in this regard (mean=4.00) (See Table 8 in Appendix 4). This might be explained as to mean that the private sector takes a strictly business approach to financing SMMEs and tends to protect itself from losses whereas the government plays a more supportive role rather than adopting a profit based approach.

It is important to encourage small businesses to network, as there are benefits in networking. Some of these benefits include, ease of access to market, ability to compete regionally and internationally, hence, the sustainable growth of the business (Ensor, 2013).

7.2.5.7 Ease of access to guidance in licensing procedures (Q10.6 versus Q9.6)

In Maseru, there are no significant differences between institutions in the way they make it easy to access guidance to licensing procedures ($F=0.96$, $df_1=3$, $df_2=246$, $p\text{-value}=0.414$), although a combination of all these institutions has a slightly greater ease of access to guidance to licensing procedures (mean=5.00). Also in Pietermaritzburg, there are no significant differences in the different way ($F=1.65$, $df_1=2$, $df_2=93$, $p\text{-value}=0.198$) institutions make it easy to access guidance to licensing procedures. A combination of government and private sectors has higher levels of ease of access to guidance in licensing procedures (mean=4.00), with the government scoring the lowest points in this regard (mean=3.53) (See Table 9 in Appendix 4).

Making ease of access to this service is most essential. Formally registered businesses enjoy the incentives of operating formally, and they eventually grow sustainably. Such businesses are not the only ones benefiting, as even the government benefits as a result of economic growth (Mboniyane, 2006:6 and Ngcobo & Sukdeo, 2014:436).

7.2.6 Role of supporting institutions on growth of SMMEs (Question 11)

Before the role of supporting institutions on business growth can be measured, it is important to assess how small businesses have grown in general. Table 7.11 is a summary of business growth in the two locations studied. In general, businesses have not grown significantly in the two locations as shown by the percentages of those who indicated that their businesses have grown significantly or very significantly (all below 50% in all categories). Business growth in terms of acquiring more assets has the highest PCA score in Maseru and Pietermaritzburg (0.894). In both locations, the PCA latent factors (scores) accounted for 71.64% of the variation of data contained in question 11. The overall measure of the SMMEs' growth as inferred from the PCA is calculated as follows:

$$\begin{array}{l} \text{SMMEs} \qquad \qquad \text{growth} \qquad \qquad \text{index} \qquad \qquad \text{(Maseru)} \qquad \qquad = \\ 0.738XQ11.1+0.890XQ11.2+0.924XQ11.3+0.845XQ11.4+0.826XQ11.5 \end{array}$$

$$\begin{array}{l} \text{SMMEs} \qquad \qquad \text{growth} \qquad \qquad \text{index} \qquad \qquad \text{(Pietermaritzburg)} \qquad \qquad = \\ 0.816XQ11.1+0.860XQ11.2+0.860XQ11.3+0.894XQ11.4+0.798XQ11.5 \end{array}$$

In both locations businesses have not grown significantly, as indicated in the table below. Expect for Maseru where 60.00% stated that their profits have increased and 55.24% have acquired more assets.

Table 7.11: Growth of SMMEs in Maseru and Pietermaritzburg

Location	Business growth	% Significant/ Very significant	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q11.1: Business profits have increased	60.00%	0.738	71.70%	0.899
	Q11.2: Hired more workers	43.33%	0.890		
	Q11.3: Moved to bigger premises	48.57%	0.924		
	Q11.4: Acquired more assets	55.24%	0.845		
	Q11.5: Opened another company	41.90%	0.826		
Pietermaritzburg	Q11.1: Business profits have increased	46.19%	0.816	71.64%	0.899
	Q11.2: Hired more workers	34.29%	0.860		
	Q11.3: Moved to bigger premises	23.33%	0.860		
	Q11.4: Acquired more assets	31.43%	0.894		
	Q11.5: Opened another company	26.19%	0.798		

According to Perks and Struwig (2005:171), there are quite a number of factors that can be used to measure business growth. These include, size of the business; number of employees; diversification; opening of more new businesses; and turnover.

7.2.6.1 Impact of funding support on growth of SMMEs

Results in Table 7.12 below, indicate that in Maseru there are no significant differences in the business growth of MSMEs who received funding from different supporting institutions ($F=1.67$, $df_1=4$, $df_2=265$, $p\text{-value}=0.157$). In Pietermaritzburg, there is a significant effect of receiving funding on business growth ($F=16.28$, $df_1=3$, $df_2=206$, $p\text{-value}=0.000$). The respondents who did not receive any funding had the lowest overall business growth (mean=2.56) with those who received funding from government having the highest overall growth (3.67). There is a significant difference between the respondents who did not receive any funding and those who received funding from government and those who received funding from both government and private institutions (They do not have a common superscript (^a or ^b). The respondents with a common superscript are not significantly different). Thus, in Pietermaritzburg, government funding has a significant impact on business growth.

Table 7.12: Impact of funding support on growth of SMMEs

Impact of funding Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.1: Overall Growth of business due to receiving funding	Government	20	2.83	1.26	1.67	4, 265	0.157	No significant difference
	Private	10	2.46	0.96				
	Parastatal	19	3.36	1.18				
	None	217	2.76	1.12				
	Government & Parastatal	4	3.35	1.40				
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.1: Overall Growth of business due to receiving funding	Government	19	3.67 ^b	0.67	16.28	3, 206	0.000	Significant difference
	Private	61	3.20 ^{ab}	0.74				
	None	121	2.56 ^a	0.95				
	Government & Private	9	3.62 ^b	.406				

High interest rates charged and insufficient collateral, compel entrepreneurs to rely on their own savings or on loans from friends. Reliance on self-financing signifies slow graduation on businesses from small to medium size. If economies are intending to see enterprises growing sustainably, a serious intervention is needed. Access to finance has to be eased, and entrepreneurs have to be equipped in terms of how to manage their finances (Mahadea & Pillay, 2008:433 and Ngcobo & Sukdeo, 2014:436).

7.2.6.2 Impact of training support on growth of SMMEs

Results in Table 7.13 below, indicate that there are no significant differences in the business growth of MSMEs' owners who received training from different institutions in Maseru ($F=0.98$, $df1=5$, $df2=264$, $p\text{-value}=0.433$). While in Pietermaritzburg, there is a significant effect of receiving training on business growth ($F=3.74$, $df1=3$, $df2=206$, $p\text{-value}=0.012$). The respondents who did not receive any training had the lowest overall business growth (mean=2.67) with those who received training from government having the highest overall growth (mean=3.13). There is a significant difference between the respondents who did not receive any training and those who received training from government, and those who received training from the private sector. (They do not have a common superscript ^a or ^b. It means the respondents with a common superscript are not significantly different). In Pietermaritzburg, the impact of government's training support on small business growth is significant.

Table 7.13: Impact of training support on growth of SMMEs

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.2: Overall Growth of business due to receiving Training	Government	1	2.00	-	0.98	5, 264	0.433	No significant differences
	Private	16	3.13	0.93				
	Parastatal	45	3.00	1.24				
	None	199	2.76	1.12				
	Private & Parastatal	6	2.77	1.30				
	Government & Parastatal	3	2.00	0.87				
Pietermaritzburg	Descriptives				ANOVA Tests			
Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment	
Q12.2: Overall Growth of business due to receiving Training	Government	38	3.13 ^b	0.72	3.74	3, 206	0.012	Significant differences
	Private	64	3.09 ^b	0.71				
	None	99	2.67 ^a	1.09				
	Government & Private	9	2.89 ^{ab}	1.087				

It is evident that training programmes significantly contribute to the success of SMMEs in this complex and competitive world. Studies have found that training programmes improve SMMEs' owners' entrepreneurial skills which contribute to their sustainable success (Maluleke, 2013:8). The business environment in the 21st century, according to Mazanai and Ngirande (2014:44), requires individuals equipped with skills and knowledge for them to remain competitive in this rapidly changing business world.

7.2.6.3 Impact of business advice support on growth of SMMEs

The results in Table 7.14 below, reveal that in Maseru, there is a significant effect on business growth, when receiving business advice from the supporting institutions ($F=11.56$, $df1=4$, $df2=265$, $p\text{-value}=0.000$). The respondents who received business advice from both private and parastatal had the lowest overall growth (mean=2.10) with those who received business advice from government having the highest overall growth of (mean=3.87). There is a significant difference between the respondents who received business advice from both private and parastatal, and those who received business advice from government (They do not have a common superscript ^a or ^b. The respondents with a common superscript are not significantly different). In Maseru, government's business advice support on business growth is significant. By way of contrast, there are no significant differences in the business growth of SMMEs who received business advice from different institutions in Pietermaritzburg ($F=2.13$, $df1=3$, $df2=206$, $p\text{-value}=0.097$).

Table 7.14: Impact of business advice support on growth of SMMEs

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.3: Overall Growth of business due to receiving business advice	Government	3	3.87 ^b	1.96	11.56	4, 265	0.000	Significant differences
	Private	21	3.39 ^{ab}	1.07				
	Parastatal	48	3.56 ^{ab}	1.04				
	None	196	2.55 ^{ab}	1.04				
	Private & Parastatal	2	2.10 ^a	0.99				
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.3: Overall Growth of business due to receiving business advice	Government	22	2.95	0.93	2.13	3, 206	0.097	No Significant differences
	Private	50	3.16	0.71				
	None	134	2.79	1.00				
	Government & Private	4	2.55	1.389				

As mentioned earlier, for a business to be successful, there is much decision making that has to take place in its daily operations. If entrepreneurs received business advice support, it makes it easier for them to solve the problems they encounter and to be competitive and grow. If entrepreneurs do not receive this kind of support, this hampers business growth, as entrepreneurs need to be guided and equipped with current knowledge of how to deal with ever changing circumstances.

7.2.6.4 Impact of assistance with access to premises on growth of SMMEs

There are no significant differences in the business growth of SMMEs' owner-managers who received assistance with access to business premises from different institutions in both Maseru and Pietermaritzburg (F=0.50, df1=1, df2=268, p-value=0.482; F=0.45, df1=2, df2=207, p-value=0.640 respectively) (See Table 10 in Appendix 4).

Having appropriate business premises benefits SMMEs' owners in that, they become in close proximity to potential and existing customers and suppliers. They might also have affordable rental charges as they can share the premises if they find that the space is too large. Furthermore, entrepreneurs become competitive as they are normally in clustered places where they learn from their counterparts and become innovative. Ultimately, entrepreneurs become able to produce the best quality that customers are looking for, hence, increase in profits and sustainable growth of the business (Renawat and Tiwari, 2009:16).

7.2.6.5 Impact of networking support on growth of SMMEs

The results in Table 7.15 below, show that in Maseru there are no significant differences in the business growth of SMMEs' owner-managers who received assistance with networking support from different institutions (F=1.21, df1=4, df2=265, p-value=0.305). On the other hand, there are significant differences in the business growth of SMMEs' owner-managers who received assistance with networking support from different institutions (F=2.83, df1=3, df2=206, p-value=0.040). The respondents who did not receive any networking support had the lowest overall business growth (mean=2.75), while those who received networking support from the government have the highest overall growth (mean=3.18). In Pietermaritzburg, the role of government in providing networking support is thus significantly impacting on business growth.

Table 7.15: Impact of networking support on growth of SMMEs

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.5: Overall Growth of business due to receiving assistance with networking support	Private	26	3.22	0.95	1.21	4, 265	0.305	No Significant differences
	Parastatal	7	3.06	1.11				
	None	232	2.75	1.15				
	Private & Parastatal	4	3.15	1.50				
	All	1	3.00					
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.5: Overall Growth of business due to receiving assistance with networking support	Government	30	3.18 ^b	0.82	2.83	3, 206	0.040	Significant differences
	Private	45	3.11 ^b	0.88				
	None	131	2.75 ^a	0.97				
	Government & Private	4	3.05 ^{ab}	1.182				

Despite the size of the business, networking or forming linkages with other business owners, benefits the entrepreneur. The entrepreneur is able to acquire some of the skills he lacked, and if such skills are applied effectively, this assists the business to gain a competitive edge over its rivals. Furthermore, businesses which have formed networks, are able to access the market easily, then they grow sustainably. Consequently, it is important to encourage small businesses to network with their counterparts (Ensor, 2013).

7.2.6.6 Impact of guidance with licensing procedures on growth of SMMEs

In both Maseru and Pietermaritzburg, there are no significant differences in the business growth of SMMEs' owner-managers who received guidance with licensing procedures from different institutions ($F=1.77$, $df_1=4$, $df_2=265$, $p\text{-value}=0.134$; $F=0.74$, $df_1=3$, $df_2=206$, $p\text{-value}=0.530$ respectively) (See Table 11 in Appendix 4).

It is most essential that this kind of service is allowed to have ease of access. Formally registered businesses enjoy the incentives of operating formally, and they eventually grow sustainably. This means there is potential for more job creation by these businesses and ultimately overall economic growth (Mboniyane, 2006:6 and Ngcobo & Sukdeo, 2014:436).

7.2.6.6.1 General impact of receiving assistance

Table 12 in Appendix 4 is a repetition of the analysis above, however, it can be used as a confirming tool for the above results. It shows that the supporting institutions in Maseru play a significant or very significant role in influencing the growth of MSMEs, especially in terms of assistance with access to business premises (74.60%). On the other hand, in Pietermaritzburg, supporting institutions play a significant or very significant role in influencing the growth of SMMEs, especially in terms of assistance with networking support (80.00%). In Pietermaritzburg, networking support has the highest PCA score of 0.964, and the PCA latent factor (score) accounted for 82.80% of the variation of data contained in question 12 (See Table 12 in Appendix 4). The overall measure of the general roles of receiving assistance from supporting institutions on SMMEs growth as inferred from the PCA is calculated as follows:

$$\text{Impact of receiving assistance on growth index (Maseru)} = 0.746XQ12.1+0.831XQ12.2+0.834XQ12.3+0.670XQ12.4+0.771XQ12.5+0.588XQ12.6$$

$$\text{Impact of receiving assistance on growth index (Pietermaritzburg)} = 0.845XQ12.1+0.961XQ12.2+0.933XQ12.3+0.960XQ12.4+0.964XQ12.5+0.781XQ12.6$$

In both Maseru and Pietermaritzburg, generally there are services that impact positively on the growth of SMMEs, based on the table below. This concurs with the views of the supporting institutions that the growth programmes they provide to SMMEs are effective and entrepreneurs are aware of such programmes.

7.2.7 Impact of institutional support on sustainability of SMMEs (Question 13)

The supporting institutions in Maseru play a significant or very significant role in influencing the sustainability of MSMEs, especially in terms of training opportunities (72.22%) while the supporting institutions in Pietermaritzburg play a significant or very significant role in influencing the sustainability of SMMEs, especially in terms of networking support (82.35%). In Pietermaritzburg, business advisory services have the highest PCA score of 0.992, and the PCA latent factor (score) accounted for 95.55% of the variation of data contained in question 13 (See Table 13 in Appendix 4). The overall measure of the general roles of receiving assistance from supporting institutions on SMMEs' sustainability as inferred from the PCA is calculated as follows:

$$\text{Role of receiving assistance on sustainability index (Maseru)} = 0.768XQ13.1+0.787XQ13.2+0.825XQ13.3+0.716XQ13.4+0.754XQ13.5+0.771XQ13.6$$

$$\text{Role of receiving assistance on sustainability index (Pietermaritzburg)} = 0.965XQ13.1+0.977XQ13.2+0.992XQ13.3+0.969XQ13.4+0.985XQ13.5+0.977XQ13.6$$

It is very important and pleasing to see small businesses graduating to the next level of being a medium sized business. However, it is most satisfying to see such businesses operating for a longer period of years. It was highlighted earlier that businesses start, grow and eventually close down within their early stage of establishment. Assisting businesses to grow sustainably contributes to the economies' goal of achieving economic growth and alleviating poverty through job creation.

In both study sites, Maseru and Pietermaritzburg, the development programmes designed to sustain SMMEs show evidence of positive impact on SMMEs. These results correlate with the opinions of the supporting institutions from both locations that, their sustainability programmes are effective and SMMEs are aware of such programmes.

7.2.8 Do supporting institutions provide relevant training to SMMEs' owners?

The results in Table 7.16 below indicate that MSMEs' owners in Maseru agree or strongly agree that they received training at the start-up (24.44%) and growth (23.70%) phases. The respondents (26.30%) mentioned that the training received was relevant to their current needs. While in Pietermaritzburg, SMMEs' owners agree or strongly agree that they received training at the start-

up (52.38%) and growth (46.67%) phases. 50.48% of the respondents concurred that the training they received was relevant to their current needs. Training received at the growth stage has the highest PCA score in Maseru (0.964) and the PCA score of relevance of training is (0.971). While in Pietermaritzburg, training received at the start-up (0.985) has the highest PCA score and the PCA score of relevance of training is (0.980). The PCA latent factors (scores) accounted for 92.29% and 95.20% of the variation of data contained in “question 14” for Maseru and Pietermaritzburg respectively.

Table 7.16: Received training from the supporting institutions

Location	Training received	% Agree/ Strongly Agree	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q14.1: I have received training from the supporting institutions to start my business	24.44%	0.946	92.29%	0.958
	Q14.2: I have received training from the supporting institutions to grow my business	23.70%	0.964		
	Q14.3: The training I received was relevant to the current needs of my business	26.30%	0.971		
Pietermaritzburg	Q14.1: I have received training from the supporting institutions to start my business	52.38%	0.985	95.20%	0.975
	Q14.2: I have received training from the supporting institutions to grow my business	46.67%	0.962		
	Q14.3: The training I received was relevant to the current needs of my business	50.48%	0.980		

The overall measure of training received and its relevance as deduced from the PCA is calculated as follows:

Received training and its relevance index (Maseru) = $0.946XQ14.1+0.964XQ14.2+0.971XQ14.3$

Received training and its relevance index (Pietermaritzburg) = $0.985XQ14.1+0.962XQ14.2+0.980XQ14.3$

7.2.8.1 Is the training SMMEs' owners received on start-up and growth phases, relevant to their current needs?

Table 7.17 confirms the relevance of training received at the start-up and growth phases. In Maseru, there is a strong positive significance between training provided at the start-up and growth phases, and the current needs of businesses ($r(270) = 0.875$, $p < 0.01$; $r(270) = 0.923$, $p < 0.01$) respectively. In Pietermaritzburg also, there is a strong positive significance between training offered at the start-up and growth phases and the relevance of the training on current needs of businesses ($r(210) = 0.967$, $p = 0.000$; $r(210) = 0.901$, $p = 0.000$) respectively. This indicates that entrepreneurs at both locations receive relevant training at the start-up and growth phases. The more the training is relevant to the current needs of SMMEs, the more SMMEs will seek such training in their start-up and growth phases.

Table 7.17: Relevance of training to current needs of businesses

Pearson Correlations		Location			
		Maseru		Pietermaritzburg	
		Q14.1: I have received training from the supporting institutions to establish my business	Q14.2: I have received training from the supporting institutions to grow my business	Q14.1: I have received training from the supporting institutions to establish my business	Q14.2: I have received training from the supporting institutions to grow my business
Q14.2: I have received training from the supporting institutions to grow my business	Correlation	0.854**		0.915**	
	p-value	0.000		0.000	
	N	270		210	
Q14.3: The training I received was relevant to the current needs of my business	Correlation	0.875**	0.923**	0.967**	0.901**
	p-value	0.000	0.000	0.000	0.000
	N	270	270	210	210

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

The relevance of training the entrepreneurs receive, contributes greatly to their coping with the challenges of this time. If well trained, entrepreneurs become effective and competitive, which leads to business success. Training has to be done continuously to equip owner-managers with current knowledge and skills which adds to the sustainability of a business (Mazanai and Ngirande, 2014:44). In addition, training has to be demand-driven not supply-driven which means

training provision must be designed according to different needs of business organisations, not what the trainer assumes is needed by SMMEs (Audet *et al.*, 2007:4 and Chetty, 2009:108).

In both locations, training received at different stages is confirmed to be relevant to the current needs of the business. Even though in Maseru entrepreneurs who received training at the start-up and growth phases were very few, the training they received was relevant to their current needs.

7.2.8.2 Frequency table establishing what training SMMEs' owners got at the start-up and growth phases

Frequency tables establishing what training SMMEs' owners received at the start-up and growth phases are discussed below. The study first discusses training received at the start-up phase and then training received at the growth phase is also discussed.

7.2.8.2.1 Frequency table establishing what training SMMEs' owners got at the start-up phase

The table below, (Table 7.18) displays the responses concerning the training received by SMMEs' owner-managers from the supporting institutions at the start-up phase. The researcher listed various skills at both start-up and growth phases for SMMEs to choose from: management skills, marketing skills, business planning skills and financial management skills. There was also a category of self-learning at the start-up and growth phases.

In Maseru 62.2% of the respondents acquired skills by themselves, without attending any training by the supporting institutions. This is followed by 20.4% who acquired management skills from the supporting institutions at the start-up phase. On the other hand, in Pietermaritzburg, the majority of respondents (42.4%) acquired marketing skills from the supporting institutions and 36.7% have acquired business planning skills.

Table 7.18: Training received at start-up phase

Skills received at start-up phase		Location			
		Maseru		Pietermaritzburg	
		Yes	No	Yes	No
Q15.1a: Did you receive management skills at the start-up phase?	N %	55 20.4%	215 79.6%	71 33.8%	139 66.2%
Q15.2a: Did you receive marketing skills at the start-up phase?	N %	41 15.2%	229 84.8%	89 42.4%	121 57.6%
Q15.3a: Did you receive business planning skills at the start-up phase?	N %	52 19.3%	218 80.7%	77 36.7%	133 63.3%
Q15.4a: Did you receive financial management skills at the start-up phase?	N %	39 14.4%	231 85.6%	73 34.8%	137 65.2%
Q15.5a: Self learning at the start-up phase?	N %	168 62.2%	102 37.8%	45 21.4%	165 78.6%

It is important for supporting institutions to instill training programmes or workshops in SMMEs in both the start-up and growth phases. At the start-up phase, businesses according to Renawat and Tiwari (2009:16), are in a very fragile state, where the entrepreneurs need support in acquiring skills and other various kinds of assistance (Wright & Marlow, 2012 and Herrington & Kew, 2014). Businesses at the start-up phase, according to North (2005), are incurring expenses such as wages, insurance, rent and advertising and marketing. However, at this stage, small businesses have the ability to generate more employment than the older firms. Therefore, creating a supportive environment, especially for the emerging businesses, improves the development of SMMEs, as they have a chance of evolving into more mature businesses.

Necessary training is offered in both locations by the available supporting institutions. However, it was noted that most SMMEs' owners rely on self-learning, rather than acquiring skills through training attendance. Training programmes offered in Maseru are the same programmes offered in Pietermaritzburg, which are currently needed for SMMEs to start, daily operate and grow sustainably.

7.2.8.2.2 Frequency table establishing what training SMMEs' owners got at the growth phase

The table below, (Table 7.19) displays the responses concerning the training received by SMMEs from the supporting institutions at the growth phase. In Maseru 62.2% of the respondents acquired skills by themselves, without attending any training by the supporting institutions. This is followed by 18.5% who acquired financial management skills from the supporting institutions at the growth phase. On the other hand, in Pietermaritzburg, the majority of respondents (29.5%) acquired marketing skills from the supporting and 21.4% have been relying on self-learnt skills.

