

UNIVERSITY OF KWAZULU-NATAL

**FACTORS HINDERING THE GROWTH OF SMMEs IN
MSUNDUZI MUNICIPALITY, KWAZULU-NATAL
PROVINCE**

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Master of Commerce**

**School of Management, IT and Governance
College of Law and Management Studies**

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2018

DECLARATION

I, Siphelele Blose declare that:

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- (ii) This dissertation has not been submitted for any degree or examination at any other university.
- (iii) This dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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DEDICATION

I dedicate this dissertation to my late mother:

Pearl Gugulethu Joyce Mngomezulu

ABSTRACT

The SMME sector is valued for its contribution towards the development of a country in terms of employment creation, poverty alleviation, promotion of entrepreneurship activity and economic growth. In as much as SMMEs are the drivers of economic growth globally and locally, specifically in South Africa, there are challenges that prevent SMMEs from growing which often leads to business shut-down within the first two years of operation. These challenges are categorised as internal and external environmental challenges. The internal environment challenges include characteristics of entrepreneurs, management skills, technological capacities, access to markets, management of resources and poor cash management. External factors are comprised of government regulations, access to finance, high competition, high taxes, cost of production and investment in technology. This study identified both internal and external environmental factors hindering the growth of SMMEs in Msunduzi Municipality. This study used a closed-ended questionnaire to obtain an understanding of the challenges that SMMEs in Msunduzi Municipality face and address the research questions and objectives. The researcher used a disproportional-stratified sampling technique to select a sample that represented a population of 264. A total number of 155 questionnaires were distributed across different strata of the municipality. From a target population of 264, only 90 usable questionnaires were returned, a 58% response rate. All responses were coded on Statistical Package for the Social Science (SPSS) version 24. Descriptive analysis was used to analyse the demographic information and inferential statistics was used to analyse the research hypothesis. The findings of the study show that most SMMEs in Msunduzi Municipality are growing, shown by the Cronbach's $\alpha = 0.789$. The internal environmental factors having a latent factor of 44.15% shows that internal factors affect business growth. However, external environment factors account for a latent factor of 28.70%, meaning they do not affect business growth. Among the factors that the researcher found to impact on business growth are market share, investment in technology, high taxes and high competition. This study concludes by suggesting that SMMEs should work together to overcome their challenges and use each other's strengths for business growth benefit.

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ACRONYMS

ANOVA	Analysis of Variance
BBBEE	Broad-Based Black Economic Empowerment
BHEL	Bharat Heavy Electricity Ltd.
BSC	Business Support Centre
CBD	Central Business District
CGT	Capital Gains Tax
CSBP	Centre for Small Business Promotion
DEDT	Department of Economic Development and Tourism
DTI	Department of Trade and Industry
DM	District Municipality
DTI	Department of Trade and Industry
EC	European Commission
EDTEA	Economic Development, Tourism and Environmental Affairs
GDP	Gross Domestic Product
GNI	Gross National Income
HRIS	Human Resource Information System
HRM	Human Resource Management
ICT	Information and Communications Technology
IDC	Industrial Development Corporation
IFC	International Finance Corporation
IT	Internet Technology
KZN	KwaZulu-Natal
LED	Local Economic Development
MSME	Micro, Small and Medium Enterprises
NCR	National Credit Regulator
OECD	Organisation for Economic Co-operation and Development
PCA	Principal Component Analysis
PMB	Pietermaritzburg
R&D	Research and Development
SARS	South African Revenue Services
SBA	Small Business Administration
SBDC	Small Business Development Centers

SEDA	Small Enterprise Development Agency
SME	Small Medium Enterprise
SMMEs	Small, Medium and Micro Enterprises
SPSS	Statistical Package for the Social Sciences
STATS S.A	Statistics South Africa
STC	Secondary Tax on Companies
U.S.A.	United States of America
NSBS	National Small Business Strategy
UKZN	University of KwaZulu-Natal
UMDM	uMgungundlovu District Municipality
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asian and the Pacific
USBS	National Small Business Strategy
UYF	Umsobomvu Youth Fund
VAT	Value Added Tax

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CHAPTER ONE

INTRODUCTION AND OVERVIEW OF THE STUDY

1.1 Introduction

The growth of Small Medium and Micro Enterprises (SMMEs¹) is a key contributor to a country's economy, as SMMEs contribute more to employment creation than large firms (Bureau for Economic Research, 2016). The statistics from the Department of Trade and Industry (2017) shows that SMMEs contribute about 95% of all operating businesses, account for 30% of the country's Gross Domestic Product (GDP) and are employers of about 60% of the formal labour force. The roles of SMMEs in economic development have been widely acknowledged by academia and policymakers. Worldwide, SMMEs are recognised for the role pertaining to new markets penetrating and as supporters of innovation (Karadag, 2015; Chimucheka, 2013; Nkonde, 2012; Nkem and Olugu, 2014). The growth of SMMEs and entrepreneurship has been highlighted as one of the solutions to South Africa's economic development problems.

The main driver of an SMME is the entrepreneur or owner-manager and since 1994, the South African government has created interventions meant to support SMMEs. Studies have shown increase in the failure rate of SMMEs mostly attributed to internal and external environmental factors (Storey, 2016; Singer, Herrington and Menipaz, 2018). Therefore, this study focused on the internal and external environmental factors hindering the growth of SMMEs in Msunduzi Municipality. In conducting this study, the researcher aimed to find a link between environmental factors affecting SMMEs and the relationship with business growth. The findings of the study provide insight into the academic and managerial implications for the stakeholders.

Within the scope of this dissertation, the acronym SMME and the term small businesses are used interchangeably, but the other acronyms like Small Business Enterprises (SMEs) and Micro, Small and Medium Enterprises (MSMEs) were used in the context of where data was sourced. This chapter introduces the study by providing background information leading to the

¹ The acronym SMME stands for Small, Medium and Micro Enterprises and is mostly used in South Africa to represent small businesses. Various countries use acronyms such as SME (Small and Medium Enterprise) and MSME which stands for Micro, Small and Medium Enterprises (Sitharam, 2014).

examination of the problem statement. It further discusses the aim and objectives of the study as well as a brief overview of all the chapters covered in the dissertation.

1.2 Background to the Study

According to Sekaran and Bougie (2016), the background to a study provides the reader with history and the current situation of the phenomena being studied, it also provides reasons for the study to be conducted. Entrepreneurship is prioritised when building the economy of a country and this is evidenced in South Africa (Department of Trade and Industry (DTI), 2017). Lekhanya and Visser (2016), opined that the South Africa government put a lot of effort into supporting SMMEs post-apartheid era. Such efforts came in forms of capital resources, policies such as the White Paper of 1995, the National Development Plan: Vision 2030 and the Reconstruction and Development Programme, which were meant to support SMMEs (DTI, 2017).

The role played by SMMEs is well articulated in the White Paper of 1995 on the National Strategy for the Development and Promotion of Small Business adopted to promote the development and growth of SMMEs. The White Paper on the National Strategy for the Development and Promotion of Small Business (1995:9) Section 2, Number 2.2 mention that: “All over the world it has been recognised that SMMEs play an important role in the economic and social development of a country. SMMEs are an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets (both locally and internationally), enhance productivity and technical change, and through all of this stimulate economic development”.

The present South African economic outlook has triggered more challenges to the growth of SMMEs. According to Singer, *et. al.*, (2018), the failure rate of small businesses in South Africa is about 70% - 80% within the first stage of the small business growth model. Likewise, Friedrich (2016) opines that most small businesses fail within the first two years of operation. The failure rate of SMMEs is attributed to factors such as marketing, finance, qualified human resources and a lack of adequate training on entrepreneurial activities (Chimucheka, 2013; Friedrich, 2016). SMMEs in South Africa and internationally continue facing challenges which shorten their longevity regardless of their role towards economic growth and development (DTI, 2017). The challenges that the 21st century SMMEs face are far more complex and dynamic in nature than those of the olden days. Despite these challenges, it is important to have

sustainable SMMEs that can survive harsh business conditions. It is, therefore, crucial for one to investigate the internal and external environmental factors that hinder the growth of SMMEs and offer recommendations that can help SMMEs to grow.

1.3 Research Problem

According to Singer, *et. al.*, (2018), South Africa witnessed a decline in entrepreneurship activities between 2016 and 2017. Singer, *et. al.*, (2018) state that South African entrepreneurs are four-times likely not to contribute to employment opportunities. Most importantly, Singer, *et. al.*, (2018) mention that the South African entrepreneurial failure rate continues to increase falling from 3.89% in 2015 to 4.9% in 2016 (Singer, *et. al.*, 2018). The failure rate of SMMEs in South Africa has shown minimal positive progress over the years. In a study conducted by Musabayana (2013), the researcher found that South African SMMEs fail within the early stage of existence. A study conducted by Chimucheka (2013) shows that SMMEs' continue to face the failure in their early stage of existence.

A fairly recent study by Singer *et. al.*, (2018), showed an increase in the failure rate of SMMEs with 62% of business closure in 2018. Though a decline in the failure rate was recorded between 2015 and 2016, according to Singer *et. al.*, (2018), the progress was meagre and showed little impact on the business environment. The trend of failure rate however continued between 2016 and 2017. Similarly, Singer *et. al.*, (2018), note that 70% – 80% of South African small businesses fail within one year of existence. It is based on this background that the researcher feels the need to investigate the underlying factors that constrain the growth of SMMEs.

This study was mainly aimed at obtaining a deeper understanding of the factors faced by SMMEs in Msunduzi Municipality. The researcher is of the view that if these factors can be identified, it will be possible to generate solutions to the challenges faced by SMMEs. This study, therefore, addresses the main question: How does SMME owner-managers in Msunduzi Municipality perceive the influence of the internal and external environment to the growth of their business?

1.4 Research Questions

To answer the main question in Section 1.3, the following sub-research questions were formulated:

- What is the growth rate of SMMEs in Msunduzi Municipality?
- What are the internal environmental factors hindering the growth of SMMEs in Msunduzi Municipality?
- What are the external environmental factors hindering the growth of SMMEs in Msunduzi Municipality?
- What are the perceptions of SMMEs regarding government support?
- What is the level of awareness from SMMEs regarding government support structures?

1.5 Research Aim and Objectives

Research aims or objectives are discussed as tools that assist a researcher to gain familiarity with a phenomenon or to achieve new insights into it (Kumar, 2014). There is a strong body of literature which shows that most South African SMMEs fail within their first few years of operation due to both internal and external environmental factors (Singer, *et. al.*, 2018). The study was aimed at determining the growth challenges faced by SMMEs within the internal and external business environments in Msunduzi Municipality. Against the background of the research problems outlined earlier, the research objectives of the study thus read:

- To determine the growth rate of SMMEs in Msunduzi Municipality.
- To determine the internal environmental factors hindering the growth of SMMEs in Msunduzi Municipality.
- To determine external environmental factors hindering the growth of SMMEs in Msunduzi Municipality.
- To determine the perceptions of SMMEs regarding government support.
- To determine the level of awareness from SMMEs regarding government support structures.

1.6 Research Hypotheses

Recently, researchers have emphasised the importance of research questions and hypotheses in a study (Sekaran and Bougie, 2016). As a research question provides the overall intention of the study, hypothesis predicts the nature and direction of the relationship between two or more variables. In line with this, the researcher developed the following hypotheses for the study.

H₀: SMMEs in Msunduzi Municipality are growing.

H₁: SMMEs in Msunduzi Municipality are not growing.

H₀: Internal environmental factors have a negative relationship with the growth of SMMEs.

H₂: Internal environmental factors have a positive relationship with the growth of SMMEs.

H₀: External environmental factors have a negative relationship with the growth of SMMEs.

H₃: External environmental factors have a positive relationship with the growth of SMMEs.

H₀: There is a positive perception among SMMEs in Msunduzi Municipality regarding government support.

H₄: There is a negative perception among SMMEs in Msunduzi Municipality regarding government support.

H₀: SMMEs in Msunduzi Municipality are aware of existing government support structures.

H₅: SMMEs in Msunduzi Municipality are not aware of existing government support structures.

1.7 Significance of the Study

This study was motivated by the acknowledgement of the role played by SMMEs in the development of the economy, most importantly for developing countries like South Africa, given that it is SMMEs that can sustain long-term economic growth (Finmark, 2017). Literature shows that most SMMEs are struggling to survive, and even those that do survive do not grow into large corporations (First National Bank, 2015). This creates a need to gain a deeper insight into the factors that hinder the growth of SMMEs. This study was conducted to research the factors that hinders the growth of SMMEs in Msunduzi Municipality with the overall aim of finding possible solutions to identified challenges. The findings of the study assisted in identifying areas that need improvement and possible ways that need to be created to build a conducive environment for SMMEs to thrive. Within the Msunduzi Municipality, there is small but growing literature on the factors that hinders the growth of SMMEs. The findings of this study provide information to the concerned stakeholders on the support structures needed by SMMEs in Msunduzi Municipality. This dissertation is beneficial to policymakers through an informed perspective on the issues that SMMEs face and assisting them to make informed policy decisions.

1.8 Justification for the Study

A good way to determine the factors that hinder the growth of SMMEs in Msunduzi Municipality is through an academic study, hence there are few studies that focused on the Municipality. The current study aims to provide deeper insight into the factors that hinder SMME growth within the Msunduzi Municipality.

1.9 The Focus Area of the Study

The primary aim of the study was to determine the factors that hinder the growth of SMMEs within its environment focusing specifically on SMMEs operating in the formal sector in Msunduzi Municipality. The factors considered within the internal environment are characteristics of an entrepreneur, management skills, technology capacity, access to markets, human resource management and financial management. Similarly, within the external environment of SMMEs, the factors examined are government regulations, access to finance, high competition, high taxes, cost of production and investment in technology. The findings of the study led to potential recommendations for a more favourable environment for SMMEs.

1.10 The Research Study Area

The study site refers to the physical place where the research is going to be conducted (Sekaran and Bougie, 2016). This study was conducted in Msunduzi Municipality and entrepreneurship activities exist in both formal and informal sectors such as transport, textiles, hospitality and others. The existence of these sectors makes the Msunduzi Municipality a vibrant business place.

Msunduzi Municipality was chosen for convenience purposes because the researcher resides within the Municipality. In addition, Msunduzi Municipality is located within Pietermaritzburg which is the capital city of KwaZulu-Natal (Msunduzi Local Municipality, 2016). On the other hand, KwaZulu-Natal is considered one of the provinces with a high poverty and unemployment rate (DTI, 2017; Msunduzi Local Municipality, 2016). It is therefore pertinent to examine the impact of environmental factors on SMMEs which has been documented as one of the effective ways of reducing unemployment and poverty.

1.11 Limitations of the Study

The main limitation that the study faced was that it focused on SMMEs in Msunduzi Municipality, making the findings limited to the focus area and cannot be used to generalise

on SMMEs outside the study area. Furthermore, the sample does not represent the sample frame of all SMMEs in KZN or Msunduzi Municipality, but only those SMMEs who are registered with the Small Enterprise Development Agency (SEDA). This is because there is no single database of all SMMEs in KZN or Msunduzi Municipality. Furthermore, some respondents were not willing to share information, the research assistants had to travel back and forth, which was time-consuming. Some questionnaires were incorrectly filled and were deemed unusable for analysis. Respondents wanted to share more about the challenges they face but were limited to a close-ended questionnaire. Some respondents were not available within the set three weeks of data collection and were excluded from the study.

1.12 Preliminary Research Framework and Methodology

This section provides an overview of the conceptual framework and research methodology adopted for this study.

Conceptual framework: This study used a conceptual framework that shows the relationship among different variables. The conceptual framework is made-up of dependent, independent and moderating variables. The dependent variables are SMME growth, while the independent variables are internal and external environmental factors. The moderating variables are SMMEs' awareness and perceptions regarding government support. The researcher tested all the variables which were the dependent variable, independent variable and moderating variables.

Research methodology: The researcher adopted a quantitative approach using a survey for data collection. The researcher targeted 264 respondents, used a sample size of 155 and obtained a response rate of 58%. The collected data was captured on Statistical Package for the Social Sciences (SPSS) version 24. For the data analysis, the researcher conducted descriptive statistics to provide insight into the demographic information and a Principal Component Analysis (PCA) which provides information on the correlations between and among variables. In addition, the researcher conducted a *T*-tests which helps to evaluate the difference between the means of two independent or unrelated groups and an Analysis of Variance (ANOVA) for testing the significant difference. Finally, the researcher did a correlation analysis to understand the relations among the environmental factors, perceptions and awareness in relation to business growth. Data collected from the document analysis was used to support the raw data.

1.13 SUMMARY OUTLINE PER CHAPTER

This research dissertation is structured in eight (8) chapters with a brief outline of the chapters as follows.

1.13.1 Chapter 1: Introduction and Overview

Chapter one provided an introduction and overview of the study, the background of the study and statement of the research problem. It also provided research questions and research objectives, hypotheses, research methodology, limitations of the study and dissertation outline.

1.13.2 Chapter 2: Background and Overview of Msunduzi Municipality

Chapter two discusses the background to Msunduzi Municipality, it further provides the socio-economic profile, the economic status, employment and unemployment outlook and poverty, inequality and food security of Msunduzi Municipality.

1.13.3 Chapter 3: Literature Review on the Context of SMMEs

Chapter three covers relevant literature on the definition of SMMEs, origin of SMMEs, their importance and various research studies conducted in high-income and low-income countries. The chapter identifies existing gaps in the literature between previous studies and this study. Secondary data was collected from journal articles mostly from accredited publishers, textbooks, government publications and online sources.

1.13.4 Chapter 4: Factors Hindering the Growth of SMMEs

Chapter four reviews the internal and external factors the study focused on. The internal factors reviewed include the characteristics of an entrepreneur, managerial skills, technology capacities, access to markets, human resource management, and financial management. The external factors reviewed include regulation, access to finance, high competition, high taxes, cost of production and investment in technology.

1.13.5 Chapter 5: Research Methodology

This chapter provides the research design, nature of the study, research instrument, data collection and data analysis. Furthermore, this chapter discusses the validity, reliability and the instrument used for data collection.

1.13.6 Chapter 6: Presentation of Research Findings and Analysis of Data

This chapter presents the research findings and discussion of the data collected for the study. The analysis of the results is presented in this chapter. The Statistical Package for the Social Sciences (SPSS) version 24 software was used to analyse the data.

1.13.7 Chapter 7: Discussion of Research Findings

This chapter discusses the findings based on the objectives of the study, using relevant literature and findings.

1.13.8 Chapter 8: Conclusions and Recommendations

Based on the research findings, the conclusion of the study and recommendations for future research are presented in this chapter.

1.14 Conclusion

The role of SMMEs in the economy, employment creation, poverty alleviation, growth and development of a country has been well documented. Despite the role that SMMEs play in the growth and development of a country, the sector still faces many challenges which hinder its growth and development. This chapter provides an overview and introduction to the dissertation. It provides information on the research problem and reasons for conducting the study. The following chapter provides background information on the study focus area.

CHAPTER TWO

BACKGROUND AND OVERVIEW OF MSUNDUZI MUNICIPALITY

2.1 Introduction

The Msunduzi Municipality is a key player in KwaZulu-Natal's economic hub and strategically located on a national development corridor (Msunduzi Local Municipality, 2016). The economy of Msunduzi Municipality is significantly smaller when compared to that of eThekweni; however, the role it plays in the provincial economy is no different than that of its counterpart (Stats SA, 2017). This chapter provides an overview of the Msunduzi Municipality. In doing so, it provides a background, goals and strategies for SMMEs in Msunduzi Municipality, socio-economic profile and economic status of Msunduzi Municipality.

2.2 Background Information on Msunduzi Municipality

The Msunduzi Local Municipality came into existence in December 2000 as an outcome of the new post-apartheid demarcation of municipal boundaries. The municipality is also called Pietermaritzburg or the "City of Choice", which is part of uMgungundlovu District Municipality (Msunduzi Local Municipality, 2017). The name "City of Choice" stems from its geographic location as a result of closeness to important places such as Durban, King Shaka International Airport, and the Drakensberg Mountain resorts (Msunduzi Local Municipality, 2016). Due to constant shifts in the boundaries of the municipality, the population and geographic set-up of the municipality keeps growing (Msunduzi Local Municipality (2017). The most recent data on population shows that Msunduzi Municipality is home to about 670 000 people (Stats, 2012; Msunduzi Local Municipality , 2016. Furthermore, the municipality keeps growing in term of geographic coverage because of absorbing rural areas and making them part of the municipality (Msunduzi Local Municipality, 2016).

Figure 2.1 presents a map of Msunduzi Municipality which is the exact geographic location where the study was conducted. The Msunduzi Municipality has been growing steadily over the past years (Msunduzi Local Municipality, 2017). The Msunduzi Municipality contributes towards the 80% Gross Domestic Product (GDP) of the South African national government. The Msunduzi Local Municipality is the main economic hub within the uMgungundlovu District Municipality. The formal sector contributes about 35% to the Municipality's GDP, the informal sector in Msunduzi Municipality contributes about 12% of the Municipality's GDP

product (Msunduzi Local Municipality, 2016). Regardless of its contribution, the Municipality faces various challenges which negatively impacts on its growth.

Figure 2.1: Map of Msunduzi Municipality



Source: Google Maps, 2018.

The employment status within the Municipality is 111 014 persons who are formally employed in the Municipality (Msunduzi Local Municipality, 2017). The Community Services is the sector which employs most people, about 35% or 38 724 people are employed by the sector, followed by 15% employed by the Finance sector and 15% being employed in households (Msunduzi Local Municipality, 2017). In 2001, the district population was estimated at 932 131 people. The recently released census data suggests an increase of about 0.88% per annum between 2001 and 2011 and a total population of 1 017 763 people in 2011 (Umgungundlovu District Growth and Development Plan, 2014). The data indicates that employment in Msunduzi in 2011 accounted for 68.48% of the formal employment in the uMgungundlovu District Municipality (UDM). The levels of unemployment have declined from 48.2% of the economically active population in 2001 to 33% in 2011 while the unemployment rate is 30.40% (UMgungundlovu District Municipality, 2018).

2.3 Goals and Strategies for SMMEs in Msunduzi Municipality

The goals of Msunduzi Municipality entail the development of a vision for improving the status of SMMEs, the formulation of strategies to achieve the developed vision and the implementation of strategies to achieve projects and programmes. The vision for the SMMEs in Msunduzi Municipality strategy is aligned to the broader vision of the Msunduzi Integrated Development Plan and Local Economic Development (LED) Strategy, which is to have energetic SMMEs in Msunduzi that create sustainable jobs, provide decent and affordable services, and contribute to the economic growth of the Municipality by the year 2025 (Msunduzi Local Municipality, 2017).

The first goal (Goal 1) – the creation of an enabling Institutional Environment for SMME Growth is aimed at creating an institution which deals specifically with SMME related issues. For effective administration and implementation of goal 1, the Municipality has in its support structures, institutions such as SEDA, Pietermaritzburg (PMB) Chamber of Commerce and Industry, Economic Development, Tourism and Environmental Affairs (EDTEA) Business Support (One Stop Shop), Municipal LED Unit, and the Technical and Supply Chain Management Departments. The role of these institutions lies in assisting SMMEs financially and non-financially. Regardless of the existence of these institutions and the efforts towards improving the status of SMMEs within the municipality, various challenges continue to hinder the business environment of SMMEs. Such challenges include limited collaboration between service providers and the lack of a service providers' database in the Municipality makes it difficult to control who is providing what to SMMEs in the Municipality. There is limited interaction between service providers and SMMEs. Some service providers use cell phone text messages and other newspapers to communicate with SMMEs, which seem good but a proper set up channel of communication between various service providers and SMMEs is lacking. The LED units in the Municipality lack enough budget dedicated to SMMEs, infrastructure and staff. SEDA uMgungundlovu serves all municipalities including uMshwathi, Impendle, uMngeni, Richmond, Mpofana, and Mkhambathini. This puts the SEDA uMgungundlovu under pressure in terms of budget as well as human resources. Finally, there are inequalities in service provision between rural and urban areas of the Municipality. The majority of SMME service providers and stakeholders are concentrated in the urban areas of Msunduzi (Pietermaritzburg CBD). A service that an SMME may access at a walking distance in the urban areas is a real challenge for an SMME in rural parts of the Municipality.

The second goal (Goal 2) – the Development of SMMEs in Msunduzi Municipality. This goal assists SMMEs in dealing with challenges related to limited access to raw materials, high transport costs, high cost of raw materials and it is time consuming to get raw materials. Rural SMMEs need to travel to the CDB if they want access to the limited financial services available. SMMEs in rural areas have a real challenge accessing business premises. The goals of developing SMMEs in Msunduzi Municipality are to bring service providers from the urban to the rural areas. SMMEs in the rural areas face the challenge of exposure as they do not have the same opportunities that their counterparts in urban areas have. For instance, if a SMME fair is to be organised in Msunduzi it will take place in the city of Pietermaritzburg.

The Msunduzi Municipality adopts various strategies to ensure accomplishment of the goals. The previous points of this section presented the goals of the Msunduzi SMME sector. This point provides details of the developed strategies, which will further be unpacked into projects or activities. It should be indicated that strategies deal with the aspects or challenges faced by SMMEs in both urban and rural areas of the Municipality. Strategies developed include, strengthening the partnership among SMME service providers in the Municipality, improving the public provision of services to SMMEs in the Municipality; facilitating access to SMMEs and support services including access to raw materials; access to finance; access to land and business premises; access to skills; access to markets and market exposure; access to mentorship, information and advisory services.

The first strategy (Strategy 1) – Strengthening the Partnerships among SMME Service Providers in Msunduzi. To support the implementation of strategy one, there are institutions in place. Those institutions include the PMB Chamber of Commerce and Industry, UMDM SEDA, EDTEA Business Support (One Stop Shop), Municipal LED Unit, and others that all provide almost the same services to SMMEs but, in an uncoordinated manner, since there is a lack of collaboration. As a result, there may be a duplication of services. Also, the Municipality so far does not have a well-maintained SMME database or an indication of economic performance indicators of the SMME sector. In fact, each service provider deals with his/her own group of SMMEs. For instance, the PMB Chamber of Commerce and Industry has its own SMME database. The Msunduzi Supply Chain Management Department also has its own SMME database. SEDA UMDM, and EDTEA One Stop Shop each have their own SMME databases. This is an indication of how the SMME sector in the Municipality is uncoordinated.

It should be noted that SMMEs do not operate in a vacuum and collaboration among stakeholders is crucial since it helps them to pool their efforts to change and develop the sector, to eliminate barriers, and to increase opportunities for success. The project therefore is to establish a coordinated stakeholders' forum in the Municipality for all SMME stakeholders to share their services provided to SMMEs for the improvement of the sector.

The second strategy (Strategy 2) – to improve the public provision of services to SMME in the Municipality. Currently, Msunduzi Municipality does have a Small Business Unit that manages the sector. However, this unit is not fully capacitated. Some posts are vacant, while a sufficient budget is lacking. The SMME sector makes an important contribution to the economic and social life of many people in Msunduzi Municipality. Therefore, there is a need for several institutional support measures and services to be undertaken at the Municipality. Key activities include the filling of all vacant posts in the LED Business Unit; provision of an effective budget for the promotion of small businesses; and the provision of extensive SMME development related training (SMME coaching, facilitation, mentorship and advisory services) to the current business unit staff.

The third strategy (Strategy 3) – to facilitate access of support services to SMMEs. SMMEs in Msunduzi must pay relatively higher transportation costs for their inputs/raw materials when these inputs/raw materials must be sourced from Durban or Gauteng, given the small quantities they buy. The financial needs of different types of SMMEs vary widely, with access problems particularly severe in rural areas, among start-up micro-enterprises and among those owned or controlled by Msunduzi Municipality, women, as well as other formerly disempowered groups, and in certain higher-risk business categories. Access to land and business premises is a real challenge for SMMEs in the Municipality, especially for those operating in the agricultural sector. In urban areas, the number of business premises are limited and expensive when rented. The majority of agricultural SMMEs are in the rural areas and hence face the full effect of this challenge. If not adequately addressed, this lack of skills will continue to threaten the further growth of the sector. Small enterprises usually regard market constraints and the inability to sell their products and services as one of the most serious obstacles to the establishment of businesses and growth beyond the mere subsistence level. This perception is paralleled by many studies nationally and internationally, which view market access as a critical factor in business growth, in the case of entrepreneurs from disadvantaged communities. Events such as the SMME fair is among the key actions that expose SMMEs and make them visible in the

market. A lack of access to appropriate and relevant information is one of the most important problems of small enterprises and particularly in micro-survivalist black enterprises. In Msunduzi, stakeholders and institutions that deal with advisory services are concentrated in the urban areas.

2.4 Conclusion

Given the geographic setting, economic status and socio-economic profile of the Msunduzi Municipality, the growth and development of SMMEs is significant for poverty alleviation and economic growth. Even though the municipality has experienced economic growth between 2011 to 2016, the issue of unemployment remains a challenge and the main sectors of the Municipality have a bigger role to play in addressing the challenges facing the Municipality. The focus of this chapter was to provide an overview of the Msunduzi Municipality which is the study focus area. The next chapter provides related literature on small and medium sized enterprise addressing the focus of the study.

CHAPTER THREE

LITERATURE REVIEW ON THE CONTEXT OF SMMEs

3.1 Introduction

A literature review is defined by Sekaran and Bougie (2013: 38) as “a step-by-step process that involves the identification of published and unpublished work from secondary data sources on the topic of interest, the evaluation of literature work in relation to the problem, and the documentation of the work”. The importance of conducting a literature review stems from its ability to inform the researcher of existing studies in the research focus area. In addition, the researcher can avoid discovering something that has already been thoroughly researched (Flick, 2015). Neuman (2013) notes that the literature review provides the foundation for drafting a comprehensive theoretical framework from which hypotheses can be formulated for testing. Considering the reasons pointed out, the researcher deemed it necessary to review related literature to SMMEs and their growth pattern. While conducting the literature review, the researcher was able to identify similar themes, identify existing gaps in the literature and justify how this study closed the gaps. Furthermore, through the literature reviewed, the researcher was able to construct a conceptual framework linked to the research topic and provides possible solutions to the research questions and objectives. Most importantly, by reviewing literature, the researcher was able to source relevant primary data and offer a comprehensive discussion.