Table 7.19: Training received at growth phase

Skills received at growth phase		Location			
		Maseru		Pietermaritzburg	
		Yes	No	Yes	No
Q15.1b: Did you receive management skills at the growth phase?	N %	35 13.0%	235 87.0%	42 20.0%	168 80.0%
Q15.2b: Did you receive marketing skills at the growth phase?	N %	44 16.3%	226 83.7%	62 29.5%	148 70.5%
Q15.3b: Did you receive business planning skills at the growth phase?	N %	42 15.6%	228 84.4%	39 18.6%	171 81.4%
Q15.4b: Did you receive financial management skills at the growth phase?	N %	50 18.5%	220 81.5%	44 21.0%	166 79.0%
Q15.5b: Self learning at the growth phase?	N %	168 62.2%	102 37.8%	45 21.4%	165 78.6%

According to Mahembe (2011:51), there is still a skills gap in the SMME sector in SA, despite the availability of numerous supporting institutions established to develop this sector. Mahembe alleges that there are various reasons for this skills gap. Some of the reasons are the level of skill satisfaction entrepreneurs have, who do not feel that they need to upgrade their skills or feel they do not even have enough time for training. Furthermore, some supporting institutions charge fees for training that entrepreneurs cannot afford.

Entrepreneurs acquired different skills at the growth phase both in Maseru and Pietermaritzburg. The most acquired skills in Maseru are management skills while in Pietermaritzburg they are marketing skills. In Maseru 62.2% relied on self-learning, while in Pietermaritzburg only 21.4% relied on self-learning. This signifies that training programmes to equip entrepreneurs with

necessary skills are available in both locations as the supporting institutions proclaimed. However, utilisation of such services is low, especially in Maseru. One of the perceived reasons for this is that, entrepreneurs are relying on their own knowledge and are not willing to expand on it.

7.2.9 Accessibility of finance from supporting institutions by SMMEs' owners

Table 7.20 below indicates that the majority of the respondents in Maseru, received their funds from their personal savings when they started their businesses (60.4%), while the majority of the respondents in Pietermaritzburg, received their funds from their personal savings when they started their businesses (57.6%). This shows that accessing funds from supporting institutions is not very easy at all in both locations which could have led to respondents relying more on their personal saving when starting businesses.

Table 7.20: Source of funds for establishing business

Source of funds for starting business	Location	
	Maseru (% Much and a great deal)	Pietermaritzburg (% Much and a great deal)
Q16.1: When establishing the business most of the funds came from personal savings	60.4%	57.6%
Q16.2: When establishing the business most of the funds came from a loan from a friend	6.3%	17.1%
Q16.3: When establishing the business most of the funds came from a bank	2.2%	10.5%
Q16.4: When establishing the business most of the funds came from a business supporting institution	6.7%	20.0%

Numerous studies have attested that most entrepreneurs rely on their personal savings or loans from friends, as they find it a challenge to access finance from financial institutions. According to Cull & Xu (2005) and Siringi (2011), in developing countries, small businesses are normally funded by family and friends. It is perceived this is because the banks and other financial institutions demand high interest rates and collateral (Dalberg Survey, 2011:20). This exclusion from certain financial sources, according to Berry *et al.*, (2009) and Quan-Baffour & Arko-Achemfuor (2009:408), makes it very difficult for entrepreneurs to expand their businesses.

In both locations, the majority of the respondents rely on their personal savings. Just the number of available supporting institutions' offices and where they are situated brings a question.

Interviewed participants from the supporting institutions declared that they are mostly situated in cities and they have one or two offices available. There are indeed other supporting institutions that are based in the rural areas, however, these are non-financial institutions. The interviewed participants from the supporting institutions claimed that one has to be a member or a willing entrepreneur for him/her to access funds. They further declared that the procedures to be followed when seeking funds are not cumbersome. This contradicts what SMMEs' owner-managers perceive, as per Table 7.20 above. Therefore, it was concluded that accessing finance from supporting institutions in both Maseru and Pietermaritzburg is very difficult.

7.2.9.1 Difficulty in getting funding from supporting institutions

Table 7.21 below indicates that only 35.9% of the respondents in Maseru found it easy or very easy to access funding, while in Pietermaritzburg, only 18.1% find it easy or very easy. This reflects that it is very difficult for SMMEs from both locations to access funds from the supporting institutions. Chetty (2009:97) asserted that accessing finance is a huge challenge for SMMEs especially at the start-up phase. Contrary to this, OECD (2006:7) emphasises that micro-credit and finance schemes are easily accessible to small businesses particularly in developing countries. According to Viljoen (2008) and Mbedzi (2011:9), great start-up and growth of small businesses depends on the countries' high development level of financial and legal systems.

In both locations, entrepreneurs (below 50%) found access to finance from the supporting institutions to be very difficult. Some of the reasons for difficulty in accessing finance as perceived by the entrepreneurs (Table 7.23) are that, collateral requirements are cumbersome and the interest rates are high.

Table 7.21: Difficulty in getting funding

Difficulty in getting funding		Frequency Distribution						
		Very difficult	Difficult	Not sure	Easy	Very easy	% easy/ very easy	
Q17: How difficult is it to get funding from supporting institutions?		Maseru						
		Freq	88	52	33	85	12	35.9%
		%	32.6%	19.3%	12.2%	31.5%	4.4%	
		Pietermaritzburg						
		Freq	68	58	35	37	12	18.1%
		%	25.2%	21.5%	13.0%	13.7%	4.4%	

There are existing formal and informal financial institutions which assist businesses with financial resources. However, access to finance seems to be easier for older businesses than for young ones (Beck & Demircuc-Kunt, 2006). Mahembe (2011:11), recommends that policy makers should focus on designing how efficiently finances should be offered to meet the needs of the SMMEs they are intended to serve, rather than focusing on increasing the amount of credit available to the sector.

7.2.9.2 Source and difficulty of accessing funds

Table 14 in Appendix 4 reflects where most of the funds came from when entrepreneurs started their businesses. There is a moderate negative significant relationship between using loans from friends and using funds from personal savings when starting a business in Maseru ($r(270) = -0.363, p= 0.000$). This could mean that, relying on friends' loans triggers less use of personal savings. There is also a weak negative significant relationship between using funds from the financial institutions and using funds from personal savings ($r(270) = -0.161, p=0.008$). Furthermore, there is a small negative significant relationship between using funds from the supporting institutions and using funds from personal savings ($r(270) = -0.207, p=0.001$).

Still in Maseru, there is a small positive significant relationship between using funds from the supporting institutions and using loans from friends ($r(270) = 0.191, p=0.002$). In addition, there is a low positive significant relationship between difficulty in acquiring funds from supporting institutions and using loans from friends ($r(270) = 0.193, p=0.001$). Furthermore, there is a weak

positive significant relationship between difficulty in acquiring funds from the supporting institutions and using funds from the supporting institutions ($r(270) = 0.160, p=0.008$).

On the other hand in Pietermaritzburg, there is a moderate negative significance between using funds from the financial institutions and using funds from personal savings ($r(210) = -0.324, p=0.000$) at the start-up phase. There is also a moderate negative significance between using funds from the supporting institutions and using funds from personal savings ($r(210) = -0.349, p=0.000$). In addition, there is a moderate positive significance between difficulty in getting funds from the supporting institutions and using loans from friends ($r(210) = 0.352, p=0.000$). This signifies that as SMMEs experience more difficulty in getting institutional funds, they then rely more on friends' loans.

Still in Pietermaritzburg, there is a low positive significance between using funds from the supporting institutions and using funds from financial institutions ($r(210) = 0.136, p=0.049$). In addition, there is a small positive significance between difficulty in acquiring funds from the supporting institutions and using funds from financial institutions ($r(210) = 0.201, p=0.004$). Furthermore, there is a high positive significance between difficulty in acquiring funds from the supporting institutions and using funds from the supporting institutions ($r(210) = 0.489, p=0.000$) (See Table 14 in Appendix 4). The ability of acquiring funds from the supporting institutions is perceived to enable entrepreneurs to acquire funds from the financial institutions (banks). This could mean such entrepreneurs are able to meet the financial institution's requirements, and are trusted as they previously used the supporting institutions.

According to Mbedzi (2011:9), economies with highly developed financial systems are able to contribute greatly to the start-up and growth of small businesses. On the other hand, economies with undeveloped financial systems experience low accessibility of finances. Inaccessibility of funds, according to Mahembe (2011:33), has compelled most SMMEs' owners at the start-up phase to rely on their personal savings or loans from friends and families, while only SMMEs' owners in the stable stage rely on bank loans for financing.

7.2.9.2.1 Difficulty of accessing funds

Table 7.22 below, indicates how difficult it is to get funding from different supporting institutions in both locations. In Maseru, there is a significant effect in receiving funding from different institutions ($F=2.75, df1=4, df2=265, p\text{-value}=0.029$). The respondents who find it difficult to get funding from both government and parastatal, had the lowest mean=2.00, with those who sought

funding from the parastatal alone and find it difficult scoring 3.47. There is a significant difference between those who sought funding from government and parastatal, and those who sought from private and those who sought from parastatal alone. (They do not have a common superscript ^a or ^b. Those with a common superscript are not significantly different). While in Pietermaritzburg, there is also a significant effect in seeking funding from different institutions (F=21.49, df1=3, df2=206, p-value=0.000). The respondents who did not seek funding from the supporting institutions have the lowest mean=1.98, with those who sought from the private scoring 2.48 and those who sought from the government scoring 3.53. This reflects that there is a significant difference between those who sought funds from different institutions and those who did not seek funds at all.

Table 7.22: Difficulty of getting funding from supporting institutions

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q17: How difficult is it to get funding from supporting institutions?	Government	20	2.70 ^{ab}	1.26	2.75	4, 265	0.029	Significant differences
	Private	10	2.30 ^a	1.70				
	Parastatal	19	3.47 ^b	1.26				
	None	217	2.49 ^a	1.32				
	Government & Parastatal	4	2.00 ^a	0.82				
Pietermaritzburg	Descriptives				ANOVA Tests			
Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment	
Q17: How difficult is it to get funding from supporting institutions?	Government	19	3.53 ^c	1.17	21.49	3, 206	0.000	Significant differences
	Private	61	2.48 ^b	1.22				
	None	121	1.98 ^a	1.06				
	Government & Private	9	4.33 ^c	.500				

According to Mahembe (2011:43), one of the reasons why supporting institutions' interventions fail, is because of the uneven distribution of services. He criticises that in most cases, services are solely concentrated in metropolitan areas. This implies that services are not distributed to entrepreneurs who might need such services. It further implies that there is poor service delivery as there is no competition, which allows the officials to be incompetent.

7.2.10 Barriers to support from the supporting institutions

7.2.10.1 Barriers to funding

Table 7.23 below indicates that SMMEs in Maseru and Pietermaritzburg agree or strongly agree that collateral requirements are barriers to getting funding from the supporting institutions (64.4% and 82.9%) respectively. This is followed by (63.0% Maseru and 81.4% Pietermaritzburg) who agree or strongly agree that high interest rates are barriers to getting funding from the supporting institutions. Lastly, (61.5% Maseru and 76.7% Pietermaritzburg) agree or strongly agree that absence of a lease is a barrier to getting funding from the supporting institutions. High interest rates have the highest PCA score in Maseru (0.867), while in Pietermaritzburg, absence of lease (0.840) has the highest PCA score. The PCA latent factors (scores) accounted for 73.99% and 75.80% of the variation of data contained in “question 18” for Maseru and Pietermaritzburg respectively. The overall measure of funding barriers as inferred from the PCA is calculated as follows:

$$\text{Funding barriers index (Maseru)} = 0.867XQ18.1 + 0.861XQ18.2 + 0.852XQ18.3$$

$$\text{Funding barriers index (Pietermaritzburg)} = 0.858XQ18.1 + 0.871XQ18.2 + 0.883XQ18.3$$

Table 7.23: Funding barriers

Location	Funding barriers	% Agree/ Strongly Agree	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q18.1: High interest rates are barriers to getting funding from the supporting institutions	63.0%	0.867	73.99%	0.824
	Q18.2: Collateral requirements are barriers to getting funding from the supporting institutions	64.4%	0.861		
	Q18.3: Absence of lease is a barrier to getting funding from the supporting institutions	61.5%	0.852		
Pietermaritzburg	Q18.1: High interest rates are barriers to getting funding from the supporting institutions	81.4%	0.858	75.80%	0.840
	Q18.2: Collateral requirements are barriers to getting funding from the supporting institutions	82.9%	0.871		
	Q18.3: Absence of lease is a barrier to getting funding from the supporting institutions	76.7%	0.883		

According to Mahembe (2011:10), whether businesses are operating formally or informally, they all experience a challenge in accessing funds. This is because, amongst others, banks are not offering small loans, and on the other hand micro finance institutions charge high interest rates that most small businesses could not afford. The collateral requirements are also considered a barrier to funding.

The researcher interviewed only six supporting institutions from each location. These institutions offer different support services to SMMEs' owners. Therefore, the financial institutions that were interviewed were very few from both locations. In both study sites, the interviewed supporting institutions indicated that for the entrepreneurs to access funding, such an entrepreneur has to be a registered member or somebody who is willing to run a business. They did not mention the issue of collateral and interest rates at all. However, entrepreneurs perceive collateral and interest rates are huge barriers for them to access funding.

7.2.10.2 Start-up barriers

Table 15 in Appendix 4 indicates that SMMEs both in Maseru and Pietermaritzburg agree or strongly agree that access to finance is a barrier to starting a business (73.70% and 92.38%) respectively. Income tax scored low percentages in both locations, 56.67% in Maseru and 73.33% in Pietermaritzburg. However, all the variables that were listed all scored higher percentages as there was nothing below 50%. This could be an indication that all the listed variables are considered a barrier in both locations. High interest rates have the highest PCA score in Maseru (0.865), while in Pietermaritzburg, high rental charges (0.756) have the highest PCA score. The PCA latent factors (scores) accounted for 51.08% and 51.54% of the variation of data contained in “question 19” for Maseru and Pietermaritzburg respectively (See Table 15 in Appendix 4). The overall measure of start-up barriers as inferred from the PCA is calculated as follows:

$$\begin{array}{l} \text{Start-up} \qquad \qquad \text{barriers} \qquad \qquad \text{index} \qquad \qquad \text{(Maseru)} \qquad \qquad = \\ 0.628XQ19.1+0.865XQ19.2+0.745XQ19.3+0.816XQ19.4+0.568XQ19.5+0.615XQ19.6 \end{array}$$

$$\begin{array}{l} \text{Start-up} \qquad \qquad \text{barriers} \qquad \qquad \text{index} \qquad \qquad \text{(Pietermaritzburg)} \qquad \qquad = \\ 0.627XQ19.1+0.761XQ19.2+0.672XQ19.3+0.756XQ19.4+0.746XQ19.5+0.735XQ19.6 \end{array}$$

Martins (2004), states that mostly at the start-up phase, entrepreneurs are faced with inadequate owners’ funds and/or inaccessibility to external finance, unavailability of business premises, unavailable information about the existing institutions meant to develop SMMEs, and the regulatory barriers. When explaining regulatory barriers, he says for instance, the potential entrepreneur is planning to start a business, but, due to the requirements to obtain a trader’s license such an entrepreneur ends up not managing to attain one. The registration procedures then are considered a barrier to entry to the business world. OECD (2004), listed amongst others, high market entry barriers, lengthy and complex licensing procedures, inadequate financial institutions for the sector and complex tax regulation as common external barriers to business start-up.

In both locations (Maseru and Pietermaritzburg), there are existing barriers to start-up according to the surveyed SMMEs. Finance is considered a huge barrier in both study sites. However, all other barriers are far above 50% in both study sites. This tells us that, all the programmes/services meant to develop the SMME sector are perceived to be barriers in both economies.

7.2.10.3 Barriers to sustainability

Table 16 in Appendix 4 shows that SMMEs in both locations (Maseru and Pietermaritzburg), agree or strongly agree that access to finance is a huge barrier to their sustainable growth (74.81% and 90.95%) respectively. The respondents who agree or strongly agree that these variables are barriers to sustainable business growth are all above 50%. This signifies that the interventions in place are hindering SMMEs instead of developing them. Income tax has the highest PCA score in Maseru (0.864), while in Pietermaritzburg, high interest rates (0.829) has the highest PCA score. The PCA latent factors (scores) accounted for 53.35% and 55.25% of the variation of data contained in “question 20” for Maseru and Pietermaritzburg respectively (See Table 16 in Appendix 4). The overall measure of sustainability barriers as inferred from the PCA is calculated as follows:

$$\text{Sustainability barriers index (Maseru)} = 0.533XQ20.1+0.862XQ20.2+0.864XQ20.3+0.824XQ20.4+0.538XQ20.5+0.677XQ20.6$$

$$\text{Sustainability barriers index (Pietermaritzburg)} = 0.593XQ20.1+0.829XQ20.2+0.785XQ20.3+0.762XQ20.4+0.765XQ20.5+0.702XQ20.6$$

Finance is considered a huge barrier to sustainable growth of businesses in both Maseru and Pietermaritzburg. Income tax and high interest rates were also perceived as barriers to sustainable growth of businesses. This signifies that the interventions in place are hindering SMMEs instead of developing them. The Lesotho EESE survey (2014:22&55), reported that, MSMEs’ owners concede that income tax is a hindrance to their business growth. Amongst others, in SA, according to Mahembe (2011:36), unavailability of business premises is considered a barrier to business growth.

In both Maseru and Pietermaritzburg, entrepreneurs perceive that there are existing barriers that hinder their businesses to sustainably grow. All the listed variables as per Table 16 in Appendix 4 are considered a barrier by the surveyed SMMEs’ owner-managers, however, access to finance is the highest from both locations.

7.2.11 Service Satisfaction

Table 17 in Appendix 4 indicates whether SMMEs are satisfied with the services provided by the supporting institutions or not. In Maseru and Pietermaritzburg, 65.8% and 60.0% respectively,

agree or strongly agree that supporting institutions provide their services dependably. This reflects the reliability of the supporting institutions in both locations. 57.2% of respondents in Maseru agree or strongly agree that they are satisfied with the services provided by the supporting institutions. While in Pietermaritzburg, 51.9% agree or strongly agree that they are satisfied with the services provided by the supporting institutions. Confidence in supporting institutions due to their courtesy has the highest PCA scores in both Maseru (0.901) and Pietermaritzburg (0.943). The PCA latent factors (scores) accounted for 64.70% and 85.27% of the variation of data contained in “question 21” for Maseru and Pietermaritzburg respectively (See Table 17 in Appendix 4). The overall measure of satisfaction of services provided as inferred from the PCA is calculated as follows:

$$\text{Satisfaction of services provided index (Maseru)} = 0.501XQ21.1+0.744XQ21.2+0.742XQ21.3+0.739XQ21.4+0.829XQ21.5+0.841XQ21.6+0.883XQ21.7+0.901XQ21.8+0.895XQ21.9+0.864XQ21.10+0.806XQ21.11+0.810XQ21.12+0.821XQ21.13$$

$$\text{Satisfaction of services provided index (Pietermaritzburg)} = 0.837XQ21.1+0.897XQ21.2+0.926XQ21.3+0.936XQ21.4+0.928XQ21.5+0.936XQ21.6+0.941XQ21.7+0.943XQ21.8+0.930XQ21.9+0.941XQ21.10+0.932XQ21.11+0.930XQ21.12+0.923XQ21.13$$

7.3 Summary

This chapter presented the results that were derived from the questionnaires distributed to the SMMEs owner-managers in Maseru and Pietermaritzburg. This chapter was divided into seven sections. The first section focused on the demographic information of the respondents, and the following six sections were the same as the six sections on the interviews questions. The SMMEs’ owner-managers, concurred that they are aware of the existing public and private supporting institutions established to develop their sector. The respondents declared that at the start-up phase they struggle to receive some support from the supporting institutions, especially regarding access to finance. Most of the respondents had not received the services provided at the growth phase, perhaps because their businesses have not grown significantly, and consequently they do not seek such services. The majority of the respondents, especially in Maseru, had not received training support. The part that received training from both locations declared that the training they received was relevant to their current needs. Entrepreneurs stated that collateral and interest rates are so cumbersome that they cannot access finances easily, and this has become a barrier at both

start-up and growth phases. However, there are still SMMEs' owner-managers who indicated that they are satisfied with the services provided by the supporting institutions, while others indicated no satisfaction at all.

CHAPTER EIGHT: DATA ANALYSIS

8.1 Introduction

The previous chapter presented the quantitative data of each research question. This Chapter brings into dialog the findings from the supporting institutions' and SMMEs' owners' perspectives. Thus, the analysis from this chapter combines both views to provide a better understanding of the role of the supporting institutions at the start-up and growth of MSMEs/SMMEs in both locations. The Chapter firstly recaps the research questions and then proceeds with the mixed method analysis based on the guiding research questions.

8.2. Answering the research questions

The following research questions are answered in this section, as a representation of qualitative and quantitative data analyses:

- What are the existing supporting institutions that have been put in place in developing SMMEs?
- What is the role of the supporting institutions on SMMEs' start-up?
- What is the role of the supporting institutions on sustainable growth of SMMEs?
- Do the supporting institutions provide relevant training to SMMEs' owners?
- How accessible are supporting institutions' finances by SMMEs?
- Are SMMEs' owners satisfied with the services provided to them by supporting institutions?

8.2.1 Supporting institutions

Interviewees (supporting institutions) from both locations mentioned a long list of other existing supporting institutions established to develop or support small businesses. For the interviewees to mention many other institutions, is an evidence that both Maseru and Pietermaritzburg have established public and private supporting institutions to develop SMMEs. According to SBP Alert (2009:3-8), the small business sector is very diverse, and this has compelled the supporting institutions to be diverse and provide diverse support programmes to SMMEs. It is important that when formulating and implementing policies meant to develop the SMMEs this diversity is taken

into consideration. However, according to Mahembe (2011:65), the one-size fits all approach, will not work for these diverse groups. It is therefore, important to develop specific reactions for specific needs (Chetty, 2009:298).

In this study, it was found that awareness of the existing supporting institutions by SMMEs' owner-managers in both Maseru and Pietermaritzburg is very high (94.44% and 93.33% respectively). However, some of the respondents from both locations are not aware of the existing supporting institutions and the available support they provide. Thus, they make little or no use of these institutions and their support resulting in minimal use of the supporting institutions' services. In both locations, as stated in the previous paragraph, it is obvious that there are numerous institutions established in the quest for developing the SMME sector. The interviewees from these institutions claimed that they provide either financial or non-financial support to the SMMEs.

In Lesotho, 94.44% of the respondents were only aware of the popular institutions that the researcher had listed. This gave the impression that, the institutions mentioned by the interviewees, were not known by the entrepreneurs. In SA, 93.33% of the respondents were aware of the existing supporting institutions. It was concluded by the researcher that this awareness was the result of the existence of the National Directory of Small Business Support Programmes. This Directory provides detailed information to SMMEs' owners concerning how to access the available programmes, procedures to follow in accessing such services and how to contact the public and private supporting institutions implementing these programmes. However, the usage of the programmes is still low, yet the Directory gives a guidance as to how to contact the supporting institutions implementing these programmes (Mahembe, 2011:64). Hence, this study's findings concur with similar findings within the South African context. Chetty's findings (2009:266) highlight that SMMEs' owners in SA are aware of the existing supporting institutions, however, they do not make use of such institutions. In addition, a study by Cunningham and Trah (2004) conducted on the usage of business development services and satisfaction levels, indicated relatively low overall usage of most forms of BDS in Nelspruit. The study conducted by Mahembe (2011:10), confirmed that SA has a variety of funding programmes and financing schemes by both public and private sector funding agencies. However, it was found that the awareness and uptake of these programmes have been very low. According to Ahmad & Xavier (2012) and Nenzhelele (2014:608), there is a need to back up the small businesses, as the world they are operating in, is very dynamic and unpredictable.

The existence of numerous supporting institutions in Maseru and Pietermaritzburg, is evidence that both countries have taken substantial initiatives to create a conducive environment for

business start-up and growth. Besides these concerted efforts, SMMEs are confronted with the challenge of closing down in the early stages. Some of the reasons why small businesses are not sustainable, according to Chetty (2009:266), are: low rate of usage or inaccessibility of support assistance such as training, networking and finance. Amongst other reasons why SMMEs close down so quickly, according to SBP (2008:90) and Mahembe (2011:36), is insufficient working premises and limited access to finance.

The MSMEs' owner-managers in Maseru (survey participants) mostly mentioned the supporting institutions that the researcher of this study had listed, as the ones that provided services to them. There was still an option of "other", where MSMEs were expected to indicate the supporting institutions that were not mentioned by the researcher on the list. This gives the impression that most MSMEs' owners are only aware of, and make use of the supporting institutions that were listed by the researcher, and they are not aware of these other supporting institutions that the public and private interviewees mentioned. On the other hand, as a confirmation of the existence of the public and private supporting institutions, SMMEs' owner-managers in Pietermaritzburg purported that they are aware of the supporting institutions the researcher listed, even though on the "other" option, they did not respond. Three quarters of the respondents in Pietermaritzburg further mentioned that they have made use of such supporting institutions.

8.2.2 Influence of supporting institutions on SMMEs' start-up

The interviewed participants in the supporting institutions in both locations asserted that they provide SMMEs with financial and non-financial support at the start-up phase without stringent procedures to be followed. However, SMMEs' owner-managers posited that accessing some of the services provided by the supporting institutions is a problem for them. In Maseru, MSMEs' owners have received available assistance more from the parastatal supporting institution, than from government and private supporting institutions. Government assistance in Maseru was more prevalent to licensing procedures (91.1%) and in funding (7.4%) as indicated in Table 7.3. At the start-up phase, licensing procedures are found to be easily accessible (77.1%) followed by business advisory services (72.9%) as indicated in Table 7.9. On the other hand, in Pietermaritzburg, it was found that there are some supporting institutions (especially public institutions 63.2% - Table 7.4) that provide services more often than their counterparts. While still in Pietermaritzburg, the assistance that SMMEs' owners received the most (89.5% - Table 7.5) is related to training, provided mostly by the public supporting institutions. The other frequently received support is assistance with business premises (77.8% - Table 7.6) provided by the government and the assistance with licensing procedures (72.2% - Table 7.7) provided by

private supporting institutions. Networking support (63.8%) is perceived to be easily accessible at the start-up phase, followed by business advisory services (56.2%) as stated in Table 7.9. It is found that government and private institutions were more involved in SMMEs support compared to Maseru.

In both locations, the results indicated finance (73.70% in Maseru and 92.38% in Pietermaritzburg) to be a huge challenge for entrepreneurs to access, and this has become a barrier for SMMEs' start-up. Furthermore, such SMMEs' owners are compelled to rely on their personal savings. It is essential according to Renawat & Tiwari (2009:16), and Ngcobo & Sukdeo (2014:436), to support businesses at their start-up phase, as this is a very fragile stage. The assistance at the start-up stage, gives small businesses an opportunity to grow and be sustainable (Ghobakhloo *et al.*, 2011 and Lesáková, 2012:93). Policies supporting or affecting development programmes such as licensing procedures, training, availability of premises for business use, and access to finance, by the supporting institutions have to have positive impact on businesses (Wright & Marlow, 2012 and Herrington & Kew, 2014). Occasionally, well-intended policies are poorly implemented, which weakness creates unnecessary costs to the supporting institutions and the entrepreneurs (Young, 2009).

According to the interviewees from both locations, the procedures followed to access services they provide have been eased. For entrepreneurs to receive services from the supporting institutions in these locations, according to The Interviewees (2015), one has to formally register ones' business. In Maseru, the respondents claimed that, if the business is formally registered with the Ministry of Trade, such a business can freely operate, and approach other existing supporting institutions for the different support such institutions offer. In Maseru, some respondents further alluded that they expect the entrepreneurs to register with them as members, this is a procedure followed by entrepreneurs for them to get assistance from such institutions. Similarly, in Pietermaritzburg, an entrepreneur has to be a registered member of the supporting institution for such an entrepreneur to receive services from that particular institution, claimed the respondents.

There are various emerging needs for SMMEs' owner-managers that could be met if assistance is sought from the effective supporting institutions, as it is perceived that supporting institutions have the potential of creating a conducive business environment for SMMEs. However, the supporting institutions perceive that entrepreneurs' character (lack of trust on supporting institutions by SMMEs' owners) is the one factor that hinders entrepreneurs from starting-up and growing sustainably, which brings a challenge to the supporting institutions. Chetty (2009:194) believes that flexibility, innovation and responsiveness to unique and rapidly changing

circumstances are required in order to be effective in promoting economic activities. In line with the findings, supporting institutions need to find innovative ways of encouraging SMMEs to respond to their services offering. Such may come through an interactive approach between the agencies and the business owners to identify and respond to areas where such businesses need support. These institutions should also be flexible enough to adjust to the changing needs from the demand side.

Other similarities depicted in both locations are that, supporting institutions in both economies still encounter some challenges when providing services to SMMEs. Some of the mentioned challenges in both locations include, shortage of knowledgeable staff to assist SMME owners; lack of funds with which to assist SMMEs; and entrepreneurs' lack of knowledge. For instance, some entrepreneurs are computer illiterate and are lacking skills to run a business, according to interviewees from the supporting institutions, however, they are reluctant to attend training. According to Ayyagari, Thorsten and Demirgüç-Kunt (2005), improvement of the business environment contributes to more formal activities and productivity, hence a decline in informal activities. According to Olufisayo (2014) supportive agencies are established by the government to facilitate the promotion of SMMEs, and these agencies are expected to cope with the dynamics of the economy at the particular time.

SBP Alert (2009:2), proclaim that there are numerous initiatives taken by governments to develop SMMEs, however, these initiatives are always less effective and hinder businesses to grow and be sustainable. Atkinson (2004), asserts that governments and private agencies, neither have the experience nor skills to advice entrepreneurs.

8.2.3 Sustainable growth

It is evident that there are development programmes designed for growth and sustainability of SMMEs in both locations (Maseru and Pietermaritzburg), and SMMEs' owner-managers are aware of such programmes, although the utilisation of such programmes is minimal. Public and private supporting institutions do not just assist from start-up to growth, but they continue with their provision to ensure that businesses are sustainably developed. In both study sites, it was evident that entrepreneurs, for instance, are aware that financial supporting institutions provide additional working capital to help SMMEs to grow. Conversely, non-financial supporting institutions provide more training (improve your business), mentoring and linking existing entrepreneurs with their counterparts, with the aim of helping their businesses to grow.

The entrepreneurs who made use of these development programmes, agreed that the support they received impacted positively on their business growth. In Maseru, entrepreneurs who received assistance with business advisory services (mean=3.87 – Table 7.14), indicated that the supporting institutions play a significant role in influencing the growth of their businesses. For all the listed services, the entrepreneurs declared that such services impact positively on the growth of their businesses (all above 50%). In Pietermaritzburg, in terms of assistance with funding (mean=3.67 – Table 7.12), training (mean=3.13 – Table 7.13) and networking support (mean=3.18 – Table 7.15), public supporting institutions play a significant role in influencing the growth of SMMEs. Furthermore, 80.00% of the respondents stated that accessibility to networking support has impacted positively in the growth of their businesses. It was further realised that public institutions in Pietermaritzburg make it easier for SMMEs to access their services, and their support significantly impact on or contribute to business growth. The difference realised is, there are some supporting institutions in Maseru which provide advocacy services. These institutions work together with the Ministry of Trade to suggest the amendments of the business policy with the aim of assisting SMMEs to grow while in Pietermaritzburg, there was none such found.

It was evident that supporting institutions from both study sites provide continuous support to SMMEs, in a quest for sustainably developing the sector. Supporting institutions do not just assist SMMEs from start-up to growth, but they continue with their provision to ensure that businesses grow sustainably. These supporting institutions' interviewees all indicated that entrepreneurs are aware of their development programmes designed for SMMEs' sustainability. Entrepreneurs indicated positive impact brought to their businesses by available development programmes designed to sustain their businesses. According to the EESE survey (2014:50), amongst others, access to financial resources, is required for the creation and expansion of sustainable enterprises. BEDCO in Lesotho and Khula in SA for instance, provide business premises to businesses at the start-up and growth phases with highly subsidised rental charges which encourages SMMEs' owners to move into formal operating spaces (DTI, 2010:65 and Langwenya *et al.*, 2011:32).

However, according to Dubihlela and van Schaikwyk (2014:265), small businesses normally close down during their first two years of operation, while there are still available development programmes designed for sustainable growth of businesses. Closing down during the early stage of operation, reflects that businesses are established but they do not grow sustainably. As mentioned earlier, failure to the sustainable growth of SMMEs could be because entrepreneurs are not aware of some of the business development service providers and do not make use of the services provided or they are not ambitious to grow (Muzondi, 2014:635). It is essential that the

supporting institutions market their services broadly and strive to enhance entrepreneurs' understanding of these services, as well as their associated benefits (Chetty, 2009:290).

8.2.4 Relevant training

In this study, it was found that there are institutions which provide training while some do not. Supporting institutions that provide training in both study sites indicated that they provide pre-establishment and post-establishment training programmes. The interviewees alluded that different training is provided at the start-up and growth phases to meet the needs of different groups. These supporting institutions conduct training needs analysis/assessments that determine the training needs of the particular SMME owner, then such training is provided, as that is exactly what the entrepreneur needs. The interviewees from both locations ratified that their training is delivered by internal or outsourced well-trained trainers. While the supporting institutions that do not provide training, claimed that they assist SMMEs' owners by linking them with the appropriate institutions that provide training.

Interviewed participants from the supporting institutions confirmed that their training programmes are demand-driven rather than supply driven, as they provide according to the needs of the entrepreneurs (Chetty, 2009:108 and Mahembe, 2011:72). In addition, according to Maluleke (2013:57), provision of general training to SMMEs is acceptable, as this simplifies training and enables the supporting institutions to reach a large number of SMMEs in a short period with fewer resources compared to customised training. In contrast, Maluleke further proclaims that, customising training programmes to a specific SMME group or sector, is very expensive, however, it is rewarding.

Previous studies have attested that MSMEs' owner-managers in Lesotho lack skills (SBP, 2008 and Langwenya *et al.*, 2011), yet amongst others, BEDCO and SMME Support Network-Lesotho are available to provide this kind of assistance at the start-up and growth phases. It is perceived this is why the MSME policy has prioritised entrepreneurship training and skills development as a key intervention (GoL/MTICM, 2011:8). According to this study – Table 7.16, only 24.44% of the respondents confirmed that they received training at start-up phase, and 23.70% received training at growth phase. Most entrepreneurs (62.2% in Maseru and only 21.4% in Pietermaritzburg – Tables 7.18 and 7.19) indicated that they rely on self-learning, at both start-up and growth phases, rather than seeking assistance from supporting institutions. The supporting institutions proclaimed that, there are available training programmes to equip entrepreneurs with necessary skills in both locations. However, particularly in Maseru, the utilisation of such services

is low. One of the perceived reasons for this, according to the interviewees, is that, entrepreneurs are relying on their limited knowledge and are not willing to expand their know-how. Similarly, according to Mahembe (2011:51), there is still a skills gap in the SMME sector in SA, despite the availability of numerous supporting institutions established to develop this sector. Mahembe alleges that there are various reasons for this skills gap. Some of the reasons are the level of skill satisfaction entrepreneurs have, and they do not feel that they need to upgrade their skills or they do not even have enough time for training. Furthermore, Mahembe proclaims that some supporting institutions charge fees for training that entrepreneurs cannot afford. Hence, there is a need for more awareness of the benefits associated with training opportunities provided by the supporting institutions.

It was mentioned in chapter 3 that, BEDCO in Maseru, finds a mentor for individual entrepreneurs after the training, and they work together as a tripartite team to assist small businesses to grow. This is considered an efficient strategy that BEDCO is using. The study conducted by Chetty (2009:302), confirmed that mentoring provides exceptional skills and equips emerging entrepreneurs with the sound knowledge and skills they require to improve their businesses. However, MSMEs in Lesotho, still do not make use of the available support, yet it is evident by the interviewees that public and private supporting institutions offer useful programmes.

Both in Maseru and Pietermaritzburg, the supporting institutions declared that they provide relevant training at different phases, through well-trained trainers. However, the percentages of respondents who received training from these supporting institutions, especially in Maseru are very low (below 50%) as indicated in the previous paragraphs. While in Pietermaritzburg relevant training was received at different stages by half of the respondents. In Pietermaritzburg, above half (50.48%) of the respondents concurred that they received training relevant to their current needs. While in Maseru, only 26.30% (far below 50%), agreed that they received relevant training to their current needs (See Table 7.16). Relevant training is more received in Pietermaritzburg than in Maseru. This implies that in Maseru training is provided, however, MSMEs' owners do not benefit much from such training.

The Lesotho EESE survey (2014:61), examined whether the skills possessed by workers are the ones demanded by businesses. The findings revealed that only one-fifth of all the respondents reflected that relevant and appropriate skills for business operation were generally possessed by workers. According to the GEM Report (2010), in SA in particular, entrepreneurs suffer from poor management skills which is alleged is a consequence of insufficient training and education, which subsequently contributes to high rates of business failure.

8.2.5 Ease of access to finance

Some of the interviewed participants from the supporting institutions in both study sites attested that they have a number of offices located in cities and rural areas, while some have one office and are located in cities only. The number of available financial institutions' offices according to Mbedzi (2011:9), could also determine whether the country's financial system is highly developed or not. Countries with highly developed financial systems are able to contribute greatly to the start-up and growth of small businesses. According to Mahembe (2011:43), the uneven distribution of services, is the reason for government interventions' failure. Mahembe condemns that in most cases, metropolitan areas are the only places where services are concentrated which gives the impression that services are not distributed to entrepreneurs who might need such services. According to Mahembe (2011:61), this is an indication that there is no competition among organisations that deliver services, which creates room for incompetency among the concerned officials. Moreover, Mahembe (2011:11) posits that policy makers focus on designing how efficiently finances should be offered to meet the needs of SMMEs they are intended to serve, rather than focusing on increasing the amount of credit available to the sector.

It was found that entrepreneurs have to be members to qualify for the services provided by some supporting institutions, both in Maseru and Pietermaritzburg. While with other supporting institutions, every entrepreneur qualifies for services provided, as long as they need assistance and meet all the requirements. Non-financial supporting institutions, even assist SMMEs' owners by referring them to the appropriate financial institutions. The supporting institutions proclaimed that ease of access to services including finance has been eased. However, entrepreneurs still proclaim that access to finance is a huge challenge for them. In Maseru, only 46.7% found access to finance to be easy, while in Pietermaritzburg, only 23.3% declared that it is easy to access funds (Table 7.8).

In Lesotho, one of the supporting institutions mentioned projects like Rufip, Sufil and Leap, as assisting MSMEs with finances. However, as it was found from the quantitative data of this study, entrepreneurs seem not to be aware of such initiatives (mentioned projects). It is essential to note that if finances for instance, are inaccessible to entrepreneurs, such entrepreneurs might not be able to contribute to economic growth.

According to Elhiraika and Nkurunziza (2006:7) and SBP (2008:8-11), businesses in developing countries, are faced with the challenge of having limited access to finance. In both locations, most business owners rely entirely on their own savings (60.4% in Maseru and 57.6% - Table 7.20),

due to inaccessible bank loans. The perception is that interest rates are high (63.0% in Maseru and 81.4% in Pietermaritzburg) and entrepreneurs lack collateral (64.4% in Maseru and 82.9% - Table 7.23 in Pietermaritzburg). These barriers were similarly found by Khoase's (2011:59) findings within the Lesotho context. These have further compelled business owners to rely entirely on their own savings or loans from friends. Therefore, it is a challenge for prospective entrepreneurs to start businesses and existing SMMEs' owners to sustainably grow their businesses. It was mentioned earlier that when providing services, some of the consequences are, public and private supporting institutions might have a positive or negative impact on SMMEs' start-up and growth, which turns into a barrier, if the impact is negative.

8.2.6 Service satisfaction

In both Maseru and Pietermaritzburg, the supporting institutions confirmed that they conduct customer satisfaction surveys to find out if SMMEs' owners are satisfied with the services provided or not. The participants from the supporting institutions claimed that the feedback they normally get indicates that SMMEs' owners' expectations are always met, hence, entrepreneurs' satisfaction. Furthermore, the annual renewal of membership by entrepreneurs and the success and the continuity of their businesses, are a clear sign that SMMEs owners are really satisfied with the services that the supporting institutions provide. The supporting institutions declared that they even receive new members every year, referred to them by the existing members, therefore, this signifies a level of satisfaction by the entrepreneurs. Furthermore, in both Maseru and Pietermaritzburg, all the participants from the supporting institutions attested that, they are willing to promptly assist SMMEs' owners. They also added that they are able to perform the promised support to SMMEs dependably and accurately. Willingness of the supporting institutions to help SMMEs and provide prompt support is most crucial.

The respondents in both Maseru and Pietermaritzburg, (57.2% and 51.9% respectively), stated that they are satisfied with the services they receive from the supporting institutions. Especially in Pietermaritzburg, entrepreneurs supported the view that the supporting institutions are reliable, responsive, and bring assurance to SMMEs' owners. However, supporting institutions in Pietermaritzburg portray less empathy to the entrepreneurs. In Maseru, entrepreneurs perceive supporting institutions are more reliable, but less accurate and less promptly responsive (less prompt support). Hence, in accordance with Zeithaml *et al.* (2006), it is advisable for service providers to be active and prompt when providing their services.

From these findings, there are differences in the way MSMEs/SMMEs' owners perceive supporting institutions' services as far as satisfaction is concerned. Further research may investigate why such difference exists. For instance, why SMMEs' owners perceive supporting institutions as reliable, responsive, and assuring while MSMEs' owners perceive them as less accurate and less promptly responsive.

Apart from entrepreneurs who are satisfied with the services provided by the supporting institutions, some entrepreneurs from both locations attested that they are not satisfied at all with the services provided by the public and private supporting institutions. This could be because such entrepreneurs have not, at any point sought assistance from the supporting institutions, as these entrepreneurs do not trust the supporting institutions' capabilities and effectiveness (SBP, 2008:50). The supporting institutions attested that they conduct customer satisfaction surveys, and through this they have proof that entrepreneurs are satisfied with the services provided. However, some programmes offered by the supporting institutions are not used to the maximum. Based on the findings of this study, it is believed due to the repeat clients, the supporting institutions perceive SMMEs' owners are satisfied with the services they receive. Further research is recommended, as it can investigate why some offered programmes are not used like others.

The study conducted by Khoase (2007:62), reflected that, in this rapidly changing world, if an organisation wants to be effective and achieve success, such an organisation has to monitor and evaluate its strategies carefully. The study suggested that, changing of corporate culture is often the key to implementing a new strategy successfully. One of the benefits of implementing new strategies, is high quality service is provided with more cost-efficiency. This satisfies the concerned organisation together with its targeted customers (SMMEs).

8.3 Summary

This chapter dealt with the analyses of responses emanating from the findings which were attained through the mixed method used to collect data. The advantage of using this method is, it allows the researcher to match the qualitative results with quantitative results, which gives a deeper understanding of the current situation. This chapter discussed mixed analysis of data (qualitative and quantitative), based on the six research questions of this study. Data analysed, were from the supporting institutions and SMMEs' owner-managers from both Maseru and Pietermaritzburg. The first part analysed qualitative and quantitative data on existing supporting institutions from both locations. The second part analysed qualitative and quantitative data on the role the supporting institutions play on SMMEs' start-up, and the perceptions of SMMEs about

the role these institutions play. The third part analysed qualitative and quantitative data on the role the supporting institutions play and perceptions of SMMEs about the role these institutions play on sustainable growth of SMMEs. The fourth part is the mixed analysis of data on the relevance of training the supporting institutions provide to SMMEs owner-managers. The fifth part is the mixed analysis of data on ease of access to supporting institutions' finances by SMMEs' owner-managers. The last part is the mixed analysis of data on supporting institutions' and entrepreneurs' perceptions about satisfaction of services provided by the supporting institutions to SMMEs' owners.

In both Maseru and Pietermaritzburg, it was found that the findings from the qualitative data match with the findings from the quantitative data for research questions 1, 3 and 6. The interviewed supporting institutions declared that SMMEs' owner-managers are aware of their existence and the SMMEs' owner-managers posited they are aware. Furthermore, most entrepreneurs agreed with the supporting institutions that the support they received from the supporting institutions contributed positively to the sustainable growth of their businesses. Moreover, the participants from the supporting institutions proclaimed that they receive positive feedback about the services they provide, and most of the entrepreneurs concurred that they are satisfied with the services provided by the supporting institutions.

However, pertaining to the results from research questions 2, 4 and 5, it was found that there are some mismatches. For instance, participants from the supporting institutions asserted that at the start-up phase access to services are eased, while some entrepreneurs still encounter problems in accessing provided assistance. Furthermore, especially in Maseru, the supporting institutions emphasised that they provide relevant training, while only a few respondents agreed that the training provided is relevant to their current needs. Moreover, the supporting institutions from both locations declared that access to finance has been eased, however, the SMMEs' owner-managers still confirm that accessing funds is a huge challenge for them.

CHAPTER NINE: CONCLUSION AND RECOMMENDATIONS

9.1 Introduction

The previous chapter presented mixed data analysis of this study. This chapter firstly discusses the conclusion drawn regarding the influence of the public and private supporting institutions on SMMEs' development, followed by the recommendations. The influence of the public and private supporting institutions on SMMEs development is skeptical, hence the low uptake by SMMEs' owners. The supporting institutions are perceived by the entrepreneurs, to be the source of barrier for SMMEs' start-up and growth. On the other hand, SMMEs' owners are aware of the available support provided by the supporting institutions, however, SMMEs' owners do not fully utilise these available services. The perception is that, SMMEs' owners do not trust the quality of the service provided by the supporting institutions. Therefore, the recommendations are directed to both supporting institutions and SMMEs' owner-managers based on the research findings of this study.

9.2 Conclusion

This study investigated the influence of the public and private supporting institutions on SMMEs' development, in both Maseru and Pietermaritzburg. The conclusions were drawn from the findings of the study which were conducted using the mixed method (qualitative and quantitative). The quantitative method was used by the researcher to generate the statistics. The qualitative method was used by the researcher of this study because it generates in-depth information which assists the researcher in understanding why particular statistics exist. The study was conducted based on the research objectives/questions of this study.

9.2.1 Influence of the supporting institutions on SMMEs start-up

It is concluded from the findings that there are various programmes that public and private supporting institutions from both locations offer to SMMEs at the start-up phase. Some of these programmes are provided without any stringent procedures to be followed. Most participants from the supporting institutions proclaimed that for their services to be accessed, entrepreneurs only have to register as a member with such institutions, then accessing services becomes automatic. However, SMMEs' owner-managers have not made use of all the available development programmes, and some programmes are used more than others. In Maseru, assistance with regard to licensing procedures is highly received (91.1%) from the government,

while in Pietermaritzburg training opportunity (52.9%) is the most highly received support from both government and private institutions.

The Lesotho MSME policy notes that, measures to ease access to finance, simplify business licensing and registration, provision of business premises, provision of sufficient business advisory services, and equipping of entrepreneurs with necessary skills are key intervention areas prioritised in the policy. It is believed some of the proposed measures have already been put in place, which is why assistance with licensing procedures was the highest support received by MSMEs' owners. Ease of access to business licenses has positively influenced MSMEs' start-up as majority of entrepreneurs-owners are operating formally (GoL/MTICM, 2011:8).