The challenges that modern SMMEs face are more challenging than those of SMMEs in years past. Modern SMMEs face challenges of having to adjust to the new environment comprised of factors which are complex and dynamic. This chapter provides a historical overview of SMMEs and their importance. Studies on the challenges facing small businesses from high-income² and low-income³ countries are reviewed in this chapter. The countries selected in this study are namely: Turkey, Vietnam, Nigeria, Tanzania and South Africa that fit well into the World Bank definition of high and low-income countries. The selection therefore was based on World Bank parameters used for the definition of high and low-income countries.

² A high-income country is defined as a country with a Gross National Income (GNI) per capita \$12,236 (equivalent to R145, 26.00) or more (World Bank, 2017).

³A low-income country is defined as a country with a GNI per capita \$1,005 (equivalent to R119, 31.00) or less (World Bank, 2017).

3.2 Definition of SMMEs

The definition of small businesses varies across scholars and countries and takes into consideration a qualitative or quantitative aspect (World Bank, 2017). As such, some definitions are based on parameters such as the number of employees while others take into consideration the business financial turnover. Table 3.1 provides information on existing definitions of SMMEs across institutions, scholars and countries including South Africa.

Table 3.1: Perspectives on the definitions of SMMEs

Source (s) / Author (s)	Definitions	Parameter
United States Small Business Administration (US SBA, 2018:1)	“An SMME shall be deemed to be one which is independently owned and operated, and which is not dominant in its field of operation.”	Qualitative
European Commission (EC, 2016:4).	“A microenterprise is a business with up to 10 employees; a micro or small-sized enterprise has up to 50 employees, and a medium enterprise has fewer than or equal to 250 employees.”	Quantitative
United Nations Economic and Social Commission for Asian and the Pacific (UNESCAP, 2016:4).	“Medium-sized enterprises are those having an annual average number of employees not exceeding 99 persons or total assets not exceeding 1 billion kips (Estimate of R185.10).”	Quantitative
Ekwem (2011:4).	“Enterprises that have an asset base (excluding land) of between N5 million – N500 million (an estimate of R17.050) and a labour force of between 11 and 300.”	Quantitative
United Nations (UN, 2008:2).	“An enterprise employing 1 to 250 people with a turnover not exceeding 2 million Dinars (an equivalent of R986.79) or with a total annual balance sheet not exceeding 500 million Dinars, (an estimate of R246,16), and which respects the criteria of independence.”	Quantitative

Source (s) / Author (s)	Definitions	Parameter
South African Small Business Amendment Act No 26 of 2003 (2003:2)	“A separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, which can be classified as a micro-, a very small, a small or a medium enterprise.”	Qualitative
Motsukunyane (2013:7)	“A business is deemed to be small if it has a small market share, managed and controlled by its owners and run autonomously.”	Qualitative

Source: Compiled by the Researcher, 2018.

The SMME environment is divided into three sets of enterprises: the survivalis enterprises mainly found in the informal sector; micro-enterprises which include the owner, family members, and at most four employees; and found in the formal sector of the economy (South African Small Business Amendment Act No 26 of 2003). This study adopted the definition of SMMEs by the South African Small Business Amendment Act No 26 of 2003 (as referred to in Table 3.1).

3.3 Historical Overview of SMMEs

Storey (2016) highlights that for hundreds of years most people were running SMMEs or small businesses. To elaborate on this, initially all large businesses were once small businesses; due to business growth most eventually became large corporate businesses, while others remained small. For instance, “Farmers, were running a small business, selling grain to merchants in the cities. Merchants were running a small business buying grains from farmers and flipping it for a profit at markets” (Johnson, 2017:1). Most people in Roman times (5th century to the 15th century) had businesses for personal welfare. Individuals ran most businesses during the 5th century to the 15th century. When an individual owner needed help he/she employed a family member to assist. However, there were a few groups of people who were not in business for self-enrichment, such as the serfs (people who assisted landlords), clergy and government employees. Yet, as years went by the nature of small businesses started to change as more

people started to be organised, gained skills and formalised business operations. The arrival of the industrial revolution hastened the speed at which small businesses were operating. But, due to capital shortage, most small businesses remained small while others managed to adapt to emerging technological changes and became large businesses (Storey, 2016). From an historical perspective, the definition of small businesses varies across countries in line with the levels of development.

3.4 General Overview of the Importance of SMMEs

Studies have shown the importance of SMMEs in areas of economic growth, job creation and poverty alleviation. The economic contribution of SMMEs is well documented in many countries. In low-income countries such as Afghanistan, Benin, Burkina Faso, Burundi and Chad, SMMEs contribute about 16% of GDP. Also, SMMEs are large but most businesses are informal (World Bank, 2017). In high-income countries such as Andorra, Australia, Belgium, Canada and Chile, SMMEs account for 51% of GDP (World Bank, 2017). In Australia, SMMEs contribute 60% of the country's Value Added Tax (VAT) and account for over 90% of the country's businesses. This shows the contribution of SMMEs in the Australian economy (Australian Government, 2016). SMMEs are further divided into three groups, namely large 42.2%, medium 22.4% and small 35.35% (Australian Government, 2016). Similarly, in the United States of America (U.S.A.), SMMEs' contribution to the economy cannot be overlooked (FocusEconomy, 2018). The U.S.A. has over 22 million small businesses, and about 543 000 new small businesses are started every month (FocusEconomics, 2018). In low-income countries, SMMEs account for more than 90% of all firms and contribute 50% to a country's GDP Organisation for Economic Co-operation and Development (OECD, 2015). For example, in Kenya, SMMEs employ about 3.2 million people and contribute more than 20% of the national GDP (Nkonde, 2012). In Morocco, 93% of all industrial firms are SMMEs and produce about 38% of the total production, accounting for 33% of the investment, 30% of exports and 46% of all jobs (FocusEconomics, 2018).

In South Africa, SMMEs account for approximately 91% of the formal business organisations which add about 51%-57% to the GDP, while the informal sector contributes about 40% (Singer, *et. al.*, 2018). This highlights that a huge percentage of citizens are dependent on SMMEs directly or indirectly. According to the Banking Association of South Africa (2014), SMMEs provide needed diversification through the creation of a new and unsaturated industry of the economy. In addition to job creation, SMMEs supply a diversity of goods and services

for end users to select from (DTI, 2015). SMMEs are key drivers of economic growth, development of arts, human resources, manufacturing and sports sectors (Small Business Specialist, 2013). Research done by the DTI (2017) showed that from a development point of view, SMMEs are crucial for major distribution of wealth leading to a multiplier effect on the socio-economic endeavours of a nation. It subsequently results in developmental activities of a country (Finmark, 2017). The KwaZulu-Natal province is the second-largest contributor to the South African economy. The province contributes 15.7% to the national GDP (Standard Bank, 2014).

SMMEs contribute differently to the country's economy and employment, for instance, large enterprises account for 29.5% of Australian employment, medium enterprises contribute 47.2% and small enterprises account for 23.3% (Australian Government, 2016). In 2015, the small business sector boosted the U.S.A. economy by 1.9% and improved the unemployment rate from 5% to 5.6% (FocusEconomics, 2018). During the year 2013 small businesses created 1.1 million work opportunities in the U.S.A. (FocusEconomics, 2018).

SMMEs also play an important role in the economy of low-income countries. Low-income countries support the development of SMMEs for two main reasons. First, there is a strong belief that SMMEs are capable of poverty alleviation. Second, the OECD notes that SMMEs contributes significantly to the economy of low-income countries and can enable the government to achieve innovation and sustainable growth (OECD, 2015).

3.5 Prior Studies Conducted on the Challenges Facing SMMEs

This section provides information on various studies conducted focusing on the challenges facing SMMEs in high-income countries and low-income countries. The summary of the studies is presented in Table 3.2, followed by a discussion.

Table 3.2: Summary of studies conducted on challenges facing SMMEs in high-income and low-income countries

Author (s)	Focus of study	Research methodology/ Findings
Studies conducted in high-income countries		
Karadag (2015)	This study analysed the vital role of SMEs in the Turkish economy and investigated the strengths and problem areas of SMEs. The researcher provided a comparative finding within the international and local contexts. As Turkey experienced a severe economic crisis (1980's and 1990's), SMEs became one of the major elements of the growth and development policies of regulatory authorities.	The researcher studied SMEs' operating in the formal and informal sector of Turkey using document analysis. The findings of this study show that In Turkey, significance of SMEs is relatively higher, caused by not only from their huge share in the economy, amounting to 99.9% of all registered enterprises, but also their "backbone" function in the dynamic but turbulent Turkish economy. As Turkey experienced a severe economic crisis during the recent decades, SMEs became one of the major elements of the growth and development policies of regulatory authorities.
Lee (2014)	The study was aimed at getting a deeper insight about SMEs in Vietnam. The theoretical approach of the study was adopted from the works of Rostow (1960) Stage of Growth Model. Vietnam SMEs are faced with factors regarding imitability; lacking rarity and lacking financial support.	This study targeted formal sector SMMEs in Vietnam. The researcher used a mixed method for data collection. The questionnaire contained both closed-ended and open-ended questions. The results suggest high-growth firms perceive problems in six areas: recruitment, skill shortages, obtaining finance, cash flow, management skills and finding suitable premises. Potential high-growth firms felt held back by the economy, obtaining finance, cash flow and their management skills, but are less likely to perceive regulation is a problem. The results have implications for theory on high-growth firms and policies focussed at them.

Author (s)	Focus of study	Research methodology/ Findings
Ismail and Karlson (2013)	This study focused on getting a deeper understanding of what inhibits the growth of a SME in the Swedish manufacturing industry with a focus on the entrepreneur, and internal and external factors. Furthermore, the researchers wanted to see what factors are the most significant regarding barriers to growth.	The researchers targeted SMMEs operating in the formal sector of the Swedish manufacturing industry. A qualitative method was used which was conducted through six interviews. The questionnaire contained open-ended questions. The conclusion of the study shows that all the concepts can be barriers for growth. However, it was found that access to finance is more of a prerequisite than a barrier since capital is required to achieve growth in the manufacturing industry. The internal factors such as organisational issues were found as the most significant barrier for growth of SMEs in the manufacturing industry. The study shows that the external factors can be barriers for growth, but SMEs can adjust to be able to achieve growth.
Studies Conducted in Low-income countries		
Ayandibu and Houghton (2017)	This research has examined the external forces that small businesses face while considering all small businesses registered with the Business Support Centre (BSC), Pietermaritzburg, South Africa. These external factors are basically not controllable by a single business. SMMEs are said to be a lifeline of many nations and thereby attention must be drawn to them starting from micro businesses to small and medium enterprises.	This study targeted SMMEs in the formal sector of Pietermaritzburg. The research design adopted is a quantitative method and one personal interview. The questionnaire was designed using a 5-point Likert scale. The lack of registration of businesses is daunting. This process should be simplified and be affordable, to encourage more potential small business owners to establish a business.

Author (s)	Focus of study	Research methodology/ Findings
Lekhanya and Visser (2016)	The study aimed to assess risks and critical factors affecting rural entrepreneurial orientation growth of businesses (South Africa, KZN). The study reviewed risks and critical factors that affect the growth of rural entrepreneurial orientation. The results of the study show that most respondents indicated competition due to small market and abundance of similar products in the market. The study added to the body of literature by providing insight into a new understanding of risks and other factors that contribute to the lack of small business growth in rural entrepreneurial orientation.	The researchers targeted informal sector SMMEs operating in rural areas of KZN and the study used a quantitative research approach. A closed-ended questionnaire in Likert scale format was used to collect primary data from 127 rural entrepreneurs. The results of the survey highlights competition due to the small market and lack of product differentiation as a big challenge facing the SMMEs. Findings further indicate that competition is due to the small market and lack of product differentiation. The findings further indicate that competition is due to lack of product differentiation.
Adewale, Jumba and Aworiran 2015	The study investigated the challenges that affect entrepreneurial development in a developing nation: Nigerian printing SMEs. The aim of the study was to identify the barriers that affect the growth of small businesses in Nigeria and offer sustainable solutions.	The researcher targeted formal sector SMMEs operating in Nigeria. Primary data was collected using a qualitative research method. The questionnaires were open-ended. Findings from the study revealed that microfinance institutions have a positive significant influence on entrepreneurial development in Nigeria. The study also showed that the Nigeria capital market has not been effective in financing MSMEs. It was concluded that existence of microfinance institutions in the society will ensure entrepreneurial development in Nigeria while government policy of initiating various intervention funds for entrepreneurial development should be encouraged.

Author (s)	Focus of study	Research methodology/Results
Mashenene and Rumanyika (2014)	The researchers focused on assessing business constraints that affect the potential growth of SMEs in Tanzania. Variables such as inadequate business training, insufficient capital, competition, anti-entrepreneurial ⁴ culture, bureaucratic procedures in business registration, potential growth of SMEs were measured.	The target population for this study were both formal and informal sector SMMEs operating in Tanzania. For data collection a quantitative approach was used. The questionnaire was designed using a Likert scale. The findings show that inadequate business training, insufficient capital and an anti-entrepreneurial culture are significant constraints. The study recommends that strategic training programmes need to be designed and implemented to provide SMEs with adequate entrepreneurial knowledge, skills and attitude. Additionally, re-engineering of lending schemes by the government and financial institutions is needed to enable SMEs access credit.
Ngcobo and Sukode (2015)	The objective of this paper was to investigate possible challenges that SMMEs experience. The study acknowledges SMMEs as key contributors to employment creation and poverty alleviation. However, the study highlighted that few SMMEs reach full business potential in contributing to poverty alleviation and employment creation. Failure to reach business potential was attributed to different business challenges including a lack of supportive government policies, a lack of business information and a lack of financial support.	The target population was registered SMME owners operating within the eThekweni (Durban) region in KwaZulu-Natal (KZN). The researchers conducted a quantitative study using a Likert-style rating scale in the questionnaires.

Source: Compiled by the Researcher, 2018.

3.5.1 Gaps Identified in the Studies Conducted in Low and High-Income Countries

Based on the studies presented in Table 3.2, the researcher was able to identify the following gaps:

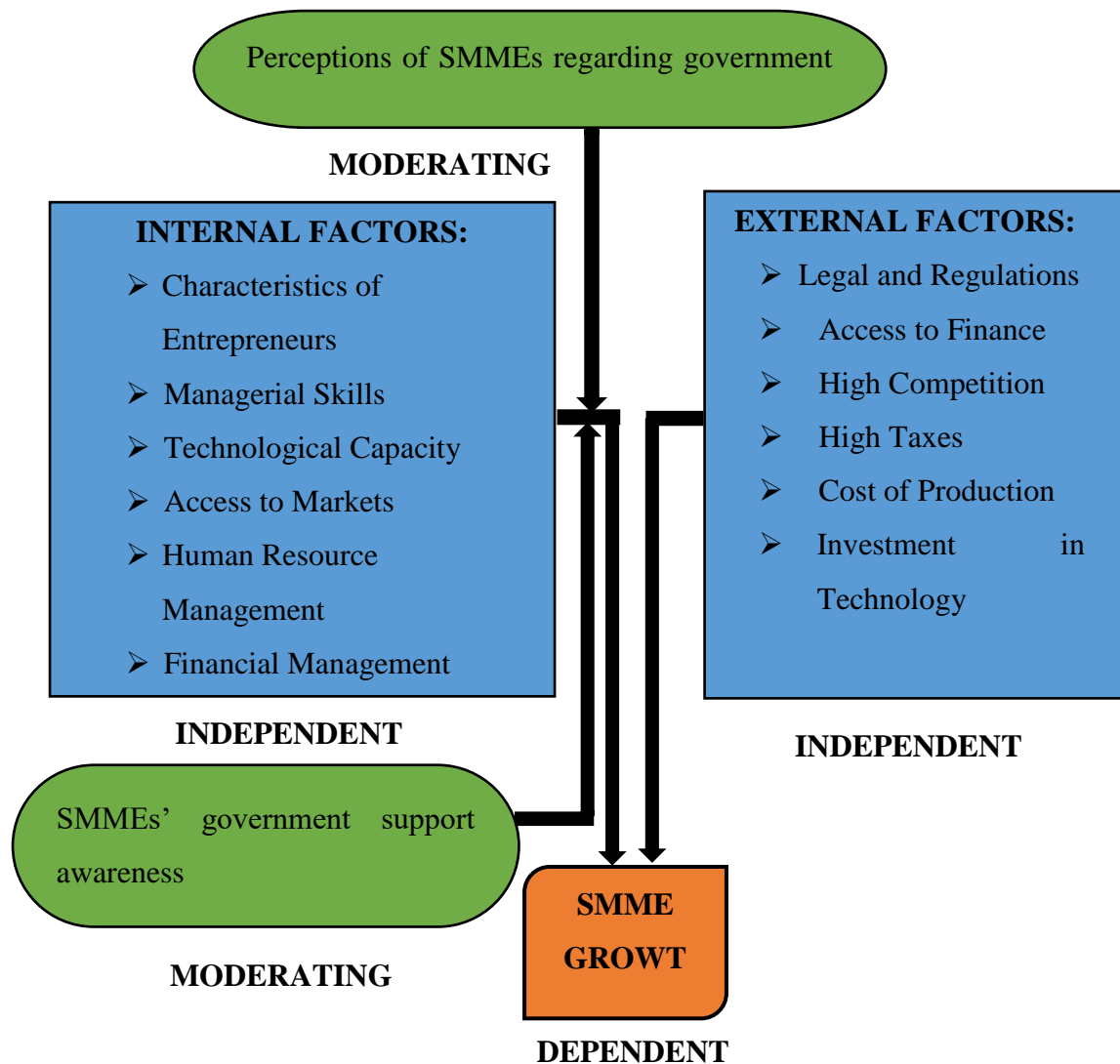
⁴ Anti-entrepreneurial culture: All actions that do not support the growth and development of entrepreneurship, for instance having laws that make it hard for entrepreneurs to start and grow businesses (Mashenene and Rumanyika, 2014).

- The studies conducted in high-income countries were outside South Africa, hence the findings of these studies are not applicable to the South African context; therefore, there is a need for more local studies.
- Within the studies done locally, there is not much literature on the Msunduzi Municipality regarding the factors that hinder the growth of SMMEs. Such calls for a study that can represent the current setting of the Municipality.
- Studies within the low-income countries did not examine the relationship between the internal and external environmental factors in relation to business growth.

3.6 Conceptual Framework

A conceptual framework consists of different variables which the researcher draws based on the literature reviewed. In most cases a conceptual framework is used when there is no single theory that explains the relationship between or among the variables that a researcher wants to test (Creswell, 2013). The researcher adopted a conceptual framework as depicted in Figure 3.1 to test the relationship among the dependent, independent and moderating variables, as mentioned earlier in chapter one, section 1.12. The conceptual framework is made-up of dependent, independent and moderating variables. The dependent variables are SMME growth or business growth, while the independent variables are internal and external environmental factors. The moderating variables are SMMEs' awareness and perceptions regarding government support.

Figure 3.1: A Conceptual Framework for the Study



Source: Compiled by the Researcher, 2018.

3.7 Conclusion

This chapter reviewed the literature on challenges facing small businesses. This chapter provided definitions of SMMEs and stated that this study adopted the definition of SMMEs offered by the South African Small Business Amendment Act No 26 of 2003. Furthermore, the importance of SMMEs was highlighted in both developed and developing countries. Among the studies conducted globally, the researcher identified that their findings cannot be generalised to the South African context; therefore, there is a need to conduct this study. The conceptual framework the researcher adopted comprised of the dependent variables: SMME growth or business growth, while the independent variables were Internal and External environmental factors, the moderating variables were SMMEs' perceptions, and level of

awareness. The next chapter provides literature on the environmental factors affecting the growth of SMMEs.

CHAPTER FOUR

FACTORS HINDERING THE GROWTH OF SMMEs

4.1 Introduction

The survival of most SMMEs is highly dependent on the entrepreneur or owner-manager (Storey, 2016). Based on this, Chimucheka (2013) mentions that it is important for the entrepreneur to be aware of the business environment. Li and Liu (2014) state that business opportunities and capital are closely linked to the environment an organisation operates under. According to Sidika (2012), SMMEs that operate in the formal sector are not exposed to the same risks and opportunities as those operating in the informal sector. If an entrepreneur is unable to identify opportunities and risks, the business faces the challenge of not growing (Cant and Wiid, 2013). The ability of an entrepreneur to analyse the internal and external environment is mostly influenced by the character of the entrepreneur (Hosseini, Lashgaara, and Hosseini, 2014). Urban and Naidoo (2012) note that an entrepreneur can control the internal environment but not the external environment. Literature shows that the failure of SMMEs is mostly caused by factors within the businesses internal environment, rather than those outside of the external environment (Sitharam, 2014; Masutha and Rogerson, 2015).

Hlatshwayo (2012) notes that most entrepreneurs are dependent on the economic environment which the business has no control over. This is usually evidenced in SMMEs that are highly dependent on large firms for employment. When large firms retrench, SMMEs who are dependent on large firms for employment are negatively affected. Most governments acknowledge their role in enhancing SMMEs and in most cases government creates initiatives targeted at stimulating the development and growth of SMMEs (Doh and Kim, 2014). This chapter provides literature on the concept of a definition of business growth addressing important aspects such as definition, drivers, benefits and measures of business growth. Furthermore environmental factors which influence growth patterns of SMMEs were presented. Lastly, the chapter examines the perceptions and the level of awareness of SMMEs regarding government support.

4.2 Definition of Business Growth

According to Machado (2016:420), business growth is “The product of an internal process in the development of an enterprise and an increase in quality and/or expansion”. Ismail and

Karlsson (2013:5) posit that “An organisational outcome is a result from the combination of the resources, capabilities and routines in the company”. Furthermore, Saleem (2012:25) states “Business growth is defined in terms of economic or financial measures which include return on assets, sales, profits, employees and survival rates; and no financial measures, such as customer satisfaction, personal development and personal realisation”. Finally, Mpofu (2013:46) defines business growth as “Applying creativity and innovation to solve problems and take advantage of opportunities that people face every day is the secret to entrepreneurial success” This study adopts Sitharam, (2014) definition which states that growth refers to the increase in business size, sales, market share, assets, employment and goods or services. This view of growth also stems from variables which contribute to the growth of a business.

4.3 Drivers of Business Growth

It is business leaders who determine the adaptation process of a business. One of the helpful ways to smooth the adaptation process is to have business leaders who exercise good judgement. When good judgement is used, it lowers the risks associated with adapting to new environmental factors (Anderson and Eshima, 2013). Furthermore, it also allows business leaders to identify business opportunities and notice the ones that are not worth pursuing, ultimately resulting in business growth (Chimucheka, 2013). The factors which enhance business growth are divided into two categories: exogenous (external to the business) or endogenous (internal to the business) (Sitharam, 2014). The internal factors are made up of the entrepreneur’s managerial skills, level of education and consultation (Sitharam, 2014). The skills for mastering the external factors enable the entrepreneur’s business to grow.

4.4 Benefits of Business Growth

In Chapter one the importance of SMMEs was highlighted such as improving the lives of people through offering employment and contributing to a nation’s economy. Added to that, there are other benefits that can be enjoyed by growing and sustaining SMMEs. The benefits of business growth include a direct link between growth and value chain, economies of scale, improved employee morale, management’s quality of life, size and power and the ability to attract talented employees (Amoako, 2016). First, growing SMMEs offer a boost to the employee’s morale; that is, when a business is growing, the business employees are better satisfied, have pride in working for the business and stay loyal to a growing business (Christensen and Raynor, 2013). Second, growing a business offers the opportunity to realise

economies of scale. Nkonde (2012) points out that the advantages provided by economies of scale save costs through improved efficiency due to growing into a larger sized company. Third, the growth of a business demands that new departments and levels be created which guide employees' self-development through promotion and attracting better-qualified employees (Anderson and Eshima, 2013). Fourth, when a business experiences growth, the management's quality of life improves together with the size of the business. Increasing business size refers to the need for business growth location through acquiring other businesses or establishing new offices (Amoako, 2016).

4.5 Measures of Business Growth

When conducting a study dealing with business growth, the researcher should state how growth is defined and how it will be measured (Hlatshwayo, 2012). Business growth can be measured using assets, market share, profits and output; but the other indicators are not commonly used instead of sales and employment (Chavez, 2016; Machado, 2016; Ncube, 2015). For this current study, SMME growth is measured using business size, sales, market share, assets, employment, goods and services (Machado, 2016).

When considering output and market share, industry factors need to be considered given that they change depending on an industry an organisation operates in (Machado, 2016). Similarly, total assets are dependent on an industry's capital intensity and it fluctuates over time (Machado, 2016). Sales and employment are commonly used indicators for measuring business growth (Blackburn, Hart and Wainwright, 2013). Employment numbers or an increase in the number of employees' over-time is regarded as a good indicator of business growth (Martin and Swank, 2012).

4.6 The Internal Environment of Businesses

The internal environment is made up of controllable factors of the business surroundings and requires an entrepreneur to focus on the administration areas of the business for instance marketing, human resources, and research and development which an entrepreneur can control (Masutha and Rogerson, 2015). Understanding the internal environment helps to avoid failure. Garoma (2012) argues that most of the internal business challenges relate to management, financial control, operational and management of personnel. There are various challenges that are within the internal environment, such as inefficient or a lack of management skills and a lack of business culture (Masutha and Rogerson, 2015). Other internal environmental factors

which cause SMMEs to fail as stated by Sitharam (2014) and Masutha and Rogerson (2015) are, absence of a growth strategy, focus on profit maximisation, unwillingness to adapt to change and failure to draft long-term goals. This study examined six internal environmental factors that hinder business growth which are: characteristics of entrepreneurs, managerial skills, technological capacities, access to markets, human resource management and financial management.

4.6.1 Characteristics of Entrepreneurs

There are various studies and debates about the relationship between the characteristics of an entrepreneur and business growth (Hosseini, *et. al.*, 2014). The term entrepreneurship or entrepreneur was invented by J.B. Say around 1800; Say defined entrepreneurship as “One of the oldest established processes of human society, and it has been a driving force in the world since the first humans began to develop specialisation of labour at the dawn of history. As the centuries pass, the importance and role of entrepreneurship grow” (Chavez, 2016:6). From this definition, one can summarise entrepreneurship as a concept based on society and the economy. Entrepreneurship has an important role in the creation and growth of businesses and in the growth and success of countries (Hisrich, Peters and Shepherd, 2013). Hisrich *et. al.*, (2013) state that entrepreneurship plays an important role in the creation and growth of businesses and the development of a country. Ever since Say invented the term entrepreneurship, many scholars have been confused about the difference between entrepreneurship and an entrepreneur, and as such most scholars have created their own definition of the two terms.

For this study, an entrepreneur is “A person who sees an opportunity in the market, gathers resources and creates and grows a business venture to meet these needs. He or she bears the risk of the venture and is rewarded with profit if it succeeds” (Hlatshwayo, 2012:8). In the 1980’s most scholars were using the Big 5 Model to describe the characteristics of an entrepreneur. The Big 5 Model included openness to experience, conscientiousness, extraversion, agreeableness and neuroticism (Antoncic, Bratkovic Kregar, Singh and De Noble, 2015). The critics of the Big 5 Model states that it is too general in nature, and the model cannot predict situation-specific behaviours of an entrepreneur.

To succeed, an entrepreneur requires a strategy to know where the firm is headed, where he/she wishes it to be and how it will get there (Chavez, 2016). There is a need for creative and innovative minds and therefore entrepreneurs should relentlessly create new ideas or methods

to surpass continuous changes that challenge the market (Masutha and Rogerson, 2015). According to Lee, Lee, Shim and Lee (2016), personality characteristics, organisational factors and environmental factors are major factors that contribute to the growth of SMMEs. From 1961 to 1990, there was deemed to be a negative relationship between entrepreneurial characteristics and the growth of SMMEs (Storey, 2016). Kerr, Kerr and Xu (2018) highlight that the reason for a lack of a positive relationship between the characteristics of entrepreneurs and business growth was because at the time, the new generation of venture financiers and entrepreneurs were of the view that the major factors that contributed to their business growth have only caused their own individual characteristics to grow by themselves (Lee, *et. al.*, 2016).

Lee, *et. al.*, (2016), studied the relationship between entrepreneurial characteristics, skills and motivation, business skills and motivation. Their study critically analysed various studies on motivation and firm growth over six years based on previous studies. The findings of their study show that two factors have a strong impact on business growth, and those factors are the ability to communicate one's vision and being a self-driver.

According to Chavez (2016), it is not easy to link the personality characteristics of an entrepreneur to business growth. Such a task is labelled as difficult because the growth of a business is the result of various factors that include personal characteristics. For many years, academics have been researching the criteria that make entrepreneurial businesses more likely to grow, but there is no single theory that explains it (Storey, 2016). Some previous studies have battled to separate the psychological dimensions that differentiate successful entrepreneurs from others (Kerr, *et. al.*, 2018). Chavez (2016) mentions a similar view from Kerr, *et. al.*, (2018), namely that there is no clear link between personality characteristics of an entrepreneur and business growth. A study conducted by Anderson and Eshima (2013) which used multiple regression analysis, compared the economic performance of entrepreneurs. The study was able to reveal situational factors that have a positive influence on business growth. The study concluded that business growth is not the result of "Having the right stuff" but rather "being in the right place at the right time".