Based on the findings, it is concluded that the influence of the supporting institutions on SMMEs' development at the start-up phase is partially positive. The reason is, SMMEs' owner-managers proclaim that accessing some of the services (especially finances) from the supporting institutions is a challenge (Maseru 73.70% and Pietermaritzburg 92.38%). This has restrained entrepreneurs to rely on their personal savings. By way of contrast, networking support assistance provided by public supporting institutions in Pietermaritzburg is found to be impacting positively on SMMEs, as the businesses that received this assistance subsequently grew. According to the ANOVA test results of this study, there is a significant difference in overall growth of businesses due to receiving assistance with networking support (mean=3.18).

9.2.2 Influence of supporting institutions on SMMEs' sustainable growth

It was concluded based on the finding in Maseru that supporting institutions impact positively on sustainable growth of MSMEs, as entrepreneurs who received assistance with access to business premises (74.60%) and entrepreneurs who received assistance with training opportunities (72.22%) indicated that the supporting institutions play a significant role in influencing the growth and the sustainability of their businesses respectively. In Pietermaritzburg, in terms of assistance with networking support, supporting institutions play a significant role in influencing the growth and the sustainability of SMMEs (80.00%, 82.35% respectively).

It was concluded also that most of the entrepreneurs (74.81% in Maseru and 90.95% in Pietermaritzburg) who do not make use of available development programmes designed to sustain their businesses, are those who see such programmes as barriers to their sustainability. According to Mahembe (2011:36), unavailability of business premises is considered a barrier to business growth.

9.2.3 Influence of received training on start-up and growth

The MSMEs' policy has amongst others, given priority to entrepreneurship training and skills development. The policy proposed to focus on developing an entrepreneurial culture in Basotho through designing and implementing comprehensive and innovative business development services (GoL/MTICM, 2011:8). There are available supporting institutions to equip SMMEs' owners with necessary skills, in both locations. These public and private supporting institutions confirmed that they provide training at the start-up and growth phases to meet different needs of the entrepreneurs. However, most SMMEs' owners in Maseru and Pietermaritzburg declared that they have not received such support. The kind of training received at the start-up phase is management skills (20.4% in Maseru and 42.4% in Pietermaritzburg). At the growth phase, entrepreneurs acquired financial management skills (18.5% as the highest in Maseru), and 29.5% as the highest in Pietermaritzburg acquired marketing skills.

It is, therefore, concluded that relevant training is offered by supporting institutions in both economies, however, the utilisation of this development programme is low. The results confirmed that, for the entrepreneurs who received training, relevant training was received at both the start-up and growth phases (26.30% in Maseru and 50.48% in Pietermaritzburg). It is perceived entrepreneurs do not attend training because of their tight schedules or because it sometimes involves payment, so they prefer relying on their experience and knowledge. Thus, there is a need for further research that may identify innovative and more appealing ways of advertising and providing training at the start-up and growth phases of the businesses.

The supporting institutions in Maseru and Pietermaritzburg attested that they provide customised training. However, the study by Langwenya *et al.* (2011:32), claimed that supporting institutions in Maseru, only provide broad-based training to MSMEs' owners. In SA, a voucher programme which assists in selecting entrepreneurs for training was introduced through UYF. This voucher programme allows entrepreneurs to choose training institutions they prefer, which in turn, stimulates the supporting institutions to offer higher quality training in order to attract entrepreneurs to their programmes (Ladzani & van Vuuren, 2008 and Maluleke, 2013:5). Customised training and voucher programme adopted in these locations are highly appreciated. However, stepwise approach introduced by Iseal Alliance (2011:18), which assists in gradually taking SMMEs to the growth phase step by step, is also recommended in both locations.

9.2.4 Influence of supporting institutions on SMMEs' accessibility to finances

It was concluded that ease of access to finance is determined by the availability of financial institutions in the surroundings and remote areas, but also by the entrepreneur knowing how to manage finances. Financial institutions were available in cities where the study was conducted. According to the interveners (2015), these institutions are also available in the townships and rural areas. These institutions provide entrepreneurs with funds from smaller to larger amounts requested for. These institutions further asserted that procedures to access funds have been eased, however, entrepreneurs declared that it is a challenge for them to access funds. The results indicated that most entrepreneurs rely on their personal savings, meaning it is difficult for them to access funds from the financial institutions. In Maseru 60.4% of the respondents used personal funds when starting business, while in Pietermaritzburg, 57.6% of the respondents did so. Collateral (64.4% and 82.9%) and high interest rates (63.0% and 81.4%) were indicated to be barriers to access funding in both Maseru and Pietermaritzburg respectively. It was concluded that financial institutions are available, however, it is perceived the requirements to access the finances could be burdensome to the entrepreneurs. The MSMEs' policy stated that to improve access to finance, attention is given to MSMEs' owners operating in the formal and informal sectors (GoL/MTICM, 2011:8).

However, most of the supporting institutions that provide funds declared that one has to simply be a member, then the services are easily provided. Despite the fact that some supporting institutions attested that they are currently running short of funds, entrepreneurs are perceived to be failing to manage their finances. The study revealed that some entrepreneurs are not keeping books for their businesses, as the money comes in, it is used for other things that are not related to the business (Intervenors 1a and 1b, in-depth interview, 2015). Therefore, it was concluded that, despite the overwhelming initiatives that have been taken to assist in this salient problem, accessing finances in both locations is very difficult. Furthermore, entrepreneurs are not able to manage their finances, consequently, they are not able to easily access available funds.

9.2.5 Impact of supporting institutions' services on SMMEs' satisfaction

It is concluded from the findings that the supporting institutions, from the customer satisfaction survey they conduct, they perceive that SMMEs' owners are satisfied with the services provided to them. This is because the supporting institutions believe they have employed valuable initiatives to develop the SMME sector, with which entrepreneurs are obviously expected to be satisfied. Furthermore, the feedback the supporting institutions get from the satisfaction survey

about the services they provide, is always positive. The interviewees also claimed that the annual renewal of membership by entrepreneurs and the referral of new members by existing members, signify that entrepreneurs are satisfied with their services.

However, only 57.2% and 51.9% of the respondents in both Maseru and Pietermaritzburg respectively, agreed that they are satisfied with the services provided by the supporting institutions. The literature stated that, some entrepreneurs do not fully trust the ability of public and private supporting institutions in terms of creating a favourable working environment. Therefore, they do not even make use of such services at all (Pillay, 2006:42 and Meltzer, 2010:1). Some SMMEs' owner-managers indicated no satisfaction at all with the services provided by the supporting institutions. It is therefore concluded that both the supporting institutions and SMMEs have roles to play.

One of the functions of the supporting institutions is to create an environment that is conducive to business for the SMME sector. That is, supporting institutions are expected to create conducive environment that would foster every SMMEs' owners to uptake the assistance offered by the supporting institutions, as this would increase the number of SMMEs operating formally. It is, therefore, the responsibility of the supporting institutions to make sure that the services they provide satisfy the needs of their clients, as entrepreneurs will develop trust and confidence in supporting institutions if services provided to SMMEs' owners meet their expectations. It is also the responsibility of the entrepreneurs to accept the services provided and comply accordingly. For instance, available network linkages provided by the supporting institutions can be used by the entrepreneurs, as this would ultimately create competitive advantage for SMMEs and ability to contribute to the growth of the economy.

9.2.6 Contribution of the study

9.2.6.1 Adaptation of the conceptual framework to the study

This research evaluated the influence of the supporting institutions' interventions on the start-up and growth of SMMEs in Lesotho and South Africa. Based on the findings the conceptual framework is adapted below for Maseru (Figure 9.1) and Pietermaritzburg (Figure 9.2).

From the qualitative findings, it was found that the following services were provided to MSMEs' owners at the start-up level in Lesotho: incubation services, training opportunities, access to business premises, capacity building (counselling, mentoring and coaching, developing business ideas, developing business plans), business advisory services, networking support, start-up

capital, simplified licensing procedures, and advocacy services. At the growth level, training opportunities, business advisory services, networking procedures, working capital, access to premises, simplified licensing procedures, and advocacy services were provided. The effectiveness of such interventions was evaluated based on the rate of MSMEs' annual renewal of subscription to supporting institutions. Furthermore, such effectiveness is also evaluated through the MSMEs' owners' perceptions of supporting institutions' influence towards graduating to the growth phase, MSMEs' sustainable growth, the relevance of training received based on their current needs, ease of access to finance, and the satisfaction of MSMEs' owners vis a vis the services provided by the supporting institutions.

The evaluation of the interventions is reported based on the quantitative findings from MSMEs' owner-managers in Lesotho. It was found that only a few MSMEs' owner-managers make use of supporting institutions' services. In addition, the few that use the services are repeated beneficiaries of such services. Furthermore, MSMEs' owner-managers indicated a positive influence from supporting institutions' support on MSMEs' graduation to the growth phase. Although training received was relevant to the MSMEs' start-up ($p < 0.05$) and growth ($p < 0.05$), most MSMEs' owner-managers rely on self-learning at the start-up and growth phases (62.2%) rather than training provided by the supporting institutions.

Moreover, MSMEs' owner-managers were generally satisfied (57.2%) with the services provided by the supporting institutions. The satisfied respondents also perceived the supporting institutions as reliable because they provide their services dependably (65.8%). Also they were confident in supporting institutions due to their competency and courtesy (54.6%). These respondents trusted the supporting institutions due to their courtesy and credibility (51.7%). These MSMEs' owner-managers also alluded to the fact that they received individualised attention (51.7%) and supporting institutions were willing to help (51.3%).

On the other hand, MSMEs' owner-managers also indicated some negative experiences from the institutions' support. Needed funds are still not very accessible from the supporting institutions due to high interest rates (63.0%), collateral requirements (64.4%) and absence of leases (61.5%). In addition, one of the requirements to receive support from the supporting institutions is to register formally with the Ministry of Trade. However, such registration may make MSMEs' owners liable for tax payment if their annual turnover exceeds the prescribed threshold. In fact, income tax was perceived to be one of the barriers at the start-up (56.67%) and growth (60.00%) phases. Thus, MSMEs' owners may not prefer to subscribe to any supporting institutions to avoid being taxed. Also, although supporting institutions may help businesses to find suitable rentable premises, the rental charges are still perceived to be high at both start-up and growth phases

(73.70% and 64.44% respectively). Although MSMEs' owner-managers indicated that it is generally easy to license a business (91.11% - Table 7.5), the licensing procedures are still perceived as a hindrance to some of them (69.63%). Operating formally also means that they have to abide by the regulations which stipulate for instance, the minimum wages/salaries for employees. Abiding by such rules may compel them to increase the wages for skilled staff to comply. Although the majority of MSMEs' owner-managers mentioned that supporting institutions provide services dependably (65.8%), still less than half of MSMEs' owners indicated that the supporting institutions do not provide the services accurately (47.6%), and there is less prompt support (44.2%).

The positive quantitative findings that emanate from what is provided by the supporting institutions (qualitative findings) may result in increased profits, hiring more employees, moving to bigger premises, acquiring more assets, formal operation by businesses, and opening another business (Lesáková, 2012:93). These benefits increase the likelihood of more MSMEs graduating from the start-up to the growth phase and eventually becoming sustainable (Lesáková, 2012:93). However, the negative perceptions may contribute to more MSMEs' owners operating informally, hence, no growth of businesses, and early closure of businesses, as entrepreneurs may become reluctant to seek support from the supporting institutions.

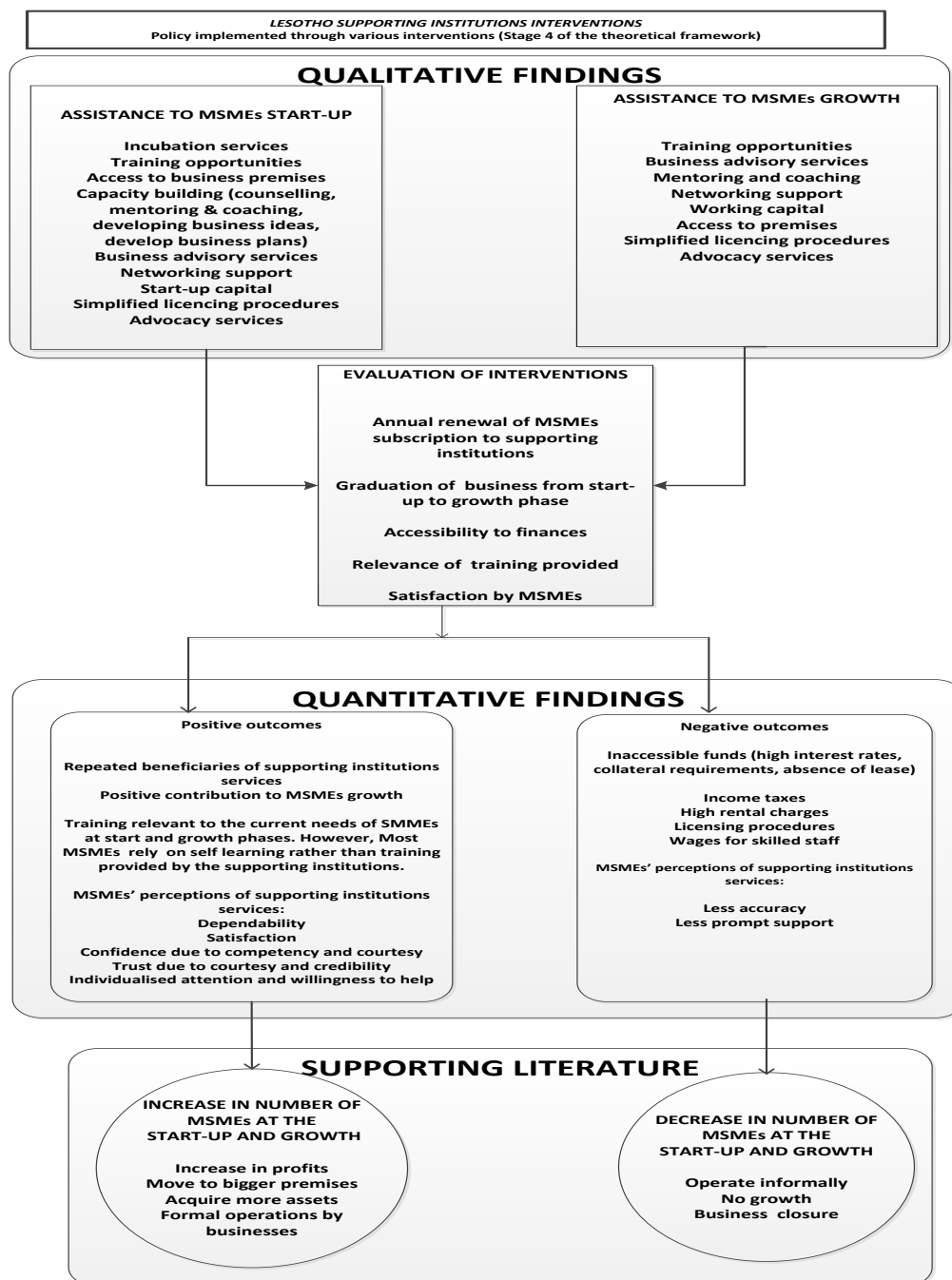


Figure 9. 1. Lesotho's adapted conceptual framework

In SA, supporting institutions provide services such as capacity building, training opportunities, business advisory services, networking support, start-up capital, access to business premises, simplified licencing procedures, and administrative work. Unlike in Lesotho, in SA the interviewed participants from the supporting institutions did not indicate that they provide advocacy services. However, they do provide administrative work which was not mentioned by the supporting institutions from Lesotho. In terms of growth, the same services are provided in

both countries, the only difference is that advocacy services are provided in Lesotho while in SA, the supporting institutions did not indicate that.

The criteria for the evaluation of interventions are the same for both countries although the outcomes from the evaluation differ. For instance, although the MSMEs' owners and the SMMEs' owners agree to a large extent that the received training was relevant to their needs, in Lesotho, most MSMEs' owners rely on self-learning rather than training provided by the supporting institutions. Furthermore, unlike in SA, in terms of service satisfaction, support from institutions was assessed to be less accurate by the majority of MSMEs' owners (47.6%), and less prompt (44.2%). While in SA, supporting institutions were perceived to be less empathetic (48.6%).

The adapted conceptual frameworks (Figures 9.1 and 9.2) may assist SMMEs' owner-managers, especially in rural areas to be aware of the available assistance provided by the supporting institutions and also make useful utilisation of such assistance. The services provided by the supporting institutions, assist SMMEs' owners to start and grow their businesses. The adapted conceptual frameworks may also assist government policy makers to evaluate the impact of policies guiding supporting institutions. Such evaluation should be based on how MSMEs' owners or SMMEs' owners respond to the supporting institutions' services, and also how such services are perceived by the MSMEs/SMMEs' owner-managers. Specifically, this entails how such services help SMMEs' owners to start their businesses and to grow. Such policies should be geared towards deterring the negative outcomes/perception of MSMEs/SMMEs' owner-managers vis a vis the services provided by the supporting institutions. For instance, accessibility to funding is still an issue in both Lesotho and SA. Thus, there is a need for strategies that can be incorporated in policy documents that will increase funding for SMMEs or prompt MSMEs/SMMEs to seek funding from supporting institutions.

More recommendations based on the outcomes of the study are provided in the Recommendations section 9.3.

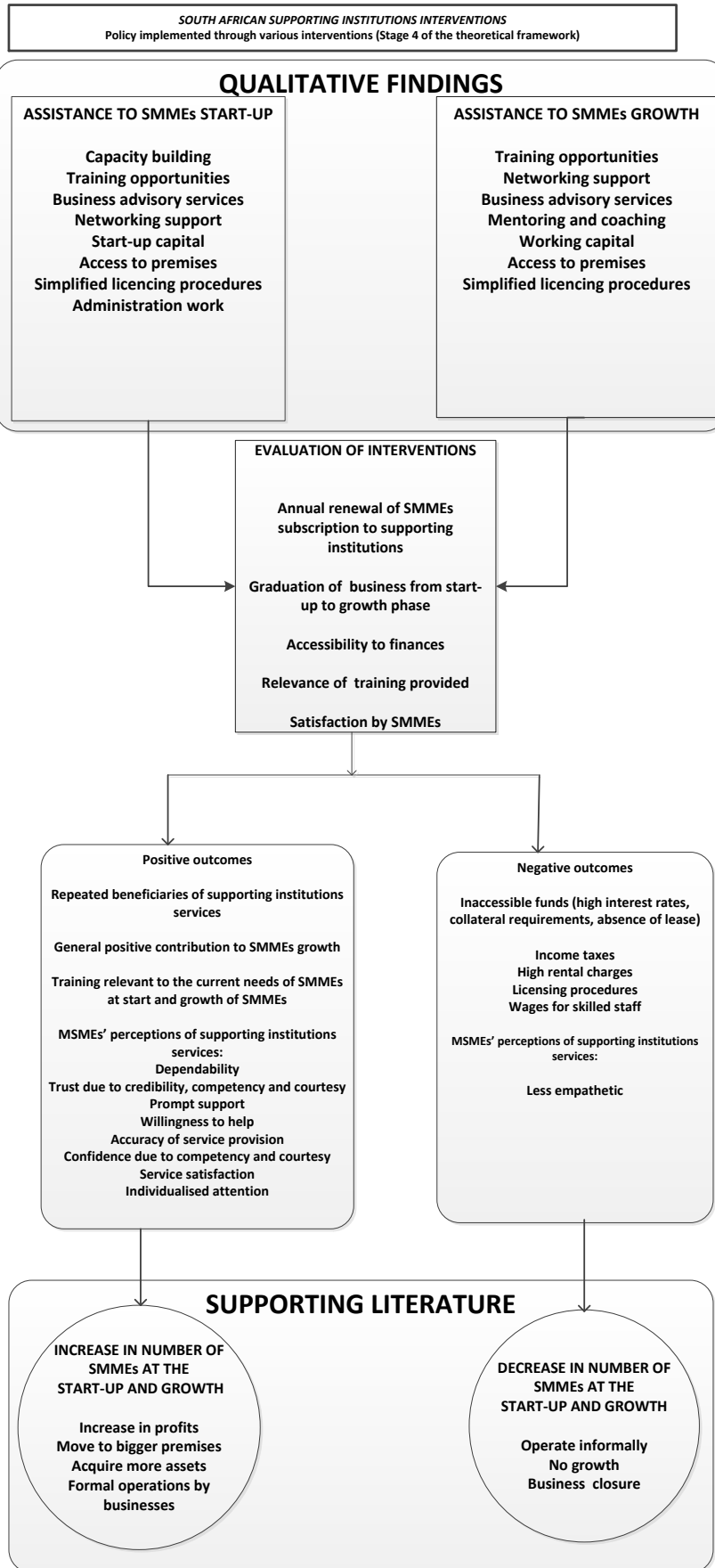


Figure 9. 2. South Africa's adapted conceptual framework

The following section specifically highlights the contribution of the study to the body of knowledge.

9.2.6.2 Contribution to the body of knowledge

This mixed method study highlighted the different types of interventions provided by the supporting institutions and perceptions of the recipients (MSMEs and SMMEs' owner-managers) towards the services provided to them. It has highlighted the types of interventions and the existing supporting institutions which could have been unknown to MSMEs/SMMEs' owner-managers. Thus, the contribution of this research is that MSMEs/SMMEs' owner-managers will be aware of these supporting institutions and available interventions, and can utilise them in their start-up and growth phases. Hence, it is anticipated that research papers emanating from this study will be beneficial for MSMEs/SMMEs' owner-managers.

Furthermore, this research highlighted the challenges encountered by the supporting institutions when providing services to MSMEs/SMMEs' owner-managers. In addition, this research highlighted the challenges related to MSMEs/SMMEs' owner-managers' perceptions of the services provided to them. Hence, supporting institutions together with other stakeholders could use these findings to devise strategies to attend to the challenges. The findings are also an opportunity for investors who will want to venture into designing business models that would address the challenges/barriers.

9.2.6.2.1. Recommended framework for services provision

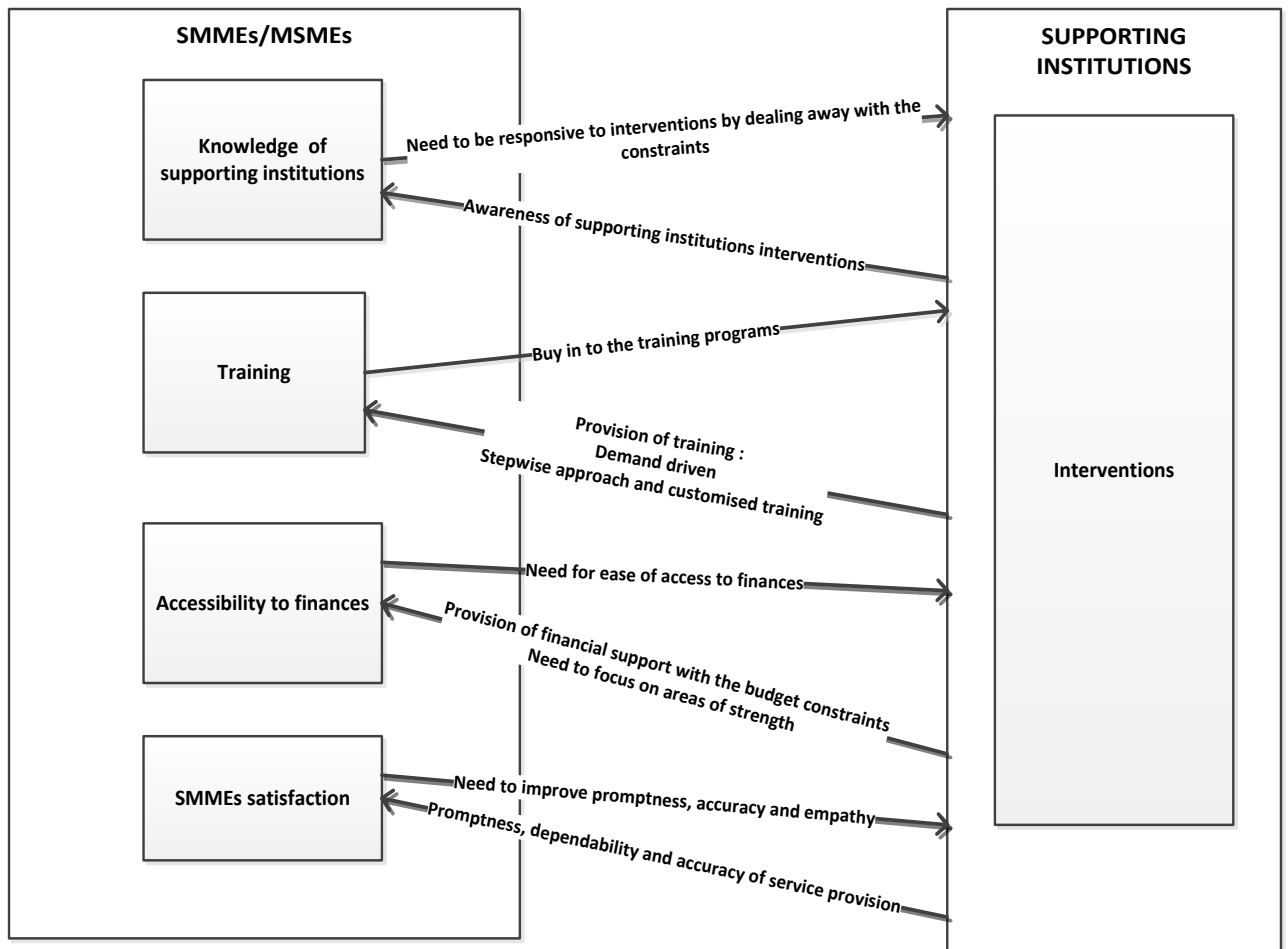


Figure 9.3. Recommended framework

The proposed recommended framework above is built from the findings and taking reference from Khalid's (2001) Stages of the policy making process framework. According to Khalid's framework the policy formulation process is as follows: stage 1: Problem identification, stage 2: policy formulation, stage 3: passing of laws and regulations, stage 4: policy implementation, and stage 5: policy evaluation. Policies are implemented through various government interventions. Thus this research focuses on stages 4 and stage 5 by looking at what interventions are implemented and assessing their impact on the start-up and growth of SMMEs. The findings based on the two country study's research questions revealed that there are specific areas that need to be improved which then inform the proposed framework as discussed below.

Firstly, it was found that although MSMEs and SMMEs' owner-managers were aware of the supporting institutions, still most of them did not make use of such institutions. Particularly, MSMEs/SMMEs' access to finances from the supporting institutions is an important issue.

MSMEs/SMMEs' owner-managers expressed constraints to accessing finances such as the procedures to be followed to access such funds. Hence, the framework proposes that policy makers look into the issue of dealing away with constraints to accessing institutions' services within the following guiding perimeters: awareness of supporting institutions' services at the start-up and growth phases, accessibility to training opportunities, ease of access to finance, and service satisfaction.

Firstly, it was found that entrepreneurs are aware of the available public and private supporting institutions and programmes they offer at start-up and growth phases. However, utilisation of these programmes is low. According to Chetty (2009:266), low rate of usage of support programmes or inaccessibility of such programmes, consequently contribute to SMMEs not being sustainable. The utilisation of the programmes could be low because entrepreneurs do not trust the supporting institutions. There is a need for entrepreneurs to be responsive to and participate in the available interventions and deal away with issues of mistrust.

Secondly, MSMEs/SMMEs' owners need to buy into the training opportunities that are offered by supporting institutions. Through well-trained trainers, the supporting institutions provide demand-driven training at both start-up and growth phases. However, entrepreneurs do not use this support to the maximum. If entrepreneurs buy in to the value of the training, they would benefit from relevant training that meet their current needs and acquire necessary skills essential for the sustainable growth of their business. According to Audet *et al.* (2007:4), it is essential to design training programmes according to different needs of SMMEs, not what the trainer assumes is needed by SMMEs. Maluleke (2013:57) alluded that training should be demand-driven and customised, not one-size fits all. It is also recommended that supporting institutions adapt a stepwise approach when designing training programmes (Iseal Alliance, 2011:8). It is assumed that, if the supporting institutions adopt a stepwise approach, for instance, advertising their training programmes and providing entrepreneurs with the relevant training, then entrepreneurs will be equipped with necessary skills, which will allow them to be able to successfully run their businesses, which will ultimately grow and contribute to the overall countries' economic growth (Iseal Alliance, 2011:8).

Thirdly, it was found that supporting institutions provide funding opportunities within a restricted budget. In addition, MSMEs/SMMEs' owners mentioned that they are constrained by collateral requirements and high interest rates. According to Renawat and Tiwari (2009:16), it is essential to support small business at their start-up stage as this is a very fragile stage for them. If at this stage SMMEs are supported financially, for instance, SMMEs could have an opportunity to grow sustainably (Lesáková, 2012:93). Furthermore, according to Mbedzi (2011:9), availability of a

number of financial institutions established country-wide greatly contribute to the start-up and growth of small business, as services are distributed to the entrepreneurs who are in need of such services. According to Mahembe (2011:11), policy-makers focus on the increment of the credit amount available for SMME sector, however, they are advised to focus more on how finances should be efficiently offered to meet the needs of the entrepreneurs. Furthermore, collateral requirements and high interest rates, could be eased to make it easier for entrepreneurs to access finances.

Lastly, promptness, accuracy and empathy are satisfaction factors that need to be emphasised on when providing services to MSMEs/SMMEs. The supporting institutions claimed that SMMEs' owners are always satisfied with the services provided to them, this is based on the feedback the supporting institutions get from the customer satisfaction survey. However, entrepreneurs attested that supporting institutions are not accurate, they show less empathy and are not providing their services promptly. According to Wamuyu (2015:269), showing empathy to entrepreneurs at vulnerable time, create trust. Even if at some areas supporting institutions are unable to satisfy entrepreneurs, but because of what these institutions did at time of need, still makes SMMEs' owners to have trust in the supporting institutions.

9.3 Recommendations

9.3.1 Recommendations for supporting institutions and SMMEs' owner-managers

9.3.1.1 Role supporting institutions play at start-up

Positively intervening in the development of SMMEs at the start-up phase, might assist SMMEs' owner-managers to realise the importance of the existence of the supporting institutions. If the supporting institutions are considered important, entrepreneurs benefit from making use of the available programmes provided by the supporting institutions. It is believed that the extensive use of available support by the entrepreneurs, will ultimately contribute to the enhancement of the country's economy. Furthermore, willingness by the supporting institutions to constantly create a conducive business environment makes it easier for SMMEs' owner-managers to effectively participate in the business world and contribute to the economic growth of the country.

Supporting institutions in both locations are advised to intensify the awareness of their available programmes they offer, so that SMMEs' owner-managers are able to make use of such programmes. Entrepreneurs at both locations are aware of the existing supporting institutions, however, the use of the available programmes is very low. Simplifying the procedures to be

followed by entrepreneurs to access services is of paramount importance. Furthermore, supporting institutions are advised to ensure that the assistance they provide is always accessible, especially at the start-up phase. Ease of access to services in Maseru, reflected that the problem remains with accessing finances, as only 46.7% declared that it is easy to access funds, while other services were perceived to be easily accessed. In Pietermaritzburg, access to finance (23.3%) and business premises (20.0%) are perceived by the SMMEs' owners to be difficult to access. For instance, funds should always be available for SMMEs' owners in order to avoid delays to the start-up and growth of businesses. The institutions that are experiencing financial deficits, need to be financially assisted either by governments or donors to continuously support the SMME sector.

While striving to positively influence the SMMEs' development, there are challenges and opportunities that the supporting institutions might encounter, as has been mentioned in the previous paragraph. For supporting institutions to be able to attain their objectives, such challenges and opportunities should not be overlooked. Rather, they have to be identified and dealt with as effectively as possible. Each institution develops strategies to be followed in order to accomplish its objectives. To be able to perform effectively, supporting institutions' strategies have to be flexible and responsive to the unpredictable rapidly changing preferences of their clients in this case SMMEs' owners who also are influenced by their customers' needs and wants. It is advisable to formulate and implement organisations' strategies, that are in line with the formulated and then to be implemented policies which cuts unnecessary costs. Challenges and opportunities that the supporting institutions are faced with must be clearly understood. Opportunities should be seized and used, while challenges should be reduced. For instance, challenges of implementing development programmes could be reduced through designing strategies that will assist in delivering best quality services to clients (in this case, the SMMEs).

If it is realised that SMME development policies hamper SMMEs, it is advisable to review such policies and make necessary amendments. This will assist in overcoming the challenges and ease access to services provided by the supporting institutions. It should be borne in mind that, small businesses are very diverse, meaning they have different needs, different constraints and different opportunities. They operate in the formal and informal economies. Some are simply survivalist with a low level of skills; while other owners are experienced with high entrepreneurial skills. Some are at the start-up stage; some have grown. So when creating a conducive business environment for these businesses, it is essential to consider all the above mentioned characteristics.

It was found that supporting institutions especially in SA, are not in competition, but are working together to assist SMMEs' owner-managers. This is a good strategy, that Lesotho is also advised to follow. Addressing the current and future challenges the supporting institutions might be faced with when providing support to SMMEs, would be easier and faster if there is a good relationship between all the existing supporting institutions. Moreover, the influence of the supporting institutions will be effective when playing their role at the start-up level.

On the other hand, entrepreneurs in both locations are advised to make use of the available programmes offered by the supporting institutions. Making use of these supporting institutions, especially at the start-up phase, is believed to assist SMMEs to grow sustainably. Making use of all available programmes is encouraged as it is alleged this could create a healthy SMME sector, where entrepreneurs will enjoy the benefits available for them. The highest percentage of the respondents who used training opportunities in Pietermaritzburg is only 52.9% and the percentages for other services used are very low. In Maseru, the only service that is mostly used is the assistance with licensing procedures (91.1%), while for other services the percentages go as low as 24.44%. It is of paramount importance to instill in entrepreneurs' minds the significance of using the available services provided by the supporting institutions as these services are designed to enable them to start and sustainably grow their businesses. Entrepreneurs are advised to acquaint themselves with all available supporting institutions and programmes offered, and seek assistance from these supporting institutions.

Thorough analysis of the firms' internal and external environment through SWOT and PESTEL analyses, is crucial. It is the obligation of existing and potential owner-managers to acquaint themselves with the business environment in which they are operating. The presence of the supporting institutions assists SMMEs to develop as supporting institutions create a favourable environment for businesses. If supporting institutions' programmes are not utilised by entrepreneurs, SMMEs' owners' businesses could fail to develop and close down at an early stage. If entrepreneurs take the opportunity of using available programmes offered, there is a possibility for their businesses to attract more customers, become sustainable, and ultimately contribute to the economic growth of the country.

Furthermore, scanning of the environment might help businesses to cope with rapidly changing business environments, and also realise the need of using the supporting institutions' programmes. Hence, the ability of entrepreneurs to effectively operate their businesses and continuously satisfy the needs of their customers. It is perceived that making use of the available programmes, assists SMMEs' owners in reducing costs of doing business and enhances their business' sustainable growth. For example, if entrepreneurs are extensively equipped with

necessary skills, they will probably be able to operate and manage their businesses and as a result their businesses will be sustainable. Entrepreneurs in Maseru in particular, consider registering their businesses and operating formally enough for them. Whether they have acquired necessary skills that help them cope with the changing environment or not, does not matter to them. Entrepreneurs are encouraged to develop trust in the supporting institutions. These institutions are established to develop the SMMEs by continuously striving for creating a conducive business environment for the SMME sector.

9.3.1.2 Sustainable growth

The Governments of Lesotho and South Africa, must be willing to constantly create a conducive business environment to enable SMMEs to contribute to economic growth. Small businesses should be encouraged to operate formally as there is a possibility of growth when operation formally. If businesses are formalised, it is not only for those businesses to grow but also more revenue is collected by the government, through taxes paid by formalised SMMEs, hence the enhancement of the economy. It is recommended that when designing SMMEs' development policies, firstly existing policies, and the various instruments and programmes in place, should be analysed and their adequacy should be assessed. If, when reviewing the policy, it is found that there is a gap and there are areas for improvement, it is advisable to reform the policy in question.

In both Maseru and Pietermaritzburg, there are available growth development programmes meant to sustain SMMEs, and SMMEs' owners are aware of such programmes. For some programmes the level of usage by SMMEs' owner-managers was high while for some, the level of usage was low. Supporting institutions are encouraged to communicate the importance of the programmes they provide at growth phase, so that SMMEs' owners can be attracted to using these available support programmes. It is perceived that approaching SMMEs' owners would not be much of a problem, as some institutions have the database for formally operating SMMEs. At the growth phase, various support services could be offered by different institutions in a collaborative manner, to assist SMMEs to perform better. This would also eliminate duplication of services. For instance, more importantly, training opportunities, business advice, networking support, additional funds and access to business premises for entrepreneurs that need to expand or open more businesses, are needed. This is what is happening in SA, confirmed by the interviewed participants from the supporting institutions. Lesotho can also adopt this approach, as it is evident that it assists supporting institutions to perform better.

In Maseru, the highest levels of development programmes used at the growth phase were 74.60% for access to business premises and 72.22% for training. The entrepreneurs who received these services attested that these services played a significant role in influencing their businesses' sustainable growth. In Pietermaritzburg, networking support is used more for growth and sustainability of the businesses (above 80%). The development programmes designed to sustain SMMEs are evident to impact positively on small businesses. Making extensive use of the available programmes is a remedy for the entrepreneurs. Although it is understood that entrepreneurs have tight schedules, if the owner of the business could not attend training for instance, an employee can be nominated to attend, as offered training is important to the SMMEs' owner-managers in terms of equipping them with necessary business skills.

9.3.1.3 Relevant training

It is the responsibility of the public and private supporting institutions to ensure the relevance and effectiveness of their training programmes overtime. The percentages of the entrepreneurs who attended training in Maseru are very low (24.44% at start-up and 23.70% at growth level). Only 26.30% of the respondents (entrepreneurs) indicated that the training they received was relevant to their current needs. However, the reason for not seeking such opportunities, could be amongst others, entrepreneurs' tight schedules and/or their perceptions that the training offered is not useful to their current needs. This calls for training institutions in Maseru to redesign their training programmes to suit the MSMEs' current situations. It is evident that the ability to continuously build upon the existing programmes and creating new ones is an effective response to the rapidly changing business world. When designing and redesigning training programmes for instance, involvement of stakeholders (in this case SMMEs' owners) should be a priority. However, there is an assumption that where key stakeholders are involved in crafting strategies, some might encourage supporting institutions to design the programmes in their favour. Further study can be conducted, investigating why SMMEs' owners are not making use of available training programmes and rather rely on their experience.

It is important to note that trainers' training is also needed to assist all the trainers to keep abreast with constant changes in the business world, which might also enable such trainers to identify the training needs of the entrepreneurs. In contrast, 50.48% in Pietermaritzburg received relevant training. It is recommended that also in Pietermaritzburg, even though half of the respondents concurred that they received relevant training, the supporting institutions in this area should regularly encourage entrepreneurs to attend training.

In Maseru MSMEs' owner-managers have not received much training support, yet there are available supporting institutions providing useful training programmes at the start-up and growth phases. Most entrepreneurs indicated that they rely more on self-learning than seeking assistance from supporting institutions. There are very few business owner-managers who received relevant training to their current needs. The perception is, if entrepreneurs receive relevant training, this greatly contributes to them coping with the challenges of this time. If well trained entrepreneurs become effective and competitive, consequently a business success is experienced. Training has to be done continuously to equip owner-managers with current knowledge and skills which add to the sustainability of a business. Ever changing diverse needs of the customers, require entrepreneurs with necessary relevant skills. Therefore, it is advisable that entrepreneurs consider current training offered by the supporting institutions to be important, as this training assists them to cope with the current situation.

Furthermore, supporting institutions' training must be demand-driven and given by well-trained trainers, who are well supported. The participants from the supporting institutions claimed that they provide customised training to entrepreneurs, however, this support is not fully utilized. It is therefore, recommended that the supporting institutions adapt stepwise approach which assumed is the best tool to bridge the gap. It is perceived, there is still a need for these institutions to do their best to provide entrepreneurs with the best necessary training. Furthermore, if the supporting institutions can familiarise themselves with the opportunities and threats surrounding the business environment, this might help them to successfully convince entrepreneurs of the importance of currently offered training.

9.3.1.4 Ease of access to finance

There is a need for more effective financial institutions, as access to finance in Lesotho, South Africa and other developing countries is a challenge. It has been a long cry about inaccessibility of finances by entrepreneurs. Concerning this study, it was found that most institutions are only located in cities, while some are also found in the rural areas. Availability of financial institutions and simplification of financial requirements would play a good role in assisting entrepreneurs with finances. For instance, putting more effort in boosting effectiveness of micro-credit and micro-finance schemes might assist businesses to improve. When these businesses have gone to the higher level, then it is believed they would qualify for better funds from the commercial banks, as they would be able to satisfy the requirements.

In Lesotho, for example, one of the supporting institutions mentioned projects like Rufip, Sufil and Leap, as assisting MSMEs' owners with finances. However, entrepreneurs seem not to be

aware of such initiatives. Consequently, it is recommended that the Ministry of Trade for instance, should concentrate more on advertising such projects to MSMEs' owners. If Lesotho and SA can better develop their financial systems and continue to simplify procedures of accessing funds, it is guaranteed that a substantial contribution to the start-up and growth of small businesses would be achieved. For instance, constant monitoring and evaluation of the impact on inaccessibility of finances by SMMEs' owners could assist financial supporting institutions to be abreast of what possible strategies could be applied to end this dilemma.

There is also a need for entrepreneurs to attend training that equips them with necessary skills, for instance, training that teaches them how to manage their finances. When starting businesses, entrepreneurs in both locations had used their personal funds (60.4% and 57.6%). The main reason is, amongst others that, collateral (64.4% and 82.9%) and high interest rates (63.0% and 81.4%) hinder entrepreneurs from obtaining funds. If supporting institutions' services are accessible, for instance, entrepreneurs would be filled with knowledge of how to run their businesses and invest the profits they generated. Ability in managing finances assists entrepreneurs to invest profits they have made, up until they are able to have more funds that could let them meet the collateral requirements and qualify for larger loans. This would relieve entrepreneurs from worrying about from where to get the additional funds.

9.3.1.5 Service satisfaction

It is perceived that public and private supporting institutions' reliability, responsiveness, assurance and empathy towards SMMEs' owners are important factors that influence SMMEs' owners' satisfaction. If these factors are applied, together with existing barriers thoroughly addressed by the supporting institutions, then SMMEs' owners' satisfaction can translate into the increase of SMMEs' start-up and growth. In Maseru, MSMEs' owners perceive the supporting institutions to be reliable, however, less responsive and less empathetic. While in Pietermaritzburg, SMMEs' owners perceive the supporting institutions to be reliable, responsive, showing assurance, however, they are less empathetic. Furthermore, slightly above half of the respondents (57.2% and 51.9%) in both Maseru and Pietermaritzburg respectively, agreed that they are satisfied with the services provided by the supporting institutions.

However, the feedback the supporting institutions receive from the entrepreneurs, is that, entrepreneurs are always satisfied with the services provided by these supporting institutions. If services provided by the supporting institutions are not used, there is no way how entrepreneurs can tell whether they are satisfied with the services provided by the supporting institutions or not.

Entrepreneurs are advised to make use of the supporting institutions' programmes as this is of importance for them. The available support programmes are meant to develop SMMEs, therefore, entrepreneurs have to deal with the situation of doubting or not trusting the supporting institutions. It is suggested that entrepreneurs make extensive use of the available development programmes, in order to have full satisfaction.

It is not only the obligation of the supporting institutions to create a conducive business environment that will meet the needs of SMMEs. It is also the obligation of SMMEs' owner-managers to make use of the available programmes meant to develop and sustain their businesses. Making use of the available support programmes would satisfy both the supporting institutions and SMMEs' owners. The supporting institutions would meet their goals and objectives of enhancing SMME sector, and the SMMEs would be able to start-up and sustainably grow. The existence of sustainable SMMEs contributes to the countries' economic growth.

Furthermore, the increase in the number of SMMEs' owners who have to register with the supporting institutions is perceived as an indication of satisfaction by the entrepreneurs, with the services provided. However, some entrepreneurs are not aware of some of the existing supporting institutions and the programmes such institutions provide. It is perceived that if these entrepreneurs are encouraged to attend workshops where they are made aware of the importance of using the existing institutions, it might help them to grow sustainably. Hence, this is an opportunity for all these available supporting institutions to extensively advertise their programmes, which might give the MSMEs' owners a chance of making use of such programmes.

It is of paramount importance to develop mechanisms to assess SMMEs' support initiatives. Business service programmes provided by supporting institutions should be regularly monitored and evaluated to gauge their effectiveness which is due to constantly changing trends (needs and wants) in the business world. The delivery of services should be monitored and the evaluation of the business service programme should be implemented. The evaluation should also incorporate the cost-benefit analysis of services provided by the supporting institutions. Supporting institutions (as interveners) have to assess the potential barriers to implementation. They can do this by deciding to develop a clear implementation plan with tasks and time lines to facilitate the implementation of the programmes. The interveners are encouraged to learn from their previous mistakes and develop solutions where possible, rather than allowing problems to repeat themselves.

Assessing the efficiency or effectiveness of services provided, would assist supporting institutions to cost-effectively deliver necessary support to the SMME sector. This would also

assist policy makers in formulating the implementable SMMEs' development policies, as the supporting institutions will be involved during the formulation process (as stakeholders). Furthermore, assessing the effectiveness of services provided by supporting institutions, might contribute to SMMEs' owner-managers' satisfaction with the services provided. When entrepreneurs are satisfied with the services provided, they might make more use of such services. The results from all these, would be the constant growth of economy in both countries.

9.3.2 Recommendations to policy-makers

In light with the findings, it is recommended that policy makers do regular environmental scanning to ensure that the available supporting institutions reflect the needs of SMMEs. In addition, it is equally important that policy makers ensure that supporting institutions perform to the expectations of their clients i.e. SMMEs. Furthermore, there is a need for consistent consultation between policy makers, supporting institutions and SMMEs to ensure that they all participate to creatively address any further needs that may arise as a result of changes within the business environment.

9.4 Concluding remarks

This chapter presented the conclusion and recommendations for this study. It is crucial that when SMME development policies are set, the strategies of implementing the policy are borne in mind. It is practically acceptable to invite key stakeholders when formulating policies, as they are the ones involved in the implementation of such policies (in this case the supporting institutions and the SMMEs' owners). Furthermore, the monitoring and evaluation of the existing SMMEs' development policies are more essential, as these might ease the implementation process and alert the concerned parties about the gaps that need to be filled without incurring much cost.

It has been evident through literature and the data gathered that Lesotho just like SA, has established public and private supporting institutions to develop MSMEs at the start-up and growth phases. Between the public and private supporting institutions in Maseru, it was found that there was no difference in terms of how frequently the various institutions provide services to MSMEs. The development programmes provided are still the same as the ones SA provides. Sustainable growth development programmes designed to assist MSMEs to grow sustainably are offered. The relevant training offered at different stages in the businesses are supported by the view that the supporting institutions are concerned about the sustainable growth of the businesses. The interviewed participants of institutions that provide finances in Maseru, proclaimed that

procedures to access finances have been simplified, to ease access of funds by the entrepreneurs. The supporting institutions in Maseru, however, declared that when assisting MSMEs, especially at the start-up phase, they encounter many challenges. The main hindrance for them in assisting the sector, is that they are currently running short of finances. Moreover, the supporting institutions attested to the fact that, despite some challenges they face in assisting MSMEs, they are able to meet entrepreneurs' needs/expectations. They stressed that entrepreneurs always indicate their satisfaction in the feedback given to the institutions.