Chavez (2016) notes that there are many factors that are associated with business growth, but it is important to demonstrate the causal relationship between the characteristics and business growth. A study by Sidika (2012) determined that the most influential factors on business

growth are initiative, assertiveness and achievement orientation of successful entrepreneurs. Other researchers found different results, such as the study by Chavez (2016), which reported a decline in optimism as experience increased. Masutha and Rogerson (2015), in studying the locus of control, concluded that the locus of control does not differentiate growing businesses from stagnant ones. Finally, researchers agreed on the factors that have a positive relationship with business growth. Those factors include the need for achievement, innovativeness, proactive personality, generalised self-efficacy, stress tolerance, the need for autonomy, locus of control and risk-taking (Sidika, 2012; Blackburn, *et. al.*, 2013; Lim and Enrick, 2013; Kozubíková, Belás, Bilan and Bartos, 2015 Lee, *et. al.*, 2016; Chavez, 2016).

4.6.2 Managerial Skills

In order to grow a business, is it important that the owner-manager of that business possesses the necessary management skills (Sitharam, 2014). Some of the management skills can be acquired through studying toward a certain qualification such as a degree or a diploma (Zulu, 2013). Some of the skills that entrepreneurs need are entrepreneurial skills, knowledge, and competencies needed for the efficient and effective running of a business (Brijal, Naicker and Peters, 2013). Similarly, Pawliczek and Piszczur (2013) point out that the role played by the SMME owner-manager in their venture, together with the size of their business, is usually determined by their management skills. A study by Cant and Wiid (2013) showed that if there is a lack of management skills such as in personal qualities, poorly structured businesses, and poor use of resources, this leads to the failure of a business venture.

A research study by Ward (2016) emphasises top management capacities as a major factor that impacts on the growth of SMMEs. According to Masutha and Rogerson (2015), there is a positive link between management skills, business knowledge and the growth of an SMME, hence when an owner-manager possesses the necessary management skills he or she can use business resources efficiently and effectively to maximise profit gains. In support of Masutha and Rogerson's (2015) statement, Chimucheka (2013) adds that managerial skills are supported by the educational background of the SMME owner-manager and experience. Contrary to the factor of background, Brijal, *et. al.*, (2013) highlight that in as much as the owner-manager may possess the necessary management skills, if the business environment is not conducive the business might end up failing.

Ward (2016) points out that there are other factors that need to be considered apart from management skills when it comes to SMME growth. Regardless of the other factors Zulu (2013) suggest that business managers should attend management training courses. In support of this statement Sitharam (2014) states that training courses usually enhance managerial skills and motivate managers to run their businesses better. Most scholars highlight management skills as an important factor for business growth; part of this study aims to establish a link between management skills and the growth of SMMEs in Msunduzi Municipality.

A manager must be able to multi-task, that is, the ability to oversee activities within and outside of the organisation. In addition, a manager must provide leadership such as getting the most out of their employees while giving them skills in the process. Closely related to leadership is motivation, managers should motivate their employees from time-to-time. Most importantly, are business development skills: owner-managers must always look for areas for improvement within the organisation. When growing a business, managers need effective communication, that includes both written and verbal communication. Finally, owner-managers must be able to evaluate and decide, because the decisions they make determine the growth or failure of their organisation (Ward, 2016).

4.6.3 Technological Capacities

Technology has provided a lot of improvements for most organisations including the SMME sector (Small Business Development Centers (SBDC's), 2017). The benefits that come with technology include the ability to communicate with customers, and supply products and services to larger populations, including internationally (Oyelakim and Kandi, 2017). However, a study by Clark and Brennan (2012) found that SMMEs do not use technology to benefit or grow their businesses. Nguyen, Newby and Macaulay (2015) investigated why SMMEs do not involve technology in their operations by mentioning that technology comes with complex formats that may seem too difficult for SMMEs to adapt to. Furthermore, Audretsch, Lehmann and Wright (2014) state that most SMMEs are customer focused, hence they survive because of their customers. If customers do not want to change the way their products or services are delivered to them, when SMME owners-managers make changes, they might lose their customers.

Galindo and Méndez (2014) criticise this view by stating that owner-managers have the responsibility to educate their customers. To assess the link between technology and business

growth, Oyelakin and Kandi (2017) conducted a study focusing on the impact of technology on business growth. The results of the study showed that there is a positive relationship between business growth and technological capacities. A similar study was conducted by Hosseini, *et al.*, (2014) and their study focused on the role of information and communications technology (ICT) on business growth. The results showed that the capabilities of ICT are significant for entrepreneurship growth and development.

In the study of Goutam and Sarkar (2015), on the development of technology and its positive effects on the entrepreneurial development in the Indian context, the findings indicated that technology is an accelerator in the development of innovative ventures and hence the economic development of a country. However, these studies are international studies and their findings are not necessarily applicable to a developing country like South Africa (Li and Liu, 2014), which is why the researcher in this current study wanted to close the gap in the literature by incorporating technological capacities into this study to find out if there is a link between technology and the growth of SMMEs in Msunduzi Municipality. Phibbs (2013) emphasises that technology is a huge determinant of business growth within the SMME sector.

Modern day business operations involve various processes such as communication, transportation and technology which make it easy to implement many of the complex business processes. Globalisation has made technology a key business factor. Businesses can provide goods or services to the global community without restrictions (SBDC, 2017). However, with all the benefits that come with technology, few SMMEs have capitalised on the opportunities that are brought by technology (Li and Liu, 2014). Goutam and Sarkar (2015) argue that sometimes one should look beyond the surface of the problem, meaning, it is not that SMMEs do not want to use technology but the cost of involving technology is too costly.

Phibbs (2013) supports this statement by highlighting that once a business installs technology equipment the owner-manager should also take the responsibility for maintaining it and ensure that hacking and malicious activities do not happen. According to Li and Liu (2014) in as much as technology comes with its threats and challenges, the benefits outweigh the costs. Another major benefit of technology to business growth is security and support (Oyelakim and Kandi, 2017). The use of technology involves automated processes which increase productivity levels. During the process of making a product, minimal resources are used, allowing room for better products to be produced and faster services delivered to more clients and customers (Clark and

Brennan, 2012). Most importantly, business information can be stored much more easily with integrity (SBDC, 2017). With technology, SMMEs can avoid vulnerabilities associated with confidential and sensitive information (Oyelakin and Kandi, 2017).

4.6.4 Access to Markets

SMMEs need access to both local and global markets to enhance business growth (Storey, 2016). Cant and Wiid (2013) state that access to markets beyond local markets is a critical factor for SMMEs because it facilitates higher productivity at all levels of the organisation. Closely related, Storey (2016) opines that access to larger markets boosts sales volumes and raises productivity by creating economies of scale, which motivates owner-managers to expand production capacity. However, one of the challenges that SMMEs face when it comes to access to markets are barriers to entry. Some of the barriers that SMMEs face are access to raw materials, government laws, exporting and public procurement. Mutoko (2014) points out that it is the government that should expose SMMEs to new markets. Okeyo, Gathungu and K'Obonyo (2014) warn SMMEs not to rely too much on government for access to markets. Mutoko (2014) suggest that another way that SMMEs can use to gain access to markets is through private sector companies, members of the public and international markets. Okeyo, *et. al.*, (2014) applaud the government's efforts for supporting SMMEs through mentoring, funding and training.

Rogerson (2013) criticises government efforts as being locally focused and suggests that the government should create policies that assist SMMEs to access Africa's domestic markets. Mafuya (2013) supports this view by adding that such policies can assist in securing international partners, joint venture creation and international collaboration with other countries. Entrepreneurs need entrance to other markets for their businesses to grow. This is not only a need for SMME owners, but also for a country's economy to grow (Okeyo, *et. al.*, 2014). The government is an important player when it comes to creating a favourable regulatory environment for SMMEs to thrive (Mutoko, 2014). Market growth is not constant; therefore, South African SMMEs need to know which markets are growing and which ones are failing. This enables businesses to decide which markets to enter and to avoid others (Gwija, Eresia-Eke, and Chux, 2014). The existing market dynamics require an entrepreneur to be well informed with market trends. It is an entrepreneur's responsibility to develop a business vision based on current market trends. For SMMEs to enjoy sustainable growth, owners or managers need to master the dynamics of market success and market failure (Rogerson, 2013). Added to

that, the mastering of the market requires entrepreneurs to think globally within the transactional economy (Mutoko, 2014). For such to happen, it is required that business owner-managers must identify different stages of the business activities in various markets (Okeyo, *et. al.*, 2014).

4.6.5 Human Resource Management

According to the literature, in the American Society for Training and Development Conference, Nadler (1969) introduced the concept “human resources management” (HRM). The concept was further introduced in India by a private company called Larson and Turbo Ltd in 1975. In the 1980’s the concept reached the public-sector government through Bharat Heavy Electricity Ltd (BHEL). Storey (2016) mentions that HRM replaced the term “personnel management”. Purce (2014) defines human resource management as organisational areas concerned with recruiting and selecting, job designing, training and developing, appraising and rewarding, directing, motivating and controlling workers.

Yet, Osei (2017) defines HRM as organisation policies, systems and practices that influence employees’ behaviour and organisation growth. These definitions are similar, but the latter is a bit different because it includes the relationship between employees and human resource management. In the context of this study, HRM is regarded as a broad philosophy of people management. Briscoe, Tarique and Schuler (2012) recommend that one should use the term HRM broadly, hence HRM derives from several different strands of thoughts. The role played by the HRM strongly impacts on business growth and affects the business’s achievement of competitive advantage. The link between HRM is articulated by Bratton and Gold (2017) who state that HRM activities affect employees’ skills and abilities. These then are the main factors that drive business growth, hence when HRM negatively effects employees, business growth suffers too.

4.6.6 Financial Management

Cash management is defined as “The management of an entity’s cash to ensure sufficient cash to sustain the entity’s daily operations, finance continued growth and provide for unexpected payments while not unduly forfeiting profit owing to excess cash holdings” (Bartlett, Beech, Hart, Jager, Lange, Erasmus, Hefer, Madiba, Middelberg, Plant, Streng, Thayser and Rooyen, 2014:850). A similar definition was offered by Akinyomi (2014:32) where he defines cash management as “The ability to establish the cash balances that are held in a business at all

times”. Aliet (2012:8) defines cash management as “The management of cash to maximise the cash held in the business that is not invested in buying inventory or fixed assets.” From these definitions, one can summarise cash management as the ability to control the cash in the business by reducing the cash outflows and maximising the cash inflows.

When a business has a sound cash management system, the business can have sufficient cash to keep daily operations running while avoiding the risk of becoming liquidated (Bartlett, *et. al.*, 2014). According to Oluoch (2016) and Mungal (2014), financial management is a broad concept encompassing other sub-concepts under it, hence when one studies it one must be specific which concepts fall under the umbrella concept “cash management”. For this current study, cash management is limited to five specific areas: accounting information system, financial reporting and analysis, working capital management, fixed asset management and capital structure management. The importance of financial management in a business is summarised by Akinyomi (2014:58): managing cash helps in achieving liquidity in a business and proper control; assists in the planning towards reducing cash expenses and increasing cash receipts to ensure the business is liquid; properly managed cash is vital to the future; and cash flow behaviour cannot be predicted. Therefore, it is essential to plan; and through proper controls of cash, a procedure could be implemented to cater for innovations for cash receipts and cash payments in the business.

Bartlett, *et. al.*, (2014) argue that financial management is important for any business in terms of survival and growth. Ayikinyomi (2014) and Mungal (2014) also note that cash is the hub and most coveted of all the assets. The way an organisation manages its financials determines whether the organisation will grow or fail (Mungal, 2014). The dependent variable is the growth of SMMEs while the independent variables are working capital management practices, investment practices, financial planning practices, accounting information systems and financial reporting and analysis. The study established that most of the SMMEs sold their products for cash, while others maintained a cash limit, a majority had a manual inventory register, few had invested in long-term assets while almost half used internally generated funds for business financing. The study concludes that financial management practices (working capital management practices, investment practices, financial planning practices, accounting information systems and financial reporting and analysis practices) are major determinants of the growth of SMMEs. Although such requirements enable a firm to succeed, most SMMEs

do not pay attention to such. As a result, the businesses face challenges concerning irregular cash flows that end up affecting business performance and growth (Mungal, 2014).

4.7 External Environment

Sitharam (2014) defines the external environment as the societal environment made up of many factors such as the political and legal forces, economics, financial resources, and policies and regulations. These macro environment factors mostly affect the long-term decisions of a business (Masutha and Rogerson, 2015). All SMMEs have no control over the factors within the external environment. Any changes to the factors in the external environment affect all SMMEs regardless of the size of the business (Mpofu, 2013). Usually, it is large firms who best manage the changes in the external environment unlike SMMEs. The large firms can manage the changes because they have the financial muscle to adapt to the changes. Entrepreneurs should be attuned to the external environment for them to be able to survive changes in the environment (Hlatswayo, 2012; Sitharam, 2014). It is generally expected that entrepreneurs will be able to adapt to the external environment changes smoothly and create opportunities out of the challenges (Zulu, 2017). The external environmental factors considered in this study are government regulations, access to finance, strong competition, high taxes, cost of production and investment in technology.

4.7.1 Government Regulations

The term regulations refers to “Any government measure or intervention that seeks to change the behaviour of individuals or groups. It can give people rights (equal opportunities), and restrict their behaviour (compulsory use of seat belts)” (Akinboade, 2014:599). A similar definition of regulations was offered by the OECD (1994 as cited by Akinboade, 2014:599): “A set of “incentives” established either by the legislature, government, or public administration that mandates or prohibits actions of citizens and enterprise. Regulations are supported by the explicit threat of punishment for non-compliance”. The above definitions cover all measures or interventions conducted by the central and local government structures which affect business activity (Cameron, 2015; Masupha, 2013). Among them are issues relating to financial reporting, consumer rights, transport, data protection, employee health and safety, taxation, consumer rights and trading standards (Knudsen, 2013; Mujinga, 2013; Kitching, *et. al.*, 2014; Wilson, 2014; Sitharam, 2014).

SMMEs' growth and performance are largely influenced by the business climate that they operate under (Knudsen, 2013; Mujinga, 2013; Kitching, *et. al.*, 2015). When the business climate is not favourable to businesses, this affects the growth of small businesses. Small businesses find it difficult to grow when there is an unfavourable tax system, and difficult rules and regulations are all factors that prohibit the growth of SMMEs (Chimucheka, 2013). Added to that, when government policies promote unfair competition, it reduces the chances of small businesses succeeding (Mujinga, 2013). Most importantly, when the cost of complying with regulations and increased tax rates are too high, that adds to a firm's expenses and hampers its growth.

By the same token, Cant and Wiid (2013) stress that when formal enterprises compete with informal organisations, it is difficult since there are rules and regulations that formal businesses should comply with, while the latter does not. Supporting this statement are the findings of a study conducted by Finmark (2017). The study researched 45 000 organisations in developing countries, and the results revealed that some of the challenges found within the business climate relate to red-tape, high taxes, and competition from the informal sector. A similar study by the Small Business Specialist (2015) SME Growth Index reported that the major regulatory constraints that SMMEs face are inefficiencies in the South African Revenue Services, Broad-Based Black Economic Empowerment (BBBEE), labour laws and regulations. This study further showed that within the South African context, the regulatory environment discourages business growth in the formal economy and that regulations create significant efficiency costs for the economy, including SMME development (Akinboade, 2014). Mujinga (2013) argues that when there are enabling policies for SMMEs, the country at large benefits and the sector grows.

4.7.2 Access to Finance

Access to finance refers to "The availability of financial services in the form of deposits, credit, payments, or insurance to individuals or enterprises. The availability of such services can be constrained for instance by physical access, affordability or eligibility" (Mthethwa, 2015:10). In most African countries, on average, less than 20% of households have access to formal financial services; this is accompanied by poor transport and limited communications', infrastructure (Cant and Wiid, 2013). Abdulsaleh and Worthington (2013) point out that even when the finance is available, the strict eligibility criteria and procedures make it difficult for

SMMEs to access the finance. Such procedures limit SMMEs from doing what they should do to grow their business (Storey, 2016). In most cases, SMMEs end up generating growth funds internally, eventually looking for external funds (Mthethwa, 2015). Chimucheka (2013) criticises this by stating that SMMEs tend to use more external finance than internal finance, although it is difficult to determine whether finance induces growth or the opposite (or both). As the business grows from micro to small, medium and large scale, the amount of finance needed also shifts (Abdulsaleh and Worthington, 2013). When SMMEs finally experience growth, they experience an increase in costs of long-term debt (Sitharam, 2014). In support of this view, a study by Hlatshwayo (2012) found a positive relationship between sales and growth.

The inability of SMMEs to acquire external finance is one of the major challenges to business growth and a cause of failure (Abdulsaleh and Worthington, 2013). The cause of this is the fact that banks and financial institutions are reluctant to lend loans to SMMEs due to SMMEs being seen as high-risk (Carbó-Valverde, Rodríguez-Fernández and Udell, 2016). This view is supported by research which shows that in South Africa, only 2% of SMMEs were granted finance, while 75% of applications were rejected (Department of Trade and Industry, 2017). One can state that so long as the financial institutions do not grant finance to SMMEs, the small business sector will continue to face challenges related to finance. A study by Peters and Naicker (2013) show that most respondents ranked a lack of finance as the major challenge to growing their business. Lucumay (2015) mention that “Lending to small businesses and entrepreneurs remain limited because financial intermediaries are apprehensive about supplying credit to businesses due to their high risks, small portfolios, and high transaction costs.”

Similarly, even when SMMEs are granted loans, the interest charged is high, and only companies with high collateral and loan guarantees qualify to be granted loans (Bouazza, *et. al.*, 2015). Due to the high interest and high collateral required, SMMEs are discouraged from applying for bank loans. Lee (2014) mentions that small firms do not have many options when requiring finance as opposed to large firms. This lack of financial resources impacts on the growth and potential success of a business. Globally, finance is one of the main challenges that SMMEs face when intending to grow (Bouazza, Ardjouman and Abada, 2015; Lee, Sameen and Cowling, 2015). The studies conducted specifically on SMMEs in Msunduzi Municipality

and the relationship between business growth and finance are mostly older than five years; thus, their findings do not represent the current nature of the phenomenon. Therefore, this calls for new research to be conducted about the phenomena and this current study does this to close the gap in the literature.

4.7.3 High Competition

Ngcobo and Sukode (2015) define business competition as a situation whereby there are firms selling or offering the same goods or products to the same end users. In most markets, there are businesses that offer the same or similar goods or products; therefore, firms cannot run away from competition (Anderson and Eshima, 2013). In such markets, customers do not have to shop around, since most products are similar or the same unless if customers are looking for quality that varies among the providers (Nguyen, 2017). The existence of competition forces businesses to lower prices; thus, there are declines in profit margins (Bamiatzi and Kirchmaier, 2014). Businesses cannot run away from competitors, but they should develop a strategy to deal with competition (Nguyen, 2017). If owner-managers cannot adequately deal with competition, a large portion of the business will suffer, resulting in stagnant business growth. Since business growth is at the heart of SMMEs, dealing with competition becomes a priority (Anderson and Eshima, 2013). Competition and SMME growth includes changing market trends, organisational techniques and changing technologies (Anderson and Eshima, 2013).

Since SMMEs do not have the muscle to compete with large corporate businesses, the strategic ways they deal with competition is through designing and developing new products, adopting smart approaches to manufacturing, implementing quick-to-market distribution, purchasing cutting-edge communication and developing appropriate marketing strategies (Nguyen, 2017). The knowledge of market dynamics, including competition, enables one to have a better understanding of the factors that makes an entrepreneur to be attracted to certain markets (Jasra, Khan, Hunjra, Rehman, Azam, 2012; Anderson and Eshima, 2013). Within market competition, there are powers of buyers, the power of suppliers and the threats of substitutes and sellers (Bamiatzi and Kirchmaier, 2014). What is worth noting is that when there is a good substitute for a product or service that a business is offering, and when there are low barriers to entry, the industry is unattractive since the profit margin is low due to high competition (Jasra, *et. al.*, 2012). The majority of SMMEs have products and sales that are too localised and segmented to face global competition. The processes of trade liberalisation and

globalisation have significantly influenced competition between companies and expanded customer expectations. Porter (1985:3) refers to competitive advantage as:

“Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation”.

According to Porter (1985 as cited in Nguyen, 2017: 10) businesses should respond to competitive forces by having a competitive advantage.

4.7.4 High Taxes

The phrase “Nothing is for certain except death and taxes” expresses the way South African SMME owner-managers feel about tax (Martin and Swank, 2012). In South Africa, SMMEs are face with high-taxes which create significant constraints for the growth and development of SMMEs (Cant and Wiid, 2013). Businesses that operate in the formal sector are the ones that pay tax as opposed to the ones within the informal sector, meaning, if there are more informal businesses than formal businesses, the government will suffer severely (Department of Trade and Industry, 2017). According to Naicker (2017), the unfavourable tax systems discourage business development and negatively affects business growth. In the South African context, there are two forms of taxes imposed: direct and indirect taxes. Direct taxes include income tax, Secondary Tax on Companies (STC), Capital Gains Tax (CGT) and donation tax.

Indirect taxes include VAT, estate duty, stamp duties, transfer duties on real estate, customs and excise duties, marketable security taxes and skills development levies (Riba, 2016). Within the South African context, the tax policy is set by the National Treasury (Department of Finance) and tax administration and collection are undertaken by the South African Revenue Services (SARS) (2018) guided by the South African Revenue Services Act (No. 34 of 1997). According to (SARS) (2018), the legislation that guides SARS are the Income Tax Act, No 58 of 1962, Customs and Excise Act, No 91 of 1964, Value-Added Tax, No 89 of 1991, Tax Administration Act, No 28 of 2011 and Employment Tax Incentives Act, No 26 of 2013. Within the international context, one of the major challenges that entrepreneurs face is high taxation (Storey, 2016).

The tax rate for small firms in the formal sector is above 29 % (Statistics South Africa, 2017). The cause of this is the requirement from the government that needs large amounts of revenue to fulfil public goods and deliver services to the public (Urban and Naidoo, 2012). On the downside, this negatively affects small organisations since it leaves businesses with no money to reinvest in the firms (Sitharam, 2014). Most importantly, taxation does not only affect businesses individually, but also its interactions with other businesses (Zulu, 2017).

4.7.5 Cost of Production

According to Savrul, Incekara and Sener (2014), cost of production refers to the cost an organisation faces from the time a product is made (in-put, processing and out-put) till it gets to the customers. Since SMMEs do not have access to finance, it is difficult to own the whole value chain (Chimucheka, 2013). Jayeola, Sokefun and Oginni (2012) state that the cost of production decreases when the company owns the entire value chain. Contrary to that, Savrul, *et. al.*, (2014) mention that it is difficult for even large organisations to own the entire value chain, thus expecting SMMEs to also own it is asking for the impossible. A study by Zulu (2017) shows that not owning a value chain is good since an organisation can buy the final products from firms that have a competitive advantage over other firms. Sitharan (2014) seconded this view by stating that when firms buy from organisations that are better at producing a product, they can offer high-quality products to customers.

However, when the firms that sell the final products are too distant from SMME, this increases the cost of production since there are extra costs that SMMEs face in terms of importing goods (Savrul *et. al.*, 2014). When the cost of obtaining goods increases, the process of growing a business slows (Chimucheka, 2013). The central location of firms brought about a new challenge to small business production (Bridge and O'Neill, 2012). This is due to the moving of firms to developed countries followed by sales. It is challenging for firms to offer quality and effective products from a huge distance apart (Zhu, Wittmann and Peng, 2012). For example, a supplier can supply up to five clients when based locally, but when a supplier changes location, the speed decreases dramatically. This makes it difficult for local businesses who depend on a foreign supplier (Urban and Naidoo, 2012; Bridge and O'Neill, 2012).

4.7.6 Investment in Technology

To survive in the business world, organisations must keep up with technology and information technology. Technology is one of the most important factors that contribute to business growth and success (Curran and Storey, 2016). Technology helps a business to increase its business opportunities and increase sales (Bamiatzi and Kirchmaier, 2014). However, one should also be aware that the purchasing part of technology is very costly since firms must buy both the hardware and software that run the computers (Curran and Storey, 2016). There is no doubt that SMMEs who do not have access to finance find it challenging to invest in technology (Ghobakhloo, Hong, Sabouri and Zulkifli, 2012).

4.8 SMMEs and the South African Government

The South African government has identified the SMME sector as one of the possible means of creating and enabling environment by improving job creation opportunities and wealth distribution (Department of Trade and Industry, 2017). Cant and Wiid (2013) state that for SMMEs to positively contribute to the economy of South Africa, the government should develop competent entrepreneurs, more specially amongst those classified as the previously disadvantaged groups. According to Storey (2016), one of the important factors that determine the ability of SMMEs to overcome barriers to survive and achieve sustainable growth is the entrepreneurial quality of the SMME owner-manager.

The national strategy for small business development, referred to as the National Small Business Strategy (NSBS), was formally endorsed by the South African Parliament in 1995. There are numerous objectives contained in this strategy for the SMME sector when dealing with challenges. Some of the challenges highlighted by this strategy are: a lack of access to markets, shortage of effective supportive institutions, a lack of access to finance and credit, low skills levels and a lack of access to information (Department of Trade and Industry, 2017). This section deals with the perception of SMMEs regarding government support, and the awareness of SMMEs regarding government support.

4.9 Perceptions of SMMEs Regarding Government Support Structures

SMMEs and government support institutions are expected to work together (Department of Trade and Industry, 2017). Such a relationship is important because it can either yield positive or negative results relating to the growth of SMMEs (Department of Trade and Industry, 2017). In most cases the government tries to establish support structures to enhance the SMME

environment. The perception of SMMEs regarding such structures is not always good (Van Scheers and Cant, 2012). Cant and Wiid (2013) mention if there is a negative perception from SMMEs regarding government support structures, it is the duty of government to communicate with SMMEs in finding out what leads to such perceptions and government should deal with negative perceptions accordingly.

A critique from Peters and Naicker (2013) points out that a negative perception by SMMEs sometimes exists because of the few government support structures that perform poorly, as a result other support structures are affected by such perceptions. However, Doh and Kim (2014) argue that even when there are negative perceptions regarding government support structures, the government should always do it best. The study by Peters and Naicker (2013) shows that 19.5% of the respondents negatively perceived government support, and respondents went as far as stating that government initiatives would not be beneficial to them.

4.10 Awareness of SMMEs Regarding Government Support Structures

Similar to perception is the issue of awareness (Peters and Naicker, 2013). Being aware of government support structures is important because it offers options for help (Iman, 2012). According to Nkonde (2012), being aware of government support structures and not making use of them is pointless. Chimucheka (2017) states that it is important for SMMEs to use the support structures they are aware of, because that leads to improvements in them and the structures. That is, when SMMEs use government support structures SMMEs should benefit from making use of any structure. In return, as feedback to the structure providing the support, if an SMME owner-manager raises issues of dissatisfaction, such structure should act up on it (Department of Trade and Industry, 2017).

In most cases, SMMEs are not aware of government support structures or initiatives (Chimucheka, 2017; Peters and Naicker, 2013). To support this claim, a study by Peters and Naicker (2013) shows that most of the respondents indicated not being aware of the listed government support structures or initiatives. Findings are concerning because the government keeps developing structures that end-users are unaware of (Nkonde, 2012). Iman (2012) argues that when there is a structure meant for the end-user, but the end-user is unaware of, the problem should be directed to the management of the structure for a lack of marketing and advertisement of the structure. Cant and Wiid (2013) suggest that the government should have more outreach programmes to advertise their services.

4.11 Conclusion

This chapter provided a definition of business growth which led to determining the measures of business growth used in this study. Furthermore, the chapter discussed the environmental factors that hinder the growth of SMMEs. The environmental factors were divided into two: internal and external environment. The internal environment included characteristics of an entrepreneur, management skills, technology capacity, access to markets, poor managing of resources and poor financial control. The external environmental factors included legal and regulations, access to finance, high competition, high taxes, cost of production and investment in technology. Also, the chapter examined issues around the perceptions of SMMEs regarding government support structures and the awareness of SMME support structures. The discussion on perceptions highlighted that most SMMEs have a negative perception regarding government support structures. The literature suggested that the government should address the negative perceptions that exist so that SMMEs can make use of government support. While examining the awareness of SMMEs regarding government support structures, it is evident that most SMMEs are unaware of government support structures. The government was mentioned as the sole cause of this lack of awareness. A suggestion is that there should be more awareness outreach programmes to enhance the awareness of government support structures. The next chapter focuses on the research methodology used for this study.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 Introduction

As stated in Chapter 1, Section 1.3, the objective of the study was to determine how do SMMEs within Msunduzi Municipality perceive the influence of the environment in relation to the growth of their business. The development of hypothesis is deemed necessary in research studies of this kind. According to Sekaran and Bougie (2016), a hypothesis is a testable statement, which predicts what a researcher expects to find in the empirical data. In addition, Denzin and Lincoln (2017) mention that a hypothesis helps a researcher to test relationships between two variables or more. Flick (2015) recommends the use of hypothesis in a study for it forces a researcher to think deeply and specifically about the possible outcome of a study.

Furthermore, it enables a researcher to understand what the question implies and exactly what variables are involved. The researcher wanted to conduct inferential statistics to test the relationship between the independent variables, moderating variables and the dependent variable. Therefore, creating a research hypothesis is a good decision when wanting to test relationships between variables. A null hypothesis is a sceptical negative statement, which must be proved by the researcher (Mertens, 2014). Creswell (2013) defines an alternative hypothesis as a positive statement that a researcher must also prove. In this current study, the researcher had both null and alternative hypothesis and a discussion of which was accepted and rejected is provided in Chapter six. The research hypotheses were highlighted on in Chapter 1, Section 1.6, and the following hypotheses were tested for the study:

H₀: SMMEs in Msunduzi Municipality are growing.

H₁: SMMEs in Msunduzi Municipality are not growing.

H₀: Internal environmental factors have a negative relationship with the growth of SMMEs.

H₂: Internal environmental factors have a positive relationship with the growth of SMMEs.

H₀: External environmental factors have a negative relationship with the growth of SMMEs.