In SA, it was found that there are also existing public and private supporting institutions established to develop the SMME sector. These supporting institutions assist the SMME sector at the start-up and growth phases. However, in some cases it was noticed that government provides services to SMMEs more frequently than private institutions. It was further realised that public institutions in Pietermaritzburg make it easier for SMMEs to access their services, and their support significantly impacts on business growth. Sustainable growth development programmes designed to assist SMMEs to grow sustainably are offered, just like in Maseru. Relevant training signifies their passion for the SMME sector as they offer training at the different stages the businesses are in. In Pietermaritzburg, the institutions that provide finances also proclaimed that procedures to access finances have been simplified. The difference here is that in Pietermaritzburg, they are currently not faced with any financial deficits. However, entrepreneurs purported that collateral requirements and high interest rates, make it difficult to access funding, therefore, they are compelled to rely on their personal savings. Just like in Maseru, the participants from the supporting institutions in Pietermaritzburg declared that when assisting SMMEs at the start-up phase, they encounter challenges. Some of the challenges they mentioned include, shortage of qualified staff to assist entrepreneurs, and lack of business experience by the entrepreneurs. The participants from the supporting institutions confirmed that the services they provide are effectively influencing the SMME sector, as entrepreneurs always indicate their satisfaction in the feedback given to the institutions.

In both Maseru and Pietermaritzburg, SMMEs' owner-managers, are aware of the existing public and private supporting institutions established to develop their sector, however, the utilisation of these institutions is very low. There are support programmes that are perceived by entrepreneurs to be a barrier to their access to finance, start-up and sustainable growth. In both study sites, access to finance is considered a massive barrier to SMME development. Most of the respondents had not received the services provided at the growth phase, perhaps because their businesses have not grown significantly and consequently they do not seek such services. The majority of the respondents, especially in Maseru, had not received training support however, the group that received training from both locations declared that the training received was relevant to their

current needs. Collateral requirements and high interest rates, amongst others, are announced to be cumbersome by the entrepreneurs in both study sites. They claim that due to these cumbersome requirements, they cannot easily access finances. This means they perceive the support programmes to be a barrier at both the start-up and growth phases. Amongst all these respondents, there are still some SMMEs' owner-managers who indicated that they are satisfied with the services provided by the supporting institutions, while others indicated no satisfaction at all.

Many similarities have been highlighted between Maseru-Lesotho and Pietermaritzburg-SA, this means Lesotho may learn from SA and vice versa. It is therefore, important for Lesotho to strategically benchmark itself against SA in order to determine the gaps and try to develop relevant strategies that will assist Lesotho in remaining focused and aware of new developments. Equally, SA can benchmark itself against Lesotho to be able to determine the gaps. According to Khoase (2007:62), there should be evaluation and monitoring of strategies which will lead to excellent implementation and execution of such strategies if the organisation wants to gain a competitive advantage.

It is highly recommended that future research investigates the impact (hence the value) of developing pre-incubation practices (such as providing planning and financial management skills through training) on the performance of newly established and existing Small, Medium and Micro Enterprises. Furthermore, additional future research may consider the possibility of analyzing the moderating role played by supporting institutions' internal factors (for e.g: corruption perception) and economic environment factors (economic growth) on the study's established relationship between supporting institutions and performance of SMMEs.

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11. APPENDICES

Appendix 1: Interview Guide

THE INFLUENCE OF PUBLIC AND PRIVATE SUPPORTING INSTITUTIONS ON SMALL, MEDIUM AND MICRO ENTERPRISE DEVELOPMENT: A COMPARATIVE STUDY BETWEEN LESOTHO AND SOUTH AFRICA.

SECTION A: Supporting Institutions

1. What is the name of your institution?
2. Is it a government or a private institution?
3. Could you please name some other institutions in Maseru established to help SMMEs to develop?
4. What services do these supporting institutions you mentioned provide?

SECTION B: Role of Supporting Institutions on SMMEs Establishment

5. What assistance does your organisation provide for SMMEs establishment?
6. What procedures do you have in place for SMMEs to access your assistance?
7. What are the main challenges that your organisation face in providing services to SMMEs?
8. How can these challenges be addressed?

SECTION C: Sustainable Growth

9. How do you help SMMEs to grow?
10. In your opinion, are SMMEs aware of the development programmes designed for their growth?
11. How do you help SMMEs to be sustainable?
12. In your opinion, are SMMEs aware of the development programmes designed for their sustainability?

SECTION D: Relevant Training

13. What type of training does your organisation provide?
14. How does your organisation make sure that the training provided is relevant to SMMEs?

15. Does your organisation provide pre-establishment and post-establishment training programmes?

16. Are your trainers trained to manage the diversity of clients, such as literacy levels, business experience, culture, language, etc?

SECTION E: Ease of Access to Finance

17. How many offices does your organisation have?

18. Are your offices located in cities, townships or rural areas?

19. On what basis do SMMEs owners qualify for your services?

20. What procedures do SMMEs need to follow in order to access your funds?

SECTION F: Service Satisfaction

21. How does your organisation measure service satisfaction from SMMEs perspective?

22. What indicators show that SMMEs are satisfied with your services?

23. Are you willing to help SMMEs when they need a prompt assistance?

24. Is your organisation able to perform the promised support to SMMEs dependably and accurately?

THANK YOU!!!

THE INFLUENCE OF PUBLIC AND PRIVATE SUPPORTING INSTITUTIONS ON SMALL, MEDIUM AND MICRO ENTERPRISE DEVELOPMENT: A COMPARATIVE STUDY BETWEEN LESOTHO AND SOUTH AFRICA.

SECTION A: Supporting Institutions

1. What is the name of your institution?
2. Is it a government or a private institution?
3. Could you please name some other institutions in Pietermaritzburg established to help SMMEs to develop?
4. What services do these supporting institutions you mentioned provide?

SECTION B: Role of Supporting Institutions on SMMEs Establishment

5. What assistance does your organisation provide for SMMEs establishment?
6. What procedures do you have in place for SMMEs to access your assistance?
7. What are the main challenges that your organisation face in providing services to SMMEs?
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21. How does your organisation measure service satisfaction from SMMEs perspective?
22. What indicators show that SMMEs are satisfied with your services?
23. Are you willing to help SMMEs when they need a prompt assistance?
24. Is your organisation able to perform the promised support to SMMEs dependably and accurately?

THANK YOU!!!

Appendix 2: Questionnaire

THE INFLUENCE OF PUBLIC AND PRIVATE SUPPORTING INSTITUTIONS ON SMALL, MEDIUM AND MICRO ENTERPRISE DEVELOPMENT: A COMPARATIVE STUDY BETWEEN LESOTHO AND SOUTH AFRICA.

SECTION A: Demographic Information

Instructions: Please put a tick in the appropriate box

1. Please indicate your gender

[1] Male [2] Female

2. Are you the:

[1] Owner [2] Manager [3] Other (please specify)

3. Age group

[1] Less than 20 [2] 20 – 39 [3] 40 – 59 [4] 60+

4. Population group

[1] Black [2] White [3] Indian [4] Asian (other than Indian) [5] Other (please specify)

5. Please indicate how important is your current highest qualification in relation to the business you are currently running.

	Unimportant	Of little importance	Moderately important	Important	Very important
Primary school certificate	1	2	3	4	5
High school certificate (Matric)	1	2	3	4	5
Diploma	1	2	3	4	5
Bachelor's degree	1	2	3	4	5
Other (please specify).....	1	2	3	4	5

SECTION B: Supporting Institutions

6. To what extent do you agree or disagree with the following statements?

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
I am aware of supporting institutions that assist in SMMEs establishment	1	2	3	4	5
I am aware of supporting institutions that assist in SMMEs growth	1	2	3	4	5
I have received assistance from the business supporting institutions	1	2	3	4	5

7. From which of the following supporting institutions have you received assistance?

	Start-up capital	Additional funds	Training opportunities	Business advisory services	Assistance with the access to premises	Networking support	Licensing procedures	Any other (please specify)
Ministry of Trade & Industry, Cooperatives & Marketing								
Basotho Enterprises Development Corporation								
SMME Support Network-Lesotho								
Lesotho National Development Corporation								
Mohloli Chambers								
Post Bank								
Other (Please specify)								

SECTION C: Role of Supporting Institutions on SMMEs Establishment

8. How often have you received the following assistance from the supporting institutions to establish your SMME?

	Not at all	Rarely	Sometimes	Often	Very often
Funding	1	2	3	4	5
Training (management skills, marketing skills, business planning skills, financial management skills)	1	2	3	4	5
Business advice	1	2	3	4	5
Assistance with the access to premises	1	2	3	4	5
Networking support	1	2	3	4	5
Guidance with licensing procedures					
Any other (please specify)	1	2	3	4	5

9. From which institution(s) did you receive support/assistance that you mentioned in question 8 above?

	Funding	Training opportunities	Business advisory services	Assistance with the access to premises	Networking support	Licensing procedures	Any other (Please specify)
Ministry of Trade & Industry, Cooperatives & Marketing							
Basotho Enterprises Development Corporation							
SMME Support Network-Lesotho							

Lesotho National Development Corporation							
Mohloli Chambers							
Post Bank							
Other (Please specify)							

10. Please indicate the extent to which the supporting institutions procedures make it easier or difficult to get the following assistance from the supporting institutions

	Very difficult	Difficult	Not sure	Easy	Very easy
Access to finance	1	2	3	4	5
Access to training opportunities	1	2	3	4	5
Access to business advisory services	1	2	3	4	5
Getting assistance to access premises	1	2	3	4	5
Access to networking support	1	2	3	4	5
Getting assistance with licensing procedures	1	2	3	4	5

	Very difficult	Difficult	Not sure	Easy	Very easy
Other (Please specify)	1	2	3	4	5

SECTION D: Sustainable Growth

11. Please indicate the extent to which your business has grown in the following areas:

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
Business profits have increased	1	2	3	4	5
Have hired more workers	1	2	3	4	5
Have moved to bigger premises	1	2	3	4	5
The business has acquired more assets	1	2	3	4	5
Has opened another company	1	2	3	4	5
Any other (Please specify)	1	2	3	4	5

12. Please indicate the extent to which the following support from the supporting institutions has helped your business to grow?

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
Access to finance	1	2	3	4	5
Access to training opportunities	1	2	3	4	5
Access to business	1	2	3	4	5

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
advisory services					
Getting assistance to access premises	1	2	3	4	5
Access to networking support	1	2	3	4	5
Getting assistance with licensing procedures	1	2	3	4	5
Other (Please specify)	1	2	3	4	5

13. Please indicate the extent to which the following support from the supporting institutions has helped your business to be sustainable?

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
Access to finance	1	2	3	4	5
Access to training opportunities	1	2	3	4	5
Access to business	1	2	3	4	5

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
advisory services					
Getting assistance to access premises	1	2	3	4	5
Access to networking support	1	2	3	4	5
Getting assistance with licensing procedures	1	2	3	4	5
Other (Please specify)	1	2	3	4	5

SECTION E: Relevant Training

14. To what extent do you agree or disagree with the following statements

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
I have received training from supporting institutions to establish my business	1	2	3	4	5
I have received training from supporting institutions to grow my business	1	2	3	4	5
The training I received was relevant to the current needs of my business	1	2	3	4	5

15. What type of training did you receive at start-up and growth phases?

Training programme	Start-up phase	Growth phase
Management skills		
Marketing skills		
Business planning skills		
Financial management skills		
Other (please specify).....		

SECTION F: Ease of Access to Finance

16. When establishing this business, indicate where most of the funds came from

	Not much	Little	Somewhat	Much	A great deal
Personal savings	1	2	3	4	5
Loan from friend	1	2	3	4	5
Loan from bank	1	2	3	4	5
Loan from business supporting institution	1	2	3	4	5
Any other sources (Please specify).....	1	2	3	4	5

17. Please indicate how easy or difficult it is to get funding from the supporting institutions

Very difficulty	Difficult	Not sure	Easy	Very easy
1	2	3	4	5

18. To what extent do you agree or disagree that the following factors are the barriers to getting funding from the supporting institutions?

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
High interest rates	1	2	3	4	5
Collateral requirements	1	2	3	4	5
Absence of a lease	1	2	3	4	5

19. To what extent do you agree or disagree that the following factors are the barriers to start a business.

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Access to finance	1	2	3	4	5
High interest rates	1	2	3	4	5
Income tax	1	2	3	4	5
High rental charges	1	2	3	4	5
Licensing procedures	1	2	3	4	5
Wages for skilled staff	1	2	3	4	5

20. To what extent do you agree or disagree that the following factors are barriers to sustainable business growth?

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Access to finance	1	2	3	4	5
High interest rates	1	2	3	4	5
Income tax	1	2	3	4	5
High rental charges	1	2	3	4	5
Licensing procedures	1	2	3	4	5
Wages for skilled staff	1	2	3	4	5

SECTION G: Service Satisfaction

21. Please indicate the extent to which you agree or disagree with the following statements

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Supporting institutions provide their services dependably	1	2	3	4	5
Supporting institutions provide their services accurately	1	2	3	4	5
Supporting institutions are willing to help SMMEs	1	2	3	4	5
Supporting institutions provide prompt support	1	2	3	4	5
I trust supporting institutions because they are competent	1	2	3	4	5
I have confidence in supporting institutions because they are competent	1	2	3	4	5
I trust supporting institutions because they are courteous	1	2	3	4	5

I have confidence in supporting institutions because they are courteous	1	2	3	4	5
I trust supporting institutions because they are credible	1	2	3	4	5
I have confidence in supporting institutions because they are credible	1	2	3	4	5
Supporting institutions cared for my business	1	2	3	4	5
Supporting institutions provided individualised attention to my business	1	2	3	4	5
I am satisfied with the assistance I received from the supporting institutions	1	2	3	4	5

Thank you for your time and participation

THE INFLUENCE OF PUBLIC AND PRIVATE SUPPORTING INSTITUTIONS ON SMALL, MEDIUM AND MICRO ENTERPRISE DEVELOPMENT: A COMPARATIVE STUDY BETWEEN LESOTHO AND SOUTH AFRICA.

SECTION A: Demographic Information

Instructions: Please put a tick in the appropriate box

1. Please indicate your gender

[1] Male [2] Female

2. Are you the:

[1] Owner [2] Manager [3] Other (please specify)

3. Age group

[1] Less than 20 [2] 20 – 39 [3] 40 – 59 [4] 60+

4. Population group

[1] Black [2] White [3] Indian [4] Asian (other than Indian) [5] Other (please specify)

5. Please indicate how important is your current highest qualification in relation to the business you are currently running.

	Unimportant	Of little importance	Moderately important	Important	Very important
Primary school certificate	1	2	3	4	5
High school certificate (Matric)	1	2	3	4	5
Diploma	1	2	3	4	5
Bachelor's degree	1	2	3	4	5
Other (please specify).....	1	2	3	4	5

SECTION B: Supporting Institutions

6. To what extent to do agree or disagree with the following statements?

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
I am aware of supporting institutions that assist in SMMEs establishment	1	2	3	4	5
I am aware of supporting institutions that assist in SMMEs growth	1	2	3	4	5
I have received assistance from the business supporting institutions	1	2	3	4	5

7. From which of the following supporting institutions have you received assistance?

	Start-up capital	Additional funds	Training opportunities	Business advisory services	Assistance with the access to premises	Networking support	Licensing procedures	Any other (please specify)
Small Enterprise Development Agency								
Msunduzi Municipality								
Absa Enterprise Development Centre								
Pietermaritzburg Chamber of Business								
Department of Economic Development and Tourism and Environmental Affairs								
Business Support Centre								
Other (Please specify)								

SECTION C: Role of Supporting Institutions on SMMEs Establishment

8. How often have you received the following assistance from the supporting institutions to establish your SMME?

	Not at all	Rarely	Sometimes	Often	Very often
Funding	1	2	3	4	5
Training (management skills, marketing skills, business planning skills, financial management skills)	1	2	3	4	5
Business advice	1	2	3	4	5
Assistance with the access to premises	1	2	3	4	5
Networking support	1	2	3	4	5
Guidance with licensing procedures					
Any other (please specify)	1	2	3	4	5

9. From which institution(s) did you receive support/assistance that you mentioned in question 8 above?

	Funding	Training opportunities	Business advisory services	Assistance with the access to premises	Networking support	Licensing procedures	Any other (Please specify)
Small Enterprise Development Agency							
Msunduzi Municipality							
Absa Enterprise Development Centre							
Pietermaritzburg Chamber of Business							
Department of Economic							

Development and Tourism and Environmental Affairs							
Business Support Centre							
Other (Please specify)							

10. Please indicate the extent to which the supporting institutions procedures make it easier or difficult to get the following assistance from the supporting institutions

	Very difficult	Difficult	Not sure	Easy	Very easy
Access to finance	1	2	3	4	5
Access to training opportunities	1	2	3	4	5
Access to business advisory services	1	2	3	4	5
Getting assistance to access premises	1	2	3	4	5
Access to networking support	1	2	3	4	5
Getting assistance with licensing procedures	1	2	3	4	5
Other (Please specify)	1	2	3	4	5

	Very difficult	Difficult	Not sure	Easy	Very easy

SECTION D: Sustainable Growth

11. Please indicate the extent to which your business has grown in the following areas:

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
Business profits have increased	1	2	3	4	5
Have hired more workers	1	2	3	4	5
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The business has acquired more assets	1	2	3	4	5
Has opened another company	1	2	3	4	5
Any other (Please specify)	1	2	3	4	5

12. Please indicate the extent to which the following support from the supporting institutions has helped your business to grow?

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Access to training opportunities	1	2	3	4	5
Access to business advisory services	1	2	3	4	5

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
Getting assistance to access premises	1	2	3	4	5
Access to networking support	1	2	3	4	5
Getting assistance with licensing procedures	1	2	3	4	5
Other (Please specify)	1	2	3	4	5

13. Please indicate the extent to which the following support from the supporting institutions has helped your business to be sustainable?

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
Access to finance	1	2	3	4	5
Access to training opportunities	1	2	3	4	5
Access to business advisory services	1	2	3	4	5
Getting assistance to	1	2	3	4	5

	Not significant at all	Not significant	Somehow significant	Significant	Very significant
access premises					
Access to networking support	1	2	3	4	5
Getting assistance with licensing procedures	1	2	3	4	5
Other (Please specify)	1	2	3	4	5

SECTION E: Relevant Training

14. To what extent do you agree or disagree with the following statements

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15. What type of training did you receive at start-up and growth phases?

Training programme	Start-up phase	Growth phase
Management skills		
Marketing skills		
Business planning skills		
Financial management skills		
Other (please specify).....		

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SECTION F: Ease of Access to Finance

16. When establishing this business, indicate where most of the funds came from

	Not much	Little	Somewhat	Much	A great deal
Personal savings	1	2	3	4	5
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Any other sources (Please specify).....	1	2	3	4	5

17. Please indicate how easy or difficult it is to get funding from the supporting institutions

Very difficulty	Difficult	Not sure	Easy	Very easy
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18. To what extent do you agree or disagree that the following factors are the barriers to getting funding from the supporting institutions?

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
High interest rates	1	2	3	4	5
Collateral requirements	1	2	3	4	5
Absence of a lease	1	2	3	4	5

19. To what extent do you agree or disagree that the following factors are the barriers to start a business.

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Access to finance	1	2	3	4	5
High interest rates	1	2	3	4	5
Income tax	1	2	3	4	5
High rental charges	1	2	3	4	5
Licensing procedures	1	2	3	4	5
Wages for skilled staff	1	2	3	4	5

20. To what extent do you agree or disagree that the following factors are barriers to sustainable business growth?

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Access to finance	1	2	3	4	5
High interest rates	1	2	3	4	5
Income tax	1	2	3	4	5
High rental charges	1	2	3	4	5
Licensing procedures	1	2	3	4	5
Wages for skilled staff	1	2	3	4	5

SECTION G: Service Satisfaction

21. Please indicate the extent to which you agree or disagree with the following statements

	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Supporting institutions provide their services dependably	1	2	3	4	5
Supporting institutions provide their services accurately	1	2	3	4	5
Supporting institutions are willing to help SMMEs	1	2	3	4	5
Supporting institutions provide prompt support	1	2	3	4	5
I trust supporting institutions because they are competent	1	2	3	4	5
I have confidence in supporting institutions because they are competent	1	2	3	4	5
I trust supporting institutions because they are courteous	1	2	3	4	5
I have confidence in supporting institutions because they are courteous	1	2	3	4	5
I trust supporting institutions because they are credible	1	2	3	4	5
I have confidence in supporting institutions because they are credible	1	2	3	4	5
Supporting institutions cared for my business	1	2	3	4	5
Supporting institutions provided individualised attention to my business	1	2	3	4	5
I am satisfied with the assistance I received from the supporting institutions	1	2	3	4	5

Thank you for your time and participation

Appendix 3: Interview transcripts and NVivo output

Interviews transcripts

Basotho Enterprise Development Corporation (BEDCO) is a government agency (Parastatal) in Maseru Lesotho. BEDCO provides amongst others, incubation services (training and business premises) to MSMEs. This model is in three phases: pre-incubation; real-incubation; and post-incubation. BEDCO provides businesses with training at start-up and growth phases, as they consider the importance of entrepreneurial skills. The training is designed in three manuals: start your business; operate your business effectively; and grow your business. BEDCO does training needs assessment/analysis (TNA), which assists BEDCO in providing pre-start-up and post-start-up training programmes. For MSMEs to access assistance from BEDCO, they go to BEDCO's website and register online. BEDCO has in-house trainers, and trained consultants from outside to manage the diversity of their clients. BEDCO clients always indicate that they are satisfied with services provided to them.

SMME Support Network-Lesotho is a private institution established to develop MSMEs. SMME Support Network-Lesotho provides information, counselling and advisory services to MSMEs. **The Lesotho Post Bank** is a government institution, under the Ministry of Finance and Communication. Post Bank supports MSMEs financially with start-up capital and working capital. MSMEs are monitored them from time to time to make sure that they grow, and go on with their operations. Post Bank provides services to the formal and informal sectors equally. They lent out money from R1000.00 upwards. **Lesotho Chamber of Commerce and Industry (LCCI)**, is a private institution, which mainly assists MSMEs with advocacy. However, to access services from LCCI, one has to be a member of the Chamber. **Ministry of Trade and Industry, Cooperatives and Marketing (MTICM)** is a government institution assisting MSMEs with the licensing of their businesses. MTICM assists MSMEs with compliance issues. They encourage them to register and operate formally. They also provide them with manuals that offer information as to how to start their businesses. The increasing number of registered MSMEs is an indication MSMEs are satisfied with our services. **Private Sector Foundation of Lesotho (PSFL)** is a private institution established in 2009 to develop MSME sector. PSFL assists MSMEs with development advocacy and start-up training. They have to be the members of PSFL for them to access assistance. PSFL at its advocacy level, has proposed to the policy makers that the government as well fund MSMEs in order for them to grow, they should not depend on commercial banks alone.

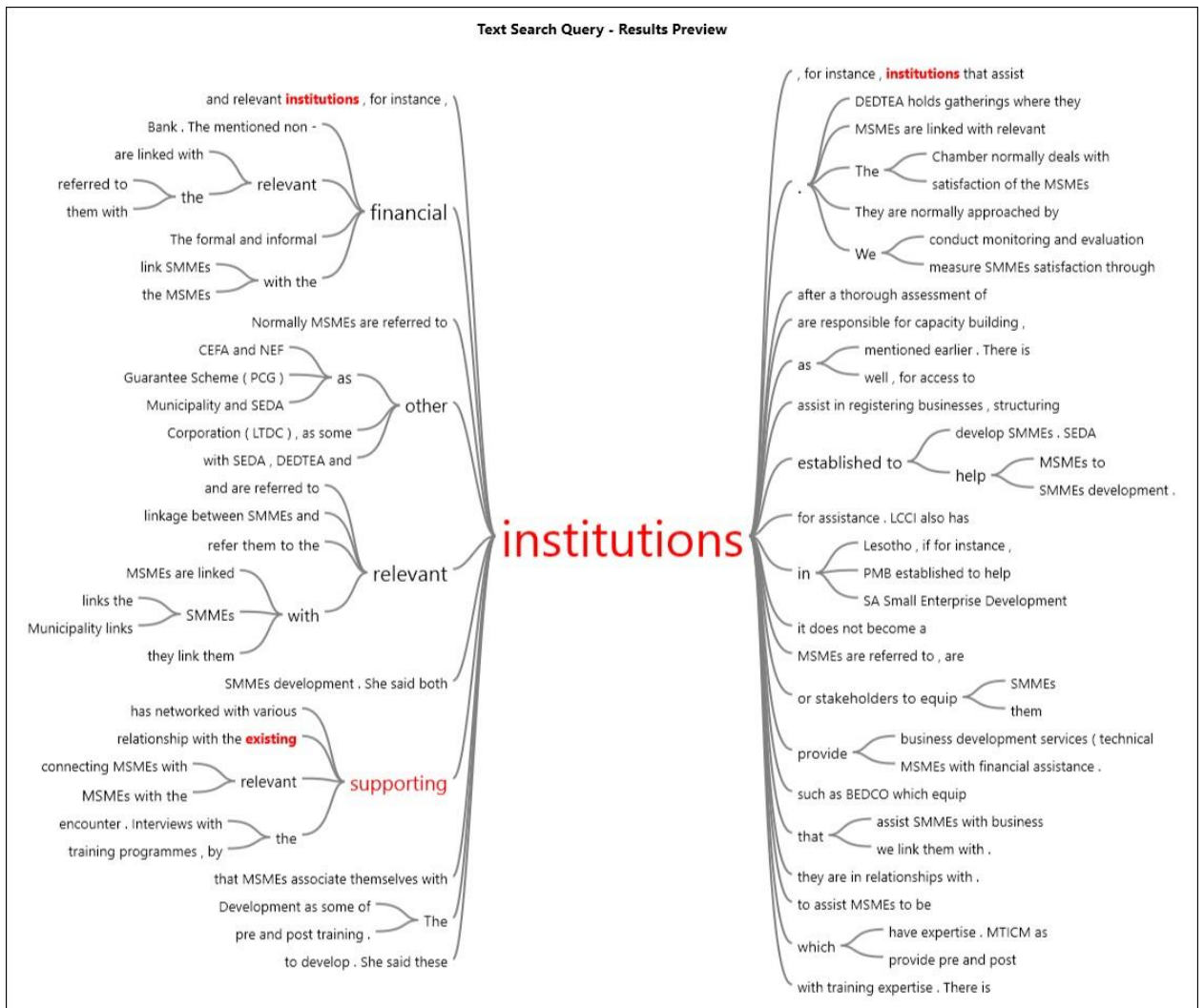
Small Enterprise Development Agency (SEDA) is a government agency, it is a subsidiary of the Department of Trade and Industry in Pietermaritzburg, South Africa. SEDA offers various

forms of non-financial assistance, mainly promotion of entrepreneurship. Training workshops on how to start and manage your business, are provided for potential entrepreneurs. To access our services, an entrepreneur has to be registered with us. To help SMMEs to grow, SEDA also intervene by conducting an assessment after six months of training (first intervention). They look for the gaps if any, and suggest what the entrepreneurs could do. For instance, if the issue is the expansion of the business, SEDA links the entrepreneur with the funding institution. Basic training is provided at the start-up phase, then at the growth phase, each entrepreneur is assessed, if there is a gap, they are trained according to their needs. SEDA offers both pre and post-establishment training and SMMEs' owners are aware of these programmes. Internal trainers at SEDA are well trained, and if there is a need, SEDA outsource trainers who will provide relevant training. Customer satisfaction survey and the improvement assessment we conduct indicate that SMMEs are satisfied with our services.

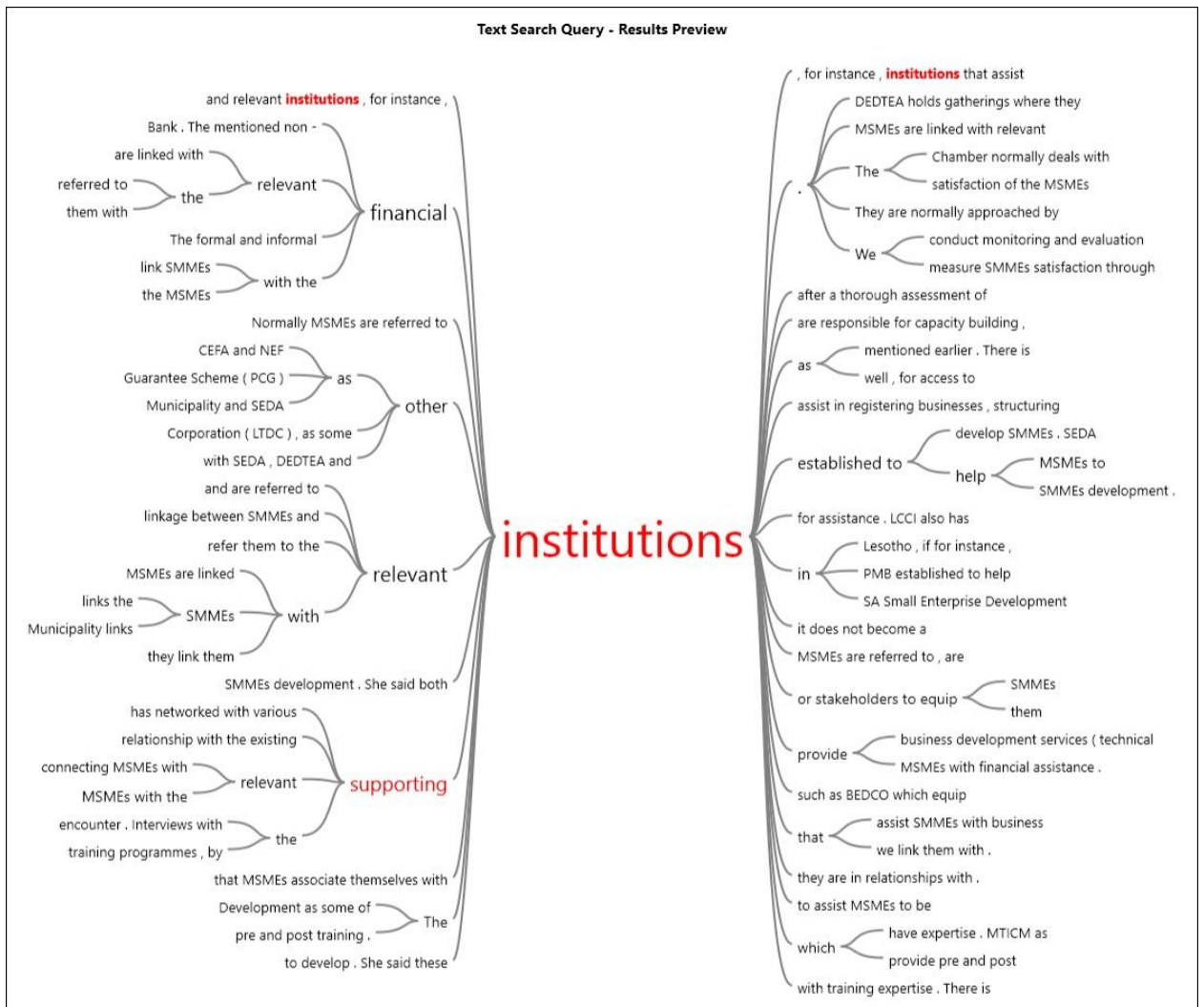
Msunduzi Municipality is a government agency in Pietermaritzburg. Msunduzi Municipality supports SMMEs by providing them with necessary information (non-financial support). Municipality conducts outreach programmes as to create awareness of their services to the public, therefore, SMMEs are aware of the development programmes offered. To help SMMEs to be sustainable, Municipality still links them with the relevant stakeholders. These stakeholders hold workshops for the SMMEs and give them the background and challenges that they may encounter when running their businesses. **Absa Enterprise Development** is a private institution meant to develop SMMEs. Absa Enterprise Development registers businesses to operate formally. Furthermore, they are assisted financially. Businesses that want to go to the next level, are encouraged to study their current situation and are helped to plan their future. We have an office dealing with SMMEs in each region. Our offices are in cities. **Department of Economic Development, Tourism and Environmental Affairs (DEDTEA)** is a public institution meant to assist SMMEs development. DEDTEA provides services such as non-financial support, that is, company registration, capacity building, training, access to market, and we link SMMEs with the financial institutions as well, for access to finance. There are no strict procedures to follow, SMMEs just walk-in or come through referrals then we assist them. There is DEDTEA office in every eleven districts of KwaZulu-Natal. The offices are situated in cities, however, the department visits rural areas to make them aware of the services we offer. Everyone who is willing to start a business qualifies for our services. **Business Support Centre (BSC)** is a private institution, established to help SMMEs development. BSC gives support to SMMEs in a form of back office support, that is, administration work, bookkeeping, all human resource services, makes sure that they comply with all statutory legislation, make sure that they pay a correct statutory rate for their sector, and creates market for SMMEs. **Pietermaritzburg Chamber of Business (PCB)** is a private institution established to develop SMMEs. PCB helps SMMEs to

grow through providing them with networking support, which also provide them with learning opportunities from their counterparts. We also provide them with training opportunities. Linking or networking SMMEs with the ones who have been long in the field, help them to be sustainable, as they learn from them. We measure SMMEs satisfaction through the constant use of our services by our members and the rate of their business growth.

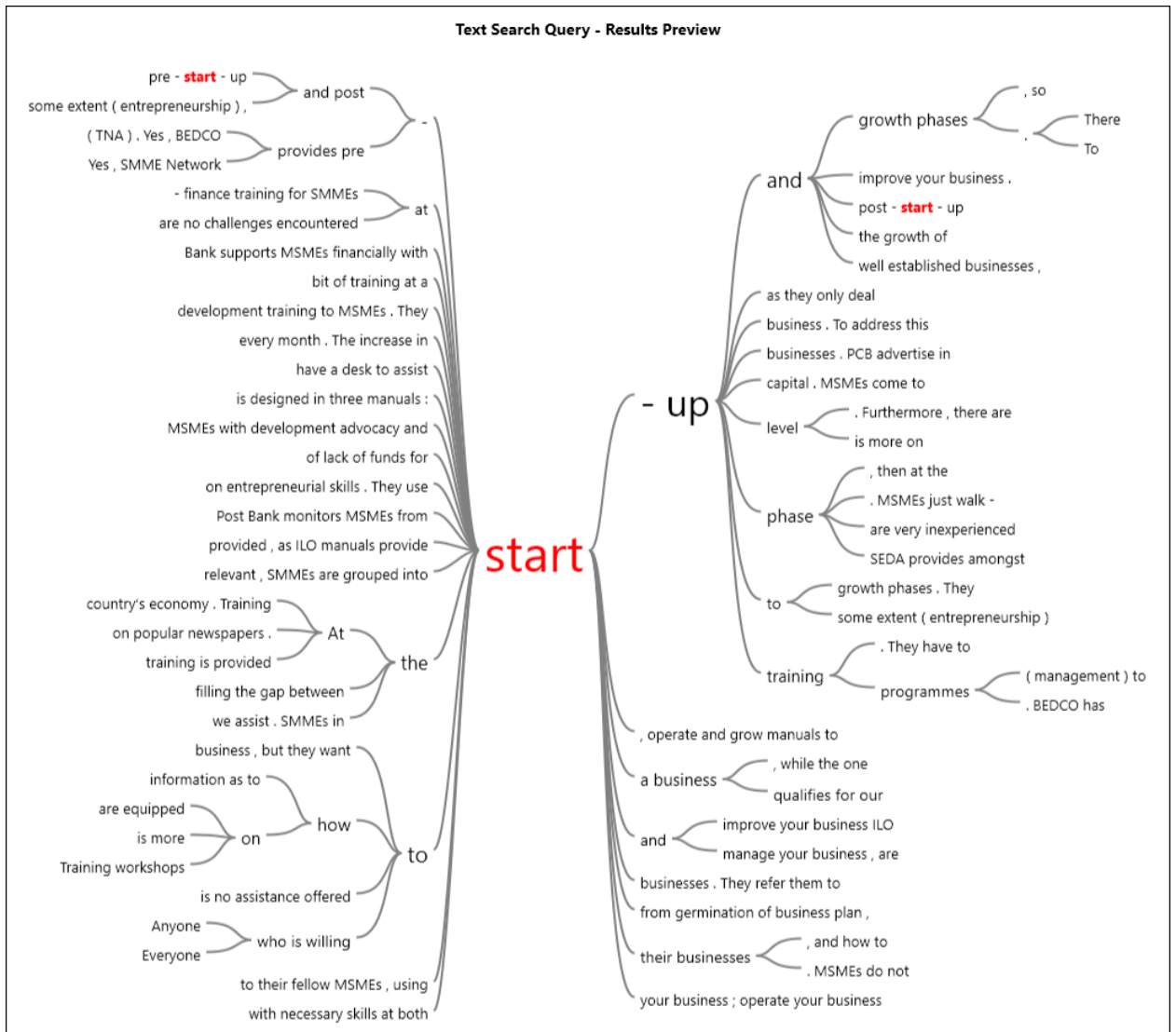
Existing supporting institutions



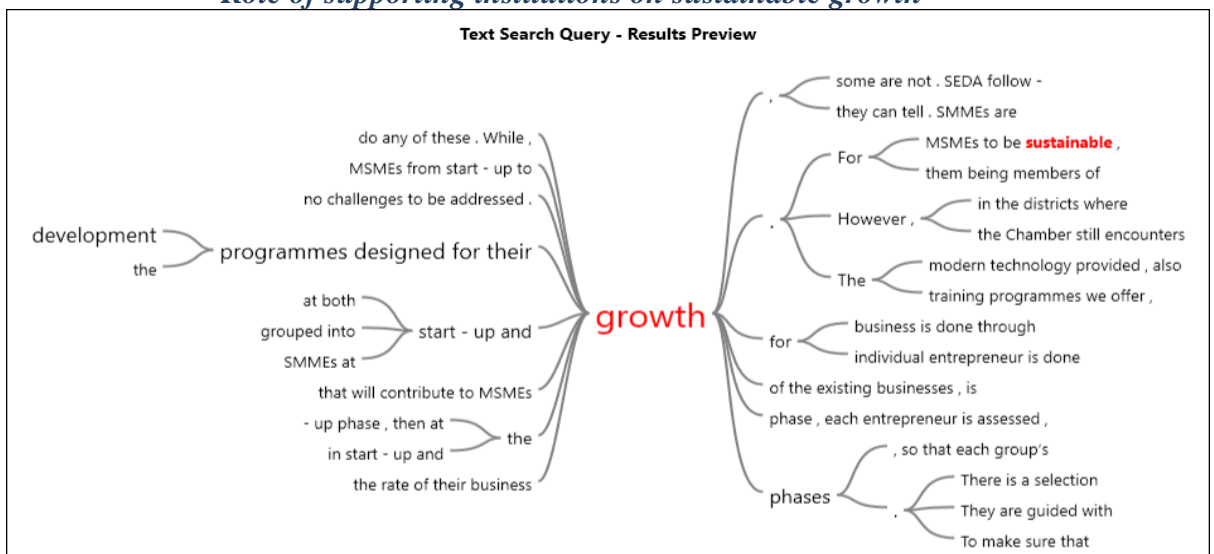
Role of supporting institutions



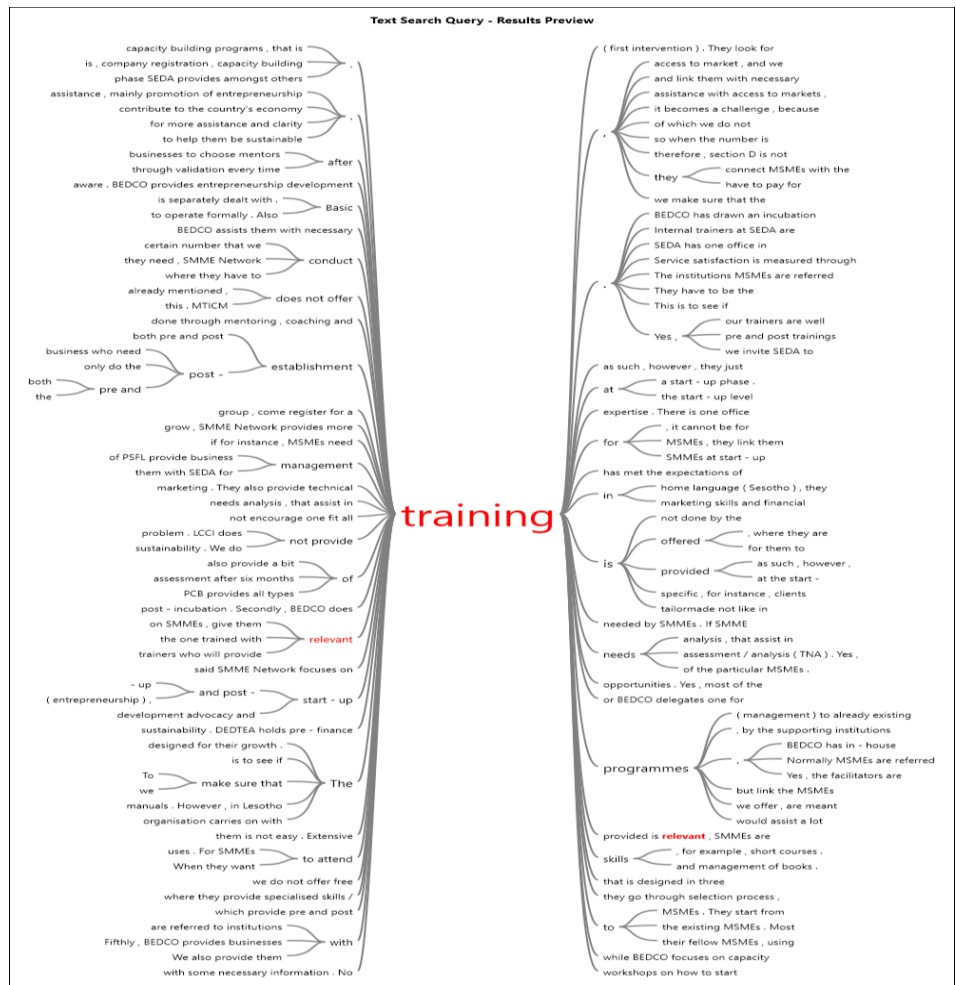
Role of supporting institutions on SMMEs start-up



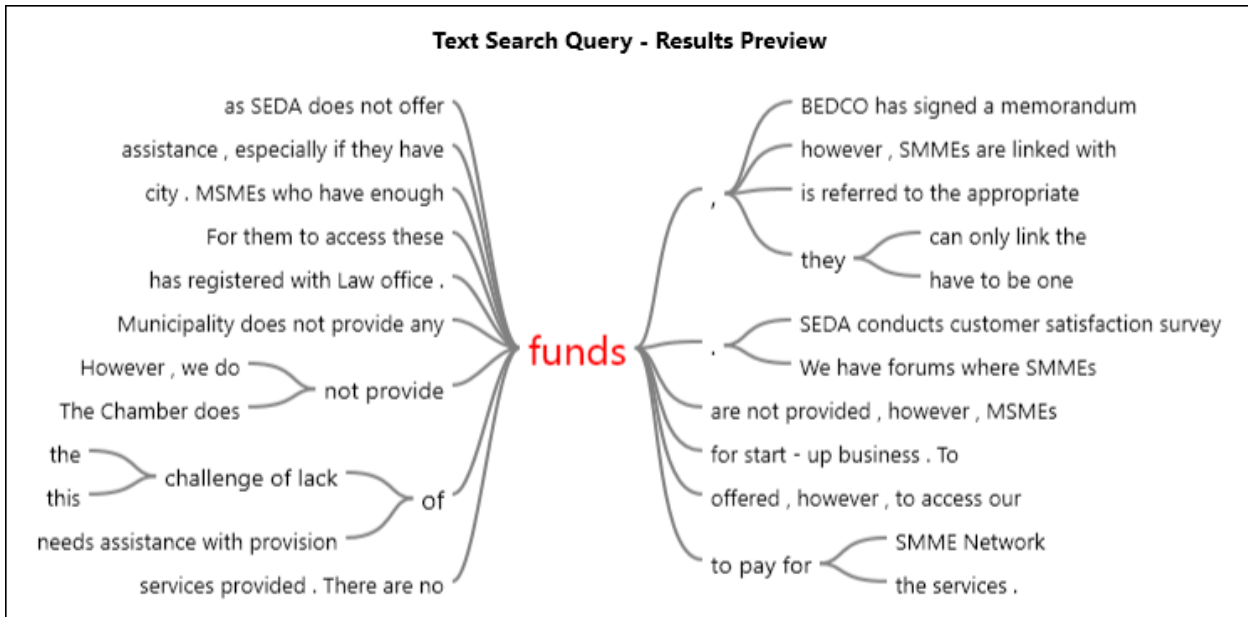
Role of supporting institutions on sustainable growth