H₃: External environmental factors have a positive relationship with the growth of SMMEs.

H₀: There is a positive perception among SMMEs in Msunduzi Municipality regarding government support.

H₄: There is a negative perception among SMMEs in Msunduzi Municipality regarding government support.

H₀: SMMEs in Msunduzi Municipality are aware of existing government support structures.

H₅: SMMEs in Msunduzi Municipality are not aware of existing government support structures.

The testing of hypotheses requires the use of various techniques. As such, research methodology is a systematic way of solving research problems (Denzin and Lincoln, 2017). This chapter presents information on the research philosophy, nature of the study, research instrument, data collection, data analysis, reliability, validity, pilot study and ethical considerations.

5.2 Research Philosophy

There are various terms used to define research philosophy, including research paradigm, ontologies, philosophical worldviews and epistemologies (Creswell, 2013). According to Adams, Khan and Raeside (2014), research philosophy refers to philosophical orientations about the world and the type of research being conducted. The choice of the method chosen by a researcher is motivated by the researcher's epistemology and theoretical position and the influence shapes the research approach (Mertens, 2014).

Apart from the research philosophy guiding the study, other factors that greatly influence a study are research questions and objectives (Hamlin, 2015). There are four categories of research philosophies and those are postpositivism, constructivism, transformative and pragmatism (Creswell, 2013). Transformative and pragmatism research philosophy recently entered the research space and most literature acknowledges them (Creswell, 2013). The postpositivism paradigm is adopted for this study. The reasons for adopting the postpositivism philosophy for this study was because the researcher wanted to test the relationship between the variables shown in the conceptual framework (refer to Chapter 3, Section 3.6). Furthermore, the researcher wanted to draw a link between the primary data and the literature examined.

Positivists hold the view that the goal of research is only to describe a phenomenon that is directly observed and objectively measured (Sekaran and Bougie, 2013). When conducting research, positivists make use of deductive reasoning to propose theories that are tested using fixed predetermined research designs (Creswell, 2013). In summary, the postpositivism paradigm uses the deterministic approach; reduces ideas into small and discrete set of tests; verifies existing theory; measures reality that exists and reduces ideas into small and discrete sets to test (Creswell, 2013). This study adopted the quantitative research method which is largely influenced by the postpositivism assumption. By using the postpositivism paradigm, the researcher was objective, and maintained a high level of certainty and validity.

5.3 Nature of the Study

To address the aim and answer the research questions, a quantitative research technique was chosen for this study. Quantitative research is defined as “A technique that deals with data in the form of numbers and uses mathematical operations to investigate their properties. The levels of measurement used in the collection of data that is nominal, ordinal, interval and ration are an important factor in choosing the type of analysis that is applicable, as are the numbers of cases involved” (Sekaran and Bougie, 2013:303). In addition, Flick (2015) mentions that by choosing the quantitative research method, the study analysis is often considered reliable and the researcher can sample a larger population. However, Denzin and Lincoln (2017) criticise the researcher’s choice of choosing the quantitative technique by stating that it will limit the researcher from shedding light on the full complexity of the human experience or perceptions.

Regardless of the shortfalls of quantitative research, the researcher chose it because it is the most suitable method for answering the research questions and achieving the aim of the study. Research studies are categorised based on their purpose, as well as by the research strategy used (Sekaran and Bougie, 2013). Kothari (2008) states that most studies are categorised into three groups, such as exploratory, descriptive and experimental. Denzin and Lincoln (2017) mention that a researcher may use more than one strategy for a project, and a study may have more than one purpose. Based on the above background, this study employed exploratory and descriptive strategic approaches to the research study.

Kumar (2014) defines exploratory research as one which reveals issues relating to the problem definition. Closely related, Dawson (2013) mentions that exploratory studies are predominantly used for preliminary investigations into relatively unknown areas of research. Furthermore,

Flick (2015) points out that by choosing exploratory research it means that there are few studies that have been conducted on the factors that hinder the growth of SMMEs in Msunduzi Municipality and no earlier studies have been conducted on the problem, that may serve to verify the findings. Moreover, Kumar (2014) supports the researcher's decision of choosing exploratory research by stating that it gives insight into and a better understanding of a research problem, thereby, ensuring more rigorous investigation. By using the exploratory strategy, the researcher was able to test the research hypotheses and verify findings in a manner that enhances findings that already exist, and at the end the researcher was also able to offer recommendations.

Descriptive research is research that studies a phenomenon as they exist (Kumar, 2014). Adams, *et. al.*, (2014) further mention that descriptive research is used to identify and obtain information on the characteristics of a specific problem. The researcher uses descriptive research based on its ability to examine problems more intensely than exploratory research for it ascertains and describes the characteristics of the pertinent issues (Dawson, 2013). In addition, exploratory research was chosen and deemed suitable for this dissertation because it was aimed at establishing a relationship between SMME owner-managers' perceptions of the internal and external environmental factors with respect to growth in Msunduzi Municipality (Kumar, 2014).

5.4 Study Sampling

Sekaran and Bougie (2013:262) define a research population as "The entire group of people, events, or things of interest that the researcher wishes to investigate". The target population for this study was 264 SMMEs registered under SEDA and owners in Msunduzi Municipality. However, it should be noted that there is no accurate data for SMMEs in Msunduzi Municipality. The target population comprised of SMMEs operating within the formal sector. The reasons for focusing on the formal sector was because it was identified as the sector that has high growth potential.

According to Sekaran and Bougie (2016), sampling design is a process that includes a small portion of a chosen population to provide insight into the entire population. Kothari (2008) defines sampling as a precise plan for collecting data from a given population. It is impossible to include all elements as a sample, even if it was possible it would be prohibitive due to time, cost and human resources (Creswell, 2013). The researcher should make use of sampling rather

than including the entire population because through sampling the researcher will be able to produce reliable results (Flick, 2015). By having a sampling method, the researcher benefited by having a sound plan before data collection and after data collection. Kothari (2008:58) defines a sampling unit as “A geographical location such as a state, district or village”. This study’s sampling unit was the Msunduzi Municipality within the KwaZulu-Natal province. While a sampling frame is a tool that shows all elements in a population, the sampling size is drawn from the population (Sekaran and Bougie, 2016). For this study, the sampling frame was a list of all SMMEs registered with Pietermaritzburg Small Enterprise Development Agency (SEDA).

Scholars such as Corbin and Strauss (2008) define sample size as a niche group or chosen subjects from a population to represent the views of the entire population. One of the techniques for drawing a sample size is a survey whereby a segment of the population is used to randomly select respondents (Levy and Lemeshow, 2013). The sample size is the exact sample number that a researcher uses based on the total population (Denzin and Lincoln, 2017). The total population size for this study was 264. By using Krejcie and Morgan’s (1970) sample size table (refer to Appendix F) for a target population of 264, the researcher can sample 155 participants. There are two sampling methods: probability and non-probability (Flick, 2015). Probability sampling is a method used to select representatives that will be part of the study, and such representatives have similar chances of being chosen. Non-probability refers to sampling procedures which do not offer any platform for estimating the probability that each item in the population has of being included in the sample (Sekaran and Bougie, 2016).

This study used probability sampling; the reasons for choosing probability sampling was because the results of the study were assured in terms of probability (Sekaran and Bougie, 2016). For this study the target population was unequally divided and geographically separated; therefore, under probability sampling disproportionate random sampling was deemed as the most suitable sampling method for this study. The sampling method is understood as “Involving a process of stratification or segregation into mutually exclusive groups that are relevant, and meaningful in the context of the study” (Sekaran and Bougie, 2016:278). As such, the researcher divided the Msunduzi Municipality into strata as shown in Table 5.1. The number of participants from each stratum was altered, while keeping the same sample size as recommended by Sekaran and Bougie (2016).

Table 5.1: Disproportionate Stratified Random Sampling for Msunduzi Municipality

Area	Target Population	Sample Size	Sample Percentage (%)
Pietermaritzburg CBD	78	45	29%
Imbali	40	23	15%
Edendale	35	20	13%
Inadi	18	9	6%
Mafunze	15	9	6%
Mpumzuza	12	8	5%
Nxamalala	12	6	4%
Sobantu	10	7	4%
Willowfontein	12	8	5%
Ximba	24	15	10%
Ashdown	8	5	3%
Total	264	155	100

Source: Compiled by the Researcher, 2018.

The most suitable sampling method for this study was the disproportionate simply random sampling under probability sampling. This sampling technique was deemed appropriate because the target population was unequally divided across different areas' and as the researcher wanted to collect data from all targeted respondents, disproportional sampling enabled the researcher to do so, hence it was chosen. According to Sekaran and Bougie (2016), stratified sampling is commonly used when the target population is large, providing the researcher with the opportunity to break down the population into strata. The Msunduzi Municipality is divided according to the strata that make up the municipality. The disproportionate stratified sample was used to sample the population disproportionately to the number of small businesses in each stratum. The use of proportionate stratified random sampling meant that from each stratum few samples would have been drawn, but the researcher was concerned that information from only a few respondents in each stratum would not provide a full picture of the environmental factors the SMMEs in that stratum face. Information was drawn from the SMME owner-managers operating within Msunduzi Municipality, KwaZulu-Natal: whose businesses fall under the description of an SMME according to the South African Small Business Amendment Act No 26 of 2003, as discussed in Chapter 3, Section 3.2, or whose businesses fall under any of the business sectors listed in the South African Small

Business Amendment Act No 26 of 2003 and were willing to participate in the study, as discussed in Chapter 3, Section 3.2. The researcher excluded all other categories of businesses that do not fall under the description of SMMEs as listed in the South African Small Business Amendment Act No 26 of 2003.

5.5 Data Collection Methods

Two types of data collection methods were used in this study: primary and secondary data. The following section discusses these two data collection methods. Primary data refers to all the data that the researcher collects to fulfil the objectives of his or her study (Mertens, 2014). Secondary data refers to all data that is already available in a different format such as journal articles and books by other researchers (Denzin and Lincoln, 2017). For this study, secondary data was sourced from journal articles, policy documents, e-books, textbooks, dissertations, theses, websites, reports and other relevant sources. This study used one form of primary data collection which was a questionnaire. Sekaran and Bougie (2013) state that a questionnaire is a research instrument containing written questions that respondents are expected to answer. Once a researcher has identified the variables he or she wants to test, then a questionnaire can be formulated (Creswell, 2013). For the study, the researcher formulated a questionnaire based on the literature examined and objectives for the study (Refer to Appendix C). A questionnaire can contain open-ended questions, closed-ended questions or both. Open-ended questions refer to questions that a researcher can ask a respondent without giving them answer choices to choose from.

Closed-ended questions refer to those questions that a researcher asks respondents and there are pre-determined answers (Denzin and Lincoln, 2017; Sekaran and Bougie, 2013). The questionnaire, for this study contains only closed-ended questions and data was collected from 155 SMMEs within the formal sector of Msunduzi Municipality. There are various methods of administering a questionnaire, including personally administered, mailed to respondents or electronically distributed (Sekaran and Bougie, 2013). For this study, all questionnaires were personally administered to respondents. By personally administering the questionnaires the researcher was able to explain some questions to the respondents and the study received a fair response rate. Table 5.2 provides a summary of the advantages and disadvantages of personally administered questionnaires.

Table 5.2: Advantages and Disadvantages of Self-administered Questionnaires

Advantages	Source (s) / Author (s)	Disadvantages	Source (s) / Author (s)
The researcher can offer clarity	Sekaran and Bougie (2013); Creswell (2013); Denzin and Lincoln, 2017; Mertens (2014)	Respondents may feel forced to participate	Hamlin (2015); Sekaran and Bougie (2013); Kothari (2008)
The anonymity of the respondent is high		Respondents may not be comfortable	
High response rate		Questionnaires are time-consuming	
Not expensive to administer to a group		Human errors are likely to happen	
Numerator can motivate respondents to participate		Qualitative responses may be received even when they are not needed	

Source: Compiled by the Researcher, 2018.

Despite self-administered questionnaires being perceived as forcing participants to participate, when ethical standards and research rules are followed respondents do not feel forced to participate (Creswell, 2013). The process of good ethical standards demands that the researcher explains what the study is about, and a participant can decide whether to participate or not. When a participant decides to be part of the study his or her involvement is regarded as voluntary, and before filling in the questionnaire all respondents were required to sign the informed consent form (refer to Appendix B). Equally important, all respondents are at liberty to withdraw from participating in the study even when they have signed the informed consent form (Sekaran and Bougie, 2013). Respondents were also assured of anonymity and confidentiality of their data.

The questionnaire was formulated to respond to the study research questions and objectives (refer to Appendix C). As such the study used a closed-ended questionnaire which was divided into 5 sections: section A (general information about respondents); section B (a measure of business growth); sections C (internal factors); sections D (external factors), sections E (perceptions of SMMEs regarding government support structures) and section F (awareness of SMMEs regarding government support).

For data collection, all questionnaires were administered by the researcher and two research assistants and over 3 weeks. The researcher trained the research assistants before field work was started. When selecting all the research assistants, the researcher considered their level of qualification and knowledge pertaining to the focus of the study. All the research assistants had a Bachelor's degree as their minimum qualification. All research assistants were registered students at the University of KwaZulu-Natal (UKZN), Pietermaritzburg campus. Being students at UKZN which is within Msunduzi Municipality all research assistants were familiar with the Msunduzi Municipality, thus data collection was smooth. A total of 155 questionnaires were delivered to the research assistants who in turn distributed them to the research assistants. Data quality and consistency were ensured as follows: the questionnaire included the details of the research assistants, place of data collection, and questionnaire number. After all questionnaires were completed, the research assistants checked all to avoid any errors. A summary of data collection methods used in this study are presented in Table 5.3.

Table 5.3: Summary of Data Collection used for the Study

Research Phase	Sampling Technique	Data Collection Method	Targeted Sample Size
Phase 1: Literature Review			
Purpose: To familiarise the researcher with key areas of the study	No sampling technique was applied for this phase.	Literature survey	No target sample size was applied for this phase.
Phase 2: Data collection stage			
Stage 1: Questionnaire Purpose: To collect primary data from respondents	Disproportionate stratified random sampling	Questionnaire	155

Source: Compiled by the Researcher, 2018.

5.6 Data Analysis

The researcher adopted a quantitative research approach. The researcher was able to run different data analysis methods. All data was carefully prepared before it was analysed. The preparing of data required that the quality of collected data be checked and data arranged in a manner that allowed smooth analysis (Creswell, 2013). When all questionnaires were

completed, the researcher and the supervisor cross-checked them for correctness and completeness. A statistician assisted in precoding of the questionnaire during the drafting of the questionnaire. The questionnaires retrieved (Appendix C) by the researcher were coded and captured on the Statistical Package for the Social Sciences (SPSS) version 24. Data were interpreted using both descriptive and inferential statistics. The descriptive statistics produced tendencies and locations. The inferential statistics made use of Principal Component Analysis (PCA), *T*-tests, Analysis of Variance (ANOVA) and Correlation analysis. The following sections examine each data analysis method used in this study.

Sekaran and Bougie (2013) define Principal Components Analysis (PCA) as an approach used when determining factor analysis looking at all variance the data contains. This approach is also considered as a multivariate statistical method utilised to decrease the number of dimensions or variables while keeping the most data variation it can (Mertens, 2014). The researcher used PCA to draw important information such as the linear combination of variables from the tables and bar-graphs. Using PCA, the researcher was also able to show similar patterns for the variables (Creswell, 2013; Hamlin, 2015). When using PCA a researcher can also discover important variables that contribute to the components (Flick, 2015). The *t*-test is used to evaluate the difference between means of two independent or dissimilar groups (Bryman and Bell, 2015). In a nutshell, a *t*-test is used to determine the means of two groups that are not similar (Creswell, 2013).

Analysis of Variance (ANOVA) refers to spread data within and between categories of data by comparing means (Bryman and Bell, 2015). In summary, ANOVA is used to test any significant difference between groups (Creswell, 2013). To represents the difference between groups, ANOVA uses the *F* statistics (Sekaran and Bougie, 2013). When there are chances that the difference between the groups is low, the use of a capital *F* statistics comes into effect, which symbolises a probability of less than 0.05 (Creswell, 2013). When such happens, it is referred to as statistically significant (Kothari, 2008). ANOVA has many various options which are used for data analysis. These include one-way repeat measures and two-way between groups (Kothari, 2008). When there are differences regarding the experimental design and situations used to create ANOVA, such differences are displayed in the different types of ANOVA.

Correlation is a method used to test the relationship between internal, ratio and ordinal variables which aim to examine the strength and direction of the relationship between variables concerned (Saunders, Lewis and Thornhill, 2009). To assess the relationship between variables, researchers use Pearson's r and Spearman's ρ (Saunders, Lewis and Thornhill, 2009). Pearson's r was adopted in this study. The Pearson's correlation coefficient (r) allows the researcher to quantify the strength of a linear relationship between two ranked or numerical variables (Saunders, *et. al.*, 2009). A range of -1 to +1 is used to determine Pearson's correlation coefficient (r). A value of +1 represents a positive perfect correlation, while a value of -1 represents a perfect negative correlation (Saunders, Lewis and Thornhill, 2009). A value of 0 means that the variables are perfectly independent (Saunders, *et. al.*, 2009). The closer the absolute value is to 1, the stronger the relationship (Saunders, *et. al.*, 2009). A correlation of zero indicates that there is no linear relationship between the variables. The t -test is used to assesses whether the means of two groups are statistically different from each other or zero

Table 5.4: Research Objectives

Research Objectives	Data Sources	Methods of Analysis
1. To determine the growth rate of SMMEs in Msunduzi Municipality.	Questionnaire	1. Principal Component Analysis. 2. Descriptive statistics. 3. ANOVA. 4. Correlation.
2. To determine the internal environmental factors hindering the growth of SMMEs in Msunduzi Municipality.	Questionnaire	1. Descriptive statistics. 2. Principal component analysis. 3. Regression analysis. 4. <i>T</i> -test. 5. ANOVA. 6. Correlation.
3. To determine the external environmental factors hindering the growth of SMMEs in Msunduzi Municipality.	Questionnaire	1. Descriptive statistics. 2. Principal component analysis. 3. Regression analysis. 4. Correlation. 4. <i>T</i> -test. 5. ANOVA. 6. Correlation.
4. To determine the perceptions of SMMEs regarding government support.	Questionnaire	1. Descriptive statistics. 2. Principal component analysis. 3. <i>T</i> -test. 4. Correlation.
5. To determine the awareness of SMMEs regarding government support structures.	Questionnaire	1. Descriptive statistics. 2. Correlation.

Source: Compiled by the Researcher, 2018.

5.7 The Reliability and Validity of the Study

Reliability and validity are two concepts that are used to assess the quality of a study and this section discusses these two concepts and how the researcher used each to assess the quality of this study (Sekaran and Bougie, 2013).

5.7.1 Reliability

The reliability of a study means that the findings can be replicated and still produce the same results (Creswell, 2013). Reliability deals with consistency, stability, and dependability of the instruments used for a study (Sekaran and Bougie, 2016). Furthermore, reliability focuses on

quality over time. Most study results face reliability challenges such as observer bias or observer error, respondent error or respondent bias (Denzin and Lincoln, 2017). To ensure the reliability of the study, the researcher used Cronbach's Alpha (coefficient) statistics to ensure that all variables contained in the questionnaire are reliable. This study used Cronbach's Alpha to find the level of reliability for the information in the questionnaire, given that the average correlation of variables found in a test was standardised. A pilot study was used to assess how consistent the results are or if there was a need to increase the sample. The reliability results for this study were 0.74. According to Kothari (2008), a Cronbach's Alpha of 0.7 to 0.8 is acceptable reliability.

5.7.2 Validity

Validity refers to the extent to which an instrument measures exactly what it is supposed to measure (Zohrabi, 2013). It is an instrument that measures the truthfulness of the results (Sekaran and Bougie, 2013). Equally important, validity refers to whether the findings of the study truly reflect what the study is about (Creswell, 2013). The validity of a study faces challenges such as testing, maturation, mortality and history (Zohrabi, 2013). There are different types of validity which are: ecological validity, measurement validity, internal validity, content validity and external validity. The following section discusses these types of validity in detail (Sekaran and Bougie, 2013).

5.7.2.1 Ecological Validity

Ecological validity refers to the connection between social science research and the lives of people included in the study. This relates to the ability of the instrument to capture life conditions, knowledge, values and attitudes (Creswell, 2013). For this study, the researcher is a native of Msunduzi Municipality (study location), and therefore, understands the importance of conducting the study and how it links to the daily operations of SMMEs.

5.7.2.2 Construct Validity

The concept construct validity applies to quantitative research and deals with measures of social scientific concepts (Sekaran and Bougie, 2016). This concept is also referred to as measurement validity (Creswell, 2013). In terms of validity, a research instrument has construct validity if it measures the concepts that it is meant to measure (Zohrabi, 2013). For the current study, the researcher ensured construct validity by conducting a pilot study to ensure that all

items in the instrument measured what they were meant to measure. A detailed discussion of the pilot study is presented in section 5.8

5.7.2.3 Internal Validity

Internal validity is concerned with causality and the existence of a conclusion between two or more variables (Mertens, 2014). For instance, if there is a narrative that *a* causes *b*, in that case, the researcher needs to make sure that *a* is responsible for variations in *b* and not that there is another factor interfering in the relationship (Kumar, 2014). To measure the questionnaire's internal validity, the researcher compared questionnaire responses with objectives of the study in relation to what respondents were asked.

5.7.2.4 External Validity

External validity deals with whether the results of the study can be generalised beyond the context of the study (Sekaran and Bougie, 2016). It is this type of validity that makes researchers to choose representative samples (Kumar, 2014). The results of the study cannot be generalised outside the context of the study because data was collected from one geographic location. However, the findings of the study can be used as a foundation for future studies.

5.7.2.5 Content Validity

Sekaran and Bougie (2013) and Creswell (2013) state that content validity measures the levels to which the measuring tool fully covers the objectives of the study. For this study, to ensure content validity, the researcher examined all relevant literature from reputable sources such as Google Scholar, UKZN Research Space, EBSCOhost and others. Most importantly, the researcher also compared the results of this study to other closely related studies.

5.8 Pilot Study

A pilot study is conducted to test the research instrument on a small scale and to see how the respondents manage the survey instrument before applying it to a larger scale (Sekaran and Bougie, 2013). Pilot testing is important because it ensures that (i) there is a mutual understanding of the questions contained in the questionnaire between the researcher and the participants; (ii) validity and reliability and (iii) the researcher can identify errors pointed out by the participants (Creswell, 2013, Sekaran and Bougie, 2016). For this study, the researcher pilot tested the study with ten (10) SMME owner-managers who did not form part of the study

sample and these results did not form part of the study data set. The respondents identified some vague questions, and the researcher corrected all errors.

5.9 Ethical Considerations

According to Stanwick and Stanwick (2013:3), “ethics can be defined as the values an individual use to interpret whether a particular action or behaviour is considered acceptable and appropriate”. In line with the above definition, the researcher adhered to all the ethical guidelines for conducting a research study. To minimise the influence of researcher bias⁵, the researcher makes all efforts to ensure that this study does not experience any bias and follows all ethical procedures and rules. During data collection, all respondents were first informed about the purpose of the study and were told that their involvement was on a voluntary basis (see Appendix B). Upon agreeing to participate in the study, all respondents were requested to complete an informed consent form (refer to Appendix B) prior to data collection. Furthermore, confidentiality of all respondents were assured during the whole process of the study. A request to conduct the study was sent to the University of KwaZulu-Natal’s research office through the College of Law and Management Studies to obtain ethical clearance before carrying out the study. The request was granted, and a copy of the ethical clearance certificate is attached in Appendix E.

5.10 Conclusion

This chapter provided the research method, research philosophy, nature of the study, research design and the sampling method used, together with data analysis techniques employed in the current study. A detailed discussion was provided of the research instrument (closed-ended questionnaire) used in the study. The questionnaire survey was used as the tool for primary data collection. The researcher used research assistants to distribute, collect and check the questionnaires. Issues concerning data analysis were also outlined. The reliability and validity of the study were explained, followed by ethical considerations. The next chapter, provides a detailed presentation and discussion of the results from the data collected.

⁵ Research bias: A process where the researcher performing the research, influence the results in order to portray a certain outcome (Sekaran and Bougie, 2016).

CHAPTER SIX

PRESENTATION OF RESEARCH FINDINGS AND ANALYSIS OF DATA

6.1 Introduction

The previous chapter provided information on the research methodology and discussed the data collection method applied to the study. The aim of this chapter is to present and interpret data and summarise the primary data that were collected using the close-ended questionnaires. The collected data results are presented in the form of tables and bar charts. This chapter first discusses the results then offers a figures or tables linked to the discussion. This chapter presents a detailed analysis of the findings as well as the discussion of the results, using the Statistical Software Package for Social Sciences, (SPSS) Version 24, in analysing the collected data.

6.2 Response Rate

Representativeness refers to how well the sample drawn for the questionnaire research compares with the population of interest (Fincham, 2008). One way of dealing with lack of representativeness is to weight the study sample segments to reflect the greater population attributes (Fincham, 2008).

The Table 6.1 shows the response rate for the study.

Table 6.1: Response Rate

	Number of Respondents	Percentage (%)
Targeted respondents	155	100
Retrieved questionnaires	120	77.4
Useable questionnaires	90	58.0
Unusable questionnaires	30	25

Source: Compiled by the Researcher, 2018.

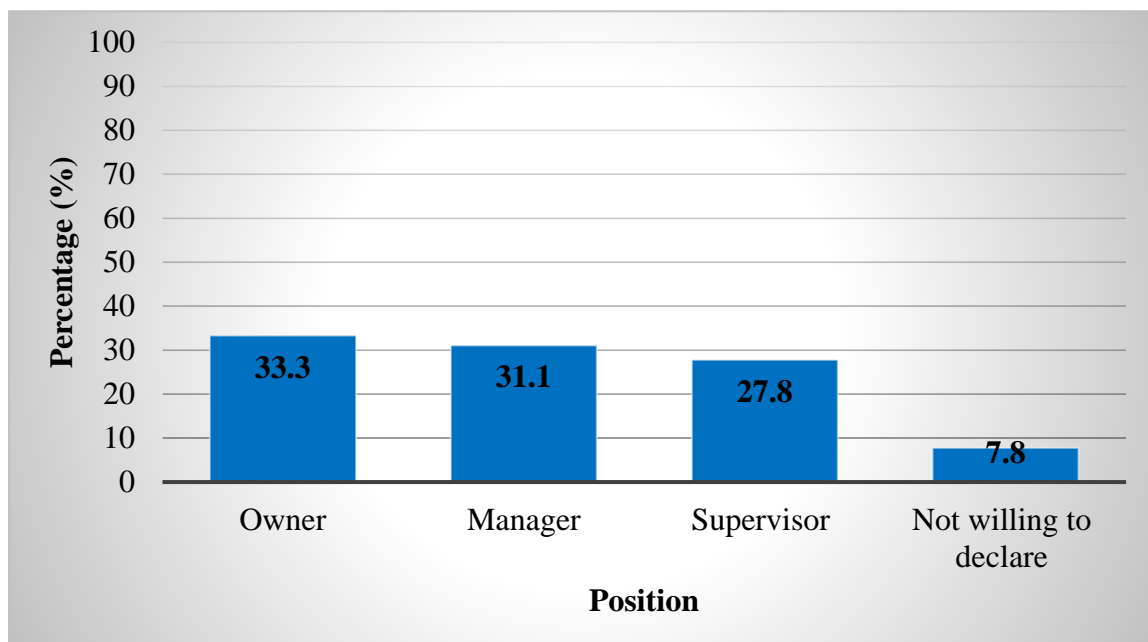
6.3 General Information about the respondents

As noted earlier in Chapter 5, Section 5.5 (paragraph 4), Section A of the questionnaire (Appendix, C) was designed to capture the general information of the respondents. The data from the respondents covered information such as respondents' position in the company, gender, age, level of qualification, business form of ownership, average years in company, race and the number of employees in the business.

6.3.1 Respondents' Position in the Company

Figure 6.1 indicates that 33.3% of the sampled respondents are shop owners, 31.1% are managers and 27.8% are supervisors; 7.8% were not willing to declare.

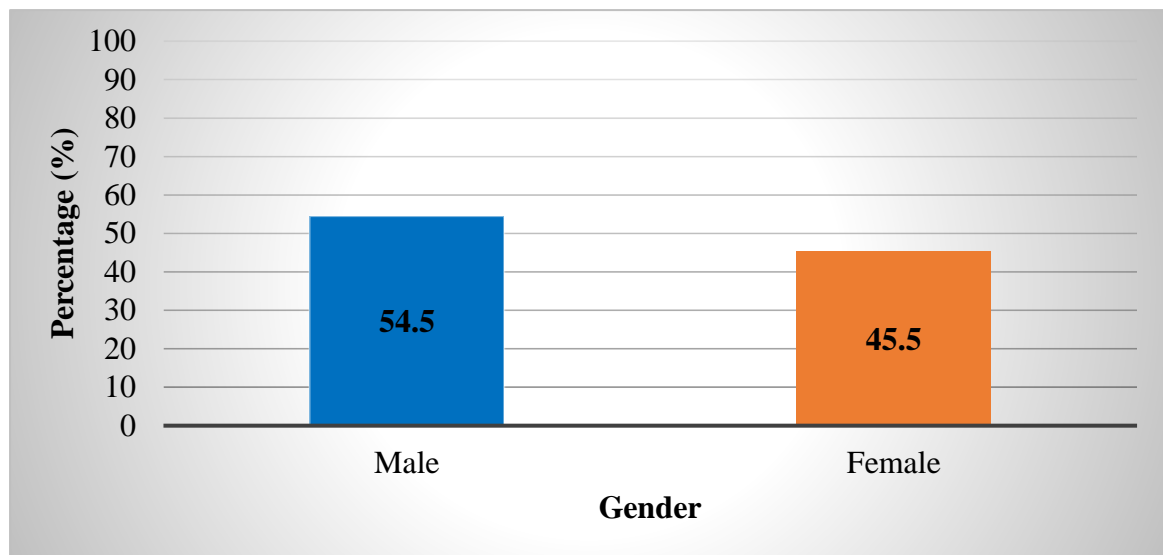
Figure 6.1: Respondent's Position in the Company.



6.3.2 Respondents' Gender

The demographic result in Figure 6.2 shows that 54.5% of the respondents were males, while 45.5% of the respondents were females.

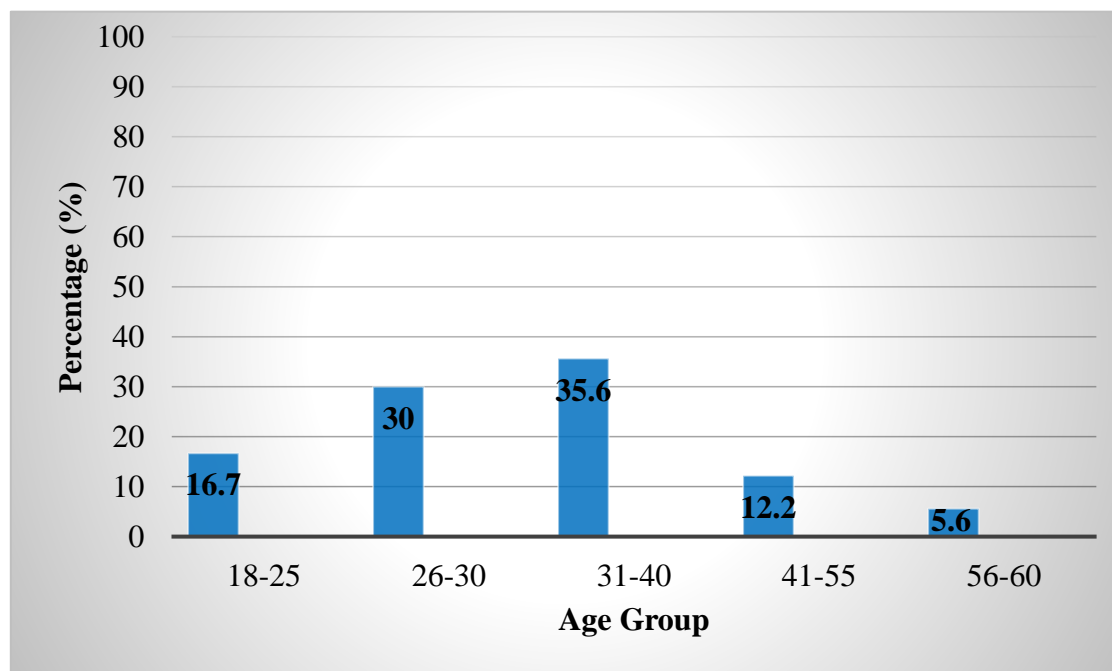
Figure 6.2: Respondent's Gender



6.3.3 Age of the Respondents

According to Figure 6.3, in terms of the ages of the respondents, 16.7% were in the 18-25-year age group, 30% were in the age group 26-30, 35.6% were in the 31-40 years age group, 12.2% were in the 41-55-year age group and 5.6% were in the 56-60 age group. Thus, all age groups were fairly represented with most falling into the 31-40 category.

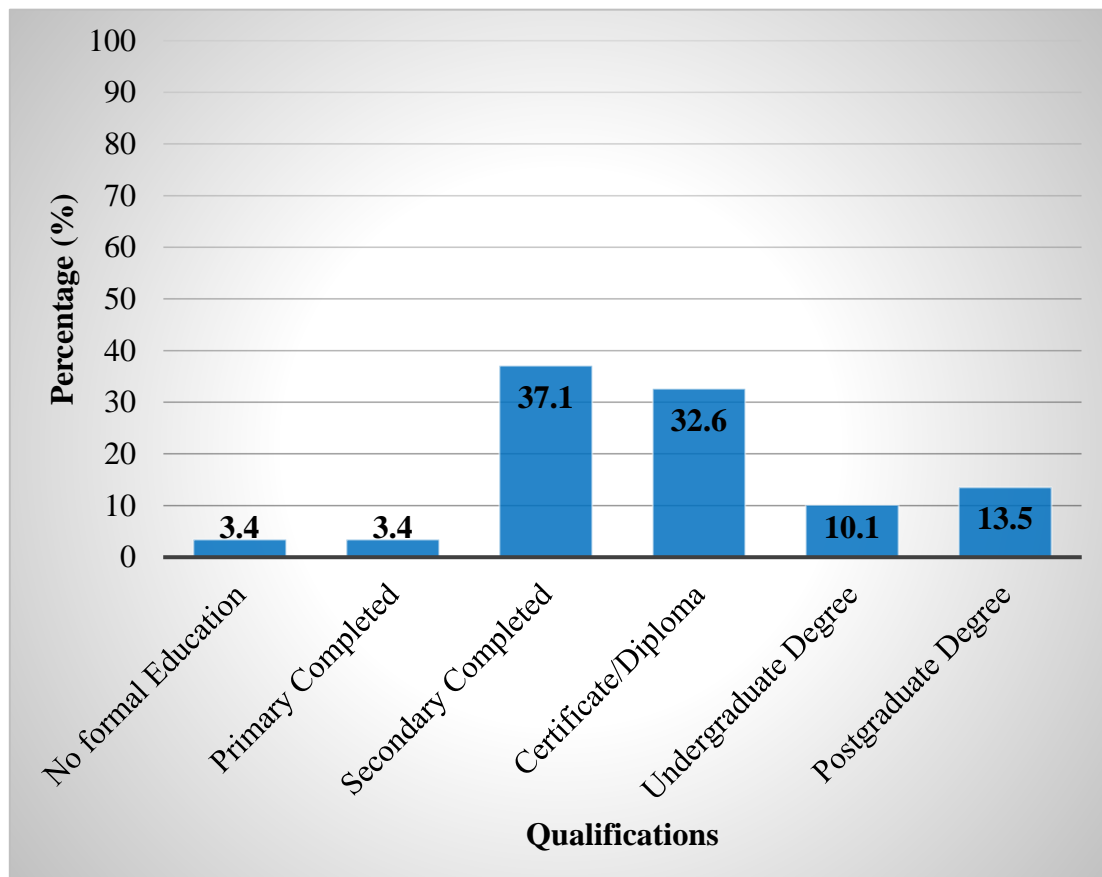
Figure 6.3: Age of the Respondents



6.3.4 Respondents' Level of Qualifications

Figure 6.4 shows that few respondents, 3.4%, had no formal education or had completed primary education respectively; 37.1% had completed secondary education; 32.6% had Certificates or Diplomas, while 10.1% had undergraduate degrees and 13.5% postgraduate degrees.

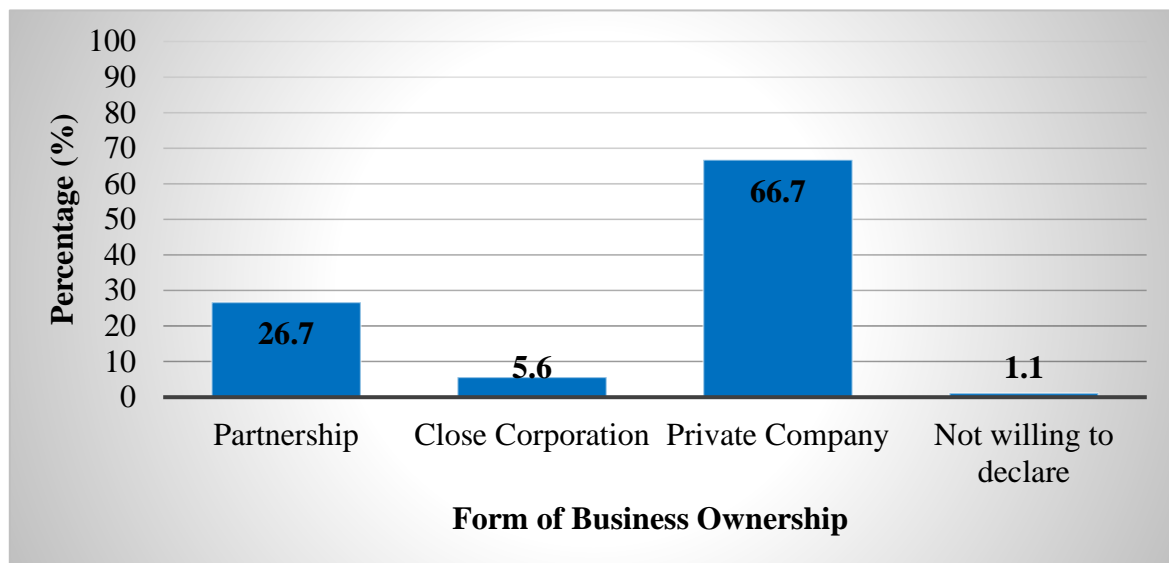
Figure 6.4: Respondents' Level of Qualification



6.3.5 Business Form of Ownership

Figure 6.5 shows that most businesses are private companies 66.7%, with 26.7% being partnerships, 5.6% being close corporations, and 1.1% were not willing to declare.

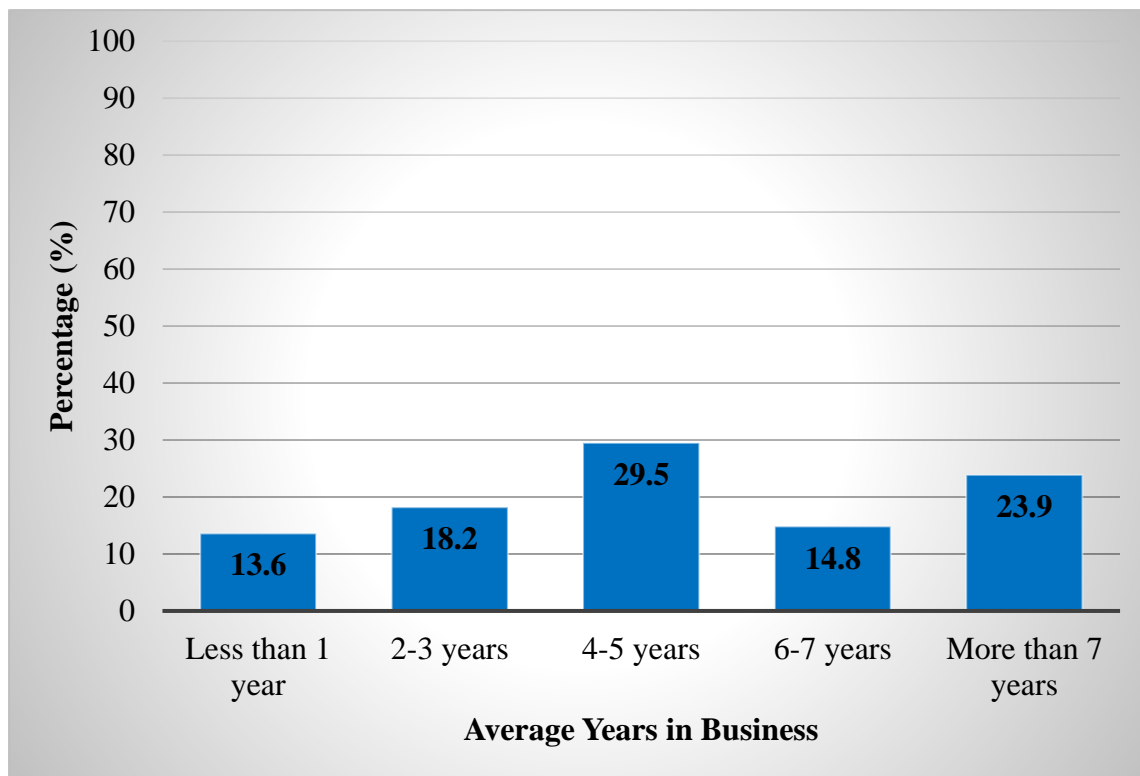
Figure 6.5: Business Form of Ownership



6.3.6 Average Years in Business

Figure 6.6 reveals that only a few respondents had been in the business for less than one year (13.6%). Of the total number of respondents, those in the business for 2-3 years formed 18.2% of the total, a slight majority of respondents had been in business for 4-5 years (29.5%), those in business for 6-7 years formed 14.8% of the total and those in business for more than 7 years comprised 23.9%.

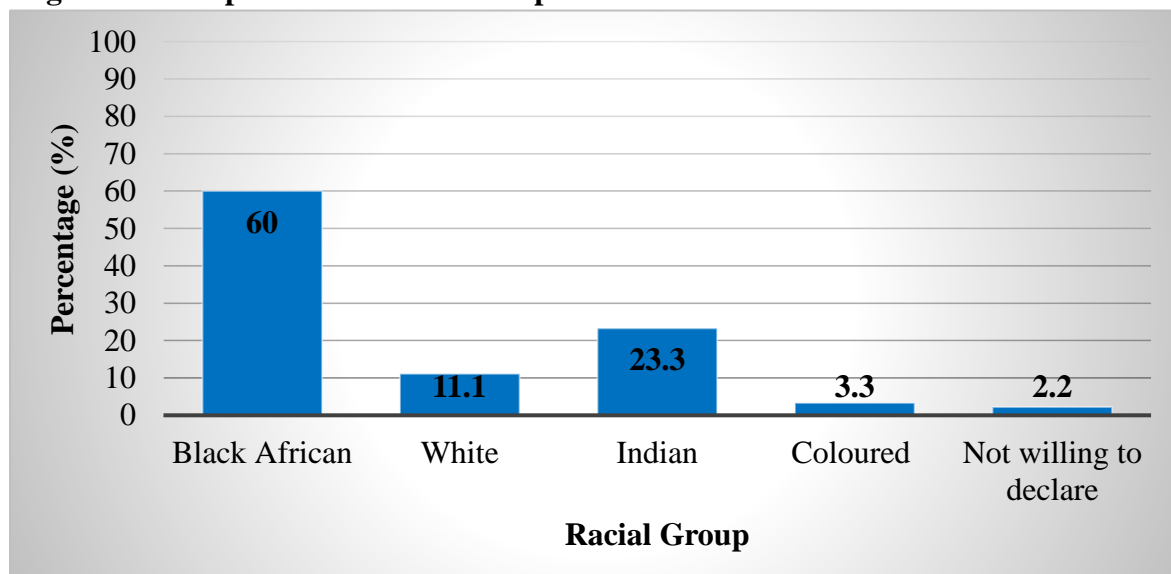
Figure 6.6: Average Years in Business



6.3.7 Respondents' Racial Group

The racial distribution of the respondents in Figure 6.7 shows that 60% were Black Africans, followed by Indian 23.3%, White 11.1%, Coloured 3.3 and 2.2% were not willing to declare their racial group.

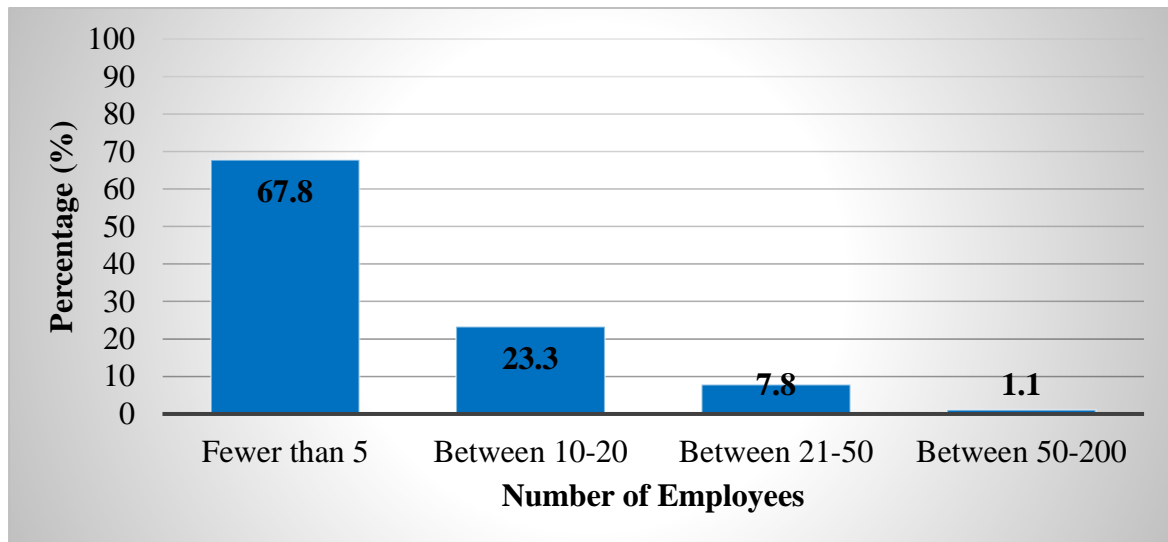
Figure 6.7: Respondents' Racial Group



6.3.8 Number of Employees in the Organisation

The findings reflected in Figure 6.8 indicate that the number of the employees varies from – 67.8% of the businesses having fewer than 5 employees, to 23.3% who had between 10 and 20 employees; 7.8% had between 21 and 50 employees and only 1.1% between 50 and 200 employees.

Figure 6.8: Number of Employees in the Organisation



6.4 Statistical Test for the Study

The researcher used descriptive and inferential statistics to interpret quantitative data sets. On one hand, descriptive statistics included frequency distributions, for instance bar charts and figures, and measures of tendencies such as mean and standard deviations. On the other hand, inferential statistics include Principal Component Analysis (PCA), Correlation Analysis, Analysis of Variance (ANOVA), Shapiro-Wilk's Statistic and Latent Factor Coefficients. These inferential statistics are explained below:

- Cronbach's Alpha: This test was conducted to measure internal consistency (reliability). The researcher used Cronbach's Alpha for the questions that have Likert scales in the questionnaire. It assisted the researcher to determine the reliability of the scale used for the study (Sekaran and Bougie, 2013).
- Principal Component Analysis (PCA): PCA is often used to test correlation significance of various variables in a study, when there are various explanatory variables in your analysis that may be correlated with one another (Denzin and Lincoln, 2017). The method allows a researcher to identify the component of the dataset that maximises variance, making standard linear models. The researcher used PCA to reduce the large

set of variables to a small set that still contains most of the information in the large set (Flick, 2015).

- Latent Factor Coefficients: This test is used to measure the estimate interaction and quadratic coefficients (Sekaran and Bougie, 2013).
- Analysis of Variance (ANOVA): ANOVA is used to test whether groups are significantly different (Denzin and Lincoln, 2017). The researcher adopted the one-way analysis of variance involving one categorical variable or a single factor. The reasons for using one-way ANOVA was to determine if there were any differences among the means of two groups (FLICK, 2015).
- *T*-tests: The independent-samples *t*-test evaluates the difference between the means of two independent or unrelated groups. A *t*-test is a statistical test used to determine the probability (likelihood) that the values of a numerical data variable for two are different (Sekaran and Bougie, 2013).
- The Shapiro–Wilk statistics: This statistic is used to test for normality in frequentist statistics (Flick, 2015). The Shapiro–Wilk test is a way to tell if a random sample comes from a normal distribution. The test shows value; small values indicate the sample is not normally distributed (one can reject the null hypothesis that the population is normally distributed if the values are under a certain threshold) (Sekaran and Bougie, 2013).
- Descriptive statistics: (Means, Standard deviations, Frequencies, Percentages, Tables and Graphs) – to describe the characteristics of a data set and to compare results (Sekaran and Bougie, 2013).

6.5 The Test of Research Objectives

6.5.1 Test of Research Objective One: To determine the growth rate of SMMEs in Msunduzi Municipality

In addressing research objective one, the researcher framed six questions aimed at eliciting information on the growth rate of SMMEs in Msunduzi Municipality. To measure the growth rate, the researcher used sales, market share, business-size, number of employees, assets and business output. The questions are B2.1.1, B2.1.2, B2.1.3, B2.1.4, B2.1.5, and B2.1.6 (See Table 6.2). The respondents were required to provide answers on a 5-point Likert Scale ranging from strongly agree to strongly disagree. In analysing the data, agree and strongly agree are considered positive and grouped together while disagree and strongly disagree point more to

the negative side and are grouped together. Data collected showed that 65.6% of the respondents agreed to having experienced a steady increase in sales; 44.4% had expanded on market share; 48.9% showed an increase in business size; 39.3% recorded an increase in the number of employees; 48.9% reported an increase in business assets; and finally, 59.6% of the respondents experienced an increase in production output.

Table 6.2: Measures of Business Growth

BUSINESS GROWTH		Frequency Distribution					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/ Strongly Agree
B2.1.1 My business has experienced a steady increase in sales	Count	2	10	19	43	16	65.6
	%	2.2	11.1	21.1	47.8	17.8	
B2.1.2 My business market share has expanded	Count	2	23	25	27	13	44.4
	%	2.2	25.6	27.8	30.0	14.4	
B2.1.3 My business size has grown	Count	1	30	15	28	16	48.9
	%	1.1	33.3	16.7	31.1	17.8	
B2.1.4 My business has increased the number of its employees	Count	4	39	11	25	10	39.3
	%	4.5	43.8	12.4	28.1	11.2	
B2.1.5 My business assets are increasing steadily	Count	4	21	21	32	12	48.9
	%	4.4	23.3	23.3	35.6	13.3	
B2.1.6 There is an increase in goods/services that are produced by my business	Count	3	13	20	38	15	59.6
	%	3.4	14.6	22.5	42.7	16.9	

Further analysis of the data in Table 6.2 indicates that 65.6% of the respondents' used increase in sales as a parameter to measure growth while 59.6% of the respondents used production output to measure growth in businesses. The use of the variables such as an increase in the size of the business and acquisition of assets are positive at 48.9%. However, the growth of business in terms of the number of employees indicated the lowest growth measurement variable at 39.3%.

The measures of business growth have high internal consistency (Cronbach's Alpha = 0.789). According to Sekaran and Bougie (2013) a Cronbach's Alpha ranges from 0 to 1, with higher values indicating greater internal consistency (and ultimately reliability). A research study with

a Cronbach's Alpha close 0.90 to 0.99 shows that the variables are strong or highly consistent. Given the background, a Cronbach Alpha of 0.789 shows that the variables were good and consistent. The variables adequately provide a measurement of business growth. The PCA used a latent variable to measure business growth. The PCA results in Table 6.3 show that variables making up business growth have the same impact on business growth given that the latent factor coefficients have a narrow range from 0.634 to 0.787. Based on the values of the latent factor coefficients, the overall measure of business growth can be calculated as an ordinary average of the six items that make up the constructs of business growth. The variables created were used as an index or latent variable of business growth and its relationship with other variables described in the questionnaire (refer to Appendix C, Sections C and D of the questionnaire). In measuring business growth, the Cronbach's Alpha shows that respondents have experienced steady business growth, together with the PCA which shows that business growth is affected by variables with the same impact.

Table 6.3: Business Growth

Question Number	Descriptive		Latent Factor (Principal Component) Coefficient
	Mean	Std. Deviation	
B2.1.1	3.68	0.97	0.785
B2.1.2	3.29	1.07	0.687
B2.1.3	3.31	1.15	0.787
B2.1.4	2.98	1.17	0.634
B2.1.5	3.30	1.11	0.706
B2.1.6	3.55	1.04	0.645
Cronbach's Alpha 0.798			
% of total variation accounted for by latent factor 50.41			

6.5.2. Test of Research Objective Two: To determine the internal environmental factors hindering the growth of SMMEs in Msunduzi Municipality.

In addressing research objective two the researcher used a Likert scale and a binary⁶ scale set of questions that examined internal factors. The Likert scale questions were C3.1.1, C3.1.2, C3.1.3, C3.1.4, C3.1.5, C3.1.6 and are presented in Table 6.4. The Likert scale variables used to test the internal factors are management skills, technology, market share, entrepreneurial characteristics, system to manage resources and cash management records. Data from Table 6.4 showed that almost half of the respondents (43.3%) affirmed that the management skills

⁶ Binary scale variables are considered those questions with only two possible options for answers, for example, pass or fail, yes or no (Sekaran and Bougie, 2013).

are underlying factors behind their competency. Almost half of the respondents (41.1%) also believed that entrepreneurial characteristics help the businesses to grow (84.4%), to have good financial management (77.5%) and 68.5% indicated that the business has a good human resource management.

Table 6.4: Measures of Internal Environmental Factors

INTERNAL FACTORS		Frequency Distribution					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Agree and Strongly Agree (%)
C3.1.1 My management skills make me competent to run my business	Count	0	2	8	41	39	88.9
	%	0.0	2.2	8.9	45.6	43.3	
C3.1.2 My business is able to use technology	Count	5	16	16	31	22	58.9
	%	5.6	17.8	17.8	34.4	24.4	
C3.1.3 My business has sufficient market share	Count	1	20	25	36	8	48.9
	%	1.1	22.2	27.8	40.0	8.9	
C3.1.4 My entrepreneurial characteristics help my business to grow	Count	0	9	5	39	37	84.4
	%	0.0	10.0	5.6	43.3	41.1	
C3.1.5 My business has good human resource management	Count	0	10	18	40	21	68.5
	%	0.0	11.2	20.2	44.9	23.6	
C3.1.6 My business has good financial management	Count	1	5	15	34	35	77.5
	%	1.1	5.6	16.9	38.2	39.3	

The data from Table 6.4 reveals that 88.9% of the respondents have good management skills and ranked it highest amongst the variables and believed it helps them to drive their businesses. The respondents ranked market share (48.9%) as the lowest, which means market share have the least impact on business growth.

Evidence from the data analysis shows 58.9% of the respondents keep up with technological innovations and a lower percentage (48.9%) attested to having a sufficient market share in the business. The development of internal factors had adequate internal consistency of Cronbach's Alpha = 0.736 indicating that the measurement is reliable. The latent factor representing internal factors have coefficients ranging from 0.575 to 0.745 which means that every item in Table 6.5 contributes fairly to the internal business performance. The descriptive statistics on the internal factors is presented in Table 6.5

Table 6.5: Internal Environmental Factors

INTERNAL FACTORS		Yes	No
3.2.1 Location hinders my business from having access to market	frequency	22	59
	%	27.2	72.8
3.2.2 Business size hinders my business from having access to market	frequency	25	56
	%	30.9	69.1
3.2.3 Capital hinders my business from having access to market	frequency	36	45
	%	44.4	55.6
3.2.4 Other things hinder my business from having access to market	frequency	5	76
	%	6.2	93.8
3.3 Do you have any accounting related qualification	frequency	23	26
	%	25.6	28.4
3.4 Do you do all the cash control for your business	frequency	65	25
	%	72.2	27.8
3.5 Do you see a need to hire someone to assist with cash management	frequency	37	53
	%	41.1	58.9

The questionnaire requested respondents to consider the internal factors that hinder the growth of SMMEs. The binary scale questions for testing research objective two were 3.2 (3.2.1, 3.2.2, 3.2.3, 3.2.4), 3.3, 3.4 and 3.5. The questions were framed to understand other potential internal environmental factors that could hinder respondents' ability to acquire access to markets and financial administration of the business. The data collected are presented in Table 6.5 above and show that only 27.2% find location as a hindrance to having access to market and only 30.9% are worried about the size of their businesses being a market access challenge. Only 44.4% found capital to hinder their business from having access to markets and 6.2% indicated that other factors hinder their business from having access to market. A worrying phenomenon was that only 25.6% of the respondents had any accounting related qualification. Table 6.6 provides further findings on the binary scale questions.

Table 6.6: Measures of Internal Factors

Question Number	Descriptive		Latent Factor (Principal component) Coefficient
	Mean	Std. Deviation	
C3.1.1	4.30	0.73	0.745
C3.1.2	3.54	1.20	0.722
C3.1.3	3.33	0.96	0.575
C3.1.4	4.16	0.92	0.648
C3.1.5	3.81	0.93	0.695
C3.1.6	4.08	0.94	0.582
Cronbach's Alpha 0.736			
% of total variation accounted for by latent factor 44.15			

6.5.3 Test of Research Objective Three: To determine external environmental factors hindering the growth of SMMEs in Msunduzi Municipality

Similar to the set of questions used in testing research objective two, there are two sets of questions for testing research objective three – a Likert and binary scale questions. Questions for research objective three attempted to provide information on the external environmental factors affecting business growth. There were six Likert scaled questions which are D4.1.1, D4.1.2, D4.1.3, D4.1.4, D 4.1.5 and D 4.1.6. The variables used to address external factors are government regulations, access to finance, high competition, high taxes, cost of production and investment in technology. The data collected from the questions addressing the external factors affecting the business environment of SMMEs are presented in Table 6.7. The binary scale questions were 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.2.5. Respondents were asked to elicit further information on access to finance, loans and business finance. The data collected from these questions shows that 44.4% of the respondents strongly agreed that government regulations impacted business growth, while 42.2% strongly agreed that access to finance is a challenge. Similarly, data collected shows that 40% of the respondents indicated competition as an external challenge to business growth with 40%, 63.2% of the respondents showed that cost of production strongly affects business, while 48.9% of the respondents indicated investment in technology as a factor hindering business growth.

Table 6.7: Measures of External Environmental Factors

EXTERNAL FACTORS		Frequency Distribution					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/ Strongly Agree
D4.1.1 Government regulations matters are a challenge to my business	Count	0	33	17	24	16	44.4
	%	0.0	36.7	18.9	26.7	17.8	
D4.1.2 My business has access to finance	Count	3	25	24	33	5	42.2
	%	3.3	27.8	26.7	36.7	5.6	
D4.1.3 My business finds it difficult to cope with high competition	Count	8	35	11	17	19	40.0
	%	8.9	38.9	12.2	18.9	21.1	
D4.1.4 High taxes are a challenge to my business	Count	1	25	26	21	16	41.6
	%	1.1	28.1	29.2	23.6	18.0	
D4.1.5 My business can afford its cost of production	Count	1	7	24	45	10	63.2
	%	1.1	8.0	27.6	51.7	11.5	
D4.1.6 My business invests in technology	Count	5	22	19	35	9	48.9
	%	5.6	24.4	21.1	38.9	10.0	

The descriptive statistics on the external factors is presented in Table 6.8.

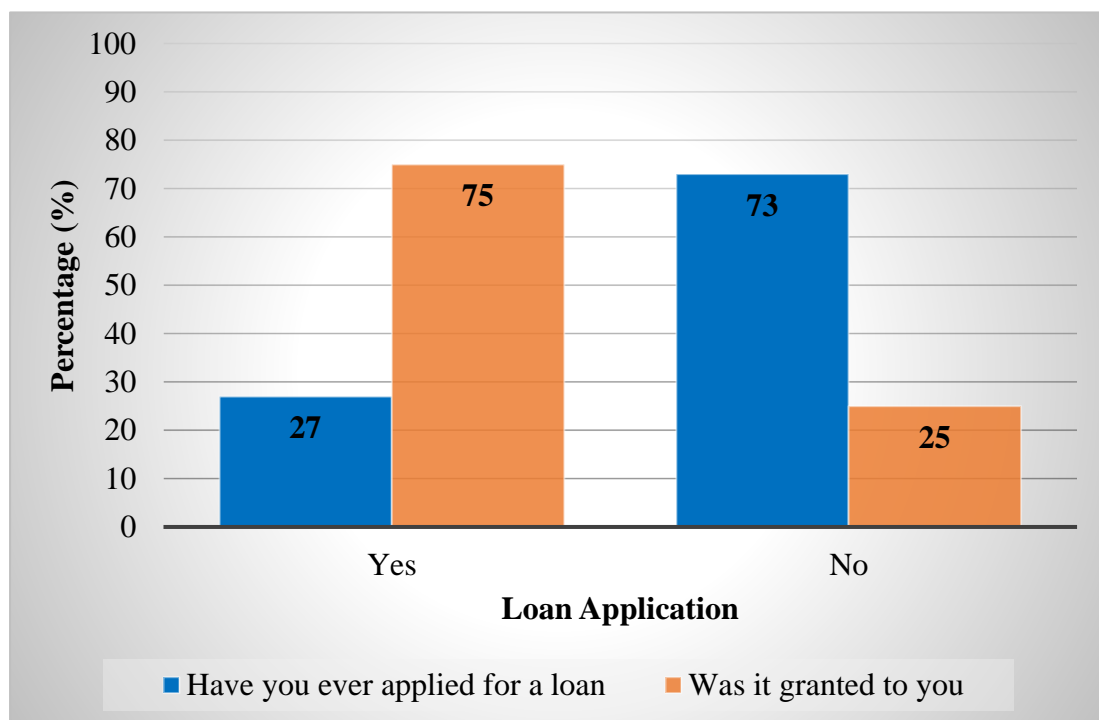
Table 6.8: External Environmental Factors

Question Number	Descriptive		Latent Factor (Principal Component) Coefficient
	Mean	Std. Deviation	
D4.1.1	3.26	1.14	0.039
D4.1.2	3.13	1.00	0.774
D4.1.3	3.04	1.34	0.379
D4.1.4	3.29	1.10	0.021
D5.1.5	3.64	0.83	0.805
D4.1.6	3.23	1.10	0.572
Cronbach's Alpha 0.329			
% of total variation accounted for by latent factor 28.70			

6.5.3.1: Test of Research Objective Three with Binary Scale Questions in the Questionnaire

The binary questions were formulated to access information in the areas of finances and loans. Question 4.2 attempted to retrieve information from the SMMEs on experiences about access to finance. In question 4.2.3, respondents were asked to comment on experiences on loan applications, while question 4.2.4 requested respondents to provide information regarding the means for financing their businesses. Question 4.2.5 dealt with information regarding the extent to which finance is limited to SMME owner-managers of Msunduzi Municipality. The questions under the binary scale addressed challenges related to access/application of loans and sources/limitations of finance. Results in Figure 6.9 show that only 25% of the respondents had applied for a loan and 75% of respondents were granted the loan applied for.

Figure 6.9: Loan as a Measure of External Environmental Factors



6.5.3.2 Reasons for Refusal of Loans

As indicated in Table 6.9, for those who were refused access to finance, the leading reasons for such refusals were: not having a sound business plan (30.30%), a lack of a vibrant market (30.30%), inadequate collateral (24.24%) and a lack of credit history (24.24%).

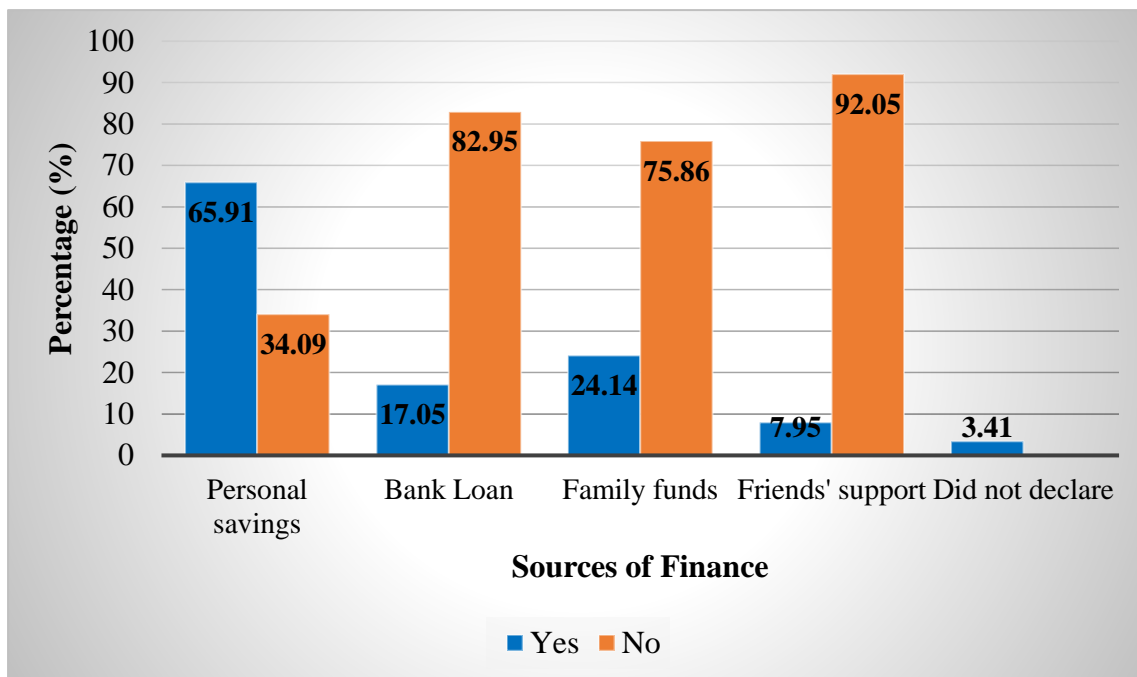
Table 6.9: Reasons for Loan Refusal

ACCESS TO FINANCE: I was refused finance because of:		Yes	No
Business location	frequency	5	26
	%	16.13	83.87
Inadequate collateral	frequency	8	25
	%	24.24	75.76
Lack of credit history	frequency	8	25
	%	24.24	75.76
Not having a sound business plan	frequency	10	23
	%	30.30	69.70
Poor market research	frequency	4	29
	%	12.12	87.88
Absence of viable business idea	frequency	5	28
	%	15.15	84.85
Lack of access to vibrant market	frequency	10	23
	%	30.30	69.70
Did not declare	frequency	2	28
	%	6.67	93.33

6.5.3.3 Sources of Finance

As a follow-up to Research Objective three, the researcher framed six questions aimed at eliciting information on the sources of finance, and this was done under question 4.2.4. This question asked respondents about their sources of finance, and they were given options to choose from. The options included personal savings, bank loan, family funds, and friend's support. Figure 6.10 shows that there is a variety of sources of finance available to the various businesses studied. The order of the ranking of the sources of finance is personal savings 65.91%, bank loan 17.05%, family funds 24.14%, friends' support 7.95% and 3.41% did not declare.

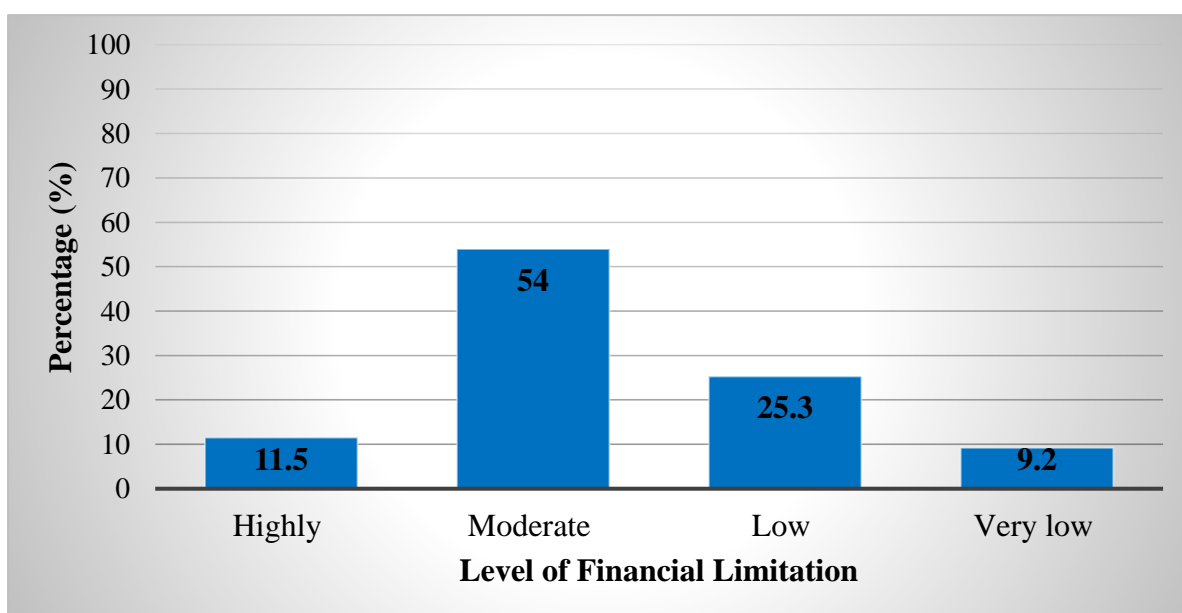
Figure 6.10: Sources of Finance



6.5.3.4 Financial Limitations

To assess how finance is limited to SMME owner-managers, the researcher framed one question with four answer options to choose from (Figure 6.11). This was Question 4.2.5 and the options were high, moderate, low and very low. Results in Figure 6.11 show that most businesses have a moderate financial limitation (54.0%) with 25.3% having low limitations, 9.2% having very low limitations and 11.5% having high limitations.

Figure 6.11: Level of Financial Limitation



6.5.4 Test of Research Objective Four: To determine the perceptions of SMMEs regarding government support

In testing Research Objective four, questions with answers in a Likert-scale were asked. Question 5.1 (E5.1.1, E5.1.2, E5.1.3 and E5.1.4) requested information about the perceptions of respondents regarding government support. The findings revealed that 50.6% of the respondents are aware of government support institutions, 41.6% indicated that their business needs government intervention to grow, 32.2% highlighted that government taxes hinder business growth, and 20% strongly agreed that it is generally easy to get access to government support insitutions. The results are presented in Table 6.10.

Table 6.10: Perceptions of SMMEs Regarding Government Support

GOVERNMENT POLICIES		Frequency Distribution					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/ Strongly Agree
E5.1.1 My business needs government intervention to grow	Count	8	25	19	25	12	41.6
	%	9.0	28.1	21.3	28.1	13.5	
E5.1.2 It is generally easy to get access to government support institutions	Count	12	41	19	14	4	20.0
	%	13.3	45.6	21.1	15.6	4.4	
E5.1.3 I am aware of the government support institutions	Count	4	28	12	37	8	50.6
	%	4.5	31.5	13.5	41.6	9.0	
E5.1.4 Government taxes hinder my business growth	Count	3	24	34	15	14	32.2
	%	3.3	26.7	37.8	16.7	15.6	

Table 6.11 provides further results on the perceptions of SMMEs regarding government support.

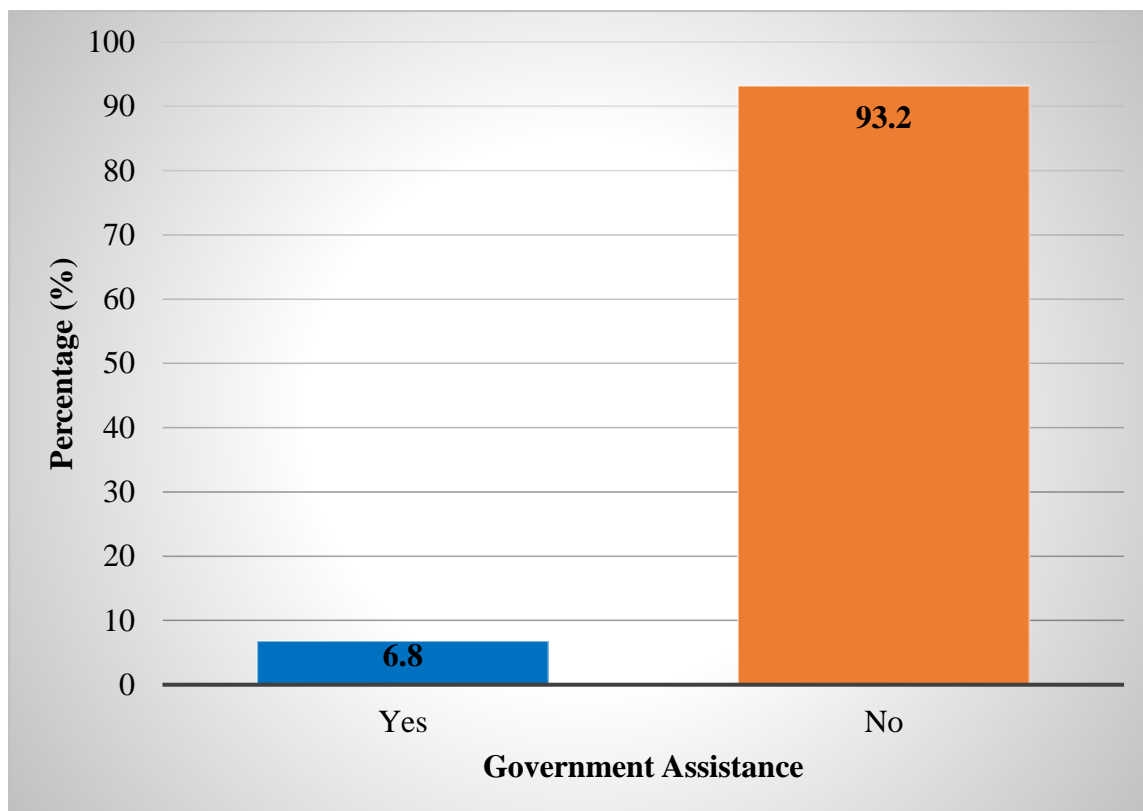
Table 6.11: SMMEs and Government Support

Question Number	Descriptive		Latent Factor (Principal component) Coefficient
	Mean	Std Deviation	
E5.1.1	3.09	1.21	0.494
E5.1.2	2.52	1.05	0.777
E5.1.3	3.19	1.12	0.351
E5.1.4	3.14	1.09	0.628
Cronbach's Alpha 0.321			
% of total variation accounted for by latent factor 34.13			

6.5.5 Test of Research Objective Five: To determine the level of awareness from SMMEs regarding government support structures

In addressing Research Objective five, the researcher used Likert-scale and binary scale questions. Questions for research objective five attempted to provide information about the awareness of SMMEs regarding government support structures. The questions are 6.1 and 6.2. Figure 6.12 shows that most respondents (93.2%) have never received government support, while only (6.8%) have received good support.

Figure 6.12: Assistance from Government



The results in Figure 6.13 show that 38.9% respondents were not satisfied with the government support, while 27.8% were poorly satisfied with the government support, 22.2% were satisfied with the government support and 11.1% were very satisfied with the government support.

Figure 6.13: Levels of Satisfaction with Government Support

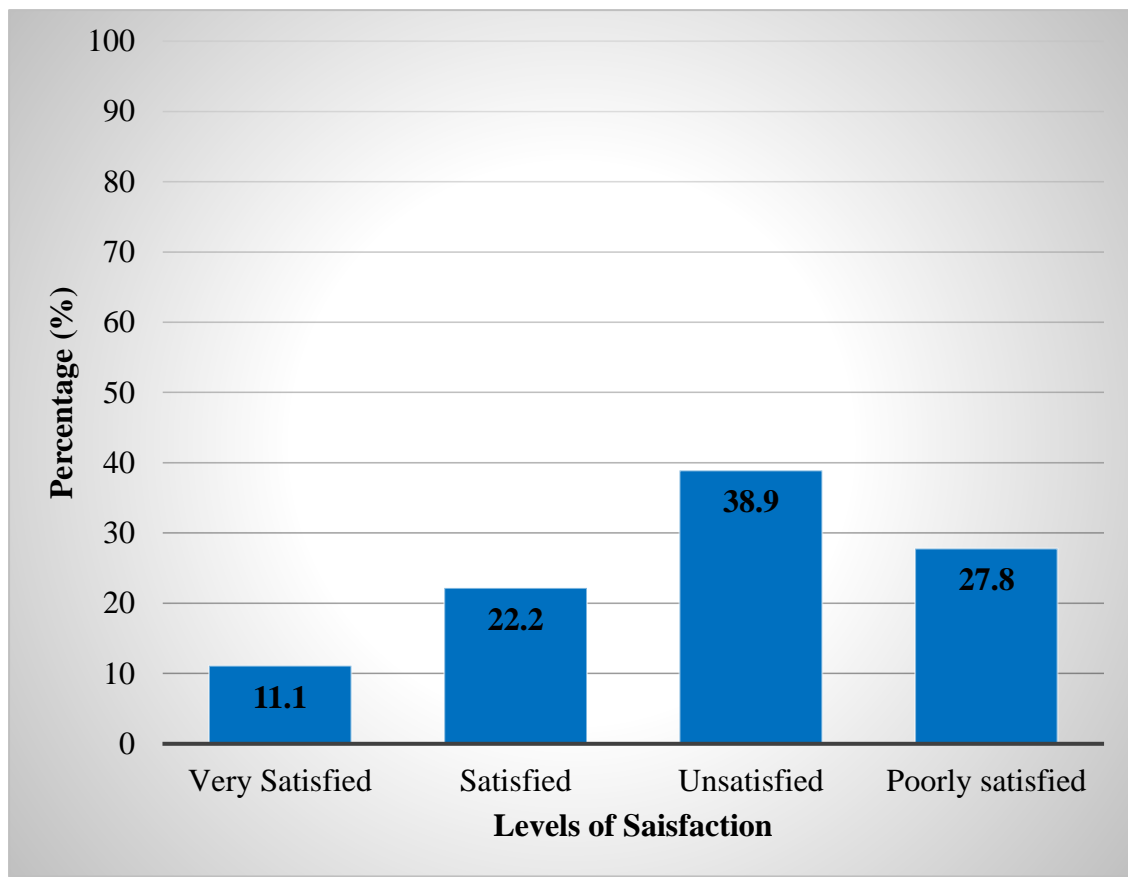


Figure 6.14 shows the government agency or department that the respondents were aware of. The most frequent one is the Umsobomvu Youth Fund 63.75%, followed by the Department of Small Business Development 56.25%, and the Department of Trade and Industry 45%.

Figure 6.14: Awareness of Government Agency or Departments

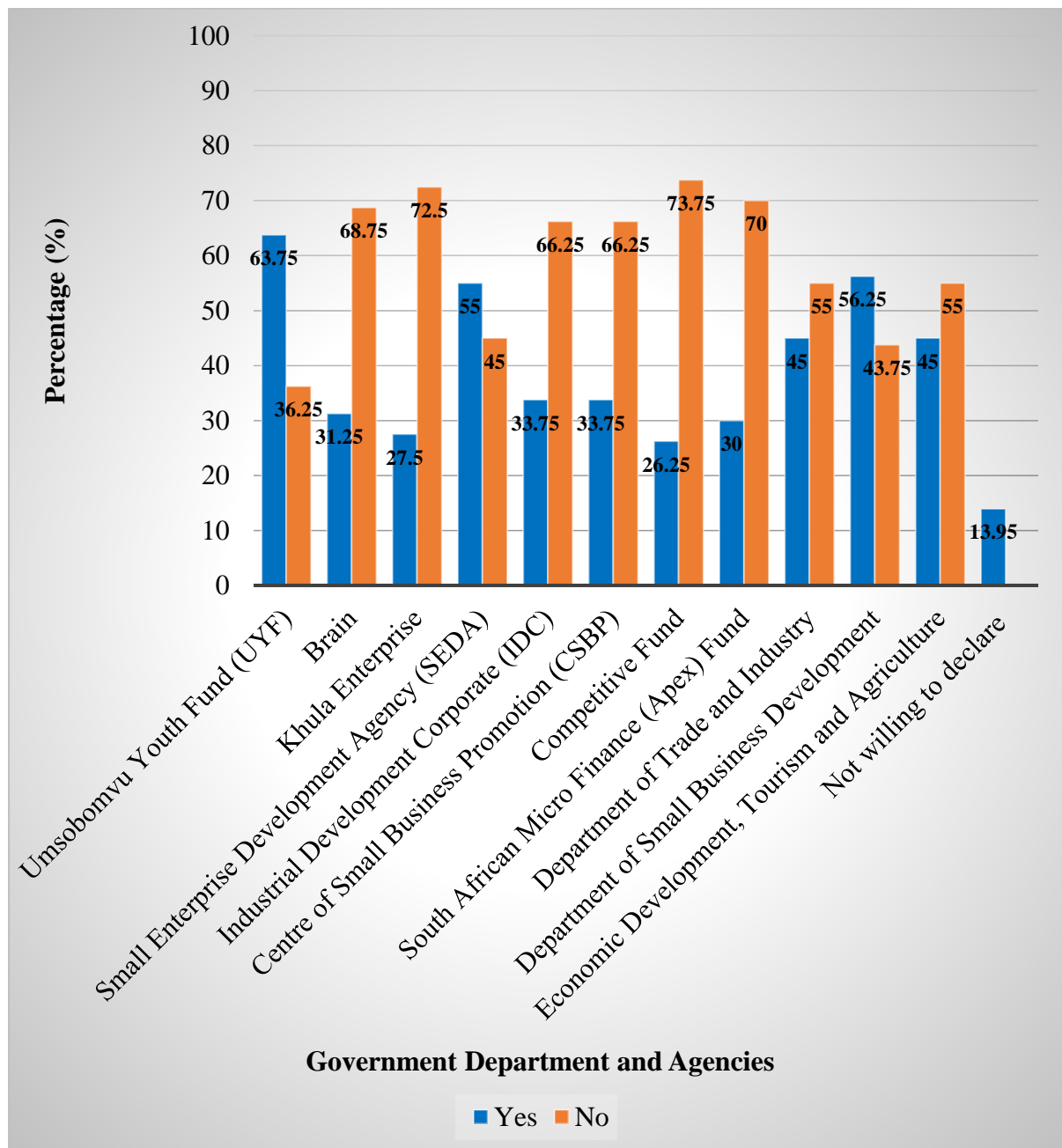
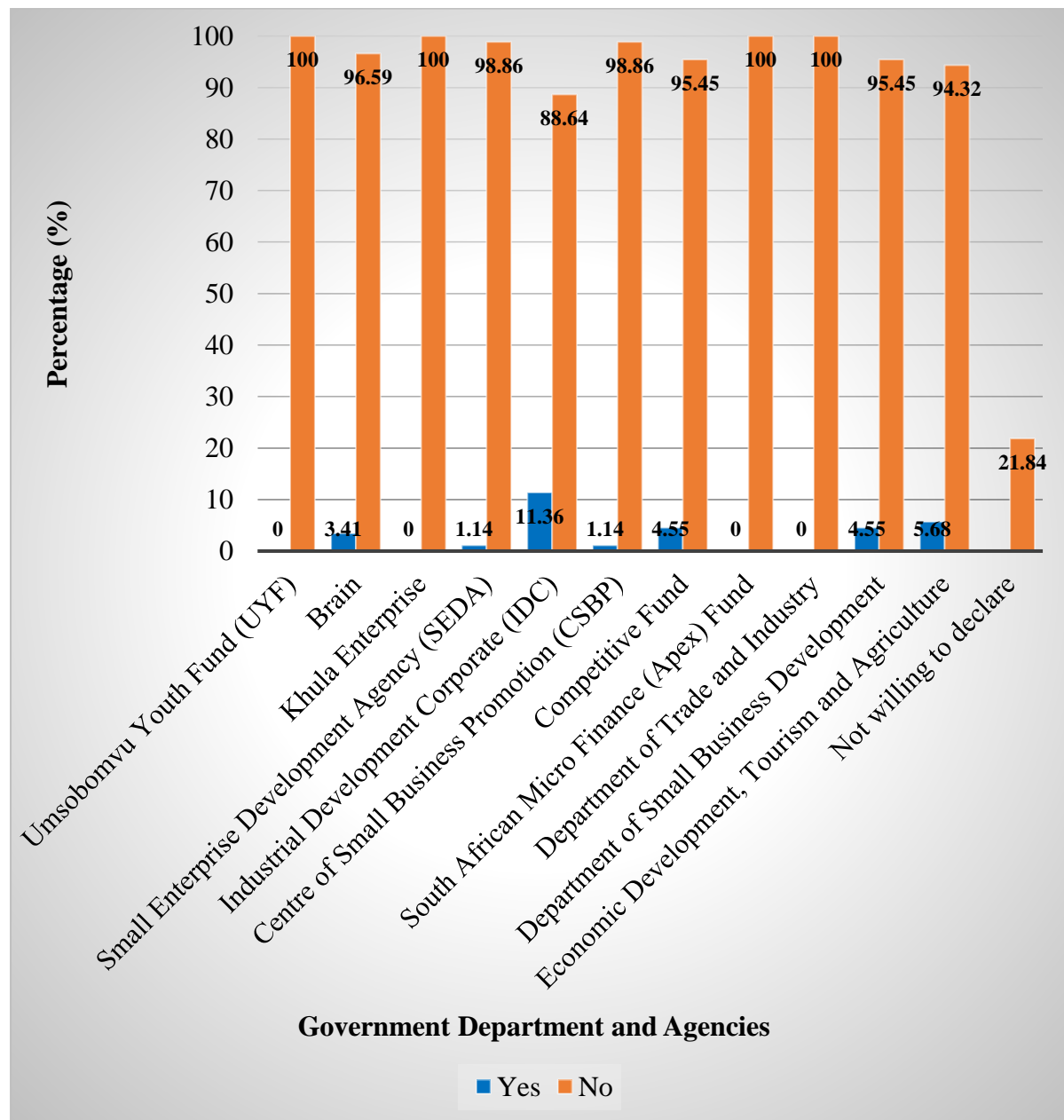


Figure 6.15 indicates the departments or agencies that respondents have made use of. The three most used were the Industrial Development Corporation 11.36%, Department of Economic Development, Tourism and Agriculture 5.68% and the Department of Small Business Development 4.55%. This shows that many respondents are aware of the agencies and departments, but they have not made use of them.

Figure 6.15: Government Departments or Agencies Used



6.6 The Test of Research Hypotheses

The researcher formulated five hypotheses and applied inferential statistics for testing. The reasons for having hypotheses was because the researcher wanted to test the relationship between the variables presented in the conceptual framework. Primary data was collected from SMMEs operating in the formal sector within the Msunduzi Municipality. All primary data was captured on SPSS Version 24. The researcher captured the data to ensure the accuracy of data entry, missing values, outliers and normalities. The research hypotheses tested are:

H₀: SMMEs in Msunduzi Municipality are growing.

H₁: SMMEs in Msunduzi Municipality are not growing.

H₀: Internal environmental factors have a negative relationship with the growth of SMMEs.

H₂: Internal environmental factors have a positive relationship with the growth of SMMEs.

H₀: External environmental factors have a negative relationship with the growth of SMMEs.

H₃: External environmental factors have a positive relationship with the growth of SMMEs.

H₀: There is a positive perception among SMMEs in Msunduzi Municipality regarding government support.

H₄: There is a negative perception among SMMEs in Msunduzi Municipality regarding government support.

H₀: SMMEs in Msunduzi Municipality are aware of existing government support structures.

H₅: SMMEs in Msunduzi Municipality are not aware of existing government support structures.

6.6.1 Test of Research Hypothesis One

The first hypothesis states that SMMEs in Msunduzi Municipality are growing. The alternative of hypothesis one is that SMMEs in Msunduzi Municipality are not growing.

To test the hypothesis, the researcher used Likert scale questions 2.1 (B2.1.1, B2.1.2, B2.1.3, B2.1.4, B2.1.5, and B2.1.6). These questions were designed to elicit information about SMMEs' growth in Msunduzi Municipality. The researcher used six variables to measure business growth, and those variables are sales, market share, business size, number of employees, assets and output. The latent factor (variable) to represent the construct of business growth was calculated as described in Section 4.3. The descriptive and normality statistics for business growth are presented in Table 6.12. The mean for overall business growth is 3.369 (standard deviation=0.765); which is above the neutral scale of 3.000. This means that in general, the businesses studied have experienced some growth.

Table 6.12: Descriptive and normality test statistics for business growth

Descriptive statistics of Business Growth	Statistic	Std. Error
Mean	3.369	0.082
Median	3.500	
Variance	0.586	
Std. Deviation	0.765	
Skewness	-0.531	0.257
Kurtosis	0.063	0.508
Test of Normality: Shapiro-Wilk		
Statistic	Df	p-value
0.973	88	0.058

6.6.1.1 Test of Normality

The results for the test of normality (Table 6.12) indicate that there is no significant departure from normality on the overall measure of business growth (Shapiro-Wilk's statistic=0.973, df=88, p-value=0.058). Since the assumption of normality is not violated, a variety of statistical tests that depend on this assumption can be used. The statistical tests that can be used include *t*-tests, Analysis of Variance (ANOVA) tests and regression analysis. These tests will be used to verify the effects of various factors on business growth, depending on the scale of the independent variables involved.

Figure 6.16 is the graphical summary of business growth. Figure 6.16 (a) is a histogram of the business growth which shows an approximate normal distribution. Figure 6.16 (b) is a Q-Q plot of business growth. The Q-Q plot shows a linear fit of the normal observed values of business growth against their expected normal scores. A linear fit is an indication that the normal distribution fits the observed variable. This is an affirmation of the suitability of the normal distribution to the latent variable representing business growth.

Figure 6.16: Graphical of Business Growth

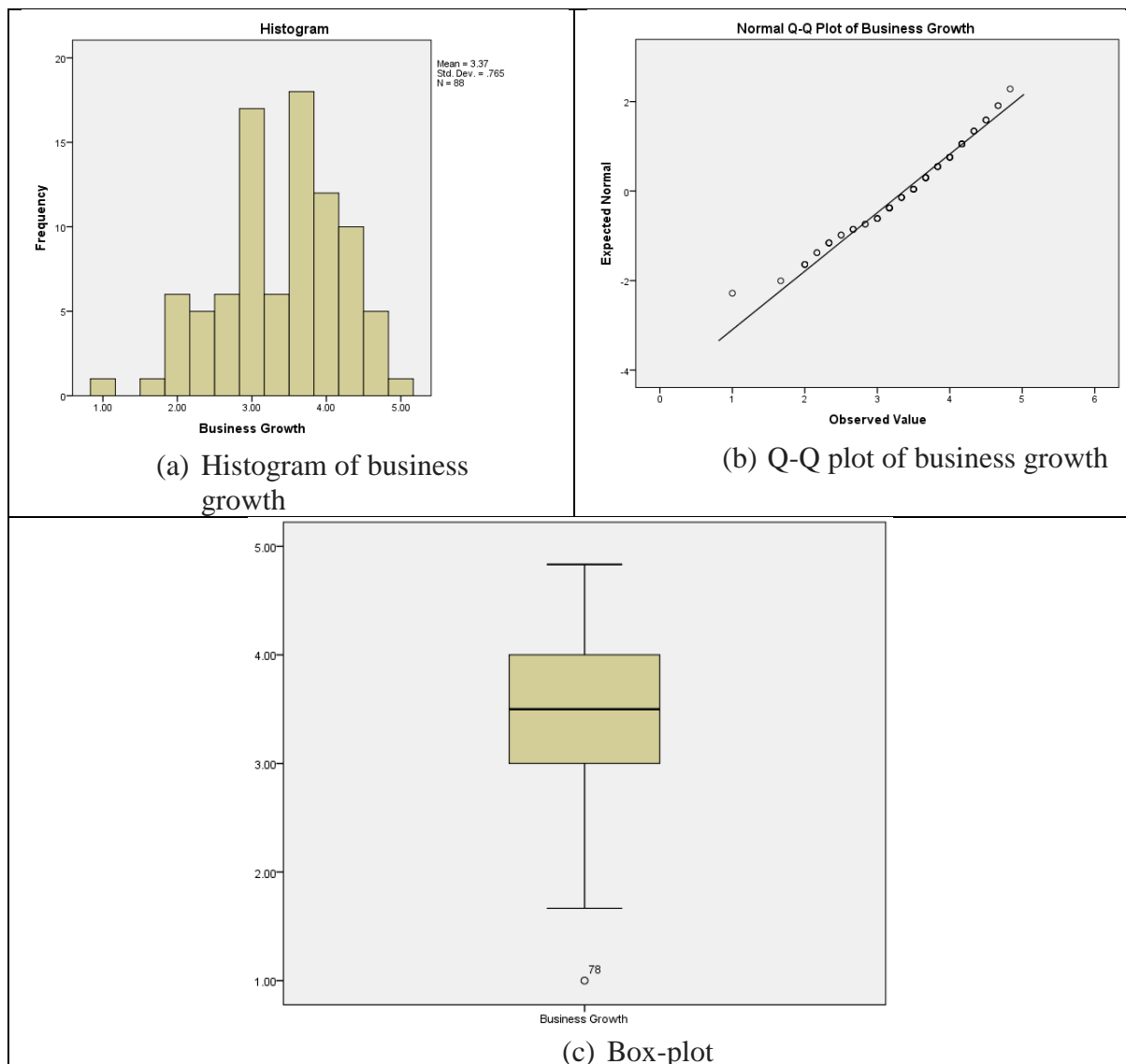


Figure 6.16 (c) is a box plot of business growth which indicate that the variables are symmetric as is expected with a normally distributed random variable.

6.6.2 Test of Research Hypothesis Two

The second hypothesis states that internal environmental factors have a negative relationship with the growth of SMMEs. The alternative of hypothesis two is that internal environmental factors have a positive relationship with the growth of SMMEs.

To tests this hypothesis the researcher used Likert scale questions (3.1): C3.1.1, C3.1.2, C3.1.3, C3.1.4, C3.1.5, and C3.1.6. These questions were designed to elicit information on the effect

of the internal environmental factors on business growth. The researcher used six variables to measure the internal business environment, and those variables are characteristics of an entrepreneur, managerial skills, technology capacities, access to markets, human resource management and financial management. To estimate the relationship among business growth and internal environmental factors, the researcher did a regression analysis: refer to Table 6.13. The regression analysis is defined as a way of mathematically sorting out which of those variables does indeed have an impact (Creswell, 2013). According to Sekaran and Bougie (2016), if the value of a regression analysis for a study is found at above 0.875, it means there is a positive relationship between the variables tested. Similarly, the value of regressions analysis at less than 0.575 shows that there in a negative relationship between variables tested. The value of regression analysis for H₂ is only 0.273 which means that internal environmental factors affect only 27.3% of business growth. This implies that there are other factors that affect business growth. Such factors, which include external environmental and government factors are presented later in this chapter. However, the regression results presented in Table 6.13 show that internal environmental factors significantly impact on business growth (coefficient = 0.645, $t = 5.645$, $p\text{-value} < 0.001$).

Table 6.13: Regression Analysis Results for Business Growth on the Internal Environmental Factors

Dependent Variable: Business Growth	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.878	0.446		1.967	0.052
Internal factors	0.645	0.114	0.522	5.645	<0.001
R-Square = 0.273					

The results in Table 6.13 show that a unit change in internal factors when measured on the five-point Likert scale, resulted in a change of 0.645 in business growth. Since the binary scale factors were categorical (yes/no) variables and business growth is a scale variable, t -tests were used to test for effects of internal factors on business growth.

Table 6.14: *T*-test for the Effects of Internal Environmental Factors on Business Growth

Dependent Variable: Business Growth		Descriptive Statistics			<i>t</i> -tests			
		N	Mean	Std. Dev.	<i>t</i>	df	p-value	Comment
Location hinders my business from having access to markets	Yes	22	3.40	0.81	0.281	77	0.780	Not significant
	No	57	3.35	0.74				
Business size hinders my business from having access to markets	Yes	25	3.46	0.76	0.776	77	0.440	Not significant
	No	54	3.32	0.76				
Capital hinders my business from having access to markets	Yes	34	3.25	0.80	1.208	77	0.231	Not significant
	No	45	3.45	0.72				

According to Sekaran and Bougie (2016), *T*-tests are used to compare two population means and determine the distributions that are normally distributed. Furthermore, Creswell (2013) states that *T*-tests can be used when the sample size is small, the population standard deviation is unknown, the researcher can assume that the two groups are drawn from a normal distribution and the data is on an interval scale. The significance level for any given hypothesis test is a value which a p-value less than or equal to is considered statistically significant. Typical values are 0.1, 0.05, and 0.01. These values correspond to the probability of observing such an extreme value by chance. The results in Table 6.15 show that none of the binary coded internal factors had any significant effect on business growth (all p-values > 0.05).

Table 6.15: Binary coded internal factors

Dependent Variable: Business Growth		Descriptive Statistics			t-tests			
		N	Mean	Std. Dev.	t	df	p-value	Comment
Whats hinders my business from having access to markets?	Yes	5	3.27	0.42	0.293	77	0.771	Not significant
	No	74	3.37	0.77				
Do you have any accounting related qualification?	Yes	22	3.43	0.85	0.440	86	0.661	Not significant
	No	66	3.35	0.74				
Do you do all the cash control for your business?	Yes	64	3.43	0.76	1.158	86	0.250	Not significant
	No	24	3.22	0.77				
Do you see a need for the business to hire someone to assist with cash management?	Yes	37	3.44	0.70	0.751	86	0.455	Not significant
	No	51	3.32	0.81				

6.6.3 Test of Research Hypothesis Three

The third hypothesis states that external environmental factors have a negative relationship with the growth of SMMEs. The alternative of hypothesis three is stated below:

H₃: External environmental factors have a positive relationship with the growth of SMMEs.

To tests this hypothesis the researcher used Likert scale questions (4.1) D4.1.1, D4.1.2, D4.1.3, D4.1.4, D4.1.5, and D4.1.6). These questions were designed to elicit information on the effect on external environmental factors on business growth. The researcher used six variables to measure external factors, and those variables are government regulations, access to finance, high competition, high taxes, costs of production and investment in technology. In order to estimate the relationship between business growth and external environmental factors, the researcher did a descriptive analysis refer to Table 6.12. The test for the effects of the Likert-scaled external environmental factors on business growth was done using descriptive analysis as the conditions are similar to those of the internal factors discussed earlier. The regression results presented in Table 6.16 show that external environmental factors do not significantly

impact on business growth (coefficient = 0.220, $t = 1.399$, $p\text{-value} = 0.166$). The R-square value is only 0.023 (2.3%), which means that external environmental factors have an insignificant impact over business growth. This implies that there are other factors that affect business growth.

Table 6.16: Regression Results' Analysis Results for External Factors on Business Growth

Dependent Variable: Business Growth	Unstandardised Coefficients		Standardised Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	4.495	0.468		9.608	0.000
Government Policy	-0.364	0.148	-0.259	-2.458	0.016
R-Square = 0.067					

The test for the effects of the Likert scaled external environment factors on business growth can be done using regression analysis as the conditions are similar to those of the internal factors discussed earlier. The regression results presented in Table 6.17 show that, external environment factors do not significantly impact on business growth (coefficient=0.220, $t=1.399$, $p\text{-value}=0.166$).

Table 6.17: Test for the Effects of External Environmental Factors (Binary Scaled Ones) on SMME Business Growth

Dependent Variable: Business Growth	Unstandardised Coefficients		Standardised Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	2.639	0.519		5.087	0.000
External factors	0.220	0.157	0.153	1.399	0.166
R-Square = 0.023					

Table 6.18: T-test and ANOVA Tests for the Effects of Finance on Business Growth

Dependent Variable: Business Growth		Descriptive Statistics			t-tests			
		N	Mean	Std. Dev.	t	df	p-value	Comment
Have you ever applied for a loan?	Yes	23	3.26	0.79	-0.712	85	0.479	Not significant
	no	64	3.39	0.75				
I have been financing my business using personal savings.	yes	57	3.48	0.72	1.916	84	0.059	Significant at the 10% level
	no	29	3.15	0.83				
I have been financing my business using a bank loan.	yes	14	3.36	0.46	-0.068	84	0.946	Not significant
	no	72	3.37	0.82				
I have been financing my business using family funds.	yes	21	3.37	0.98	-0.090	83	0.928	Not significant
	no	64	3.38	0.70				
I have been financing my business using friends' support.	yes	7	3.45	0.78	0.292	84	0.771	Not significant
	no	79	3.36	0.78				
Not willing to declare	yes	3	2.83	0.73	-1.227	84	0.223	Not significant
	no	83	3.39	0.77				
Dependent Variable: Business Growth		Descriptive Statistics			ANOVA-test			
		N	Mean	Std. Dev.	F	df	p-value	Comment
To what extent is finance limited to your business?	Highly limited	10	3.28	0.58	0.355	3, 81	0.785	Not significant
	Moderate limited	45	3.45	0.71				
	Low Limited	22	3.34	0.85				
	Very low limited	8	3.19	1.18				

6.6.4 Test of Research Hypothesis Four

The fourth hypothesis states that there is a positive perception among SMMEs in Msunduzi Municipality regarding government support. The alternative of hypothesis four is stated below:

H₄: There is a negative perception among SMMEs in Msunduzi Municipality regarding government support.

To tests this hypothesis the researcher used Likert-scale questions 5.1 E5.1.1, E4.1.2, ED.1.3 and ED.1.4). These questions were designed to elicit information about the perceptions that

SMMEs have on government support. The test for the effects of the Likert-scaled government factors on business growth was done using regression analysis as the conditions are similar to those of the internal and external factors discussed above. The regression results presented in Table 6.20 show the perceptions of SMMEs regarding government support significantly impact on business growth (coefficient = -0.364, $t = -2.458$, p-value = 0.016). The negative coefficient (-0.364) indicates that negative perception towards government support impacts on business growth. The R-square value of 0.067 (6.7%) show that government policy contributes to a small percentage of business growth albeit significant. There must be other drivers of business growth as the factors discussed so far do not explain 100% of the business growth. Such factors could be a focus for future studies.

Table 6.19: Perceptions of SMMEs on Government Support

GOVERNMENT POLICIES		Frequency Distribution					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	% Agree/ Strongly Agree
E5.1.1 My business needs government intervention to grow	Count	8	25	19	25	12	41.6
	%	9.0	28.1	21.3	28.1	13.5	
E5.1.2 It is generally easy to get access from government supporting institutions services	Count	12	41	19	14	4	20.0
	%	13.3	45.6	21.1	15.6	4.4	
E5.1.3 I am aware of government support	Count	4	28	12	37	8	50.6
	%	4.5	31.5	13.5	41.6	9.0	
E5.1.4 Government taxes hinder my business growth	Count	3	24	34	15	14	32.2
	%	3.3	26.7	37.8	16.7	15.6	

The test for the effects of the Likert-scaled external environmental factors on business growth was done using regression analysis as the conditions are similar to those of the internal factors discussed earlier. The regression results presented in Table 6.16 show that external environmental factors do not significantly impact on business growth (coefficient = 0.220, $t = 1.399$, p-value = 0.166). The R-square value is only 0.023 (2.3%) which means that external environmental factors have an insignificant impact on business growth. This implies that there are other factors that affect business growth.

Table 6.20: Regression Analysis Results for Perceptions of SMMEs Regarding Government Support

Dependent Variable: Business Growth	Unstandardised Coefficients		Standardised Coefficients	<i>t</i>	p-value
	B	Std. Error	Beta		
(Constant)	4.495	0.468		9.608	0.000
Government Support	-0.364	0.148	-0.259	-2.458	0.016
R-Square = 0.067					

6.6.5 Test of Research Hypothesis Five

The fifth hypothesis states that SMMEs in Msunduzi Municipality are aware of existing government support structures. The alternative of hypothesis five is stated below:

H₅: SMMEs in Msunduzi Municipality are not aware of existing government support structures.

To tests this hypothesis the researcher used Likert-scale questions 6.1, 6.2, 6.3, 6.4. These questions were designed to elicit information about the awareness of SMMEs regarding government support structures. Figure 6.15 on page 84, indicates the departments or agency that respondents have made use of. The three most used are the Industrial Development Corporation 11.36%, Economic Development, Tourism and Agriculture 5.68% and the Department of Small Business Development 4.55%. This shows that most respondents are aware of most agencies and departments, but they have made use of them and there are few departments and agencies that SMMEs are not aware of. Therefore, the researcher rejects the alternative (H₅) and accepts the null (H₀).

6.7 Conclusion

The findings provided in this chapter included general information about the respondents, and results of the data collected about internal environmental factors and external environmental factors affecting the growth of SMMEs. The general information presented an insight into the background of the respondents of the study showing that most of the respondents were males,

Black African and were the owners of the businesses. As far as business growth is concerned, more than half of the respondents indicated (agreed or strongly agreed) that their businesses had experience a steady increase in sales and as far as market share is concerned, below 50 percent indicated that their business market share had expanded. Overall, most respondents are experiencing steady business growth. In addition, in terms of the internal factors, the latent factor to represent internal factors had coefficients which were in the range from 0.575 to 0,745, hence every item contributes evenly to the overall measure of market share. Additionally, government policy factors significantly impact on business growth with the study showing coefficient=-0.364, $t=-2.458$, and $p\text{-value}=0.016$. The negative coefficient (-0.364) indicates that a lack of government policy intervention negatively impacts on business growth. The next chapter provides a discussion of the study results in relation to the literature reviewed.

CHAPTER SEVEN

DISCUSSION OF RESEARCH FINDINGS

7.1 Introduction

The purpose of this chapter is to offer interpretation and to explain the implications of the findings. The function of the chapter is to answer the main research questions posed in Chapter one (How do SMME owner-managers in Msunduzi Municipality perceive the influence of the internal and external environment on the growth of their business?), explain how the results support the answers and, how the answers fit in with the literature review of Chapters three and four. A brief overview of the research objectives will be discussed, followed by an in-depth discussion of the research findings, which is then linked back to the literature study, to validate the research findings.

7.2 Overview of the Research Objectives

The first objective of the study was to determine the growth rate of SMMEs in Msunduzi Municipality. The second objective was to determine the internal environmental factors that hinder the growth of SMMEs in Msunduzi Municipality. The third objective was to determine the external environmental factors hindering the growth of SMMEs in Msunduzi Municipality. The fourth objective was to determine the perceptions of SMMEs regarding government support. The final objective was to determine the level of awareness from SMMEs' regarding government support structures. After discussing the objectives of the study below, recommendations are also provided.

7.3. Research Objective One: To determine the growth rate of SMMEs in Msunduzi Municipality

To test the growth rate of SMMEs in Msunduzi Municipality as a dependent variable in the conceptual framework presented in Chapter 3, Section 3.6, the researcher sourced six variables from the literature that are used to measure business growth. The six variables that the researcher used are: sales, market share, business size, number of employees, business assets and business outputs. Most respondents, namely 65.6%, indicated they have experienced steady business growth. This was accompanied by a Cronbach's Alpha of 0.798 (this means the variables adequately provide a measurement for business growth). The principal components analysis (PCA) used a Latent variable to measure business growth. The PCA

results in Chapter 6, Section 6.5, Table 6.3 show that variables making up business growth have the same impact on business growth given the latent factor coefficients from 0.634 to 0.787. These findings conform to the findings by Motsukunyane (2013), who found that in the Free State province, SMMEs experience growth regardless of the existing internal and external factors that hinder business growth. Growth is not only good for a company but for its employees too, as it gives some sense of direction; and creates opportunities (Ismail and Karlsson, 2013).

7.4 Research Objective Two: To determine the internal environmental factors hindering the growth of SMMEs in Msunduzi Municipality

Discussion on the findings of research objective two covers information on the internal factors concerning management skills, technology, market share, entrepreneurial characteristics, human resource management and financial management. Findings about factors hindering SMMEs from growing show a positive correlation between business growth and management skills. An overwhelming percentage (88.9%) of the respondents linked effective management skills to competency for running a business. Acquisition of management skills contributes to businesses improvement. The results show that 32.6% of respondents have a certificate or diploma (Section 6.3.4) this means management skills are not the only contributory factors to effectively managing a business, but they play an important role (Ward, 2016; Brijal, *et. al.*, 2013).

These findings conform to the findings by Naiker (2017), who established that the growth of SMMEs is strongly influenced by the degree of management skills. However, the findings are contrary to the findings of Darling (2011), who found that most managers (65%) acknowledge that they lack management skills; therefore, it is a factor that can reflect a lack of business growth. Masutha and Rogerson (2015) suggested that after acknowledging the fact that there is a lack of management skills, business owners or managers need to take steps to address the issue if there is an intention to grow the business, given that there is a strong relationship between management skills and business growth.

Most respondents also believed that entrepreneurial characteristics help the businesses to grow (84.4%). Table 6.4 findings conform to the findings by Blackburn, *et. al.*, (2013) and Sidika (2012), who found a positive relationship between an entrepreneur's characteristics and the growth of the organisation. Another factor by Sidika (2012) revealed that most entrepreneurs

conduct business using natural entrepreneurial characteristics discussed in Chapter four, Section 4.6.1 (the need for achievement, innovativeness, proactive personality, generalised self-efficacy, stress tolerance, need for autonomy, locus of control and risk-taking) (Lee, *et. al.*, 2016; Chavez, 2016). Other authors that have found a positive connection between entrepreneurial characteristics and business growth are Mitchelmore and Rowley (2013).

Findings on factors hindering SMMEs from growing show a positive correlation between business growth and good cash management records (Table 6.4). Data shows that 77.5% of the respondents have good cash management records and 68.5% of the respondents indicated good human resource management. Ironically, 28.4% of the respondents do not have any accounting related skills, while 27.8% of the respondents indicated to be the one who that do all accounting related activities of the firm, while 58.9% do not see a need to hire someone to assist with cash management (Table 6.6). These findings are worth noting since cash management and financial control are key issues to business success.

These findings are similar to those of Salazar (2012), who's study showed that most business owners and managers have a challenge of managing cash and financial control. Some 41.1% of the respondents indicated that they need to hire someone to assist with cash management. These findings are contrary to those of Mungal (2014), who found that business owners prefer to manage finances rather than entrusting the responsibilities to someone. Scholars such as Alkis and Temizkan (2012) and Mungel (2014) suggest that owner-managers should always take note of the existence and importance of cash and financial control. These findings are contrary to the findings of the study by McKenzie and Woodruff (2013); Anderson and Eshima (2013) and Christensen and Raynor (2013) which showed that most entrepreneurs mismanage business resources, through rewarding themselves personally at the expense of business growth.

Findings on factors hindering SMMEs from growth shows a positive correlation between business growth and good cash management records. Similarly, technology innovation is another variable tested against business growth which shows a negative correlation. This study shows that a low percentage of businesses keep up with technology innovations (58.9%) (Table 6.4). These findings are contrary to those of Nguyen *et. al.*, (2015) and Audretsch *et. al.*, (2014) who showed that there is a positive relationship between technology application and the growth of a business. These scholars are of the view that technology innovations can benefit a firm

through: improved efficiency, greater production, profit generation, reduced costs, market and expansion locally and internationally (Nguyen *et. al.*, 2015; Audretsch *et. al.*, 2014).

The findings of this study correspond with previous studies conducted by Sitharam (2014), that technology alone does not lead to business success and business growth. For such to happen, there are other factors that should accompany technology. The scholars also mention that technology innovations can lead to business failure if adopted with a linear model of innovation (Sitharam, 2014). The findings of this study are also similar to those of Schoenmakers and Duysters (2010), which revealed that for technology innovation to yield a positive impact for a firm, there is a need to combine knowledge management capabilities. Failure to do so, will lead to firm failure.

This study also found a lower percentage of respondents who had a sufficient market share (48.9%) (Table 6.4). Okeyo *et. al.*, (2014) mention that entrepreneurs need access to the market for the business to grow. Mutoko (2014) argues that the government should play a positive role in supporting SMMEs to gain market access. Contrary, Gwija, *et. al.*, (2014) counter-argues that it is the responsibility of entrepreneurs to study which markets are growing and the one respondents should enter. In line with the findings of this study, the Bureau for Economic Research (2016:10) mentions that: “The inability for SMMEs to access markets has been noted as one of the major factors threatening business longevity”.

A total of 27.2% of the respondents indicated that business location hinders the access to markets (Table 6.6). These findings are contrary to those of Mutoko (2014), showing that businesses located in rural areas are at a disadvantage compared to urban counterparts. Other findings of the study show that only 30.9% of respondents saw business size as a challenge to gain market access, while 44.4% agreed that capital is limiting the business from having access to markets. These findings conform to a study by Singer, *et. al.*, (2018), highlighting the lack of access to finance as a reason South African SMMEs do not have access to markets. Lowe (in First National Bank, 2015:1) states that: “South Africa’s approach to SME development needs to go beyond providing funding and early-stage mentorship. The country needs to find ways to help SMEs gain access to respective markets and to form part of the broader supply chain. There are a number of successful industries and each should play a major role in promoting SME development”.

7.5 Research Objective Three: To determine external environmental factors hindering the growth of SMMEs in Msunduzi Municipality

Discussion on the findings of research objective three covers information on government regulations, access to finance, high competition, high taxes, cost of production and investment in technology. Findings on factors hindering SMMEs from growth shows a negative correlation between business growth and government regulations. A total of 44.4% of the respondents strongly felt that government regulations hinder firm growth (Table 6.7). There are some regulations that SMMEs do not have to follow or abide by. The results of the study confirm to those of the Deloitte Touche Tohmatsu Limited Survey (2015:1) which state that “55% of global financial services, and executives believe regulation has enabled growth of the business. In addition, half of the executives expect much more regulation soon, with 69% feeling prepared for it”.

These findings are contrary to the views of Knudsen (2013); Kitching *et. al.*, (2015) and Mujinga (2013), who argued that business growth is influenced by the business climate. The findings of the current study are contrary to a previous study done by Darling (2011); International Finance Corporation (IFC, 2013) and Messaoud and Teheni (2014), who reported a high percentage of respondents acknowledging that government policies affect business growth. Moreover, the findings of the study show a huge gap compared to a study conducted by Cant and Wiid (2013), who found that 81.1% of SMMEs are affected by government rules and regulations. According to the findings of the Bureau for Economic Research (2016:9) “Government bureaucracy is one of the major obstacles to entrepreneurial and business activity in South Africa”.

The findings of this study show that only 40% of the respondents saw high competition as a hindrance to firm growth. This could be because businesses sampled in the study are from different sectors (Table 6.7). Olawale and Garwe (2010) mention that each business experiences competition within the distinct industry. It is sometimes difficult to measure competition from businesses that do not belong to one sector. The findings of the study are similar to those of Olawale and Garwe (2010), who reported that few businesses saw competition as a major business challenge. These findings are also closely related to those of Iman (2012), who reported that only 40% of business managers identified competition as a problem.

Iman (2012) argues that one of the reasons SMMEs do not see competition as a challenge is because SMMEs are not able to compete with other firms. Most importantly, Kuchta-Helbling (2000 in Iman 2012:188) conclude that: “The competitiveness of formal businesses is compromised by the fact that informal businesses do not comply with regulations and avoid taxes, which subsequently provides an unfair competitive edge”. This means, in as much as there is competition, it does not come from the formal sector SMMEs but those who operate in the informal sector. The findings of the current study are contrary to the findings of the study done by Cant and Wiid (2013) and Jasra *et. al.*, (2012); who reported competition as a major challenge for SMMEs. Contrary to the findings of this study, Cant and Wiid (2013) report that 75.8% of SMMEs complained about government taxes and that it is a huge challenge to a business. Furthermore, the findings of studies by Danielle and Parnass (2013); Gale and Samwick (2014) and Storey (2016) showed that there is a positive relationship between high taxes and SMME growth.

The reason why most respondents did not see tax as a problem could be that in as much as SMMEs are taxed, the tax rate is not the same as for large firms and that the government allows business turnover. Given the fact that most respondents have been in operation for more than three years, the majority are unable to pay tax. Therefore, one should not see it as a threat, but this only applies to SMME in the formal sector. The findings of this study confirm findings of a previous study by Gill and Biger (2012), which shows that the challenges faced by small businesses are those related to tax. The researchers found that there are many challenges that face small businesses, but high taxes were not seen as a hindrance to business growth. According to SARS (2018), this could be so, given that government has an exception for small businesses when it comes to taxes. Moreover, a statement from Mahlanza (2011:68) supports the findings of this study: “Some respondents indicated that compliance with tax regulations had a positive impact on business operations”.

Findings on factors hindering SMMEs from growth shows a negative correlation between business growth and cost of production. The results of the current study show that 63.2% (Table 6.7) of respondents saw the cost of production as having a negative impact on business growth. Bridge and O’Neill (2012) are of the view that the cost of production can be caused by the central location of production sources. A survey by the Bureau for Economic Research (2016) supported the claim that the cost of production causes a threat to the growth of SMMEs. The conclusion from the report is that some businesses are too dependent on the production

outcome of other countries for business survival. However, Urban and Naidoo's (2012) findings offered a contrary view in that the cost of production does not hinder SMMEs much from growing.

Findings on factors hindering SMMEs from growth shows a positive correlation between business growth and investment in technology. Almost half (48.9%) (Table 6.7) of the respondents reported investing in technology and believes it is a major contributor to business growth. The findings conform to those of Curran and Storey (2016), who concluded that it is important to invest in technology nowadays; it plays an important role in the growth of a firm. Firms that are struggling to survive, would probably not invest much in technology, as other factors are a priority.

Findings on factors hindering SMMEs from growth shows a positive correlation between business growth and technology. A total of 51.1% (Table 6.7) of the respondents see technology as a crucial factor, but do not have sufficient capital to invest in it. This is similar to an assertion made by Curran and Storey (2016), who mentioned that SMMEs should invest in technology to accelerate business growth. South African SMMEs are missing out as: "The study of 4 000 SMMEs in the US, Germany, China, India and Brazil found that entrepreneurs who were early technology adopters increased their annual revenues 15% faster than competitors" (Oxford, 2015). Ghobakhloo, *et. al.*, (2012) concluded that for those who do not have access to finance, it will be difficult to invest in technology. Bouazza (*et. al.*, 2015), argued that innovative firms have more chances of growing faster than traditional start-up businesses. In addition, Bouazza *et. al.*, (2015) reported that South African SMMEs are not innovative when compared to developed countries because the latter invest in technology.

Results on factors hindering SMMEs from growth shows a positive correlation between financial access and technology investment, business growth and technology. The findings by Wiese (2014) showed that there is a link between financial access and technology investment. The findings support this study in that it showed few SMMEs have an interest in technology. However, the findings of the study are contrary to the findings of Cant and Wiid (2013), who found that technology is important for firm growth. A suggestion from Singer, *et. al.*, 2018 stated that the government should play a positive role in research and development (R&D) by fostering innovation, and evaluating the relationship between domestic and foreign knowledge-intensive firms. The findings of the current study on finance shows that finance is not much of

a setback for SMME growth. Almost half (42.2%) of the respondents stated that finance does not hinder business growth, and (54.0%) (Table 6.11) of the respondents rated finance as being a moderate limit to business growth. These findings conform to a survey done by Sitharam (2014), who found that only 18% of respondents reported a lack of access to finance as a challenge to business growth. However, the findings are contrary to a study done by Cant and Wiid (2013), which suggests that business growth is highly affected by a lack of finance. Other authors who found contrary results are Bouazza *et. al.*, (2015); Ismail and Karlsson (2013) and Iman (2012).

Results on factors hindering SMMEs from growth show a negative correlation between loan application and business growth. A few respondents (27.0%) (Figure 6.9) have applied for a loan and most of them (75.0%) were granted the loan. This could explain why there was a low response about finance being a challenge. These findings are in line with the findings of Sitharam (2014) that one of the reasons SMMEs find finance difficult is because a few apply for financial loans. Contrary to this study are the findings by Rocha, Farazi, Khouri and Pearce, 2011 as cited in Bouazza (*et. al.*, 2015), who argued that access to finance continues to be a hindrance to businesses until government and financial institutions start offering financial support to SMMEs. The reasons why most respondents were refused finance were the lack of access to a vibrant market (30.3%), not having a sound business plan (30.3%) (Table 6.9) and inadequate collateral (24.24%). These findings are supported by those of Singer, *et. al.*, (2018) which show that most businesses are refused finance for not having a business plan, and poor market research.

Findings on factors hindering SMMEs from growth show a positive correlation between finance and business growth. Most respondents (65.91%) (Table 10) reported that they used personal savings to finance the business. Nkonde (2012) mentioned that due to financing institutions refusing to lend finance to SMMEs, owner-managers end-up using personal savings. According to the Bureau for Economic Research (2016:7): “Limitations of access to finance for SMMEs are very common. Given the highly conservative nature, South African banks and lenders are more inclined to put resources in small businesses in the later stages of development and are less likely to lend to start-up SMMEs”.

7.6 Research Objective Four: To determine the perceptions of SMMEs regarding government support

Findings on the perceptions of SMMEs regarding government support structures show a negative correlation with business growth. The findings of the study show that a significant percentage (41.6%) of the respondents require government intervention strategies for business improvement. Such strategies emanating from the findings 0.067 (6.7%) (Table 6.10) that government policy contributes to business growth. The finding of the study is further supported by the inferential statistics which show that the regression results presented in Table 6.12 show that the perceptions of SMMEs regarding government support significantly impact on business growth (coefficient = -0.364, $t = -2.458$, $p\text{-value} = 0.016$). The negative coefficient (-0.364) indicates that negative perception towards government support impacts on business growth. The R-square value of 0.067 (6.7%) show that government policy contributes a small percentage of business growth albeit significant. From the discussion, it shows that there are other factors that drives business growth, because the one discussed do not explain 100% about business growth.

The findings of this study show that 41.6% of the respondents indicated that they need government interventions for their businesses to grow (Table 6.15). These findings are supported by the findings of Nkonde (2012), with 43.4% of SMME owner-managers indicating a need for the government to assist their businesses to grow. A study by Darling (2011) shows that in as much as the majority of SMMEs have indicated that they do not see a need for the government to assist, those who do get assistance from the government tend to enjoy the benefit of fast business growth. Iman (2012) revealed that there is a need for government intervention to accelerate business growth. The majority of SMMEs that indicated a need for government interventions are in the declining stage; thus, government intervention may change their current business state.

The current study shows that (20%) of the respondents indicated that it is generally easy to get access to governments' supporting institutions' services (Table 6.15). These findings support those of Nkem and Olugu (2012) and Iman (2012) whose findings show that the government is willing to assist SMMEs, but processes make it difficult for SMMEs to benefit from them. In addition, 6.8% of respondents have received government support; while (93.2%) have never received any government support. This shows the low levels of assistance to SMMEs which

may be linked to a lack of information on the organisations that are established and available to assist SMMEs. Most SMMEs in South Africa are not aware of government efforts that are in place to assist them.

7.7 Research Objective Five: To determine the level of awareness from SMMEs regarding government support structures

Findings on the perceptions of SMMEs regarding government support show a positive correlation between SMMEs' awareness and business growth (Figure 6.12). Some 50.6% of the respondents indicated being aware of government support structures, but they are not using the kind of support they are aware of. Friedman (2011) pointed out that being aware of government help alone does not help SMMEs in any way, but owner-managers should use the government. The findings of the current study are supported by those of Ihugba, Odii and Njoku (2014), who found that a fair number of SMMEs are aware of government help, but only a few has made use of them. Mason and Brown (2014) and Greene (2012) argued that government policy has a positive relationship with the growth of SMMEs. The view is supported by the findings of Peters and Naicker (2013), who revealed that most SMMEs are aware of government support, but only a few use it. Among those who have used government support, a few indicated that they are very satisfied with the support they received, while others were poorly satisfied. This creates a need for government support structures to improve services. One could argue that this could be one of the reasons why most SMMEs do not use government support.

The well-known government support structures are the Umsobovu Youth Fund (63.75%), the Department of Small Business (56.25%) and the Small Enterprise Development Agency (55%) (Figure 6.14). Peters and Naicker (2013) are of the view that most government support structures should have more outreach programmes; for businesses to be aware of them. Contrary, the Department of Tourism and Economic Development (2017) mentions that the government has sufficient outreach programmes, but SMME owner-managers do not show an interest to use the structures. The findings also reveal that the Industrial Development Corporation is one government structure that respondents are using.

7.8 Discussions on the Overall Findings

This study used the conceptual framework discussed in Chapter 3, Section 3.7. which is made-up of dependent, independent and moderating variables. The dependent variables are SMME

growth or business growth, while the independent variables are internal and external environmental factors. The moderating variables are SMMEs' awareness and perceptions regarding government support. The researcher tested all the variables which were the dependent variable, independent variable and moderating variables. The results of this study show that SMMEs in Msunduzi Municipality are growing. Furthermore, in terms of the independent variables (internal and external factors), the findings show that internal factors affect the business, while the findings also show a negative relation between business growth and external factors. These results should be interpreted carefully, because in as much as the independent results may not affect business growth, few sub-variables affect small portions of business growth. This study also found that negative perceptions affect business growth. Most SMMEs are aware of government support, but have not used it.

7.9 Test of Research Reliability

To ensure the reliability of the study, the researcher used Cronbach's alpha (coefficient) statistics to ensure that all variables contained in the questionnaire are reliable. This study used Cronbach's alpha to find the level of reliability for the information in the questionnaire, given that the average correlation of variables found in a test was standardised. Sekaran and Bougie (2013) are of the view that if the variables are not standardised, the test is built upon the average covariance within the variables. A pilot study was used to assess how consistent the results are or if there was a need to increase the sample. The reliability results for this study were 0.74. According to Kothari (2008), a Cronbach's alpha of 0.7 to 0.8 is acceptable reliability.

7.10. Conclusion

The findings in this study provided much awareness and an understanding into the many factors affecting the growth of SMMEs in Msunduzi Municipality. The research study and literature discussion have revealed several key findings. Many factors have been identified as factors affecting the growth of SMMEs. The results revealed that internal environmental factors significantly impact on business growth (coefficient=0.645, $t=5.645$, $p\text{-value}<0.001$), while external environmental factors do not significantly impact on business growth (coefficient=0.220, $t=1.399$, $p\text{-value}=0.166$). Furthermore, the results of this study also show that negative perceptions among SMMEs hinder business growth. No other variable was found to be associated with the growth of SMMEs in Msunduzi Municipality. Based on these findings, the next chapter outlines the conclusions drawn and recommendations suggested.

CHAPTER EIGHT

SUMMARY, CONCLUSION AND RECOMMENDATIONS

8.1 Introduction

The previous chapter provided a discussion of the results which were analysed in line with the research objectives of this study. The researcher discussed the findings of the study based on responses that emerged from the data, and the discussion was linked to the literature reviewed earlier in Chapter Four. This chapter outlines the conclusions based on the findings of the study. The researcher provides recommendations to different stakeholders and for future studies. The focus of this study was SMMEs operating in the formal sector of Msunduzi Municipality. The main objective of this study was to obtain a deeper understanding of the factors that hinder the growth of SMMEs in Msunduzi Municipality.

8.2 Summary of Chapters

This dissertation was made-up of eight chapters and the summary of each chapter is presented in this section.

8.2.1 Summary of Chapter One

This Chapter shows that entrepreneurship plays a crucial role in the development of any country. Most importantly when it comes to the poverty alleviation, employment creation and GDP. The Chapter further stated that the failure rate of SMMEs keep increasing and some of the reasons are due to both internal and external environmental factors. Chapter one provided an introduction and overview of the study, the background of the study and statement of the research problem. It also provided research questions, research objectives and hypotheses.

8.2.2 Summary of Chapter Two

This chapter shows that entrepreneurship continues to grow and contributes significantly to the growth and development of the Msunduzi Municipality. To enhance growth, the local government has different goals and strategies targeted at enhancing SMMEs. Chapter two discussed the background of Msunduzi Municipality, it further provided the socio-economic profile, the economic status, employment and unemployment outlook and poverty, inequality of Msunduzi Municipality.

8.2.3 Summary of Chapter Three

Chapter three covered relevant literature on the origin of SMMEs and provided a theoretical framework. The South African small business environment and challenges that small businesses face were also discussed. Secondary data was collected from journal articles, textbooks, government publications and online sources. This chapter examined previous studies within the focus of this study. Various research studies undertaken in high-income and low-income countries within the scope of this study were reviewed.

8.2.4 Summary of Chapter Four

The internal factors reviewed included the characteristics of an entrepreneur, managerial skills, technology capacities, access to markets, human resource management, and financial management. The external factors reviewed included regulation, access to finance, high competition, high taxes, cost of production and investment in technology.

8.2.5 Summary of Chapter Five

Chapter five provided the research design, nature of the study, research instrument, data collection, and data analysis. Furthermore, it also discussed validity and reliability, and the instrument used for data collection.

8.2.6 Summary of Chapter Six

Chapter six presented the research findings and discussions of the study. The analysis of the results was presented in this chapter. The Statistical Package for the Social Sciences (SPSS) version 24 software, was used to analyse the data.

8.2.7 Summary of Chapter Seven

Chapter seven discussed the findings based on the objectives of the study, using relevant literature and findings. Based on the research findings, the conclusion for the study and recommendations for future research are presented in this chapter eight.

8.2.8 Summary of Chapter Eight

Chapter eight provides a summary, conclusions and recommendations from the findings of the study. Moreover, it offers a summary of all the dissertation chapter. It also discusses the recommendations offered by the researcher.

8.3 Summary of Findings on Research Objectives

This study was mainly aimed at establishing the internal and external environmental factors hindering the growth of SMMEs in Msunduzi Municipality. The findings of the study showed that there was a positive relationship between management skills, entrepreneurial characteristics, good cash management records, market share and business growth. There was no significant relationship between the growth of SMMEs and the internal factors. The study also examined different factors within the external environment that can influence business growth. The factors that tested positive when correlated with business growth are taxes, technology and financial access.

The findings of the current study show that some respondents' businesses are failing to grow due to business competition. When a sector is over-saturated, businesses who sell similar products are affected within that sector, hence profit margins decrease. Business competition involves SMMEs being exposed to or having to rival larger companies and sometimes even government owned companies. This calls for action to be taken to level the playing field and favours the SMME sector to compete. One of the challenges that the study raised as limiting business growth, is access to finance. The literature reviewed also highlighted finance as one of the challenges of business growth. This adversely affects the SMME sector.

Another factor revealed by the study is that SMMEs face the challenge of market access for goods and services. SMMEs in Msunduzi Municipality should explore other markets to grow their businesses. Despite the challenges that the respondents have raised, the majority of SMMEs who formed part of this study mentioned that their businesses are growing. This study found that the government provides financial support, hence owner-managers who applied for financial support, were granted. The study also shows that respondents are aware of government support but have not always made use of it. This raises a need for the government to run more outreach programmes, so that the intended users of the programmes are aware of there programmes and can make use of them. The findings of this study are not much different from those of other places outside of the Msunduzi Municipality. This is because the findings of this study support most of the findings from studies conducted beyond the Msunduzi Municipality.

8.4 Summary of Findings on Research Hypotheses

The descriptive and test of normality statistics are presented in Table 6.3. The mean for overall business growth is 3.369 (standard deviation = 0.765) which is above the neutral scale of 3.000. This means that in general, the businesses studied have experienced some growth. The results for the test of normality (Table 6.4) indicate that there is no significant departure from normality on the overall measure of business growth (Shapiro-Wilk's statistic = 0.973, df = 88, p-value = 0.058). Therefore, the researcher rejects the alternative hypothesis (H_1) and accepts the null hypothesis (H_0) which stated that SMMEs in Msunduzi Municipality are not growing. The regression results presented in Table 6.13 show that SMMEs in Msunduzi Municipality are growing with a coefficient = 0.645, $t = 5.645$, p-value < 0.001. However, the R-square value is only 0.273 which means that internal environmental factors affect only 27.3% of business growth. This implies that there are other factors that affect business growth. The researcher rejects the alternative (H_0) and accepts the null (H_2) which states: Internal environmental factors have a positive relationship on the growth of SMMEs.

The regression results presented in Table 6.17 show that external environmental factors do not significantly impact on business growth (coefficient = 0.220, $t = 1.399$, p-value = 0.166). The R-square value is only 0.023 (2.3%) which means that external environmental factors have an insignificant impact on business growth. Based on the inferential statistics, the researcher rejects the alternative (H_0) and accepts the null (H_3) hypothesis; external environmental factors have a negative relationship on the growth of SMMEs. The regression results presented in Table 6.20 show that perceptions among SMMEs regarding government support significantly impacts on business growth (coefficient = -0.364, $t = -2.458$, p-value = 0.016). The negative coefficient (-0.364) indicates that a lack of government policy intervention negatively impacts on business growth. The R-square value of 0.067 (6.7%) show that government policy contributes a small percentage to business growth. The researcher rejects the null (H_4) and accepts the alternative (H_0) hypothesis that there is a negative perception among SMMEs in Msunduzi Municipality regarding government support.

Figure 6.15 indicates that respondents are aware of and have made use of most agencies and departments, but there are a few departments and agencies that SMMEs are not aware of. Therefore, the researcher rejects the alternative (H_5) and accepts the null (H_0) hypothesis stating that SMMEs in Msunduzi Municipality are aware of existing government support structures.

8.5 Implications for Future Managers and Academic Researchers

This study highlighted challenges from which the researcher was able to offer recommendations for future studies based on. Some of these challenges were highlighted in chapter one of this dissertation. Based on the challenges encountered, the researcher recommends the following:

8.6 Recommendations from the Study

It was mentioned in chapter one, section 1.7, paragraph 1, line 10, that there is not much literature on the factors or challenges facing SMMEs in low-income countries like South Africa, particularly in Msunduzi Municipality. The results of this study inform stakeholders of the key issues that need to be addressed to create a conducive environment for SMMEs to thrive. The researcher presents the following recommendations for the stakeholders:

8.6.1 Recommendations for SMME Owners

Owner-managers should enhance their business skills by obtaining business management qualifications offered by different agencies such as SEDA. As far as accounting-related issues are concerned, it is best to have an individual who will focus on it. However, owner-managers should have the basic skills to manage financial issues of the business given the important role that finance has on the business. The competitive nature that most SMMEs face forces the owner-managers to make their businesses stand out from other businesses. When such is done, the business will have a competitive advantage. Furthermore, business owner-managers should have a growth strategy for their businesses, that is, a proper plan about where the business should be going and how it will get there. This will motivate everyone in the business to work hard in achieving the desired ethos.

8.6.2 Recommendations for Policy-Makers

It is important that the government and policy-makers ensure the growth of SMMEs, not only in Msunduzi Municipality but in South Africa as a whole. The growth of SMMEs helps resolve economic challenges such as unemployment, crime and poverty. The government should monitor programmes that aim to develop SMMEs. Existing programmes should be monitored and evaluated to inform or incentivise proper adjustment solutions, and those should be industry-specific and geographically relevant. Furthermore, there should be regular training for people appointed to drive or nurture the SMME environment. The nature of SMMEs is diverse, which means policy-makers should develop policies relevant to SMMEs of a certain area,

because the one-size-fits-all approach does not yield positive results. For this to materialise, the government should collect data regularly on the challenges facing SMMEs and respond appropriately. This dissertation can be used as a starting point for data collection. However, there should be more studies to increase the pool of information that can be used to draft SMME policies.

8.6.3 Recommendations for Future Academic and Research Studies

It is important to note that some of the external factors were expressed negatively (items D4.1.1, D4.1.3 and D.1.4), while others were expressed positively (D4.1.2, D4.1.5 and D4.1.6). This made the reliability statistic low (Chronbach's $\alpha=0.329$) and the latent factor coefficients of negatively coded items come out negative as well (see column of original coding in Table 4.6). In future studies this scale needs to be revised. Since there is limited literature available in Msunduzi Municipality on issues affecting SMMEs, the researcher recommends that there should be more studies done on the challenges affecting SMMEs and the relationship that such factors have on the growth of SMMEs. This dissertation only focused on SMMEs in Msunduzi Municipality. Yet, the findings of this study cannot be generalised to KZN or the country at large. It is recommended that there should be a study conducted on specific sectors. Furthermore, the study only focused on SMMEs which operate in the formal sector in Msunduzi Municipality. It is recommended that a study be conducted in the rural areas of the Municipality and those that operate in the informal sector.

8.7. Limitations of the Study

The main limitation that the study faced was that it focused on SMMEs in Msunduzi Municipality, this means the findings cannot be generalised across KZN or South Africa. Furthermore, the sample does not represent the sample frame of all SMMEs in KZN or Msunduzi Municipality, but only those SMMEs who are registered with SEDA. This is because there is no single database of all SMMEs in KZN or Msunduzi Municipality. Some respondents were not willing to share information, and the research assistants had to travel back and forth, which was time-consuming. Some questionnaires were incorrectly filled-in and were deemed unusable for analysis. Respondents wanted to share more about the challenges they face but were limited to a closed-ended questionnaire. Some respondents were not available within the set three weeks of data collection, and as a result, they did not participate in the study.

8.8 Conclusion

This chapter provided conclusions based on the findings and recommendations emerging from the study. The overall findings of this study show that SMMEs in Msunduzi Municipality are growing; internal factors hinder business growth, and the perceptions of SMMEs on government support also hinder business growth. The role of SMMEs in the economic growth and development of South Africa and Msunduzi Municipality was well-documented in this study, therefore policy-makers should ensure the sustainability of the sector. The researcher recommends that SMME owner-managers should use services offered by the government support structures. Furthermore, policy-makers should continue implementing and formulating policies that nurture the growth of SMMEs, not only in Msunduzi Municipality, but in South Africa. In support of the background, the researcher hopes that this dissertation contributes towards the growth and development of SMMEs in Msunduzi Municipality.

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APPENDIX A: PERMISSION TO CARRY OUT RESEARCH

Date:../.../...

Dear Sir/Madam

RE: PERMISSION TO CARRY OUT RESEARCH

My name is Siphelele Blose. I am a post graduate candidate in the school of Management, IT and Governance, University of KwaZulu-Natal, South Africa. I am conducting research on the factors that hinder SMMEs growth in KwaZulu-Natal: A case of Msunduzi Municipality. On a general level, the study seeks to examine the role of the South African government in building sustainable SMMEs in Msunduzi Municipality, Pietermaritzburg, KwaZulu-Natal, and to analyse current government strategies aimed at assisting sustainable SMMEs. Given the strategic importance and role played by your business within the South African economy and international governmental goals such as the Vision 2030, I humbly request that you participate in this study. Therefore, I am writing to request access to you or your staff for gathering data for the study (including middle or upper management personnel). Based on your preference, this will entail a self-administered questionnaire or semi-structured interview (about 10-15 minutes).

Please be assured that the collected data will be handled with the highest degree of confidentiality. The study will employ a coded system to maintain complete anonymity for interview and questionnaire respondents. Furthermore, this research is for academic purposes.

If you have questions about the study, please feel free to contact me directly. You may also feel free to contact my supervisor, Dr. O.E. Okeke-Uzodike, , School of Management, IT and Governance, College of Law and Management Studies, University of KwaZulu-Natal, Golf Road, Pietermaritzburg Campus.

I thank you in advance for your cooperation.

Yours Sincerely,



APPENDIX B: INFORMED CONSENT DOCUMENT

UNIVERSITY OF KWAZULU-NATAL

School of Management, IT and Governance

Dear Respondent,

Researcher: Siphelele Blose (Telephone number: [0731758434]) (Email: lelemve@gmail.com)

Supervisor: Dr.Okeke-Uzodike (Telephone number: [0332605736]) (Email: okekeuziodikeo@ukzn.ac.za;)

Research Office: Humanities & Social Sciences Research Ethics Administration, Govan Mbeki Building, Westville Campus, Tel: + 27 (0)31 260 8350, Email: hssreclms@ukzn.ac.za

I, Siphelele Blose am a Master of Commerce student in the School of Management, IT and Governance, at the University of KwaZulu-Natal. You are invited to participate in a research project entitled:

Factors Hindering the Growth of SMMEs in Msunduzi Municipality, KwaZulu-Natal Province.

The aim of this study is to get a better understanding of the factors that hinder SMMEs to grow in Msunduzi Municipality.

The study is funded by the National Research Foundation. 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 will be maintained by the researcher and the School of Management, IT and Governance, UKZN. All collected data will be used solely for research purposes and will be destroyed after 5 years.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number: HSS/0590/017M).

The questionnaire should take about 10-15 minutes to complete. Thank you for your time.

Sincerely

Researcher's signature

Date:

UNIVERSITY OF KWAZULU-NATAL
School of Management, IT and Governance
Research Project

Researcher: Siphelele Blose (Telephone number: 0731758434) (Email: lelemve@gmail)

Supervisor: Dr.Okeke-Uzodike (Telephone number: 0332605736) (Email:
okekeuziodikeo@ukzn.ac.za)

Research Office: **Humanities & Social Sciences Research Ethics Administration, Govan Mbeki
Building, Westville Campus, Tel: 27 31 2604557, Email: HSSREC@ukzn.ac.za**

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.

Additional consent, where applicable

I hereby provide consent to:

Audio-record my interview / focus group discussion YES / NO

Video-record my interview / focus group discussion YES / NO

Use of my photographs for research purposes YES / NO

Signature of Participant

Date

This page is to be retained by the researcher

APPENDIX C: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Please answer each question by filling an (X) in the suitable box provided.

1.1 Your position in the company

Owner	
Manager	
Supervisor	
Not willing to declare	

1.2 Indicate the appropriate gender

Male	
Female	

1.3 Age range

18-25	
26-30	
31-40	
41-55	
56-60	

1.4 Level of qualification?

No formal education	
Primary completed	
Secondary completed	
Certificate diploma	
Undergraduate degree	
Postgraduate degree	

1.5 Business form of ownership?

Partnership	
Close corporation	
Private company	
Not willing to declare	

1.6 Average years in business?

Less than 1 years	
2-3 years	
4-5 years	
6-7 years	
Morethan 7 years	

1.7 What is your racial group?

Black African		Coloured		Not willing to declare	
White		Indian			

1.8 How many employees does your organization have?

Fewer than 5	
Between 10-20	
Between 21-50	
Between 50-200	

SECTION B

2. MEASURES OF BUSINESS GROWTH

2.1 To what extent do you agree or disagree with the following measures of business growth.

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
B2.1.1	My business has experienced steady increase in sales					
B2.1.2	My business market share has expanded					
B2.1.3	My business size has grown					
B2.1.4	My business has increased the number of its employees					
B2.1.5	My business assets are increasing steadily					
B2.1.6	There is increased output of goods/services produced by my business					

SECTION C

3. INTERNAL ENVIRONMENTAL FACTORS

3.1 To what extent do you agree or disagree with the following statements.

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
C3.1.1	My management skills make me competent to run my business					
C3.1.2	My business is able to use technology					
C3.1.3	My business has sufficient market share					
C3.1.4	My entrepreneurial characteristics help my business to grow					
C3.1.5	My business has good human resource management					
C3.1.6	My business has good financial management					

3.2 What hinders your business from having access to markets?

3.2.1	Location	
3.2.2	Business size	
3.2.3	Capital	
3.2.4	Other specify	

3.3 Do you have any accounting related qualification?

3.3.1	Yes	No

3.4 Do you do all the cash control for your business?

3.4.1	Yes	No

3.5 Do you see a need for the business to hire someone to assist with cash management?

3.5.1	Yes		No	
-------	-----	--	----	--

SECTION D

4. EXTERNAL ENVIRONMENTAL FACTORS

4.1 To what extent do you agree or disagree with the following statements.

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
D4.1.1	Government regulations are a challenge to my business					
D4.1.2	My business has access to finance					
D4.1.3	My business finds it difficult to cope with high competition					
D4.1.4	High taxes are a challenge to my business					
D4.1.5	My business can afford its cost of production					
D4.1.6	My business invests in technology					

4.2 Access to Finance

4.2.1 Have you ever applied for a loan?

Yes	No

4.2.2 Was it granted to you?

Yes	No

4.2.3 Please choose the applicable reasons why your application was refused.

Business location	
Inadequate collateral	
Lack of credit history	
Not having a sound business plan	
Poor market research	
Absence of viable business idea	
Lack of access to vibrant market	
Not willing to declare	

4.2.4 How have you been financing the operations of the business?

Personal savings	
Bank loan	
Family funds	
Friends' support	
Not willing to declare	

4.2.5 To what extent is finance limited to your business?

High	Moderate	Low	Very low

SECTION E

THE PERCEPTIONS Of SMMEs REGARDING GOVERNMENT SUPPORT

5.1 To what extent do you agree or disagree with the following statements.

		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
E5.1.1	My business needs government interventions to grow					
E5.1.2	It is generally easy to get access to governments' supporting institutions					
E5.1.3	I am aware of the government supporting institutions					
E5.1.4	Government taxes hinder my business growth					

5.2 Has the government assisted your business in any way?

Yes		No	
-----	--	----	--

5.3 How satisfied are you with the support you received? (Tick the appropriate)

Very Satisfied	Satisfied	Unsatisfied	Poorly satisfied

6. THE AWARENESS of SMMES REGARDING GOVERNMENT SUPPORT STRUCTURES.

6.1 Which of the following government agency(s) or departments are you aware of?

	Yes	No
Umsobomvu Youth Fund (UYF)		
Brain		
Khula Enterprise		
Small Enterprise Development Agency (SEDA)		
Industrial Development Corporation (IDC)		
Centre for Small Business Promotion (CSBP)		
Competitive Fund		

South Africa Micro Finance (Apex) Fund		
Department of Trade and Industry		
Department of Small Business Development		
Economic Development, Tourism and Agriculture		
Not willing to declare		

6.2 Which of the following agency(s) or Department has your business made use of? (Tick the appropriate)

Umsobomvu Youth Fund (UYF)	
Brain	
Khula Enterprise	
Small Enterprise Development Agency (SEDA)	
Industrial Development Corporation (IDC)	
Centre of Small Business Promotion (CSBP)	
Competitive Fund	
South Africa Micro Finance (Apex) Fund	
Department of Trade and Industry	
Department of Small Business Development	
Economic Development, Tourism and Agriculture	
Not willing to declare	

THANK YOU



APPENDIX D: GATE-KEEPER'S LETTER



SMALL ENTERPRISE DEVELOPMENT AGENCY

an agency of the dsbd

2nd Floor, The Tourism
Hub Building
283 Langalibalele Street
Pietermaritzburg
320103 March 2017

To: Mr. Blose Siphelele
210 Slinger Rd
Newlands East
Durban, 4037

RE: RESPONSE TO APPLICATION FOR PERMISSION TO CONDUCT SMME RESEARCH

Small Enterprise Development Agency (SEDA) uMgungundlovu branch office hereby provides permission to Mr. Siphelele Blose to conduct the necessary research in line with his post graduate study requirements.

Kindly liaise with Mr. Xolile Rubushe, Business Advisor (xrubushe@seda.org.za) or reception on the availability of needed staff members to conduct the research.

Data collected must be treated with due confidentiality and anonymity.

Sincerely

A handwritten signature in black ink, appearing to read "Michael Zondo", is written over a horizontal line.

Mr. Michael Zondo
Branch Manager

SEDA Umgungundlovu
033 - 264 3100

APPENDIX E: ETHICAL CLEARANCE



22 September 2017

Mr Siphelele Blose (211532366)
School of Management, IT & Governance
Pietermaritzburg Campus

Dear Mr Blose,

Protocol reference number: HSS/0590/017M

New Project Title: Factors Hindering the Growth of SMMEs in Msunduzi Municipality, KwaZulu-Natal Province

Approval notification – Amendment Application

This letter serves to notify you that your application for an amendment dated 21 September 2017 has now been granted **Full Approval** as follows:

- **Change in Title**

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 a 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)
Humanities & Social Sciences Research Ethics Committee

/pm

Cc Supervisor: Dr Okeke-Uzodike and Dr V Naidoo
Cc Academic Leader Research: Professor Debbie Vigar-Ellis
Cc School Administrator: Ms Debbie Cunynghame

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3687/8360/4567 Facsimile: +27 (0) 31 260 4608 Email: simbap@ukzn.ac.za / snymacm@ukzn.ac.za / mohunp@ukzn.ac.za

Website: www.ukzn.ac.za



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APPENDIX F: SAMPLE SIZE CALCULATOR

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384
<i>Note: N is Population Size; S is Sample Size</i>					<i>Source: Krejcie & Morgan, 1970</i>				