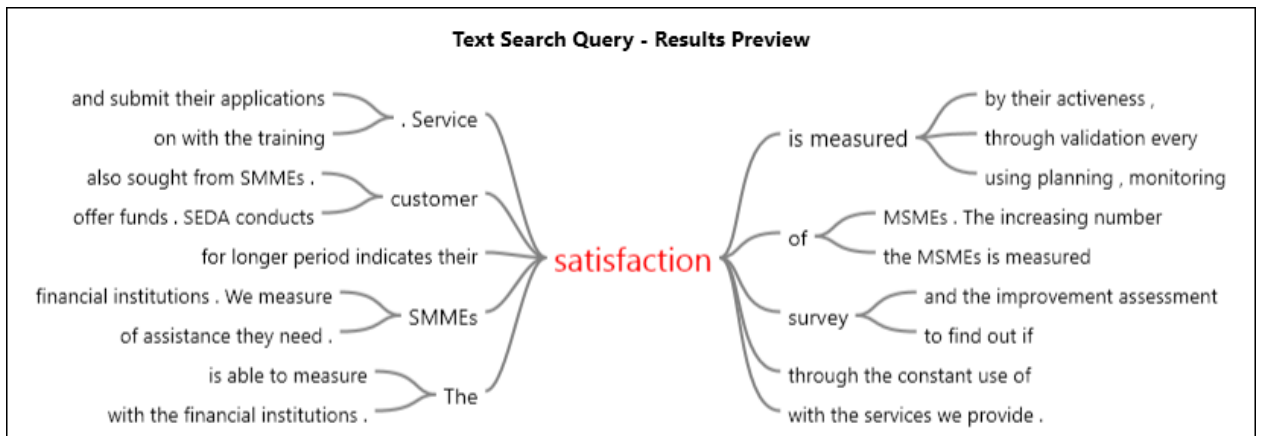
Relevant training



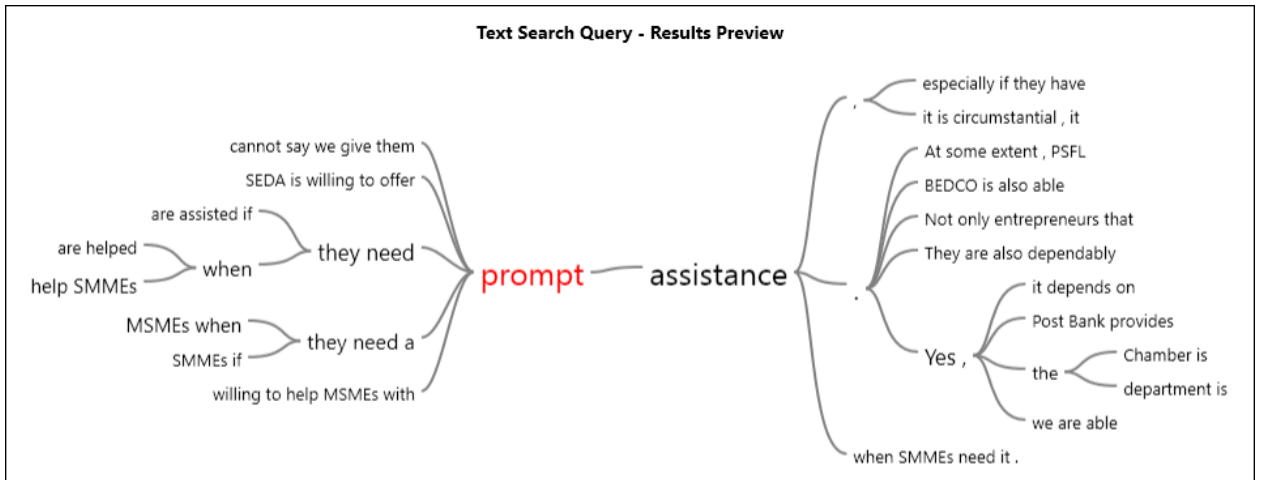
Accessibility to finances



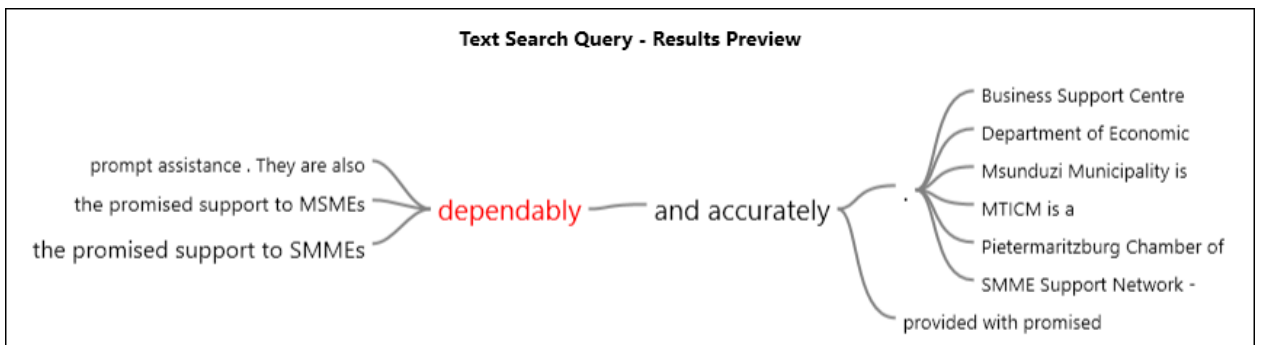
Service satisfaction



Prompt assistance



Dependable and accurate assistance



Appendix 4: Tables from Chapter 7

Table 1: Q4_Population group * Business location Cross tabulation

			Business location		Total
			Maseru	Pietermaritzburg	
Q4_Population group	Black	Count	269	184	453
		% of Total	56.0%	38.3%	94.4%
	White	Count	0	1	1
		% of Total	0.0%	0.2%	0.2%
	Indian	Count	1	21	22
		% of Total	0.2%	4.4%	4.6%
	Asian	Count	0	2	2
		% of Total	0.0%	0.4%	0.4%
	Coloured	Count	0	2	2
		% of Total	0.0%	0.4%	0.4%
	Total	Count	270	210	480
		% of Total	56.3%	43.8%	100.0%

Table 2: Q5_What is your level of education * Business location Cross-tabulation

			Business location		Total
			Maseru	Pietermaritzburg	
Q5_What is your level of education	Primary school certificate	Count	48	12	60
		% of Total	10.0%	2.5%	12.5%
	High school certificate	Count	73	82	155
		% of Total	15.2%	17.1%	32.3%
	Diploma	Count	48	76	124
		% of Total	10.0%	15.8%	25.8%
	Bachelor's degree	Count	83	34	117
		% of Total	17.3%	7.1%	24.4%
	Honours degree	Count	7	2	9
		% of Total	1.5%	0.4%	1.9%
	Masters degree	Count	1	2	3
		% of Total	0.2%	0.4%	0.6%
	PhD.	Count	10	2	12
		% of Total	2.1%	0.4%	2.5%
Total	Count	270	210	480	
	% of Total	56.3%	43.8%	100.0%	

Table 3: Frequency of provision of business advice by institutions

	Q8.3R: How often did you receive business advice from the supporting institutions?									
	Maseru					Pietermaritzburg				
	Institution	Not at all		Often/ Very often			Not at all		Often/ Very often	
		N	%	N	%		N	%	N	%
Q9.3R: From which institution did you receive business advice?	Government	0	0.0%	3	100.0%	Government	5	22.7%	17	77.3%
	Private	2	9.5%	19	90.5%	Private	16	32.0%	34	68.0%
	Parastatal	3	6.3%	45	93.8%	Government & Private	1	25.0%	3	75.0%
	Private & Parastatal	0	0.0%	2	100.0%					
	Chi-square test	Chi-square value	Df	p-value		Chi-square test	Chi-square value	Df	p-value	
0.637		3	0.888	Not Signif.	0.671		2	0.715	Not Signif.	

Table 4: Frequency of provision of networking support by institutions

	Q8.5R: How often did you receive networking support from supporting institutions?									
	Maseru					Pietermaritzburg				
	Institution	Not at all		Often/ Very often		Institution	Not at all		Often/ Very often	
		N	%	N	%		N	%	N	%
Q9.5R: From which institution did you receive assistance with networking support?	Private	1	3.8%	25	96.2%	Government	3	10.0%	27	90.0%
	Parastatal	1	14.3%	6	85.7%	Private	8	17.8%	37	82.2%
	Private & Parastatal	0	0.0%	4	100.0%	Government & Private	0	0.0%	4	100.0%
	All	0	0.0%	1	100.0%					
	Chi-square test	Chi-square value	df	p-value		Chi-square test	Chi-square value	Df	p-value	T
1.525		3	0.676	Not Signif.	1.59		2	0.452	Not Signif.	

Table 5: Ease of access to training opportunities

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.2: To what extent do supporting institutions make it easier or difficult to access training opportunities?	Government	1	4.00	-	0.31	4, 66	0.837	No significant difference
	Private	16	3.69	0.95				
	Parastatal	45	3.71	0.76				
	Private & Parastatal	6	3.33	0.82				
	Government & Parastatal	3	3.67	1.53				
Pietermaritzburg	Descriptives				ANOVA Tests			
Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment	
Q10.2: To what extent do supporting institutions make it easier or difficult to access training opportunities?	Government	38	3.92	1.15	0.34	2, 108	0.710	No significant difference
	Private	64	3.73	1.21				
	Government & Private	9	3.67	1.32				

Table 6: Ease of access to business advisory services

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.3: To what extent do supporting institutions make it easier or difficult to access business advisory services?	Government	3	3.33	0.58	0.72	3, 70	0.541	No significant difference
	Private	21	3.71	0.78				
	Parastatal	48	3.90	0.78				
	Private & Parastatal	2	4.00	.000				
Pietermaritzburg	Descriptives				ANOVA Tests			
Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment	
Q10.3: To what extent do supporting institutions make it easier or difficult to access business advisory services?	Government	22	3.86	0.83	0.05	2, 73	0.949	No significant difference
	Private	50	3.88	0.72				
	Government & Private	4	4.00	1.15				

Table 7: Ease of access to business premises

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.4: To what extent do supporting institutions make it easier or difficult to get access to premises?	Parastatal	63	3.59	0.835	-	-	-	No data
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.4: To what extent do supporting institutions make it easier or difficult to get access to premises?	Government	9	3.78	0.97	2.18	1, 21	0.155	No significant difference
	Private	14	3.14	1.03				

Table 8: Ease of access to networking support

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.5: To what extent do supporting institutions make it easier or difficult to get access to networking support?	Private	26	3.85	0.73	1.60	3, 34	0.208	No significant difference
	Parastatal	7	4.00	0.58				
	Private & Parastatal	4	4.50	1.00				
	All	1	5.00					
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.5: To what extent do supporting institutions make it easier or difficult to get access to networking support?	Government	30	4.10	0.92	1.18	2, 76	0.313	No significant difference
	Private	45	4.00	0.98				
	Government & Private	4	4.75	0.50				

Table 9: Ease of access to guidance in licensing procedures

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.6: To what extent do supporting institutions make it easier or difficult to get assistance with licensing procedures?	Government	246	3.48	1.03	0.96	3, 246	0.414	No significant difference
	Private	1	4.00					
	Parastatal	2	3.00	0.00				
	All	1	5.00					
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q10.6: To what extent do supporting institutions make it easier or difficult to get assistance with licensing procedures?	Government	75	3.53	1.02	1.65	2, 93	0.198	No significant difference
	Private	18	3.94	0.54				
	Government & Private	3	4.00	0.00				

Table 10: Impact of assistance with access to premises on growth of SMMEs

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.4: Overall Growth of business due to getting access to premises	Parastatal	63	2.72	1.07	0.50	1, 268	0.482	No Significant differences
	None	207	2.84	1.16				
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.4: Overall Growth of business due to getting access to premises	Government	9	3.18	0.96	0.45	2, 207	0.640	No Significant differences
	Private	14	2.93	0.83				
	None	187	2.88	0.95				

Table 11: Impact of guidance with licensing procedures on growth of SMMEs

Maseru	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.6: Overall Growth of business due to receiving assistance with licensing procedures	Government	246	2.85	1.14	1.77	4, 265	0.134	No Significant differences
	Private	1	4.00					
	Parastatal	2	3.00	0.00				
	None	20	2.22	0.97				
	All	1	2.40					
Pietermaritzburg	Descriptives				ANOVA Tests			
	Institution	N	Mean	Std. Dev.	F	df1, df2	p-value	Comment
Q12.6: Overall Growth of business due to receiving assistance with licensing procedures	Government	75	2.79	0.93	0.74	3, 206	0.530	No Significant differences
	Private	18	3.13	0.81				
	None	114	2.92	0.98				
	Government & Private	3	2.80	.529				

Table 12: General impact of support on growth of SMMEs

Location	Business growth due to support	% Significant/ Very significant	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q12.1: To what extent has access to finance from the supporting institutions helped your business to grow?	58.00%	0.746	55.54%	0.957
	Q12.2: To what extent has access to training opportunities from the supporting institutions helped your business to grow?	71.83%	0.831		
	Q12.3: To what extent has access to business advisory services from the supporting institutions helped your business to grow?	62.67%	0.834		
	Q12.4: To what extent has access to business premises from the supporting institutions helped your business to grow?	74.60%	0.670		
	Q12.5: To what extent has access to networking support from the supporting institutions helped your business to grow?	63.16%	0.771		
	Q12.6: To what extent has assistance with licensing procedures from the supporting institutions helped your business to grow?	62.10%	0.588		
Pietermaritzburg	Q12.1: To what extent has access to finance helped your business to grow?	74.71%	0.845	82.80%	0.957
	Q12.2: To what extent has access to training opportunities from the supporting institutions helped your business to grow?	66.38%	0.961		
	Q12.3: To what extent has access to business advisory services from the supporting institutions helped your business to grow?	54.32%	0.933		

	Q12.4: To what extent has access to business premises from the supporting institutions helped your business to grow?	43.33%	0.960		
	Q12.5: To what extent has access to networking support from the supporting institutions helped your business to grow?	80.00%	0.964		
	Q12.6: To what extent has assistance with licensing procedures from the supporting institutions helped your business to grow?	49.49%	0.781		

Table 13: General roles of receiving assistance from supporting institutions on sustainability of SMMEs

Location	Business sustainability due to support	% Significant/ Very significant	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q13.1: To what extent has access to finance from the supporting institutions helped your business to be sustainable?	53.06%	0.768	59.46%	0.991
	Q13.2: To what extent has access to training opportunities from the supporting institutions helped your business to be sustainable?	72.22%	0.787		
	Q13.3: To what extent has access to business advisory services from the supporting institutions helped your business to be sustainable?	67.57%	0.825		
	Q13.4: To what extent has access to business premises from the supporting institutions helped your business to be sustainable?	68.25%	0.716		
	Q13.5: To what extent has access to networking support from the supporting institutions helped	65.79%	0.754		

	your business to be sustainable?				
	Q13.6: To what extent has assistance with licensing procedures from the supporting institutions helped your business to be sustainable?	59.92%	0.771		
Pietermaritzburg	Q13.1: To what extent has access to finance from the supporting institutions helped your business to be sustainable?	71.26%	0.965	95.55%	0.991
	Q13.2: To what extent has access to training opportunities from the supporting institutions helped your business to be sustainable?	62.39%	0.977		
	Q13.3: To what extent has access to business advisory services from the supporting institutions helped your business to be sustainable?	60.49%	0.992		
	Q13.4: To what extent has access to business premises from the supporting institutions helped your business to be sustainable?	43.33%	0.969		
	Q13.5: To what extent has access to networking support from the supporting institutions helped your business to be sustainable?	82.35%	0.985		
	Q13.6: To what extent has assistance with licensing procedures from the supporting institutions helped your business to be sustainable?	54.00%	0.977		

Table 14: Association between source of funding and difficulty of access to finance

Pearson Correlation		Location							
		Maseru				Pietermaritzburg			
		Q16.1: When establishing the business most of the funds came from personal savings	Q16.2: When establishing the business most of the funds came from a loan from a friend	Q16.3: When establishing the business most of the funds came from a bank	Q16.4: When establishing the business most of the funds came from a business supporting institution	Q16.1: When establishing the business most of the funds came from personal savings	Q16.2: When establishing the business most of the funds came from a loan from a friend	Q16.3: When establishing the business most of the funds came from a bank	Q16.4: When establishing the business most of the funds came from a business supporting institution
Q16.2: When establishing the business most of the funds came from a loan from a friend	Correlation p-value N	-0.363** 0.000 270				-0.016 0.834 210			
Q16.3: When establishing the business most of the funds came from a bank	Correlation p-value N	-0.161** 0.008 270	-0.034 0.581 270			-0.324** 0.000 210	-0.053 0.443 210		
Q16.4: When establishing the business most of the funds came from a business supporting institution	Correlation p-value N	-0.207** 0.001 270	0.191** 0.002 270	0.007 0.913 270		-0.349** 0.000 210	0.107 0.121 210	0.136* 0.049 210	
Q17: How difficult is it to get funding from supporting institutions?	Correlation p-value N	-0.106 0.082 270	0.193** 0.001 270	0.043 0.486 270	0.160** 0.008 270	-0.077 0.265 210	0.352** 0.000 210	0.201** 0.004 210	0.489** 0.000 210

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

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

Table 15: Start-up barriers

Location	Start-up barriers	% Agree/ Strongly Agree	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q19.1: Access to finance is a barrier to start a business	73.70%	0.628	51.08%	0.800
	Q19.2: High interest rates are barriers to start a business	61.11%	0.865		
	Q19.3: Income tax is a barrier to start a business	56.67%	0.745		
	Q19.4: High rental charges are barriers to start a business	73.70%	0.816		
	Q19.5: Licensing procedures are barriers to start a business	69.63%	0.568		
	Q19.6: Wages of skilled staff are barriers to start a business	68.89%	0.615		
Pietermaritzburg	Q19.1: Access to finance is a barrier to start a business	92.38%	0.627	51.54%	0.810
	Q19.2: High interest rates are barriers to start a business	85.71%	0.761		
	Q19.3: Income tax is a barrier to start a business	73.33%	0.672		
	Q19.4: High rental charges are barriers to start a business	82.38%	0.756		
	Q19.5: Licensing procedures are barriers to start a business	74.76%	0.746		
	Q19.6: Wages of skilled staff are barriers to start a business	82.86%	0.735		

Table 16: Barriers to sustainability

Location	Sustainability barriers	% Agree/ Strongly Agree	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q20.1: Access to finance is a barrier to sustainable business growth	74.81%	0.533	53.35%	0.816
	Q20.2: High interest rates are barriers to sustainable business growth	57.41%	0.862		
	Q20.3: Income tax is a barrier to sustainable business growth	60.00%	0.864		
	Q20.4: High rental charges are barriers to sustainable business growth	64.44%	0.824		
	Q20.5: Licensing procedures are barriers to sustainable business growth	69.63%	0.538		
	Q20.6: Wages of skilled staff are barriers to sustainable business growth	71.11%	0.677		
Pietermaritzburg	Q20.1: Access to finance is a barrier to sustainable business growth	90.95%	0.593	55.25%	0.834
	Q20.2: High interest rates are barriers to sustainable business growth	85.24%	0.829		
	Q20.3: Income tax is a barrier to sustainable business growth	74.29%	0.785		
	Q20.4: High rental charges are barriers to sustainable business growth	83.81%	0.762		
	Q20.5: Licensing procedures are barriers to sustainable business growth	74.29%	0.765		
	Q20.6: Wages of skilled staff are barriers to sustainable business growth	80.48%	0.702		

Table 17: Service satisfaction

Location	Service satisfaction	% Agree/ Strongly Agree	Latent Factor (Principal component)	% of total variation accounted for by latent factor	Cronbach's alpha
Maseru	Q21.1: Supporting institutions provide their services dependably	65.8%	0.501	64.70%	0.953
	Q21.2: Supporting institutions provide their services accurately	47.6%	0.744		
	Q21.3: Supporting institutions are willing to help SMMEs	51.3%	0.742		
	Q21.4: Supporting institutions provide prompt support	44.2%	0.739		
	Q21.5: I trust supporting institutions because they are competent	46.5%	0.829		
	Q21.6: I have confidence in supporting institutions because they are competent	54.6%	0.841		
	Q21.7: I trust supporting institutions because they are courteous	51.7%	0.883		
	Q21.8: I have confidence in supporting institutions because they are courteous	50.9%	0.901		
	Q21.9: I trust supporting institutions because they are credible	51.3%	0.895		
	Q21.10: I have confidence in supporting institutions because they are credible	49.4%	0.864		
	Q21.11: Supporting institutions cared for my business	52.8%	0.806		
	Q21.12: Supporting institutions provided individualised attention to my business	51.7%	0.801		
	Q21.13: I am satisfied with the assistance I received from the supporting institutions	57.2%	0.821		
Pietermaritzburg	Q21.1: Supporting institutions provide their services dependably	60.0%	0.837		
	Q21.2: Supporting institutions provide	52.9%	0.897		

	their services accurately			85.27%	0.986
	Q21.3: Supporting institutions are willing to help SMMEs	55.2%	0.926		
	Q21.4: Supporting institutions provide prompt support	53.3%	0.936		
	Q21.5: I trust supporting institutions because they are competent	53.3%	0.928		
	Q21.6: I have confidence in supporting institutions because they are competent	52.9%	0.936		
	Q21.7: I trust supporting institutions because they are courteous	50.5%	0.941		
	Q21.8: I have confidence in supporting institutions because they are courteous	52.9%	0.943		
	Q21.9: I trust supporting institutions because they are credible	56.7%	0.930		
	Q21.10: I have confidence in supporting institutions because they are credible	56.7%	0.941		
	Q21.11: Supporting institutions cared for my business	48.6%	0.932		
	Q21.12: Supporting institutions provided individualised attention to my business	51.0%	0.930		
	Q21.13: I am satisfied with the assistance I received from the supporting institutions	51.9%	0.923		

Appendix 5: Informed Consent Document

UNIVERSITY OF KWAZULU-NATAL
School of Management, IT and Governance
PhD Research Project

Researcher: Refiloe Gladys Khoase (083 998 3539)

Supervisors: Dr Given Mutinta (031 260 8854);

Prof Brian McArthur (031 260 2159)

Research Office: Ms P Ximba 031-260 3587

Dear Respondent,

I, Refiloe Gladys Khoase am a PhD student in the School of Management, at the University of KwaZulu-Natal. You are invited to participate in a research project entitled “The influence of public and private supporting institutions on small, medium and micro enterprise development: A comparative study between Lesotho and South Africa”.

The aim of this study is to investigate the influence of the public and private supporting institutions with regard to SMMEs establishment and sustainable growth.

Through your participation I hope to understand why SMMEs still perceive they are faced with some challenges yet there are institutions established to enhance SMMEs. The results of this survey are intended to contribute to the knowledge of challenges that developing countries face and how effective implementation could be employed in order to alleviate such challenges.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this research project. Confidentiality and anonymity of records identifying you as a participant will be maintained by the School of Management, IT and Governance, UKZN.

If you have any questions or concerns about participating in this study, please contact me or my supervisors at the numbers listed above.

It should take you about thirty minutes to complete the questionnaire. I hope you will take the time to complete the questionnaire.

Sincerely



Investigator's signature

Date _____

This page is to be retained by participant

UNIVERSITY OF KWAZULU-NATAL
School of Management, IT and Governance

PhD Research Project

Researcher: Refiloe Gladys Khoase (083 998 3539)

Supervisor: Dr Given Mutinta (031 260 8854);

Prof Brian McArthur (031 260 2159)

Research Office: Ms P Ximba 031-260 3587

CONSENT

I _____ (full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Signature of Participant

Date

This page is to be retained by researcher

Appendix 6: Permission Letter



University of KwaZulu-Natal
School of Management, Information Technology and Governance, Westville Campus, Durban,
Cell: +27 (0)73 333 667, Phone: + 27(0)31260-8854, Email: mutinta@ukzn.ac.za

April 15, 2015

To Whom It May Concern:

PERMISSION TO CONDUCT RESEARCH AS PART OF THE PhD QUALIFICATION

It is a requirement of our PhD qualification that the student completes a thesis based on research in a specific field of study. In this way students are given the opportunity to creatively link and discuss the theoretical aspects of the programme to the practical issues facing organisations in real life settings. Typically a thesis necessitates data gathering and the student is using interviews specifically.

Student name: Refiloe Gladys Khoase (**Student No. 204507921**) has chosen to do a research project entitled: **The Influence of the Public and Private Supporting Institutions on Small, Medium and Micro Enterprise Development: A Comparative Study Between Lesotho and South Africa.**

Your assistance in permitting access to your organization for purposes of this research is most appreciated. Please be assured that all information gained from the research will be treated with the utmost confidentiality. Furthermore, should you wish any result/s or findings from the research "to be restricted" for an agreed period of time, this can be arranged. The confidentiality of information and anonymity of personnel will be strictly adhered to by the student.

I am available at any stage to answer any queries and/or to discuss any aspect of this research project.

If permission is granted, please sign the attached form.

Thank you for your assistance in this regard.

Yours sincerely

(Supervisor)

Appendix 7: Ethical Clearance



18 January 2016

Mrs Refiloe Gladys Khoase (204507921)
School of Management, IT and Governance
Pietermaritzburg Campus

Dear Mrs Khoase,

Protocol reference number: HSS/0547/014D

Project title: The influence of Public and Private Supporting Institutions on Small, Medium and Micro Enterprise Development: A comparative study between Lesotho and South Africa

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 08 January 2016 has now been approved as follows:

- Change in Supervisor


Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully



.....
Dr Shenuka Singh (Chair)

/ms

cc Supervisor: Dr Given Mutinta and Professor Brian McArthur
cc Academic leader Research: Professor Brian McArthur
cc School administrator: Ms Debbie Cunynghame

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

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Website: www.ukzn.ac.za

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Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville